

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

University of Maryland Medical System Corporation and Subsidiaries  
Years Ended June 30, 2022 and 2021  
With Report of Independent Auditors

Ernst & Young LLP



University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2022 and 2021

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## Report of Independent Auditors

The Board of Directors  
University of Maryland Medical System Corporation

### Opinion

We have audited the consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation at June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

## Supplementary Information

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

*Ernst + Young LLP*

October 21, 2022

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Balance Sheets  
(In Thousands)

|  | June 30             |                     |
|--|---------------------|---------------------|
|  | 2022                | 2021                |
| <b>Assets</b>  |                     |                     |
| Current assets:  |                     |                     |
| Cash and cash equivalents  | \$ 244,529          | \$ 858,543          |
| Assets limited as to use, current portion  | 68,258              | 54,457              |
| Accounts receivable:   |                     |                     |
| Patient accounts receivable, net   | 571,609             | 529,825             |
| Other  | 292,147             | 223,549             |
| Inventories  | 97,453              | 105,076             |
| Prepaid expenses and other current assets  | 38,709              | 32,233              |
| Total current assets   | <u>1,312,705</u>    | <u>1,803,683</u>    |
| Investments  | 1,431,494           | 1,355,157           |
| Assets limited as to use, less current portion   | 935,258             | 1,338,262           |
| Property and equipment, net  | 2,828,105           | 2,753,060           |
| Investments in joint ventures  | 98,016              | 103,098             |
| Other assets   | 493,912             | 501,852             |
| Total assets   | <u>\$ 7,099,490</u> | <u>\$ 7,855,112</u> |
| <b>Liabilities and net assets</b>  |                     |                     |
| Current liabilities:   |                     |                     |
| Trade accounts payable   | \$ 412,458          | \$ 429,032          |
| Accrued payroll and benefits   | 341,609             | 343,770             |
| Advances from third-party payors   | 266,121             | 563,933             |
| Lines of credit  | 81,000              | 113,000             |
| Other current liabilities  | 135,616             | 133,624             |
| Long-term debt subject to short-term remarketing arrangements                                  | -                   | 153,510             |
| Current portion of long-term debt  | 38,399              | 29,751              |
| Total current liabilities  | <u>1,275,203</u>    | <u>1,766,620</u>    |
| Long-term debt, less current portion and amount subject to short-term remarketing arrangements | 1,900,234           | 1,788,367           |
| Other long-term liabilities  | 541,269             | 757,633             |
| Interest rate swap liabilities   | 106,721             | 203,609             |
| Total liabilities  | <u>3,823,427</u>    | <u>4,516,229</u>    |
| Net assets:  |                     |                     |
| Without donor restrictions   | 3,041,971           | 3,036,143           |
| With donor restrictions  | 234,092             | 302,740             |
| Total net assets   | <u>3,276,063</u>    | <u>3,338,883</u>    |
| Total liabilities and net assets   | <u>\$ 7,099,490</u> | <u>\$ 7,855,112</u> |

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets  
(In Thousands)

|   | <b>Year Ended June 30</b> |              |
|---|---------------------------|--------------|
|   | <b>2022</b>               | <b>2021</b>  |
| Operating revenue, gains, and other support:                          |                           |              |
| Net patient service revenue   | <b>\$ 4,523,407</b>       | \$ 4,288,842 |
| State and county support  | <b>13,600</b>             | 20,025       |
| CARES Act – provider relief funds                                     | <b>22,683</b>             | 155,723      |
| Other revenue   | <b>333,367</b>            | 305,251      |
| Total operating revenue, gains, and other support                     | <b>4,893,057</b>          | 4,769,841    |
| Operating expenses:   |                           |              |
| Salaries, wages, and benefits   | <b>2,608,080</b>          | 2,428,690    |
| Expendable supplies   | <b>864,693</b>            | 882,966      |
| Purchased services  | <b>784,386</b>            | 705,847      |
| Contracted services   | <b>328,391</b>            | 305,273      |
| Depreciation and amortization   | <b>267,187</b>            | 244,277      |
| Interest expense  | <b>40,145</b>             | 32,467       |
| Total operating expenses  | <b>4,892,882</b>          | 4,599,520    |
| Operating income from continuing operations                           | <b>175</b>                | 170,321      |
| Nonoperating income and expenses, net:                                |                           |              |
| Unrestricted contributions  | <b>3,508</b>              | 3,882        |
| (Loss) equity in net income of joint ventures                         | <b>(904)</b>              | 11,230       |
| Investment income, net  | <b>155,850</b>            | 41,377       |
| Change in fair value of investments                                   | <b>(304,297)</b>          | 184,661      |
| Change in fair value of undesignated interest rate swaps              | <b>96,888</b>             | 65,325       |
| Other nonoperating losses, net  | <b>(33,212)</b>           | (38,888)     |
| Loss on early extinguishment of debt                                  | <b>–</b>                  | (8,565)      |
| (Deficit) excess of revenues over expenses from continuing operations | <b>(81,992)</b>           | 429,343      |
| Gain (loss) on discontinued operations, net                           | <b>–</b>                  | (529)        |
| (Deficit) excess of revenues over expenses                            | <b>\$ (81,992)</b>        | \$ 428,814   |

Continued on page 6

University of Maryland Medical System Corporation and Subsidiaries

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

|  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b>               |
|--|---|--|----------------------------|
| Balance at June 30, 2020   | \$ 2,055,346                              | \$ 755,964                             | \$ 2,811,310               |
| Excess of revenues over expenses from continuing operations                            | 429,343                                   | –                                      | 429,343                    |
| Loss on discontinued operations, net   | (529)                                     | –                                      | (529)                      |
| Investment gains, net  | –   | 15,589                                 | 15,589                     |
| State support for capital  | –   | 15,189                                 | 15,189                     |
| Contributions, net   | –   | 15,603                                 | 15,603                     |
| Net assets released from restrictions used for operations and nonoperating activities  | –   | (7,597)                                | (7,597)                    |
| Net assets released from restrictions used for purchase of property and equipment      | 386,238                                   | (386,238)                              | –                          |
| Change in economic and beneficial interests in the net assets of related organizations | 120,495                                   | (107,725)                              | 12,770                     |
| Change in funded status of defined benefit pension plans                               | 52,567                                    | –                                      | 52,567                     |
| Other  | (7,317)                                   | 1,955                                  | (5,362)                    |
| Increase (decrease) in net assets  | <u>980,797</u>                            | <u>(453,224)</u>                       | <u>527,573</u>             |
| Balance at June 30, 2021   | 3,036,143                                 | 302,740                                | 3,338,883                  |
| Deficit of revenues over expenses from continuing operations                           | <b>(81,992)</b>                           | –                                      | <b>(81,992)</b>            |
| Investment losses, net   | –   | <b>(9,443)</b>                         | <b>(9,443)</b>             |
| State support for capital  | <b>500</b>                                | <b>910</b>                             | <b>1,410</b>               |
| Contributions, net   | <b>14,044</b>                             | <b>15,909</b>                          | <b>29,953</b>              |
| Net assets released from restrictions used for operations and nonoperating activities  | –   | <b>(5,925)</b>                         | <b>(5,925)</b>             |
| Net assets released from restrictions used for purchase of property and equipment      | <b>66,729</b>                             | <b>(66,729)</b>                        | –                          |
| Change in economic and beneficial interests in the net assets of related organizations | <b>1,244</b>                              | <b>(3,602)</b>                         | <b>(2,358)</b>             |
| Change in funded status of defined benefit pension plans                               | <b>2,180</b>                              | –                                      | <b>2,180</b>               |
| Other  | <b>3,123</b>                              | <b>232</b>                             | <b>3,355</b>               |
| Increase (decrease) in net assets  | <u><b>5,828</b></u>                       | <u><b>(68,648)</b></u>                 | <u><b>(62,820)</b></u>     |
| Balance at June 30, 2022   | <u><b>\$ 3,041,971</b></u>                | <u><b>\$ 234,092</b></u>               | <u><b>\$ 3,276,063</b></u> |

See accompanying notes to consolidated financial statements.



University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows  
(In Thousands)

|  | <b>Year Ended June 30</b> |                  |
|--|---------------------------|------------------|
|  | <b>2022</b>               | <b>2021</b>      |
| <b>Operating activities</b>  |                           |                  |
| (Decrease) increase in net assets  | \$ (62,820)               | \$ 527,573       |
| Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities: |                           |                  |
| Depreciation and amortization  | 267,187                   | 244,277          |
| Amortization of bond premium and deferred financing costs  | (2,456)                   | (2,438)          |
| Net realized losses (gains) and change in fair value of investments  | 148,447                   | (226,038)        |
| Equity in net loss (income) of joint ventures  | 904                       | (11,230)         |
| Change in economic and beneficial interests in net assets of related organizations                                 | 3,602                     | (14,741)         |
| Change in fair value of interest rate swaps  | (96,888)                  | (65,325)         |
| Change in funded status of defined benefit pension plans   | (2,180)                   | (52,567)         |
| Restricted contributions, grants and other support, net  | (7,376)                   | (46,381)         |
| Loss on early extinguishment of debt   | –                         | 8,565            |
| Loss on divestiture of UM Health Plans   | –                         | 3,266            |
| Change in operating assets and liabilities:  |                           |                  |
| Patient accounts receivable  | (41,784)                  | (57,474)         |
| Other receivables, prepaid expenses, other current assets, and other assets  | (78,994)                  | (97,198)         |
| Inventories  | 7,623                     | 803              |
| Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities   | (59,775)                  | 336,434          |
| Advances from third-party payors   | (447,812)                 | (210,014)        |
| Net cash (used in) provided by operating activities  | <u>(372,322)</u>          | <u>337,512</u>   |
| <b>Investing activities</b>  |                           |                  |
| Purchases and sales of investments and assets limited as to use, net   | (119,745)                 | (467,307)        |
| Purchases of alternative investments   | (198,475)                 | (72,432)         |
| Sales of alternative investments   | 342,050                   | 91,351           |
| Purchases of property and equipment  | (363,384)                 | (440,572)        |
| Sale of UM Health Plan, LLC net cash proceeds  | 4,587                     | 65,555           |
| Transfer of funds from UCH Legacy Funding Corp   | –                         | 122,504          |
| Distributions from joint ventures, net   | 2,951                     | 2,327            |
| Net cash used in investing activities  | <u>(332,016)</u>          | <u>(698,574)</u> |

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University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows (continued)  
(In Thousands)

|  | <b>Year Ended June 30</b> |                     |
|--|---------------------------|---------------------|
|  | <b>2022</b>               | <b>2021</b>         |
| <b>Financing activities</b>  |                           |                     |
| Proceeds from long-term debt                                       | \$ 268,355                | \$ 783,994          |
| Payment of debt issuance costs                                     | (1,333)                   | (5,484)             |
| Repayment of long-term debt and finance leases                     | (297,561)                 | (470,528)           |
| Repayments of lines of credit, net                                 | (32,000)                  | (80,500)            |
| Restricted contributions, grants, and other support                | 7,376                     | 46,381              |
| UM Health Plan, LLC earnout proceeds                               | 8,500                     | —                   |
| Net cash (used in) provided by financing activities                | <u>(46,663)</u>           | <u>273,863</u>      |
| Net decrease in cash, cash equivalents, and restricted cash        | (751,001)                 | (87,199)            |
| Cash, cash equivalents, and restricted cash, beginning of year     | <u>1,125,424</u>          | <u>1,212,623</u>    |
| Cash, cash equivalents, and restricted cash, end of year           | <u>\$ 374,423</u>         | <u>\$ 1,125,424</u> |
| Cash and cash equivalents  | \$ 244,529                | \$ 858,543          |
| Restricted cash included in assets limited as to use               | <u>129,894</u>            | <u>266,881</u>      |
| Cash, cash equivalents, and restricted cash, end of year           | <u>\$ 374,423</u>         | <u>\$ 1,125,424</u> |
| <b>Discontinued operations</b>                                     |                           |                     |
| Operating activities   | <u>\$ (1,094)</u>         | <u>\$ (6,452)</u>   |
| <b>Supplemental disclosures of cash flow information</b>           |                           |                     |
| Cash paid during the year for interest, net of amounts capitalized | <u>\$ 39,766</u>          | <u>\$ 32,737</u>    |
| Amount included in accounts payable for construction in progress   | <u>\$ 40,913</u>          | <u>\$ 62,065</u>    |

See accompanying notes to consolidated financial statements.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (In Thousands)

June 30, 2022

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

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

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

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in Note 5. The significant operating divisions of the Corporation are described in further detail below.

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

#### *Recent Acquisitions and Divestitures*

During the year ended June 30, 2021, the Corporation signed a letter of intent to sell the assets and liabilities of UM Health Plans, which included both the Medicaid Plan and Medicare Advantage Plan. Based on the criteria in Accounting Standards Codification (ASC) 205, *Discontinued Operations*, it was determined that the pending sale met the criteria for discontinued operations treatment.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

For the years ended June 30, 2022 and 2021, operating revenues from discontinued operations were \$0 and approximately \$117,112, respectively. For the years ended June 30, 2022 and 2021, operating and nonoperating expenses from discontinued operations were \$0 and approximately \$114,375, respectively. The transaction was completed on October 10, 2020, resulting in a loss on sale of \$3,266, which is included in the net loss from discontinued operations of \$529 for the year ended June 30, 2021.

#### *University of Maryland Medical Center (Medical Center)*

The Medical Center, which is a major component of UMMS, is a 806-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days.

The Medical Center's operations include University CARE, LLC (UCARE), a physician hospital organization of which the Corporation owns a majority ownership interest and therefore consolidates, and 36 South Paca Street, LLC, a wholly owned subsidiary of the Corporation that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2022 and 2021 was approximately \$201,321 and \$190,417, respectively.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

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

#### *University of Maryland Rehabilitation and Orthopaedic Institute (ROI)*

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 136 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

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

#### *University of Maryland Medical Center Midtown Campus (Midtown)*

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 180 licensed beds, including 100 acute care beds and 80 chronic care beds and a wholly owned subsidiary providing primary care.

#### *University of Maryland Baltimore Washington Medical System, Inc. (Baltimore Washington)*

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 285-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

#### *University of Maryland Shore Regional Health System (Shore Regional)*

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 97-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Cambridge (UM Cambridge), a 34-bed acute care hospital providing inpatient and outpatient services that transitioned to a freestanding medical facility, in November 2021, providing outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 12-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; Memorial Hospital Foundation (Memorial Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Memorial; Chester River Health Foundation (Chester River Foundation), a nonprofit corporation established to solicit donations for the benefit of UM Chester River; and several other subsidiaries providing various outpatient and home care services.

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

#### *University of Maryland Charles Regional Health System, Inc. (Charles Regional)*

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 99-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

#### *University of Maryland St. Joseph Health System, LLC (St. Joseph)*

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 219-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

#### *University of Maryland Upper Chesapeake Health System (Upper Chesapeake)*

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 161-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 82-bed acute care hospital; a physician practice; a land holding company; and Upper Chesapeake Health Foundation.

#### *University of Maryland Capital Region Health (Capital Region)*

Capital Region is a health system located in Prince George's County. Capital Region owns and operates the new state-of-the-art UM Capital Region Medical Center (UM Prince George's), a 254-bed acute care teaching hospital providing an array of services, including emergency medicine, behavioral health, cardiac surgery, women's and infants health and a Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a free standing medical facility providing emergency medicine and outpatient surgery and UM Bowie Health Center (UM Bowie) a free standing medical facility providing emergency medicine and diagnostic imaging and lab services.

#### *University of Maryland Medical System Foundation, Inc. (UM Medicine Foundation)*

The UM Medicine Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Corporation.

#### *University of Maryland Quality Care Network (QCN)*

QCN, a wholly owned subsidiary of UMMS, is a network comprised of UMMS-employed physicians and independent physician practices in the UMMS service area. The participants bear shared responsibility for the care of a defined population of patients and can contract as one entity with payors.

### **Basis of Presentation**

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

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

#### **Cash and Cash Equivalents**

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

#### **Investments and Assets Limited as to Use**

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported in the consolidated balance sheets as long-term assets at June 30, 2022 and 2021. Unrealized holding gains and losses on trading securities with readily determinable market values, as well as alternative investments, are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside at the discretion of the board of directors for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self insurance trust arrangements, and assets whose use is restricted by donors. Restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law. Assets limited as to use also include the Corporation's economic interests in financially interrelated organizations (Note 13).

Alternative investments, which the Corporation defines to include multi-strategy commingled funds, hedge funds, hedge fund-of-funds, and private equity investments, are recorded under the equity method of accounting. The equity method reflects the Corporation's share of the net asset values, as a practical expedient, which is based on the unit values of the interest as determined by the issuer sponsoring such interest dividing the fund's net assets at fair value by its units outstanding at the valuation dates. 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.



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

#### **Inventories**

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost or market, on a first-in, first-out basis.

#### **Economic Interests in Financially Interrelated Organizations**

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both, to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized in the accompanying consolidated statements of changes in net assets.

#### **Property and Equipment**

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

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

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

#### **Deferred Financing Costs**

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

#### **Impairment of Long-Lived Assets**

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

Impairment losses of \$2,274 and \$2,900 were recorded for the years ended June 30, 2022 and 2021, respectively.

#### **Investments in Joint Ventures**

When the Corporation does not have a controlling interest in an entity where less than 50% of the voting common stock is owned or does not exert a significant influence over the entity, the Corporation applies the equity method of accounting.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

#### **Self-Insurance**

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

#### **Net Assets**

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

#### **Net Patient Service Revenue and Patient Accounts Receivable**

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflects actual charges to patients based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) in effect during the period in which the services are rendered. See Note 20 for further discussion on the HSCRC and regulated rates.

Patient accounts are recorded at the net realizable value based on certain assumptions determined by each payor. For third-party payors, including Medicare, Medicaid, and commercial insurance, the net realizable value is based on the estimated contractual adjustments which are based on approved discounts on charges as permitted by the HSCRC. For self-pay accounts, which include patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience.

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

|  | <b>Year Ended June 30</b> |                     |
|--|---------------------------|---------------------|
|  | <b>2022</b>               | <b>2021</b>         |
| Hospital inpatient and outpatient services | \$ 4,233,750              | \$ 4,013,287        |
| Physician services                         | 284,410                   | 267,800             |
| Other                                      | 5,247                     | 7,755               |
| Net patient service revenue                | <u>\$ 4,523,407</u>       | <u>\$ 4,288,842</u> |

### Charity Care

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

Due to the complexity of the eligibility process, the Corporation provides eligibility services to patients free of charge to assist in the qualification process. These eligibility services include, but are not limited to, the following:

- Financial assistance brochures and other information are posted at each point of service. When patients have questions or concerns, they are encouraged to call a toll-free number to reach customer service representatives during the business day. Financial assistance programs are published on the Corporation's website and are included on the statements provided to patients.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.
- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

The Corporation recognizes that a large number of uninsured and insured patients meet the charity care guidelines, but do not respond to the Corporation's attempts to obtain necessary financial information. In these instances, the Corporation uses credit reporting data to properly classify these unpaid balances as charity care as opposed to bad debt expense. Utilization of income and asset information and credit reporting data indicate the vast majority of amounts reported as uncollectible (implicit price concessions) represent amounts due from patients that would otherwise qualify for charity benefits, but do not respond to the Corporation's attempts to obtain the necessary financial information. In these cases, reasonable collection efforts are pursued, but yield few collections. Amounts determined to meet the criteria under the charity care policy or determined to be uncollectible from patients are reported as reductions to net patient service revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately \$49,429 and \$48,257 for the years ended June 30, 2022 and 2021, respectively.

### Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include investment income, equity in the net income of joint ventures, general donations and fund-raising activities, inherent contributions, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment. Settlement payments on interest rate swaps were approximately \$23,661 and \$24,527 for the years ended June 30, 2022 and 2021, respectively, and are reported within other nonoperating losses, net.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

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

#### **Derivative Financial Instruments**

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

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

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

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

#### **(Deficit) Excess of Revenue over Expenses from Continuing Operations**

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

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

#### **Income Taxes**

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

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

#### **Donor-Restricted Gifts**

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

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



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

#### Fair Value Measurements

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

*Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

*Pension plan assets* – The Corporation applies Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV.

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by accounting principles generally accepted in the United States of America that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

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

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

As of June 30, 2022 and 2021, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 3 and 11 utilize the following valuation techniques and inputs:

#### *Cash Equivalents*

The fair value of investments in cash equivalent securities, with maturities within three months of the date of purchase, is determined using techniques that are consistent with the market approach. Significant observable inputs include reported trades and observable broker-dealer quotes.

#### *U.S. Government and Agency Securities*

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

#### *Corporate Obligations*

The fair value of investments in U.S. and international corporate bonds, including commingled funds that invest primarily in such bonds and foreign government bonds, is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and security specific characteristics, such as early redemption options. The fair value of collateralized

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes. Corporate obligations also include commercial paper that is based on quoted market prices in active markets.

#### *Derivative Liabilities*

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

#### *Alternative Investments*

Alternative investments measured at fair value represent funds included on the consolidated balance sheet that are reported using NAV as a practical expedient. These amounts are not required to be categorized in the fair value hierarchy. The fair value of these investments is based on the net asset value information provided by the general partners. Fair value is based on the proportionate share of the NAV based on the most recent partners' capital statements received from the general partners. Certain alternative investments are utilizing NAV to calculate fair value and are included in alternative investments in the fair value hierarchy tables presented in Note 3.

### **Commitments and Contingencies**

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

### **Going Concern**

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

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

#### **Use of Estimates**

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

### **2. COVID-19 Pandemic and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020**

In response to COVID-19, the CARES Act was signed into law on March 27, 2020. The CARES Act authorizes funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund). Payments from the Relief Fund are to be used to prevent, prepare for, and respond to COVID-19 and shall reimburse the recipient for health care related expenses or lost revenues attributable to COVID-19. Such amounts are not required to be repaid, provided the recipients attest to and comply with the terms and conditions.

The U.S. Department of Health and Human Services' distributions from the Relief Fund include general distribution and targeted distributions to support hospitals in high impact areas and rural providers. For the years ended June 30, 2022 and 2021, the Corporation received and recognized as other operating revenue approximately \$22,683 and \$155,723, respectively, in relief funding.

In April 2020, the Corporation requested Medicare advanced payments under the Centers for Medicare & Medicaid Services' Accelerated and Advanced Payment Program designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. The Medicare advanced payment program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. The Corporation received approximately \$641,300 of advanced payments with repayment to occur based upon the terms and conditions of the program. The remaining balance of \$105,063 as of June 30, 2022 represents contract liabilities under Topic 606 and is recorded in advances from third-party payors within the accompanying consolidated balance sheet as of June 30, 2022.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**2. COVID-19 Pandemic and the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 (continued)**

The CARES Act provided for deferred payment of the employer portion of social security taxes through December 31, 2020, with 50% of the deferred amount due December 31, 2021, and the remaining 50% due December 31, 2022. At June 30, 2022, the Corporation deferred \$38,331, which is recorded in accrued payroll in the accompanying consolidated balance sheet.

**3. Investments and Assets Limited as to Use**

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

|  | <b>June 30</b>    |                     |
|--|-------------------|---------------------|
|  | <b>2022</b>       | <b>2021</b>         |
| Investments held for collateral  | \$ 6,840          | \$ 117,474          |
| Debt service and reserve funds   | 55,873            | 56,384              |
| Construction funds – held by trustee   | 336,591           | 496,355             |
| Construction funds – held by the Corporation   | 96,629            | 128,756             |
| Board designated funds   | 90,000            | 137,528             |
| Self-insurance trust funds   | 240,220           | 277,274             |
| Funds restricted by donors   | 117,870           | 115,853             |
| Economic and beneficial interests in the net assets of related organizations (Note 13) | 59,493            | 63,095              |
| Total assets limited as to use   | <u>1,003,516</u>  | 1,392,719           |
| Less amounts available for current liabilities   | <u>(68,258)</u>   | (54,457)            |
| Total assets limited as to use, less current portion                                   | <u>\$ 935,258</u> | <u>\$ 1,338,262</u> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

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

|                                       | Investments<br>Held for<br>Collateral | Debt<br>Service and<br>Reserve<br>Funds | Construction<br>Funds | Board<br>Designated<br>Funds | Self-<br>Insurance<br>Trust<br>Funds | Funds<br>Restricted<br>by Donors | Economic<br>and<br>Beneficial<br>Interests | Total        |
|---------------------------------------|---------------------------------------|---|-----------------------|------------------------------|--------------------------------------|----------------------------------|--|--------------|
| <b>June 30, 2022</b>                  |                                       |   |                       |                              |                                      |                                  |  |              |
| Cash and cash equivalents             | \$ -                                  | \$ 54,132                               | \$ 163,575            | \$ 65,312                    | \$ 604                               | \$ 8,816                         | \$ -                                       | \$ 292,439   |
| Corporate obligations                 | -                                     | -                                       | 45,410                | 2,028                        | 5,775                                | 8,032                            | -  | 61,245       |
| Fixed income funds                    | -                                     | -                                       | -                     | 2,345                        | 2,272                                | 20,838                           | -  | 25,455       |
| U.S. Government and agency securities | 6,840                                 | 1,741                                   | 224,235               | 1,307                        | 11,243                               | 10,093                           | -  | 255,459      |
| Common stocks, including mutual funds | -                                     | -                                       | -                     | 6,141                        | 5,750                                | 45,639                           | -  | 57,530       |
| Alternative investments               | -                                     | -                                       | -                     | 12,867                       | 2,080                                | 24,452                           | -  | 39,399       |
| Assets held by other organizations    | -                                     | -                                       | -                     | -                            | 212,496                              | -                                | 59,493                                     | 271,989      |
| Total assets limited as to use        | \$ 6,840                              | \$ 55,873                               | \$ 433,220            | \$ 90,000                    | \$ 240,220                           | \$ 117,870                       | \$ 59,493                                  | \$ 1,003,516 |
| <b>June 30, 2021</b>                  |                                       |   |                       |                              |                                      |                                  |  |              |
| Cash and cash equivalents             | \$ 72,439                             | \$ 17,856                               | \$ 285,949            | \$ 62,057                    | \$ 2,133                             | \$ 19,393                        | \$ -                                       | \$ 459,827   |
| Corporate obligations                 | -                                     | -                                       | -                     | 3,206                        | 6,653                                | -                                | -  | 9,859        |
| Fixed income funds                    | -                                     | -                                       | -                     | 10,127                       | -                                    | 17,063                           | -  | 27,190       |
| U.S. Government and agency securities | 45,035                                | 38,528                                  | 339,162               | 927                          | 7,667                                | 1,208                            | -  | 432,527      |
| Common stocks, including mutual funds | -                                     | -                                       | -                     | 40,923                       | 8,975                                | 50,069                           | -  | 99,967       |
| Alternative investments               | -                                     | -                                       | -                     | 20,288                       | 7,787                                | 28,120                           | -  | 56,195       |
| Assets held by other organizations    | -                                     | -                                       | -                     | -                            | 244,059                              | -                                | 63,095                                     | 307,154      |
| Total assets limited as to use        | \$ 117,474                            | \$ 56,384                               | \$ 625,111            | \$ 137,528                   | \$ 277,274                           | \$ 115,853                       | \$ 63,095                                  | \$ 1,392,719 |

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), and funds restricted by donors are included in the accompanying consolidated statements of cash flows for the years ended June 30, 2022 and 2021.

The carrying values of investments were as follows:

|                                       | <b>June 30</b>      |                     |
|---------------------------------------|---------------------|---------------------|
|                                       | <b>2022</b>         | <b>2021</b>         |
| Cash and cash equivalents             | \$ 93,020           | \$ 229,597          |
| Corporate obligations                 | 121,256             | 18,569              |
| Fixed income funds                    | 92,294              | 86,415              |
| U.S. Government and agency securities | 208,956             | 36,013              |
| Common stocks                         | 388,013             | 304,043             |
| Alternative investments:              |                     |                     |
| Hedge funds/private equity            | 61,449              | 222,861             |
| Commingled funds                      | 466,506             | 457,659             |
|                                       | <u>\$ 1,431,494</u> | <u>\$ 1,355,157</u> |

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2022, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately \$55,655 of the alternative investments were subject to 31–60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately \$78,546, are subject to over 60-day notice requirements and can only be redeemed quarterly or annually. There is approximately \$12,623 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from three to ten years. The Corporation had approximately \$5,767 of unfunded commitments in alternative investments as of June 30, 2022.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2022:

|  | Level 1           | Level 2           | Level 3          | Total               |
|--|-------------------|-------------------|------------------|---------------------|
| <b>Assets</b>                                |                   |                   |                  |                     |
| Investments:                                 |                   |                   |                  |                     |
| Cash and cash equivalents                    | \$ 93,020         | \$ –              | \$ –             | \$ 93,020           |
| Corporate obligations                        | 46,795            | 74,461            | –                | 121,256             |
| Fixed income funds                           | 92,294            | –                 | –                | 92,294              |
| U.S. Government and agency securities        | 168,767           | 40,189            | –                | 208,956             |
| Common stocks, including mutual funds        | 388,013           | –                 | –                | 388,013             |
|  | <u>\$ 788,889</u> | <u>\$ 114,650</u> | <u>\$ –</u>      | <u>\$ 903,539</u>   |
| Alternative investments, reported using NAV: |                   |                   |                  |                     |
| Hedge funds/private equity                   |                   |                   |                  | 61,449              |
| Commingled funds                             |                   |                   |                  | 466,506             |
| Total investments                            |                   |                   |                  | <u>\$ 1,431,494</u> |
| Assets limited as to use:                    |                   |                   |                  |                     |
| Cash and cash equivalents                    | \$ 292,439        | \$ –              | \$ –             | \$ 292,439          |
| Corporate obligations                        | 3,093             | 58,152            | –                | 61,245              |
| Fixed income funds                           | 25,455            | –                 | –                | 25,455              |
| U.S. Government and agency securities        | 236,003           | 19,456            | –                | 255,459             |
| Common stocks, including mutual funds        | 57,530            | –                 | –                | 57,530              |
| Investments held by other organizations      | –                 | –                 | 59,493           | 59,493              |
|  | <u>\$ 614,520</u> | <u>\$ 77,608</u>  | <u>\$ 59,493</u> | <u>\$ 751,621</u>   |
| Alternative investments, reported using NAV: |                   |                   |                  |                     |
| Investments held by other organizations*     |                   |                   |                  | 212,496             |
| Hedge funds/private equity                   |                   |                   |                  | 17,875              |
| Commingled funds                             |                   |                   |                  | 21,524              |
|  |                   |                   |                  | <u>\$ 1,003,516</u> |

\*“Investments held by other organizations” recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2022, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2021:

|  | Level 1             | Level 2          | Level 3          | Total               |
|--|---------------------|------------------|------------------|---------------------|
| <b>Assets</b>                                |                     |                  |                  |                     |
| Investments:                                 |                     |                  |                  |                     |
| Cash and cash equivalents                    | \$ 229,597          | \$ –             | \$ –             | \$ 229,597          |
| Corporate obligations                        | –                   | 18,569           | –                | 18,569              |
| Fixed income funds                           | 86,415              | –                | –                | 86,415              |
| U.S. Government and agency securities        | 22,643              | 13,370           | –                | 36,013              |
| Common stocks, including mutual funds        | 304,043             | –                | –                | 304,043             |
|  | <u>\$ 642,698</u>   | <u>\$ 31,939</u> | <u>\$ –</u>      | <u>\$ 674,637</u>   |
| Alternative investments, reported using NAV: |                     |                  |                  |                     |
| Hedge funds/private equity                   |                     |                  |                  | 222,861             |
| Commingled funds                             |                     |                  |                  | 457,659             |
| Total investments                            |                     |                  |                  | <u>\$ 1,355,157</u> |
| Assets limited as to use:                    |                     |                  |                  |                     |
| Cash and cash equivalents                    | \$ 459,827          | \$ –             | \$ –             | \$ 459,827          |
| Corporate obligations                        | –                   | 9,859            | –                | 9,859               |
| Fixed income funds                           | 27,190              | –                | –                | 27,190              |
| U.S. Government and agency securities        | 421,558             | 10,969           | –                | 432,527             |
| Common stocks, including mutual funds        | 99,967              | –                | –                | 99,967              |
| Investments held by other organizations      | –                   | –                | 63,095           | 63,095              |
|  | <u>\$ 1,008,542</u> | <u>\$ 20,828</u> | <u>\$ 63,095</u> | <u>\$ 1,092,465</u> |
| Alternative investments, reported using NAV: |                     |                  |                  |                     |
| Investments held by other organizations*     |                     |                  |                  | 244,059             |
| Hedge funds/private equity                   |                     |                  |                  | 20,058              |
| Commingled funds                             |                     |                  |                  | 36,137              |
|  |                     |                  |                  | <u>\$ 1,392,719</u> |

\*“Investments held by other organizations” recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2021, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**3. Investments and Assets Limited as to Use (continued)**

Changes to Level 1 and Level 2 securities between June 30, 2022 and 2021 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

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

|  | <b>Year Ended June 30</b> |                   |
|--|---------------------------|-------------------|
|  | <b>2022</b>               | <b>2021</b>       |
| Dividends and interest, net of fees                                    | \$ 14,120                 | \$ 12,011         |
| Net realized gains   | 146,745                   | 31,395            |
| Change in fair value of trading securities and alternative investments | <b>(318,755)</b>          | 198,221           |
| Total investment return  | <b>\$ (157,890)</b>       | <b>\$ 241,627</b> |

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

|   | <b>Year Ended June 30</b> |                   |
|---|---------------------------|-------------------|
|   | <b>2022</b>               | <b>2021</b>       |
| Nonoperating investment income, net                             | \$ 155,850                | \$ 41,377         |
| Change in fair value of unrestricted investments                | <b>(304,297)</b>          | 184,661           |
| Investment (losses) gains on net assets with donor restrictions | <b>(9,443)</b>            | 15,589            |
| Total investment return   | <b>\$ (157,890)</b>       | <b>\$ 241,627</b> |

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**4. Property and Equipment**

The following is a summary of property and equipment:

|  | <b>June 30</b>      |                     |
|--|---------------------|---------------------|
|  | <b>2022</b>         | <b>2021</b>         |
| Land   | \$ 205,013          | \$ 182,586          |
| Buildings                                      | 2,047,527           | 1,833,517           |
| Building and leasehold improvements            | 1,208,625           | 1,118,868           |
| Equipment                                      | 2,341,278           | 2,182,368           |
| Construction in progress                       | 320,396             | 500,982             |
|  | <b>6,122,839</b>    | <b>5,818,321</b>    |
| Less accumulated depreciation and amortization | <b>(3,294,734)</b>  | <b>(3,065,261)</b>  |
|  | <b>\$ 2,828,105</b> | <b>\$ 2,753,060</b> |

Interest cost capitalized was \$19,242 and \$23,843 for the years ended June 30, 2022 and 2021, respectively.

Remaining contractual commitments on construction projects were approximately \$138,925 at June 30, 2022.

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

**5. Investments in Joint Ventures**

The Corporation has equity method investments of approximately \$98,016 and \$103,098 at June 30, 2022 and 2021, respectively, in the following unconsolidated joint ventures:

|   | <b>Ownership %</b> | <b>2022</b>      | <b>2021</b>       |
|---|--------------------|------------------|-------------------|
| Mt. Washington Pediatric Hospital, Inc.<br>(Mt. Washington) | 50%                | \$ 74,407        | \$ 78,478         |
| Terrapin Insurance  | 50%                | 975              | 975               |
| Other investments   | 10%–51%            | 22,634           | 23,645            |
|   |                    | <b>\$ 98,016</b> | <b>\$ 103,098</b> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Investments in Joint Ventures (continued)**

The Corporation recorded equity in net (loss) income of \$(904) and \$11,230 related to these joint ventures for the years ended June 30, 2022 and 2021, respectively.

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

|   | <b>2022</b>       |                   |                   |                    |
|---|-------------------|-------------------|-------------------|--------------------|
|   | <b>Mt.</b>        |                   |                   |                    |
|   | <b>Washington</b> | <b>Terrapin</b>   | <b>Others</b>     | <b>Total</b>       |
| Current assets                            | \$ 20,063         | \$ 45,504         | \$ 29,670         | \$ 95,237          |
| Noncurrent assets                         | 135,745           | 318,139           | 44,401            | 498,285            |
| Total assets                              | <u>\$ 155,808</u> | <u>\$ 363,643</u> | <u>\$ 74,071</u>  | <u>\$ 593,522</u>  |
| Current liabilities                       | \$ 17,945         | \$ 1,893          | \$ 5,310          | \$ 25,148          |
| Noncurrent liabilities                    | 6,555             | 359,800           | 16,445            | 382,800            |
| Net assets                                | 131,308           | 1,950             | 52,316            | 185,574            |
| Total liabilities and net assets          | <u>\$ 155,808</u> | <u>\$ 363,643</u> | <u>\$ 74,071</u>  | <u>\$ 593,522</u>  |
| Total operating revenue                   | \$ 60,916         | \$ 85,535         | \$ 86,040         | \$ 232,491         |
| Total operating expenses                  | (64,586)          | (63,725)          | (72,923)          | (201,234)          |
| Total nonoperating (losses) gains,<br>net | (6,280)           | (21,810)          | 499               | (27,591)           |
| Contributions from (to) owners            | -                 | -                 | (14,263)          | (14,263)           |
| Other changes in net assets, net          | 486               | -                 | (3,701)           | (3,215)            |
| Decrease in net assets                    | <u>\$ (9,464)</u> | <u>\$ -</u>       | <u>\$ (4,348)</u> | <u>\$ (13,812)</u> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**5. Investments in Joint Ventures (continued)**

|   | 2021              |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | Mt.<br>Washington | Terrapin          | Others            | Total             |
| Current assets                            | \$ 38,597         | \$ 27,718         | \$ 42,638         | \$ 108,953        |
| Noncurrent assets                         | 133,176           | 347,714           | 57,369            | 538,259           |
| Total assets                              | <u>\$ 171,773</u> | <u>\$ 375,432</u> | <u>\$ 100,007</u> | <u>\$ 647,212</u> |
| Current liabilities                       | \$ 20,715         | \$ 1,145          | \$ 22,819         | \$ 44,679         |
| Noncurrent liabilities                    | 7,018             | 372,337           | 13,592            | 392,947           |
| Net assets                                | 144,040           | 1,950             | 63,596            | 209,586           |
| Total liabilities and net assets          | <u>\$ 171,773</u> | <u>\$ 375,432</u> | <u>\$ 100,007</u> | <u>\$ 647,212</u> |
| Total operating revenue                   | \$ 65,855         | \$ 18,318         | \$ 94,130         | \$ 178,303        |
| Total operating expenses                  | (61,478)          | (40,848)          | (77,157)          | (179,483)         |
| Total nonoperating gains (losses),<br>net | 10,579            | 22,530            | 493               | 33,602            |
| Contributions from (to) owners            | –                 | –                 | (10,797)          | (10,797)          |
| Other changes in net assets, net          | 6,852             | –                 | (2,288)           | 4,564             |
| Increase in net assets                    | <u>\$ 21,808</u>  | <u>\$ –</u>       | <u>\$ 4,381</u>   | <u>\$ 26,189</u>  |

**6. Leases**

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheets.

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 6. Leases (continued)

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

In accordance with ASC 842, *Leases*, the Corporation has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Corporation recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

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

|  | <b>Consolidated Balance<br/>Sheet Classification</b> | <b>June 30</b> |             |
|--|--|----------------|-------------|
|  |  | <b>2022</b>    | <b>2021</b> |
| <b>Operating leases</b>                |  |                |             |
| Operating lease ROU assets             | Other assets   | \$ 89,633      | \$ 98,378   |
| Operating lease obligation – current   | Other current liabilities                            | (14,098)       | (14,551)    |
| Operating lease obligation – long-term | Other long-term liabilities                          | (79,414)       | (87,039)    |
| <b>Finance leases</b>                  |  |                |             |
| Finance lease ROU assets               | Property and equipment, net                          | \$ 37,123      | \$ 38,144   |
| Current finance lease liabilities      | Other current liabilities                            | (448)          | (433)       |
| Long-term finance lease liabilities    | Other long-term liabilities                          | (44,922)       | (44,370)    |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**6. Leases (continued)**

The components of lease expense were as follows:

|                                   | <b>Year Ended June 30</b> |                  |
|-----------------------------------|---------------------------|------------------|
|                                   | <b>2022</b>               | <b>2021</b>      |
| Finance lease expense:            |                           |                  |
| Amortization of ROU assets        | \$ 1,022                  | \$ 3,819         |
| Interest on lease liabilities     | 1,574                     | 2,519            |
| Total finance lease expense       | <u>2,596</u>              | 6,338            |
| Operating lease expense           | 18,648                    | 20,765           |
| Short-term/variable lease expense | 13,718                    | 14,713           |
| Total lease expense               | <u>\$ 34,962</u>          | <u>\$ 41,816</u> |

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2022 are as follows:

|                              | <b>Operating</b> | <b>Finance</b>   |
|------------------------------|------------------|------------------|
| 2023                         | \$ 16,603        | \$ 2,006         |
| 2024                         | 15,292           | 2,006            |
| 2025                         | 13,850           | 2,006            |
| 2026                         | 12,272           | 2,006            |
| 2027                         | 8,050            | 2,006            |
| Thereafter                   | 42,285           | 47,050           |
| Total                        | <u>108,352</u>   | <u>57,080</u>    |
| Less: Present value discount | (14,840)         | (11,710)         |
| Lease liabilities            | <u>\$ 93,512</u> | <u>\$ 45,370</u> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands)*

**6. Leases (continued)**

Other information is as follows:

|  | <b>Year Ended June 30</b> |             |
|--|---------------------------|-------------|
|  | <b>2022</b>               | <b>2021</b> |
| Weighted average remaining lease terms (in years): |                           |             |
| Finance leases                                     | <b>8.52</b>               | 9.52        |
| Operating leases                                   | <b>9.15</b>               | 9.44        |
| Weighted average discount rate:                    |                           |             |
| Finance leases                                     | <b>3.53%</b>              | 3.53%       |
| Operating leases                                   | <b>2.95%</b>              | 3.25%       |

**7. Line of Credit**

For the years ended June 30, 2022 and 2021, the Corporation had a \$250,000 revolving line of credit outstanding with a syndicate of banking partners. The line of credit is annually renewing, and the current expiration date is August 25, 2022. Interest is calculated based on an optional base rate or percentage of 1-month London Interbank Offered Rate (LIBOR) plus a credit spread. As of June 30, 2022 and 2021, the amount outstanding on the line of credit was \$81,000 and \$113,000, respectively. The calculated interest rates as of June 30, 2022 and 2021 were a range from 4.75% to 0.89%.

Subsequent to year end (Note 21), on August 23, 2022, the Corporation amended the term and structure of the revolving line of credit facility. The revised facility is certified as a parity obligation under the Medical System's Master Loan Agreement, which is described in Note 8, and its term was extended by three years (expiration date of August 23, 2025). In addition, the interest calculation was amended to replace the percentage of 1-month LIBOR variable rate option, with a variable rate option that is based on the Secured Overnight Financing Rate (SOFR).



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**8. Long-Term Debt and Other Borrowings**

Long-term debt consists of the following:

|  | Interest Rate | Payable in<br>Fiscal Year(s) | June 30             |                        |
|--|---------------|------------------------------|---------------------|------------------------|
|  |               |                              | 2022                | 2021                   |
| MHHEFA project revenue bonds:                                    |               |                              |                     |                        |
| Corporation issue, payments due annually UCHS Term Loan:         |               |                              |                     |                        |
| Series 2021A/B Bonds   | Variable rate | 2023–2043 <sup>(1)</sup>     | \$ 268,355          | \$ –                   |
| Series 2020B/D Bonds   | 3.05%–5.00%   | 2041–2051                    | 752,680             | 752,680                |
| Series 2017D/E Bonds   | 4.00%–4.17%   | 2045–2049                    | 189,965             | 189,965                |
| Series 2017B/C Bonds   | 2.96%–5.00%   | 2018–2040                    | 238,840             | 250,150                |
| Series 2017A Bonds   | Variable rate | 2017–2043 <sup>(1)</sup>     | –                   | 41,635                 |
| Series 2016A–F Bonds   | Variable rate | 2017–2042 <sup>(1)</sup>     | 193,825             | 304,565                |
| Series 2015 Bonds  | 3.63%–5.00%   | 2016–2042                    | 70,585              | 72,140                 |
| Series 2013 Bonds  | 4.00%–5.00%   | 2014–2044                    | 115,055             | 115,055                |
| Series 2008D/E Bonds   | Variable rate | 2025–2042                    | 50,000              | 105,000                |
| Series 2007A Bonds   | Variable rate | 2008–2035                    | –                   | 73,280                 |
| MHHEFA Pooled Loan Program                                       | Variable rate | 2017–2035                    | 14,250              | 15,200                 |
| Other long-term debt:  |               |                              |                     |                        |
| Term loans   | 1.86%–4.44%   | 2009–2023                    | 5,906               | 6,331                  |
| Other loans, mortgages and notes payable                         | 3.25%–6.50%   | Monthly,<br>2001–2035        | 9,915               | 12,678                 |
| Total debt   |               |                              | 1,909,376           | 1,938,679              |
| Less current portion of long-term debt                           |               |                              | 38,399              | 29,751                 |
| Less long-term debt subject to short-term remarketing agreements |               |                              | –                   | 153,510 <sup>(1)</sup> |
|  |               |                              | 1,870,977           | 1,755,418              |
| Plus unamortized premiums and discounts, net                     |               |                              | 41,037              | 44,522                 |
| Less unamortized deferred financing costs                        |               |                              | (11,780)            | (11,573)               |
|  |               |                              | <u>\$ 1,900,234</u> | <u>\$ 1,788,367</u>    |

<sup>(1)</sup>Mandatory bond repurchases are scheduled to occur in the following (fiscal years), unless the bondholding bank and the Obligated Group agree to an extension: 2016B (2027), 2016C (2024), 2016F (2027), 2021A (2028) and 2021B (2025).

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **8. Long-Term Debt and Other Borrowings (continued)**

Pursuant to an Amended and Restated Master Loan Agreement, dated December 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

The Obligated Group under the UMMS Master Loan Agreement includes the Medical Center, ROI, UM Midtown, UM Baltimore Washington, Shore Health (UM Memorial and UM Dorchester), UM Chester River, UM Charles Regional, UM St. Joseph, UM Upper Chesapeake, UM Harford Memorial, UM Laurel, UM Prince George's, Bowie Health Center (Bowie), and the UM Medicine Foundation. Each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the UMMS Master Loan Agreement.

Under the terms of the UMMS Master Loan Agreement and other loan agreements, certain funds are required to be maintained on deposit with the Master Trustee to provide for repayment of the obligations of the Obligated Group (Note 3).

On July 2, 2020, MHHEFA issued \$152,680 of tax-exempt Revenue Bonds, Series 2020B, and \$600,000 taxable Revenue Bonds, Series 2020D. The proceeds were used for the purpose of refinancing existing debt, including the repayment of the Upper Chesapeake term loan and the redemption of the Series 2008F, 2010, and 2013A Bonds. The remaining proceeds are to be used for the purpose of financing a portion of the costs of construction and equipping of certain capital projects related to the Medical Center, Baltimore Washington, Shore Regional, Upper Chesapeake and Capital Region.

On December 8 and 22, 2021, MHHEFA issued \$160,845 of tax-exempt Revenue Bonds, Series 2021A, and \$107,510 taxable Revenue Bonds, Series 2021B. The proceeds were used for the purpose of refinancing existing debt, including the redemption of the Series 2007A, 2008E, 2016A, 2016D and 2017A Bonds.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 8. Long-Term Debt and Other Borrowings (continued)

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

|            |                     |
|------------|---------------------|
| 2023       | \$ 38,399           |
| 2024       | 192,006             |
| 2025       | 39,711              |
| 2026       | 35,896              |
| 2027       | 173,355             |
| Thereafter | <u>1,430,009</u>    |
|            | <u>\$ 1,909,376</u> |

The Corporation's Series 2008D Bonds are variable rate demand bonds requiring remarketing agents to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the respective bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into a letter-of-credit agreement with a banking institution. The agreement has a term that expires in 2027. If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in 48 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements within the consolidated balance sheet according to the maturity of the bond's related letter of credit agreements. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2022 and 2021.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(In Thousands)*

**8. Long-Term Debt and Other Borrowings (continued)**

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

|  | <b>June 30</b> |             |
|--|----------------|-------------|
|  | <b>2022</b>    | <b>2021</b> |
| Series 2008D Bonds                       | <b>0.61%</b>   | 0.02%       |
| Series 2008E Bonds                       | –              | 0.01        |
| Series 2007A Bonds                       | –              | 0.02        |
| Series 2016A Bonds                       | –              | 1.07        |
| Series 2016B Bonds                       | <b>1.72</b>    | 0.95        |
| Series 2016C Bonds                       | <b>1.76</b>    | 0.68        |
| Series 2016D Bonds                       | –              | 0.91        |
| Series 2016E Bonds                       | <b>1.57</b>    | 0.80        |
| Series 2016F Bonds                       | <b>1.12</b>    | 0.78        |
| Series 2017A Bonds                       | –              | 0.60        |
| Series 2021A Bonds                       | <b>1.45</b>    | –           |
| Series 2021B Bonds                       | <b>1.19</b>    | –           |
| Series 1985 Pooled Loan Program (MHHEFA) | <b>1.00</b>    | 0.50        |

**9. Interest Rate Risk Management**

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**9. Interest Rate Risk Management (continued)**

At June 30, 2022 and 2021, the Corporation's notional values of outstanding interest rate swaps and the corresponding mark-to-market values are as follows:

|                       | Notional<br>Amount | Pay Rate | Receive Rate                | Maturity<br>Date | Mark to<br>Market   |
|-----------------------|--------------------|----------|-----------------------------|------------------|---------------------|
| <b>June 30, 2022</b>  |                    |          |                             |                  |                     |
| Swap #1               | \$ 75,981          | 3.59%    | 70% 1-month LIBOR           | 7/1/2031         | \$ (4,251)          |
| Swap #2               | 84,000             | 3.93     | 68% 1-month LIBOR           | 7/1/2041         | (18,554)            |
| Swap #3               | 21,000             | 4.24     | 68% 1-month LIBOR           | 7/1/2041         | (5,444)             |
| Swap #4               | 29,050             | 3.99     | 67% 1-month LIBOR           | 7/1/2034         | (3,424)             |
| Swap #5               | 23,570             | 3.54     | 70% 1-month LIBOR           | 7/1/2031         | (1,280)             |
| Swap #6               | 196,000            | 3.93     | 68% 1-month LIBOR           | 7/1/2041         | (21,760)            |
| Swap #7               | 49,000             | 4.24     | 68% 1-month LIBOR           | 7/1/2041         | (6,361)             |
| Swap #8               | 67,800             | 4.00     | 67% 1-month LIBOR           | 7/1/2034         | (1,973)             |
| Swap #9               | 1,705              | 3.63     | 67% 1-month LIBOR           | 7/1/2032         | (80)                |
| Swap #10              | 89,275             | 3.92     | 67% 1-month LIBOR           | 1/1/2043         | (6,351)             |
| Swap #11              | 70,400             | 0.51     | 67% 1-month LIBOR + 0.5133% | 1/1/2038         | (957)               |
| Swap #12              | 196,000            | 4.02     | 68% 1-month LIBOR           | 10/1/2028        | (21,551)            |
| Swap #13              | 49,000             | 4.33     | 68% 1-month LIBOR           | 10/1/2028        | (6,347)             |
| Swap #14              | 67,800             | 4.09     | 67% 1-month LIBOR           | 10/1/2028        | (6,051)             |
| Swap #15              | 89,275             | 3.99     | 67% 1-month LIBOR           | 11/3/2028        | (8,948)             |
|                       |                    |          |                             |                  | (113,332)           |
| Valuation adjustments |                    |          |                             |                  | 6,611               |
| Total                 |                    |          |                             |                  | <u>\$ (106,721)</u> |
| <b>June 30, 2021</b>  |                    |          |                             |                  |                     |
| Swap #1               | \$ 78,551          | 3.59%    | 70% 1-month LIBOR           | 7/1/2031         | \$ (10,785)         |
| Swap #2               | 84,000             | 3.93     | 68% 1-month LIBOR           | 7/1/2041         | (33,829)            |
| Swap #3               | 21,000             | 4.24     | 68% 1-month LIBOR           | 7/1/2041         | (9,346)             |
| Swap #4               | 30,800             | 3.99     | 67% 1-month LIBOR           | 7/1/2034         | (6,709)             |
| Swap #5               | 24,380             | 3.54     | 70% 1-month LIBOR           | 7/1/2031         | (3,297)             |
| Swap #6               | 196,000            | 3.93     | 68% 1-month LIBOR           | 7/1/2041         | (78,952)            |
| Swap #7               | 49,000             | 4.24     | 68% 1-month LIBOR           | 7/1/2041         | (22,021)            |
| Swap #8               | 71,825             | 4.00     | 67% 1-month LIBOR           | 7/1/2034         | (15,698)            |
| Swap #9               | 2,075              | 3.63     | 67% 1-month LIBOR           | 7/1/2032         | (299)               |
| Swap #10              | 92,475             | 3.92     | 67% 1-month LIBOR           | 1/1/2043         | (28,611)            |
| Swap #11              | 73,160             | 0.51     | 67% 1-month LIBOR + 0.5133% | 1/1/2038         | 1,887               |
|                       |                    |          |                             |                  | (207,660)           |
| Valuation adjustments |                    |          |                             |                  | 4,051               |
| Total                 |                    |          |                             |                  | <u>\$ (203,609)</u> |

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **9. Interest Rate Risk Management (continued)**

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

The Corporation recorded a net nonoperating gain on changes in the fair value of nonqualifying interest rate swaps of \$96,888 and \$65,325 for the years ended June 30, 2022 and 2021, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of \$106,721 and \$203,609 as of June 30, 2022 and 2021, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was \$6,840 and \$117,600 at June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

In November 2021, UMMS executed four interest rate swap novation agreements with two counterparty banks. The novations resulted in the placement of \$341,400 of UMMS' existing swap exposure with substitute counterparties for a period of seven years; at the close of the seven-year period, the novated swaps will resume cash flows to their original counterparty banks. The novated swaps bear an incremental swapped-to-fixed rate, but do not require the posting of any collateral during their seven-year duration. UMMS' total swap exposure and total mark-to-market were unchanged as a result of the novations.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**10. Other Liabilities**

Other liabilities consist of the following:

|                                      | <b>June 30</b>    |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | <b>2022</b>       | <b>2021</b>       |
| Professional and general liabilities | \$ 417,331        | \$ 380,715        |
| Advances from third party payors     | –                 | 150,000           |
| Accrued pension obligations          | –                 | 66,011            |
| Lease obligations – operating        | 93,512            | 101,590           |
| Lease obligations – finance          | 45,370            | 44,803            |
| Deferred payroll taxes               | –                 | 38,331            |
| Accrued interest payable             | 28,243            | 27,883            |
| Other miscellaneous                  | 92,429            | 81,924            |
| Total other liabilities              | <u>676,885</u>    | <u>891,257</u>    |
| Less current portion                 | <u>(135,616)</u>  | <u>(133,624)</u>  |
| Other long-term liabilities          | <u>\$ 541,269</u> | <u>\$ 757,633</u> |

**11. Retirement Plans**

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

**Defined Benefit Plans**

*University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan)* – A noncontributory defined benefit plan covering substantially all nonunion employees. The benefits are based on years of service and compensation. Contributions to this plan are made to satisfy the minimum funding requirements of ERISA. In 2006, Midtown froze the defined benefit pension plan.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 11. Retirement Plans (continued)

*Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan)* – A noncontributory defined benefit pension plan covering full-time employees who have been employed for at least one year and have reached 21 years of age. In 2018, Baltimore Washington closed the defined benefit pension plan to new hires.

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

*Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan)* – A noncontributory defined benefit pension plan covering employees that have worked at least one thousand hours per year during three or more plan years. Plan benefits are accumulated based upon a combination of years of service and percent of annual compensation. Charles Regional makes annual contributions to the plan based upon amounts required to be funded under provisions of ERISA.

*Dimensions Health Corporation Pension Plan (Capital Region Pension Plan)* – A noncontributory defined benefit pension plan covering substantially all employees. For employees not covered under collective-bargaining agreements and employees who are represented by the 1199 SEIU Health Care Workers East – Health Care Workers union (formerly District 1199E-DC, SEIU union and formerly Local No. 63 union), the Plan operates as a cash balance plan. The annual contribution by the Corporation is allocated to individual employee accounts based on years of service and the individual's retirement account. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union (formerly Professional Staff Nurses Association union), benefits are based on years of service and average final compensation. On December 31, 2007, the Capital Region Pension Plan was frozen. No further benefit accruals will be made to the Plan. The Plan freeze substantially reduces annual funding obligations beginning with Plan year 2008. The Corporation's funding policy is to contribute such actuarially determined amounts as necessary to provide assets sufficient to meet the benefits to be paid to the Plan participants and to meet the funding requirements of the Employees Retirement Income Security Act of 1974 (ERISA).



# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

(In Thousands)

### 11. Retirement Plans (continued)

*Dimensions Health Corporation Post Retirement Benefit Plans (Capital Region Post Retirement Benefit Plans)* – A postretirement health care plan is provided to both salaried and non-salaried employees who have retired and certain other employees who were eligible to retire prior to July 1, 1995. The plan is contributory for those who retired prior to July 1, 1995, with retiree contributions adjusted annually. Employees who retired on July 1, 1995 and later are eligible to participate in the plan by paying 100% of the premiums without corporate contributions. The Corporation's policy has been to fund this plan on an as needed basis.

A defined postretirement life insurance plan is a noncontributory plan for all eligible retirees prior to July 1, 2001. For employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union, the plan was no longer offered to new retirees as of July 1, 1999. Effective July 1, 2001, the plan was modified to become contributory for the nonunion employees and employees represented by the 1199 SEIU Health Care Workers East – Health Care Workers union who retired prior to July 1, 2001 and for the employees represented by the 1199 SEIU Health Care Workers East – Registered Nurses Chapter union who retired prior to July 1, 1999. The Corporation's policy has been to fund its share of these benefits as they are incurred.

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

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

|  | <b>June 30</b>    |                   |
|--|-------------------|-------------------|
|  | <b>2022</b>       | <b>2021</b>       |
| Change in projected benefit obligations:       |                   |                   |
| Benefit obligations at beginning of year       | \$ 435,067        | \$ 448,997        |
| Settlements                                    | –                 | (18,623)          |
| Service cost                                   | 3,005             | 3,378             |
| Interest cost                                  | 12,737            | 13,168            |
| Actuarial (gain) loss and other                | (68,769)          | 4,973             |
| Benefit payments                               | (21,458)          | (16,826)          |
| Projected benefit obligations at end of year   | <u>\$ 360,582</u> | <u>\$ 435,067</u> |
| Change in plan assets:                         |                   |                   |
| Fair value of plan assets at beginning of year | \$ 369,056        | \$ 318,094        |
| Actual return on plan assets                   | (50,249)          | 63,831            |
| Settlements                                    | –                 | (18,623)          |
| Employer contributions                         | 76,654            | 22,580            |
| Benefit payments                               | (21,458)          | (16,826)          |
| Fair value of plan assets at end of year       | <u>\$ 374,003</u> | <u>\$ 369,056</u> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The funded status of the plans and amounts recognized as accrued payroll and benefits and other long-term liabilities in the accompanying consolidated balance sheets are as follows:

|   | <b>June 30</b>     |                    |
|---|--------------------|--------------------|
|   | <b>2022</b>        | <b>2021</b>        |
| Funded status, end of period:   |                    |                    |
| Fair value of plan assets   | \$ 374,003         | \$ 369,056         |
| Projected benefit obligations   | 360,582            | 435,067            |
| Net funded status   | <u>\$ 13,421</u>   | <u>\$ (66,011)</u> |
| Accumulated benefit obligation at end of year                           | <u>\$ 359,715</u>  | <u>\$ 433,076</u>  |
| Amounts recognized in consolidated balance sheets at June 30:           |                    |                    |
| Accrued pension asset (obligation)                                      | \$ 13,421          | \$ (66,011)        |
|   | <u>\$ 13,421</u>   | <u>\$ (66,011)</u> |
| Amounts recognized in net assets without donor restrictions at June 30: |                    |                    |
| Net actuarial loss  | \$ (52,714)        | \$ (54,745)        |
| Prior service cost  | (841)              | (990)              |
|   | <u>\$ (53,555)</u> | <u>\$ (55,735)</u> |

During fiscal year 2022, the Corporation contributed a total of \$76,654 to the plans, including an incremental contribution of \$60,000 to the Capital Region Pension Plan. As a result, the net funded status of the plans was significantly improved during the year and was in a surplus position as of June 30, 2022.

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2022 are as follows:

|                    |                 |
|--------------------|-----------------|
| Net actuarial loss | \$ 2,268        |
| Prior service cost | 74              |
|                    | <u>\$ 2,342</u> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

The components of net periodic (credit) benefit cost are as follows:

|                                    | <b>Year Ended June 30</b> |                  |
|------------------------------------|---------------------------|------------------|
|                                    | <b>2022</b>               | <b>2021</b>      |
| Service cost                       | \$ 3,005                  | \$ 3,378         |
| Interest cost                      | 12,737                    | 13,168           |
| Expected return on plan assets     | (19,458)                  | (18,275)         |
| Prior service cost recognized      | 149                       | 72               |
| Recognized losses                  | 2,969                     | 11,918           |
| Net periodic (credit) benefit cost | <u>\$ (598)</u>           | <u>\$ 10,261</u> |

Components of net benefit cost other than the service cost of \$3,005 and \$3,378 in 2022 and 2021, respectively, were recorded in other nonoperating losses, net in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2022 and 2021. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

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

|  | <b>June 30</b> |             |
|--|----------------|-------------|
|  | <b>2022</b>    | <b>2021</b> |
| Discount rate                                      | 4.37%–4.86%    | 2.34%–3.02% |
| Rate of compensation increase (for nonfrozen plan) | 3.00%          | 3.00%       |
| Interest crediting rate                            | 3.00%–5.00%    | 3.00%–5.00% |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

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

|  | <b>Year Ended June 30</b> |             |
|--|---------------------------|-------------|
|  | <b>2022</b>               | <b>2021</b> |
| Discount rate                                      | <b>2.35%–3.02%</b>        | 2.35%–3.05% |
| Rate of compensation increase (for nonfrozen plan) | <b>3.00%</b>              | 3.00%       |
| Expected long-term return on plan assets           | <b>5.00%–5.50%</b>        | 5.50%–6.00% |

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

The Corporation’s pension plans’ target allocation and weighted average asset allocations at the measurement date of June 30, 2022 and 2021, by asset category, are as follows:

| <b>Asset Category</b>      | <b>Target Allocation</b> | <b>Percentage of Plan Assets as of June 30</b> |             |
|----------------------------|--------------------------|--|-------------|
|                            |                          | <b>2022</b>                                    | <b>2021</b> |
| Cash and cash equivalents  | 0%–20%                   | <b>6%</b>                                      | 5%          |
| Fixed income securities    | 75%–85%                  | <b>85</b>                                      | 35          |
| Equity securities          | 15%–25%                  | <b>8</b>                                       | 41          |
| Global assets allocation   | 0%                       | –  | 11          |
| Hedge funds/private equity | 0%–20%                   | <b>1</b>                                       | 8           |
|                            |                          | <b>100%</b>                                    | <b>100%</b> |

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**11. Retirement Plans (continued)**

Equity and fixed income securities include investments in hedge fund of funds that are categorized in accordance with each fund's respective investment holdings.

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

|                             | Level 1           | Level 2          | Level 3     | Investments<br>Reported<br>at NAV* | Total             |
|-----------------------------|-------------------|------------------|-------------|------------------------------------|-------------------|
| <b>June 30, 2022</b>        |                   |                  |             |                                    |                   |
| Cash and cash equivalents   | \$ 24,504         | \$ —             | \$ —        | \$ —                               | \$ 24,504         |
| Corporate obligations       | —                 | —                | —           | —                                  | —                 |
| Government and agency bonds | —                 | —                | —           | —                                  | —                 |
| Fixed income funds          | 10,556            | —                | —           | —                                  | 10,556            |
| Common stocks               | 22,912            | —                | —           | —                                  | 22,912            |
| Equity mutual funds         | 4,402             | —                | —           | —                                  | 4,402             |
| Alternative investments:    |                   |                  |             |                                    |                   |
| Hedge funds/private equity  | —                 | —                | —           | 4,681                              | 4,681             |
| Commingled funds            | —                 | —                | —           | 306,948                            | 306,948           |
|                             | <u>\$ 62,374</u>  | <u>\$ —</u>      | <u>\$ —</u> | <u>\$ 311,629</u>                  | <u>\$ 374,003</u> |
| <b>June 30, 2021</b>        |                   |                  |             |                                    |                   |
| Cash and cash equivalents   | \$ 19,803         | \$ —             | \$ —        | \$ —                               | \$ 19,803         |
| Corporate obligations       | —                 | 12,798           | —           | —                                  | 12,798            |
| Government and agency bonds | 12,869            | 18,366           | —           | —                                  | 31,235            |
| Fixed income funds          | 29,002            | —                | —           | —                                  | 29,002            |
| Common stocks               | 34,419            | —                | —           | —                                  | 34,419            |
| Equity mutual funds         | 89,229            | —                | —           | —                                  | 89,229            |
| Alternative investments:    |                   |                  |             |                                    |                   |
| Hedge funds/private equity  | —                 | —                | —           | 30,149                             | 30,149            |
| Commingled funds            | —                 | —                | —           | 122,421                            | 122,421           |
|                             | <u>\$ 185,322</u> | <u>\$ 31,164</u> | <u>\$ —</u> | <u>\$ 152,570</u>                  | <u>\$ 369,056</u> |

\*Fund investments reported at NAV as practical expedient.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 11. Retirement Plans (continued)

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2022 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. There are funds, totaling \$4,531, which are subject to notice requirements of 30-60 days and are available to be redeemed on a monthly or quarterly basis. Funds totaling \$6,748 are subject to notice requirements of 75 to 90 days and can be redeemed monthly or quarterly. The Corporation had no unfunded commitments as of June 30, 2022.

The Corporation expects to contribute \$6,794 to its defined benefit pension plans for the fiscal year ended June 30, 2023.

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

|           |    |         |
|-----------|----|---------|
| 2023      | \$ | 24,754  |
| 2024      |    | 24,429  |
| 2025      |    | 24,884  |
| 2026      |    | 25,069  |
| 2027      |    | 25,156  |
| 2028–2032 |    | 121,928 |

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2022.

### Defined Contribution Plans

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

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were \$55,017 and \$51,023 for the years ended June 30, 2022 and 2021, respectively. Such amounts are included in salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**12. Net Assets with Donor Restrictions**

Net assets are restricted primarily for the following purposes:

|   | <b>June 30</b>    |                   |
|---|-------------------|-------------------|
|   | <b>2022</b>       | <b>2021</b>       |
| Facility construction and renovations, research,<br>education, and other:       |                   |                   |
| Capital Region  | \$ 4,848          | \$ 42,851         |
| All others  | 169,751           | 196,794           |
| Economic and beneficial interests in the net assets of<br>related organizations | <u>59,493</u>     | <u>63,095</u>     |
|   | <u>\$ 234,092</u> | <u>\$ 302,740</u> |

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

|  | <b>Year Ended June 30</b> |                   |
|--|---------------------------|-------------------|
|  | <b>2022</b>               | <b>2021</b>       |
| Purchases of equipment and construction costs      | \$ 66,729                 | \$ 386,238        |
| Research, education, uncompensated care, and other | <u>5,925</u>              | <u>7,597</u>      |
|  | <u>\$ 72,654</u>          | <u>\$ 393,835</u> |

The Corporation's endowments consist of donor-restricted funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**12. Net Assets with Donor Restrictions (continued)**

made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net assets are as follows:

|                                  | <b>Without<br/>Donor<br/>Restrictions</b> | <b>With<br/>Donor<br/>Restrictions</b> | <b>Total</b> |
|----------------------------------|---|--|--------------|
| <b>June 30, 2022</b>             |   |  |              |
| Donor-restricted endowment funds | \$ 765                                    | \$ 70,315                              | \$ 71,080    |
| <b>June 30, 2021</b>             |   |  |              |
| Donor-restricted endowment funds | \$ 126                                    | \$ 60,287                              | \$ 60,413    |

Donor restricted endowment funds within net assets with donor restrictions whose use is restricted in perpetuity were \$55,359 and \$54,907 as of June 30, 2022 and 2021, respectively.

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **12. Net Assets with Donor Restrictions (continued)**

#### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MUPMIFA requires the Corporation to retain as a fund of perpetual duration. The Corporation does not have any donor-restricted endowment funds that are below the level that the donor or MUPMIFA requires.

#### **Investment Strategies**

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

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

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

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

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

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

|  | <b>June 30</b>   |                  |
|--|------------------|------------------|
|  | <b>2022</b>      | <b>2021</b>      |
| Economic interests in:   |                  |                  |
| The James Lawrence Kernan Hospital Endowment<br>Fund, Incorporated | \$ 42,776        | \$ 46,297        |
| Baltimore Washington Medical Center Foundation, Inc.               | 11,243           | 12,297           |
| Total economic interests   | <u>54,019</u>    | <u>58,594</u>    |
| Beneficial interest in the net assets of:                          |                  |                  |
| Dorchester General Hospital Foundation, Inc.                       | 4,145            | 3,172            |
| Prince George's Hospital Center Foundation, Inc.                   | 1,267            | 1,267            |
| Laurel Regional Hospital Auxiliary, Inc.                           | 62               | 62               |
|  | <u>\$ 59,493</u> | <u>\$ 63,095</u> |

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

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

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

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

The Prince George's Hospital Center Foundation, Inc.; the Laurel Regional Hospital Auxiliary, Inc.; and the Laurel Regional Hospital Foundation, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities. In the current year the Prince George's Hospital Center Foundation, Inc. changed its name to University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Foundation, Inc. was closed, and its assets were transferred into the new University of Maryland Capital Region Health Foundation, Inc.

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or beneficial interest is as follows:

|                                  | <b>June 30</b>    |                     |
|----------------------------------|-------------------|---------------------|
|                                  | <b>2022</b>       | <b>2021</b>         |
| Current assets                   | \$ 5,848          | \$ 5,461            |
| Noncurrent assets                | 53,645            | 57,735              |
| Total assets                     | <u>\$ 59,493</u>  | <u>\$ 63,196</u>    |
| Current liabilities              | \$ –              | \$ 101              |
| Net assets                       | 59,493            | 63,095              |
| Total liabilities and net assets | <u>\$ 59,493</u>  | <u>\$ 63,196</u>    |
| Total operating revenue          | \$ 3,230          | \$ 6,179            |
| Total operating expense          | (661)             | 2,117               |
| Other changes in net assets      | (6,171)           | (116,021)           |
| Total decrease in net assets     | <u>\$ (3,602)</u> | <u>\$ (107,725)</u> |

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### 14. State and County Support

The Corporation received \$3,600 and \$3,500 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2022 and 2021, respectively.

In support of Capital Region operations, the Corporation received the following:

|                                   | <b>Year Ended June 30</b> |                  |
|-----------------------------------|---------------------------|------------------|
|                                   | <b>2022</b>               | <b>2021</b>      |
| State of Maryland                 | \$ 10,000                 | \$ 15,000        |
| Prince George's County government | –                         | 483              |
| Magruder Memorial Hospital Trust  | –                         | 1,042            |
|                                   | <b>\$ 10,000</b>          | <b>\$ 16,525</b> |

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded \$1,410 and \$15,189 during the years ended June 30, 2022 and 2021, respectively.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**15. Functional Expenses**

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

|                                 | Healthcare Services   |                   |                     |                 | Corporate                         | Total               |
|---------------------------------|-----------------------|-------------------|---------------------|-----------------|-----------------------------------|---------------------|
|                                 | Hospital & Ambulatory | Retail Pharmacy   | Physician Practices | Risk Taking     | Services, Other, and Eliminations |                     |
| <b>Year ended June 30, 2022</b> |                       |                   |                     |                 |                                   |                     |
| Operating expenses:             |                       |                   |                     |                 |                                   |                     |
| Salaries, wages, and benefits   | \$ 1,961,817          | \$ 8,162          | \$ 305,291          | \$ 5,032        | \$ 327,778                        | \$ 2,608,080        |
| Expendable supplies             | 692,521               | 120,358           | 41,642              | 30              | 10,142                            | 864,693             |
| Purchased services:             |                       |                   |                     |                 |                                   |                     |
| Purchased services              | 936,823               | 16,837            | 68,285              | 4,662           | (242,221)                         | 784,386             |
| Contracted services             | 345,759               | –                 | 30,062              | –               | (47,430)                          | 328,391             |
| Depreciation and amortization   | 261,082               | –                 | 2,271               | –               | 3,834                             | 267,187             |
| Interest expense                | 39,430                | –                 | –                   | –               | 715                               | 40,145              |
| Total operating expenses        | <u>\$ 4,237,432</u>   | <u>\$ 145,357</u> | <u>\$ 447,551</u>   | <u>\$ 9,724</u> | <u>\$ 52,818</u>                  | <u>\$ 4,892,882</u> |
| <b>Year ended June 30, 2021</b> |                       |                   |                     |                 |                                   |                     |
| Operating expenses:             |                       |                   |                     |                 |                                   |                     |
| Salaries, wages, and benefits   | \$ 1,808,585          | \$ 7,167          | \$ 292,180          | \$ 3,950        | \$ 316,808                        | \$ 2,428,690        |
| Expendable supplies             | 727,209               | 98,385            | 39,515              | 31              | 17,826                            | 882,966             |
| Purchased services:             |                       |                   |                     |                 |                                   |                     |
| Purchased services              | 940,438               | 13,611            | 70,092              | 1,673           | (319,967)                         | 705,847             |
| Contracted services             | 311,675               | –                 | 36,209              | –               | (42,611)                          | 305,273             |
| Depreciation and amortization   | 234,050               | –                 | 2,268               | –               | 7,959                             | 244,277             |
| Interest expense                | 41,429                | –                 | –                   | –               | (8,962)                           | 32,467              |
| Total operating expenses        | <u>\$ 4,063,386</u>   | <u>\$ 119,163</u> | <u>\$ 440,264</u>   | <u>\$ 5,654</u> | <u>\$ (28,947)</u>                | <u>\$ 4,599,520</u> |

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**16. Liquidity and Availability of Resources**

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2022 and 2021, as follows:

|  | <u>2022</u>         | <u>2021</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 244,529          | \$ 858,543          |
| Receivables, net   | 863,756             | 753,374             |
| Assets limited as to use – board designated  | 90,000              | 137,528             |
| Investments  | <u>1,431,494</u>    | <u>1,355,157</u>    |
| Total financial assets available within one year                                       | 2,629,779           | 3,104,602           |
| Less:  |                     |                     |
| Amounts unavailable for general expenditures within one year due to:                   |                     |                     |
| Alternative investments subject to lockup restrictions                                 | <u>12,623</u>       | <u>26,000</u>       |
| Total financial assets available to management for general expenditure within one year | <u>\$ 2,617,156</u> | <u>\$ 3,078,602</u> |

**17. Insurance**

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation. The accrued liabilities for these programs were as follows:

|                                      | <u>June 30</u>    |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | <u>2022</u>       | <u>2021</u>       |
| Professional and general liabilities | \$ 417,331        | \$ 380,715        |
| Employee health                      | 24,292            | 23,360            |
| Employee long-term disability        | 3,002             | 3,792             |
| Workers' compensation                | <u>27,483</u>     | <u>25,627</u>     |
| Total self-insured liabilities       | 472,108           | 433,494           |
| Less current portion                 | <u>(67,201)</u>   | <u>(64,189)</u>   |
|                                      | <u>\$ 404,907</u> | <u>\$ 369,305</u> |

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **17. Insurance (continued)**

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include \$280,763 and \$253,670 as of June 30, 2021 and 2020, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of \$1,000 on individual claims and \$3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of \$1,000 individually and \$3,000 in the aggregate up to \$165,000 individually and \$227,000 in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

As discussed in Note 5, Terrapin is a joint venture corporation in which a 50% equity interest is owned by the Corporation and a 50% equity interest is owned by University of Maryland Faculty Physicians, Inc.

Total malpractice insurance expense, net of investment return on self-insurance trust funds, for the Corporation during the years ended June 30, 2022 and 2021, was approximately \$137,206 and \$29,661, respectively.

### **18. Business and Credit Concentrations**

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



University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(In Thousands)

**18. Business and Credit Concentrations (continued)**

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

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

|                               | <b>June 30</b> |             |
|-------------------------------|----------------|-------------|
|                               | <b>2022</b>    | <b>2021</b> |
| Medicare                      | <b>35%</b>     | 31%         |
| Medicaid                      | <b>20</b>      | 29          |
| Commercial insurance and HMOs | <b>35</b>      | 33          |
| Self-pay and others           | <b>10</b>      | 7           |
|                               | <b>100%</b>    | 100%        |

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

|                               | <b>Year Ended June 30</b> |             |
|-------------------------------|---------------------------|-------------|
|                               | <b>2022</b>               | <b>2021</b> |
| Medicare                      | <b>42%</b>                | 41%         |
| Medicaid                      | <b>24</b>                 | 24          |
| Commercial insurance and HMOs | <b>30</b>                 | 31          |
| Self-pay and others           | <b>4</b>                  | 4           |
|                               | <b>100%</b>               | 100%        |

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

### **19. Certain Significant Risks and Uncertainties**

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

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

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

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

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

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

# University of Maryland Medical System Corporation and Subsidiaries

## Notes to Consolidated Financial Statements (continued) (In Thousands)

### **19. Certain Significant Risks and Uncertainties (continued)**

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

### **20. Maryland Health Services Cost Review Commission**

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Memorial, UM Dorchester, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Prince George's, and UM Laurel. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless they are canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2022 and 2021. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year's GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

*(In Thousands)*

**20. Maryland Health Services Cost Review Commission (continued)**

in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

**21. Subsequent Events**

The Corporation evaluated all events and transactions that occurred after June 30, 2022 and through October 21, 2022, the date the consolidated financial statements were issued. Other than described below, the Corporation did not have any material subsequent events during the period.

On August 23, 2022, the Corporation amended the term and structure of the revolving line of credit facility (see Note 7).

# Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format

(In Thousands)

June 30, 2022

|   | University of Maryland Medical Center | Rehabilitation & Orthopaedic Institute | University of Maryland Midtown Campus | Baltimore Washington Medical Center, Inc. | Shore Health System, Inc. | Chester River Medical Center | Charles Regional Medical Center | St. Joseph Medical Center | Upper Chesapeake Hospitals Medical Center | Upper Chesapeake Hospitals Harford Memorial | University of Maryland Capital Region Health Hospitals | All Other Entities | Eliminations   | Consolidated Total |
|---|---------------------------------------|--|---------------------------------------|---|---------------------------|------------------------------|---------------------------------|---------------------------|---|---|--|--------------------|----------------|--------------------|
| <b>Assets</b>   |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Current assets:   |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Cash and cash equivalents                                     | \$ 16,351                             | \$ 7,293                               | \$ 1                                  | \$ 18,990                                 | \$ 30,313                 | \$ 33,937                    | \$ 11,549                       | \$ 12,777                 | \$ 81,820                                 | \$ 6,964                                    | \$ –   | \$ 24,534          | \$ –           | \$ 244,529         |
| Assets limited as to use, current portion                     | –                                     | –                                      | –                                     | –   | –                         | –                            | –                               | –                         | –   | –   | –  | 68,258             | –              | 68,258             |
| Accounts receivable:  |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Patient accounts receivable, net                              | 270,593                               | 18,247                                 | 26,606                                | 44,580                                    | 34,366                    | 4,231                        | 15,125                          | 35,585                    | 37,735                                    | 9,276                                       | 46,125   | 32,002             | (2,862)        | 571,609            |
| Other   | 278,612                               | 237                                    | 7,529                                 | 36,210                                    | 7,184                     | 142                          | 879                             | 1,035                     | 36,011                                    | 64  | 16,183   | 171,860            | (263,799)      | 292,147            |
| Inventories   | 43,220                                | 1,697                                  | 3,465                                 | 7,861                                     | 3,358                     | 712                          | 1,813                           | 5,067                     | 6,431                                     | 2,455                                       | 7,130  | 14,244             | –              | 97,453             |
| Prepaid expenses and other current assets                     | 5,069                                 | 539                                    | 1,234                                 | 1,752                                     | 1,454                     | 23                           | 1,031                           | 1,895                     | 1,530                                     | 529   | –  | 23,786             | (133)          | 38,709             |
| Total current assets  | 613,845                               | 28,013                                 | 38,835                                | 109,393                                   | 76,675                    | 39,045                       | 30,397                          | 56,359                    | 163,527                                   | 19,288                                      | 69,438   | 334,684            | (266,794)      | 1,312,705          |
| Investments   | 468,953                               | 49,990                                 | 4,518                                 | 200,754                                   | 129,989                   | 1,106                        | 34,219                          | 33,347                    | 207,676                                   | 106,595                                     | 87,345   | 107,002            | –              | 1,431,494          |
| Assets limited as to use, less current portion:               |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Investments held for collateral                               | –                                     | –                                      | –                                     | –   | –                         | –                            | –                               | –                         | –   | –   | –  | 6,840              | –              | 6,840              |
| Debt service funds  | –                                     | –                                      | –                                     | –   | –                         | –                            | –                               | –                         | –   | –   | –  | 40                 | –              | 40                 |
| Construction funds  | 129,128                               | 17,914                                 | 10,700                                | 43,335                                    | 35,917                    | 4,110                        | 9,673                           | –                         | 194,679                                   | –   | 11,674   | –                  | (23,910)       | 433,220            |
| Board designated and escrow funds                             | –                                     | –                                      | –                                     | –   | 25,000                    | 5,000                        | –                               | –                         | 60,000                                    | –   | –  | –                  | –              | 90,000             |
| Self-insurance trust funds                                    | –                                     | –                                      | –                                     | –   | 3,145                     | –                            | –                               | –                         | –   | –   | –  | 224,650            | –              | 227,795            |
| Funds restricted by donor                                     | –                                     | –                                      | 1,127                                 | –   | 3,082                     | –                            | –                               | –                         | –   | –   | –  | 113,661            | –              | 117,870            |
| Economic interests in the net assets of related organizations | 83,708                                | 44,295                                 | 558                                   | 11,243                                    | 91,206                    | 7,094                        | 5,578                           | 9,503                     | 35,014                                    | –   | 1,330  | –                  | (230,036)      | 59,493             |
|   | 212,836                               | 62,209                                 | 12,385                                | 54,578                                    | 158,350                   | 16,204                       | 15,251                          | 9,503                     | 289,693                                   | –   | 13,004   | 345,191            | (253,946)      | 935,258            |
| Property and equipment, net                                   | 628,844                               | 43,602                                 | 149,508                               | 261,696                                   | 161,951                   | 11,190                       | 78,342                          | 243,197                   | 181,679                                   | 51,042                                      | 533,067  | 483,987            | –              | 2,828,105          |
| Investments in joint ventures and other assets                | 80,915                                | 12,976                                 | 1,013                                 | 2,738                                     | 37,879                    | 857                          | 7,110                           | 30,286                    | 57,301                                    | 5,724                                       | 27,136   | 1,355,592          | (1,027,599)    | 591,928            |
| Total assets  | \$ 2,005,393                          | \$ 196,790                             | \$ 206,259                            | \$ 629,159                                | \$ 564,844                | \$ 68,402                    | \$ 165,319                      | \$ 372,692                | \$ 899,876                                | \$ 182,649                                  | \$ 729,990   | \$ 2,626,456       | \$ (1,548,339) | \$ 7,099,490       |
| <b>Liabilities and net assets</b>                             |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Current liabilities:  |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Trade accounts payable  | \$ 124,835                            | \$ 8,776                               | \$ 13,639                             | \$ 25,764                                 | \$ 12,740                 | \$ 3,084                     | \$ 5,829                        | \$ 25,645                 | \$ 11,289                                 | \$ 11,228                                   | \$ 128,238   | \$ 42,719          | \$ (1,328)     | \$ 412,458         |
| Accrued payroll and benefits                                  | 97,437                                | 5,876                                  | 12,470                                | 24,299                                    | 14,143                    | 2,072                        | 8,393                           | 22,106                    | 25,915                                    | 5,630                                       | 23,746   | 99,522             | –              | 341,609            |
| Advances from third-party payors                              | 116,409                               | 10,510                                 | 15,009                                | 26,464                                    | 21,146                    | 1,302                        | 13,140                          | 26,581                    | 20,881                                    | 7,435                                       | 6,864  | 380                | –              | 266,121            |
| Short-term financing  | –                                     | –                                      | –                                     | –   | –                         | –                            | –                               | –                         | –   | –   | –  | 81,000             | –              | 81,000             |
| Other current liabilities                                     | 35,118                                | 1,975                                  | 19,041                                | 4,708                                     | 5,955                     | 4,074                        | 13,992                          | 31,551                    | 3,900                                     | 18,132                                      | 11,693   | 274,853            | (289,376)      | 135,616            |
| Current portion of long-term debt                             | 6,411                                 | 355                                    | 547                                   | 3,963                                     | 6,597                     | 70                           | 861                             | 3,978                     | 8,968                                     | –   | 4,170  | 2,479              | –              | 38,399             |
| Total current liabilities                                     | 380,210                               | 27,492                                 | 60,706                                | 85,198                                    | 60,581                    | 10,602                       | 42,215                          | 109,861                   | 70,953                                    | 42,425                                      | 174,711  | 500,953            | (290,704)      | 1,275,203          |
| Long-term debt, less current portion                          | 565,213                               | 17,219                                 | 26,445                                | 192,700                                   | 116,650                   | 3,372                        | 41,933                          | 193,381                   | 411,559                                   | 24,453                                      | 202,733  | 104,576            | –              | 1,900,234          |
| Other long-term liabilities                                   | 19,119                                | 494                                    | 943                                   | 4,927                                     | 37,804                    | 1,369                        | 1,606                           | 81,620                    | 313                                       | 1,197                                       | 6,201  | 471,289            | (85,613)       | 541,269            |
| Interest rate swap liabilities                                | –                                     | –                                      | –                                     | –   | –                         | –                            | –                               | –                         | –   | –   | –  | 106,721            | –              | 106,721            |
| Total liabilities   | 964,542                               | 45,205                                 | 88,094                                | 282,825                                   | 215,035                   | 15,343                       | 85,754                          | 384,862                   | 482,825                                   | 68,075                                      | 383,645  | 1,183,539          | (376,317)      | 3,823,427          |
| Net assets:   |                                       |  |                                       |   |                           |                              |                                 |                           |   |   |  |                    |                |                    |
| Without donor restrictions                                    | 994,976                               | 107,269                                | 71,758                                | 335,091                                   | 308,614                   | 47,193                       | 79,565                          | (12,171)                  | 382,037                                   | 114,574                                     | 341,509  | 1,279,112          | (1,007,556)    | 3,041,971          |
| With donor restrictions                                       | 45,875                                | 44,316                                 | 46,407                                | 11,243                                    | 41,195                    | 5,866                        | –                               | 1                         | 35,014                                    | –   | 4,836  | 163,805            | (164,466)      | 234,092            |
| Total net assets  | 1,040,851                             | 151,585                                | 118,165                               | 346,334                                   | 349,809                   | 53,059                       | 79,565                          | (12,170)                  | 417,051                                   | 114,574                                     | 346,345  | 1,442,917          | (1,172,022)    | 3,276,063          |
| Total liabilities and net assets                              | \$ 2,005,393                          | \$ 196,790                             | \$ 206,259                            | \$ 629,159                                | \$ 564,844                | \$ 68,402                    | \$ 165,319                      | \$ 372,692                | \$ 899,876                                | \$ 182,649                                  | \$ 729,990   | \$ 2,626,456       | \$ (1,548,339) | \$ 7,099,490       |

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations – Hospital Format  
(In Thousands)

Year Ended June 30, 2022

|  | University of Maryland Medical Center |                     |  |                                       | Shore Health System, Inc.                 |                   |                    |            | Capital Region Hospitals     |                                 |                           |                            | All Other Entities | Eliminations | Consolidated Total |                  |                 |                     |              |
|--|---------------------------------------|---------------------|--|---------------------------------------|---|-------------------|--------------------|------------|------------------------------|---------------------------------|---------------------------|----------------------------|--------------------|--------------|--------------------|------------------|-----------------|---------------------|--------------|
|  | University Hospital                   | Shock Trauma Center | Rehabilitation & Orthopaedic Institute | University of Maryland Midtown Campus | Baltimore Washington Medical Center, Inc. | Memorial Hospital | Dorchester General | QAEC       | Chester River Medical Center | Charles Regional Medical Center | St. Joseph Medical Center | Upper Chesapeake Hospitals |                    |              |                    | Capital Regional | Laurel Regional | Bowie Health Center |              |
| Operating revenue, gains and other support:              |                                       |                     |  |                                       |   |                   |                    |            |                              |                                 |                           |                            |                    |              |                    |                  |                 |                     |              |
| Net patient service revenue                              | \$ 1,583,708                          | \$ 216,808          | \$ 117,106                             | \$ 204,299                            | \$ 446,536                                | \$ 264,914        | \$ 20,618          | \$ 6,747   | \$ 48,573                    | \$ 151,174                      | \$ 377,024                | \$ 320,280                 | \$ 99,871          | \$ 305,800   | \$ 23,271          | \$ 14,141        | \$ 331,463      | \$ (8,926)          | \$ 4,523,407 |
| State support  | –                                     | 3,600               | –                                      | –                                     | –   | –                 | –                  | –          | –                            | –                               | –                         | –                          | 10,000             | –            | –                  | –                | 10,000          | (10,000)            | 13,600       |
| CARES Act – provider relief funds                        | 1,970                                 | –                   | 669                                    | 388                                   | 3,063                                     | 5,112             | –                  | –          | 718                          | 419                             | 1,559                     | 814                        | 2,555              | 1,646        | –                  | –                | 3,770           | –                   | 22,683       |
| Other revenue  | 212,695                               | 476                 | 2,910                                  | 28,018                                | 2,315                                     | 5,465             | 433                | 135        | 594                          | 1,508                           | 3,401                     | 4,736                      | 1,279              | 8,926        | 51                 | 28               | 1,009,489       | (949,092)           | 333,367      |
| Total operating revenue, gains, and other support        | 1,798,373                             | 220,884             | 120,685                                | 232,705                               | 451,914                                   | 275,491           | 21,051             | 6,882      | 49,885                       | 153,101                         | 381,984                   | 325,830                    | 103,705            | 326,372      | 23,322             | 14,169           | 1,354,722       | (968,018)           | 4,893,057    |
| Operating expenses:                                      |                                       |                     |  |                                       |   |                   |                    |            |                              |                                 |                           |                            |                    |              |                    |                  |                 |                     |              |
| Salaries, wages, and benefits                            | 691,219                               | 93,245              | 60,174                                 | 120,243                               | 218,140                                   | 100,046           | 12,036             | 4,846      | 15,084                       | 73,518                          | 161,071                   | 147,717                    | 57,483             | 181,089      | 12,313             | 7,992            | 858,170         | (206,306)           | 2,608,080    |
| Expendable supplies                                      | 447,716                               | 30,008              | 13,846                                 | 42,498                                | 58,044                                    | 32,539            | 2,579              | 804        | 2,630                        | 22,561                          | 63,925                    | 45,877                     | 6,842              | 35,310       | 3,962              | 2,034            | 55,266          | (1,748)             | 864,693      |
| Purchased services                                       | 368,335                               | 46,813              | 21,941                                 | 53,141                                | 96,506                                    | 52,894            | 5,705              | 1,384      | 14,704                       | 37,560                          | 78,679                    | 62,029                     | 25,744             | 73,010       | 15,720             | 6,750            | 444,133         | (620,662)           | 784,386      |
| Contracted services                                      | 152,925                               | 15,919              | 11,172                                 | 35,108                                | 38,358                                    | 30,282            | 4,009              | 780        | 9,293                        | 11,712                          | 46,789                    | 25,096                     | 7,869              | 39,697       | 6,583              | 1,336            | 30,692          | (139,229)           | 328,391      |
| Depreciation and amortization                            | 87,825                                | 7,380               | 7,877                                  | 15,304                                | 29,104                                    | 13,334            | 3,463              | 446        | 2,819                        | 8,746                           | 24,953                    | 17,357                     | 6,542              | 32,070       | 37                 | 1,128            | 8,802           | –                   | 267,187      |
| Interest expense   | 13,205                                | –                   | 209                                    | 845                                   | 5,029                                     | 2,645             | 399                | –          | 151                          | 1,256                           | 7,609                     | 2,569                      | 1,121              | 4,382        | –                  | –                | 725             | –                   | 40,145       |
| Total operating expenses                                 | 1,761,225                             | 193,365             | 115,219                                | 267,139                               | 445,181                                   | 231,740           | 28,191             | 8,260      | 44,681                       | 155,353                         | 383,026                   | 300,645                    | 105,601            | 365,558      | 38,615             | 19,240           | 1,397,788       | (967,945)           | 4,892,882    |
| Operating income (loss)                                  | 37,148                                | 27,519              | 5,466                                  | (34,434)                              | 6,733                                     | 43,751            | (7,140)            | (1,378)    | 5,204                        | (2,252)                         | (1,042)                   | 25,185                     | (1,896)            | (39,186)     | (15,293)           | (5,071)          | (43,066)        | (73)                | 175          |
| Nonoperating income and expenses, net:                   |                                       |                     |  |                                       |   |                   |                    |            |                              |                                 |                           |                            |                    |              |                    |                  |                 |                     |              |
| Contributions  | 332                                   | –                   | –                                      | –                                     | –   | –                 | –                  | –          | –                            | –                               | –                         | –                          | –                  | –            | –                  | –                | 3,176           | –                   | 3,508        |
| Equity in net income of joint ventures                   | (929)                                 | –                   | –                                      | –                                     | –   | (214)             | –                  | –          | –                            | 296                             | 2,312                     | –                          | –                  | –            | –                  | –                | (16,684)        | 14,315              | (904)        |
| Investment income  | 56,576                                | –                   | 6,772                                  | 705                                   | 27,179                                    | 7,279             | –                  | –          | 426                          | 3,877                           | 570                       | 26,100                     | 15,808             | 491          | –                  | –                | 10,067          | –                   | 155,850      |
| Change in fair value of investments                      | (100,268)                             | –                   | (11,614)                               | (1,245)                               | (46,818)                                  | (25,689)          | –                  | –          | (705)                        | (6,686)                         | (1,274)                   | (44,785)                   | (27,126)           | (825)        | –                  | –                | (37,262)        | –                   | (304,297)    |
| Change in fair value of undesignated interest rate swaps | –                                     | –                   | –                                      | –                                     | –   | –                 | –                  | –          | –                            | –                               | –                         | –                          | –                  | –            | –                  | –                | 96,888          | –                   | 96,888       |
| Other nonoperating gains and losses                      | (12,303)                              | –                   | (226)                                  | (620)                                 | (2,308)                                   | (1,745)           | –                  | –          | (45)                         | (1,165)                         | (2,545)                   | (5,279)                    | (2,274)            | (1,007)      | 251                | 145              | (4,786)         | 695                 | (33,212)     |
| Total nonoperating income and expenses                   | (56,592)                              | –                   | (5,068)                                | (1,160)                               | (21,947)                                  | (20,369)          | –                  | –          | (324)                        | (3,678)                         | (937)                     | (23,964)                   | (13,592)           | (1,341)      | 251                | 145              | 51,399          | 15,010              | (82,167)     |
| (Deficiency) excess of revenues over expenses            | \$ (19,444)                           | \$ 27,519           | \$ 398                                 | \$ (35,594)                           | \$ (15,214)                               | \$ 23,382         | \$ (7,140)         | \$ (1,378) | \$ 4,880                     | \$ (5,930)                      | \$ (1,979)                | \$ 1,221                   | \$ (15,488)        | \$ (40,527)  | \$ (15,042)        | \$ (4,926)       | \$ 8,333        | \$ 14,937           | \$ (81,992)  |

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