Calvert Health System, Inc.
and Subsidiaries

Consolidated Financial Statements and Supplementary Consolidating Information

Years Ended June 30, 2021 and 2020

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Independent Auditors' Report

Board of Directors
Calvert Health System, Inc.
Prince Frederick, MD

We have audited the accompanying consolidated financial statements of Calvert Health System, Inc. and Subsidiaries (the "System"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of operations and other changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Calvert Health System, Inc. and Subsidiaries as of June 30, 2021 and 2020, and their consolidated results of their operations, changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 2 to the consolidated financial statements, the System has changed its method of accounting for leases in accordance with Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2020. The System adopted this standard using a modified retrospective approach and has elected not to restate prior periods. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2021 consolidating schedules on pages 38 - 44 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and changes in net assets without donor restrictions, and cash flows of the individual companies, and are not a required part of the consolidated financial statements. Such information and the other supplementary information on page 45 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 2021 information has been subjected to the auditing procedures applied in the audit of the 2021 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

Charleston, WV
October 26, 2021

Calvert Health System, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 26,258,917**	$ 27,706,649
Short-term investments	**476,304**	364,284
Patient accounts receivable, net	**12,905,941**	13,553,225
Inventories	**3,404,198**	3,078,253
Prepaid expenses and other assets	**4,570,008**	5,491,249
Assets limited as to use, current	**1,989**	999,928
Total current assets	**47,617,357**	51,193,588
Investments and other assets:		
Investments	**116,398,130**	93,957,800
Investments in affiliated enterprises	**7,497,300**	6,989,065
Assets limited as to use	**7,190,305**	6,315,797
Property and equipment, net	**95,575,750**	92,834,626
Insurance recoverable	**5,338,691**	5,352,219
Other assets	**581,654**	818,740
Right-of-use assets - operating leases	**10,845,674**	-
Total assets	**$ 291,044,861**	$ 257,461,835
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 20,243,289**	$ 19,605,532
Current portion of long-term debt	**1,566,000**	2,488,777
Current portion of operating lease obligations	**2,548,629**	-
Current portion of finance lease obligations	**1,870,788**	757,053
Advances from third party payors	**3,148,536**	2,936,279
Total current liabilities	**29,377,242**	25,787,641
Long-term debt, less current portion, net of unamortized debt issuance costs	**47,983,177**	53,822,197
Long-term operating lease obligations	**8,293,079**	-
Long-term finance lease obligations	**3,277,583**	866,624
Professional liability	**6,331,692**	6,342,128
Other long-term liabilities	**1,536,975**	1,307,469
Total liabilities	**96,799,748**	88,126,059
Net assets:		
Without donor restrictions:		
Unrestricted - general	**186,373,044**	162,315,682
Unrestricted - board designated	**4,756,274**	4,029,583
With donor restrictions	**3,115,795**	2,990,551
Total net assets	**194,245,113**	169,335,776
Total liabilities and net assets	**$ 291,044,861**	$ 257,461,835

See accompanying notes.

Calvert Health System, Inc. and Subsidiaries
Consolidated Statements of Operations and Other Changes in Net Assets Without Donor Restrictions
Years Ended June 30, 2021 and 2020

	2021	2020
Revenue:		
Net patient service revenue	$ 162,709,959	$ 150,366,613
Rental revenue	417,255	466,104
CARES Act provider relief funding	1,371,839	4,329,084
Other operating revenue	2,321,402	2,660,685
Total operating revenue	166,820,455	157,822,486
Expenses:		
Salaries and wages	72,689,347	68,514,634
Employee benefits	13,227,643	12,201,498
Supplies	32,105,378	28,001,716
Purchased services	6,450,617	7,016,201
Professional fees	7,477,155	8,186,497
Depreciation and amortization	12,825,682	12,027,045
Interest	2,197,950	2,304,517
Other	19,147,601	18,777,098
Total operating expenses	166,121,373	157,029,206
Income from operations	699,082	793,280
Nonoperating gains (losses):		
Investment income	3,097,155	3,138,530
Income from equity investments	1,329,551	1,388,998
Income tax expense	(295,775)	(304,000)
Net unrealized gains (losses) on investments	18,890,639	(977,599)
Loss on extinguishment of debt	(4,074,777)	-
Total nonoperating gains, net	18,946,793	3,245,929
Excess of revenue over expenses	19,645,875	4,039,209
Net assets released from restrictions for capital acquisitions	883,017	1,883,439
CARES Act and other grant funding for capital acquisitions	4,255,161	-
Transfer of net assets	-	(100,000)
Increase in net assets without donor restrictions	$ 24,784,053	$ 5,822,648

Calvert Health System, Inc and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020

	Without Donor Restrictions	Noncontrolling Interest	With Donor Restrictions	Total
Balance, June 30, 2019	$ 160,560,118	$ (37,501)	$ 4,249,258	$ 164,771,875
Excess of revenue over expenses	4,038,775	434	-	4,039,209
Contributions	-	-	677,969	677,969
Contributions (distributions) to noncontrolling interest in subsidiary	(37,067)	37,067	-	
Net assets released from restrictions for capital acquisitions	1,883,439	-	(1,883,439)	-
Net assets released from restrictions to fund operating programs	-	-	(186,447)	(186,447)
Transfer of net assets	(100,000)	-	100,000	-
Investment income on net assets with donor restrictions	-	-	33,170	33,170
Increase (decrease) in net assets	5,785,147	37,501	(1,258,747)	4,563,901
Balance, June 30, 2020	166,345,265	-	2,990,511	169,335,776
Excess of revenue over expenses	19,645,875	-	-	19,645,875
Contributions	-	-	1,040,078	1,040,078
CARES Act and other grant funding for capital acquisitions	4,255,161	-	-	4,255,161
Net assets released from restrictions for capital acquisitions	883,017	-	(883,017)	-
Net assets released from restrictions to fund operating programs	-	-	(299,829)	(299,829)
Investment income on net assets with donor restrictions	-	-	268,052	268,052
Increase in net assets	24,784,053	-	125,284	24,909,337
Balance, June 30, 2021	$ 191,129,318	$ -	$ 3,115,795	$ 194,245,113

See accompanying notes.

Calvert Health System, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets	$ 24,909,337	$ 4,563,901
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	12,825,682	12,027,045
Amortization of debt issuance costs	82,584	61,744
Loss on extinguishment of debt	4,074,777	-
Donations and grants for capital acquisition	(5,138,178)	(426,815)
Equity in earnings of affiliated enterprises	(1,329,551)	(1,388,998)
Distributions from equity method investments	746,516	959,849
Realized net gains on investments	(5,925)	(608,260)
Unrealized net (gains) losses on investments	(18,890,639)	977,599
Change in:		
Patient accounts receivable	647,284	141,901
Inventories	(325,945)	(545,509)
Prepaid expenses and other assets	955,515	(2,265,486)
Accounts payable, accrued expenses and other liabilities	1,147,703	4,295,809
Net cash provided by operating activities	19,699,160	17,792,780
Cash flows from investing activities:		
Purchases of investments	(23,749,593)	(41,029,545)
Sales of investments	19,656,358	42,348,130
Net increase in assets limited as to use	(50,277)	(248,874)
Distributions from equity method investments	74,799	180,340
Purchases of property and equipment	(10,668,055)	(13,419,508)
Net cash used in investing activities	(14,736,768)	(12,169,457)
Cash flows from financing activities:		
Proceeds from issuance of new long-term debt	49,995,000	-
Payment of bond issuance costs	(376,986)	-
Repayment of long-term debt	(60,622,920)	(2,489,693)
Payments on finance leases	(1,374,057)	(794,127)
Donations received restricted for capital acquisitions	5,138,178	426,815
Net cash used in financing activities	(7,240,785)	(2,857,005)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(2,278,393)	2,766,318
Cash, cash equivalents, and restricted cash, beginning of year	30,222,500	27,456,182
Cash, cash equivalents and restricted cash, end of year	$ 27,944,107	$ 30,222,500
Supplemental disclosure of non-cash investing activities:		
Acquisition of property and equipment through finance lease	$ 4,898,751	$ -

Notes to Consolidated Financial Statements

1. Organization and Nature of Business

Organization

Calvert Health System, Inc. and Subsidiaries (the “System”), a Maryland corporation formed on January 1, 2000, is the sole member of CalvertHealth Medical Center, Inc. (the “Hospital”), Calvert Health Ventures, Inc. (CHV), CalvertHealth Medical Group, LLC (CHMG), CMH Holding Company (Holding Co. I), and CMH II Holding Company (Holding Co. II).

The System and the Hospital are nonprofit, nonstock membership corporations formed under the laws of the State of Maryland, organized for charitable purposes and exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Hospital, located in Prince Frederick, Maryland, provides inpatient, outpatient and emergency care services for the residents of Calvert County and the surrounding areas. The Hospital was incorporated in Maryland in 1917. The Hospital has two wholly owned or controlled subsidiaries: CalvertHealth Foundation, Inc. (the Foundation) and Calvert Community Health, Inc. (CCH). The Foundation is a non-profit corporation that operates exclusively for the charitable purpose of supporting the Hospital and CHMG. CCH is the Hospital’s for-profit subsidiary organized to establish managed care contracts. CCH is currently inactive.

CHV is a for-profit corporation that owns and manages investments in certain health care related entities, including Calvert Surgery Center, LLC (CSC), an imaging center, and a physical therapy and sports rehabilitation center. CSC holds a 10% interest in Prince Frederick Surgery Center, LLC (PFSC).

CHMG is a limited liability company that employs physicians who provide health care services for the residents of Calvert County and the surrounding area.

Holding Co. I and Holding Co. II are nonprofit, nonstock membership corporations formed under the laws of the State of Maryland, organized for charitable purposes and exempt from federal income taxes under Section 501(c)(2) of the IRC. Holding Co. I owns a medical office building in Solomon’s Island, Maryland. Holding Co. II owns interest in Calvert Medical Arts Center, LLC (CMAC).

Principles of consolidation

At June 30, 2021 and 2020, the System’s consolidated financial statements include the accounts of the Hospital and its wholly owned or controlled subsidiaries, CHV, CHMG, Holding Co. I and Holding Co. II. All material intercompany transactions are eliminated.

2. Summary of Significant Accounting Policies

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. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributions, including unconditional promises to give, with no donor-imposed restrictions are recognized in the period received as increases in net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions whose restrictions are met in the same reporting period are also initially reported as increases in net assets with donor restrictions and then reported as reclassifications between the applicable classes of net assets.

Income and realized net gains (losses) on investments are reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift or the System's interpretation of relevant state law require that they be added to the principal of a permanent net asset with donor restriction;
- Increases (decreases) in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income;
- Increases (decreases) in net assets without donor restrictions in all other cases.

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist primarily of highly liquid, unrestricted investments in U.S. Treasury bills, commercial paper, and other interest-bearing deposits with original maturities of three months or less. Primarily all of the System's cash and cash equivalents are maintained in one commercial bank, of which an aggregate maximum of $250,000 is insured by the Federal Deposit Insurance Corporation (FDIC). The System's cash balance routinely exceeds the maximum amount insured by the FDIC.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the accompanying consolidated statements of financial position that sum to the total amounts shown in the accompanying consolidated statements of cash flows as of June 30:

	2021	2020
Cash and cash equivalents	**$ 26,258,917**	$ 27,706,649
Assets whose use is limited		
Internally designated for capital acquisition and scholarships	**1,685,190**	1,515,923
Restricted under bond indenture agreement - held by trustee	**-**	999,928
Total cash, cash equivalents and restricted cash shown in consolidated statements of cash flows	**$ 27,944,107**	$ 30,222,500

Short-term investments

Short-term investments consist primarily of investments with maturities of less than one year from the date of purchase.

Inventories

Inventories consist primarily of drugs and medical supplies and are carried at the lower of cost or net realizable value, as determined principally by the first-in, first-out method.

Patient accounts receivable

Patient accounts receivable are reported at net realizable value. For receivables associated with services provided to patients who have third-party coverage, the System estimates net realizable value based on the estimated contractual reimbursement percentage, which in turn is based on current contract provisions and historical paid claims by payor. For self-pay accounts, including uninsured and patient responsibility accounts, the net realizable value is determined using historical collection experience, adjusted for estimated conversions of patient responsibility portions, expected recoveries and changes in trends to estimate implicit price concessions. Management continually reviews the estimated net realizable value of accounts receivable by monitoring cash collections, economic conditions and trends, changes in payor mix, changes in federal or state healthcare coverage and other matters.

Investments

Investments in fixed maturity and equity securities are recorded at fair value. Investment income, realized gains and losses and unrealized gains and losses on equity securities are reported in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions unless restricted by the donor, in which case they are reported as an addition to, or deduction from, the appropriate net assets with donor restriction balance.

As of June 30, 2021 and 2020, $2,013,278 and $1,617,753 of the investments balance, respectively, are available to fund an executive severance and deferred compensation plan that has been established to provide benefits to the System's executive management team. The current portion amounts are included in accounts payable and accrued expenses and the noncurrent portion amounts are recorded as noncurrent liabilities in the accompanying consolidated statements of financial position as of June 30, 2021 and 2020.

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.

Investments in affiliated enterprises

Investments in affiliated, non-controlled enterprises are accounted for using the cost or equity method of accounting.

Assets limited as to use

Assets limited as to use primarily include assets held by trustees under indenture agreements, designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and grants receivable.

Property and equipment

Property and equipment acquisitions are recorded at cost, except for donated items, which are recorded at fair value at the date of donation. Renovations, alterations, and improvements that increase the useful lives or the functionality of the related assets are capitalized and subsequently depreciated over the remaining useful life of each class of depreciable assets. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 20 - 40 years for buildings, 5 - 10 years for equipment and 10 - 20 years for leasehold improvements. Interest cost incurred on borrowed funds during the construction period for capital assets is capitalized as a component of the cost of acquiring those assets.

Leases

At lease inception, the System determines whether an arrangement is or contains a lease. Operating leases are included in right-of-use (ROU) assets – operating leases, current portion of operating lease obligation, and long-term operating lease obligation in the accompanying consolidated financial statements. Finance leases are included in property and equipment, current portion of finance lease obligation and long-term finance lease obligation in the accompanying consolidated financial statements. ROU assets represent the System's right to use leased assets over the term of the lease. Lease liabilities represent the System's contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured at the present value of the lease payments over the lease term. The System uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the System uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the lease payments plus initial direct costs and any prepayments less any lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates and the presence of factors that would cause a significant economic penalty to the System if the option were not exercised. The System has elected not to recognize a ROU asset and obligation for leases with an initial term of twelve months or less. The expense associated with short-term leases is included in lease expense in the accompanying consolidated statements of operations. Variable lease costs include common area maintenance costs and represent non-lease components. As such, these costs are not included in the lease obligation calculation and are expensed as incurred.

For finance leases, after lease commencement, the lease liability is measured on an amortized cost basis and increased to reflect interest on the liability and decreased to reflect the lease payment made during the period. Interest on the lease liability is determined each period during the lease term as the amount that results in a constant period discount rate on the remaining balance of the liability. The ROU asset is subsequently measured at cost, less any accumulated amortization and any accumulated impairment losses. Amortization on the ROU asset is recognized over the period from the commencement date to the earlier of (1) the end of the useful life of the ROU asset, or (2) the end of the lease term. The discount rate used by the System for finance leases is generally the incremental borrowing rate, as most such leases do not provide a readily determinable implicit interest rate. To the extent a lease arrangement includes both lease and non-lease components, the components are not accounted for separately.

Net assets

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

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. All revenue without donor restrictions and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions – net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenue with donor restrictions as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Other assets

Other assets consist of insurance recoverables and long-term other amounts receivable. Long-term other amounts receivable includes a promissory note that was entered into between the Hospital and PFSC on July 1, 2015 in the amount of $1,800,000. The original terms and conditions of the promissory note were restated and amended on December 1, 2018 for a new principal amount of $1,187,095, a fixed rate of 3.75%, four payments of interest only that commenced on January 1, 2019 and sixty monthly payments of principal and interest that commenced on May 1, 2019. The long-term portion of the outstanding principal amounted to $501,654 and $738,740 at June 30, 2021 and 2020, respectively.

Third-party advances

The Hospital receives advances from third-party payors to provide working capital for services rendered to the beneficiaries of such services. These advances are subject to periodic adjustment and are principally determined based on the timing difference between the provision of care and the anticipated payment date of the claim for service.

Net patient service revenue

Net patient service revenue is recognized at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third party payors (including commercial and governmental programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the System bills the patients and third-party payors after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

The System charges are based on rates established by the State of Maryland Health Services Cost Review Commission (HSCRC); accordingly, revenue reflects actual charges to patients based on rates in effect during the period in which the services are rendered. Physician practice charges are based on either negotiated contracts with commercial payors, fee schedules with Medicare and Medicaid or standardized pricing for self-pay patients.

The System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third party payors, financial assistance provided to uninsured or underinsured patients in accordance with the System's policies, and/or implicit price concessions provided to uninsured or underinsured patients. The System determines its estimates of explicit price concession based on contractual agreements, its financial assistance policies, and historical experience. The System determines its estimates of implicit price concessions based on its historical and expected collection experience. This estimate considers business and general economic conditions, trends in healthcare coverage and other collection indicators. Throughout the year, management assesses the adequacy of these implicit price concessions based upon its review of patient accounts receivable and collections to date. Other factors, such as account aging and payment cycles, are considered when estimating implicit price concessions. Certain amounts categorized as implicit price concessions under current accounting standards were previously categorized as provision for doubtful accounts.

Charity care and other community services

The Hospital provides care to patients regardless of their ability to pay. In identifying charity care, the Hospital assesses the patient’s ability to pay, utilizing generally recognized poverty income levels for the community, and identifies certain cases where incurred charges are considered to be beyond the patient's ability to pay. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as a component of net patient service revenue or patient accounts receivable. The Hospital maintains records to identify and monitor the level of charity care it provides. These records represent the amount of charges forgone under its charity care policy. The charity policy of the Hospital provides free care to patients up to 200% of the federal poverty level and provides free care on a sliding scale between 200% and 300% of the federal poverty level.

The cost of charity care provided by the Hospital amounted to approximately $3,510,458 and $2,087,000 in 2021 and 2020, respectively. Rates charged by the Hospital for regulated services are determined based on an assessment of direct and indirect costs calculated pursuant to the methodology established by the HSCRC, and therefore the cost of charity services noted above for the Hospital is equivalent to its established rates for those services. For any charity services rendered by the System other than the regulated services of the Hospital, the cost of charity care is calculated by applying the estimated total cost-to-charge ratio for the non-Hospital services to the total amount of charges for services provided to patients benefitting from the charity care policies of the System's non-Hospital affiliates.

The Hospital receives monthly payments from the HSCRC or submits monthly payments with respect to an Uncompensated Care Fund (UCC) established for rate-regulated hospitals in Maryland. The UCC is intended to provide Maryland hospitals with funds to support the provision of uncompensated care at those hospitals as determined by the HSCRC. The Hospital contributed $361,146 and $551,318 for 2021 and 2020 , respectively, to the UCC as required by the HSCRC. The Hospital did not receive any payments from the UCC in 2021 and 2020.

In addition to charity and uncompensated care, the System provides various health education programs, community screenings, classes, partnerships and neighborhood health centers, such as the following:

- Clinic eligibility workers that assist indigent patients to obtain healthcare and dental services,
- Health promotion programs and services, such as smoking cessation, blood pressure screenings and wellness programs, and
- Social services to assist patients in arranging for nonhospital healthcare services.

The HSCRC requires all Maryland hospitals to complete and submit a Community Benefit Report annually on December 15th for the preceding fiscal year. The Hospital's Community Benefit Report for the year ended June 30, 2020 and 2019 reported $17,974,116 and $19,718,889, respectively (unaudited), in community benefit services.

Consolidated statements of operations

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as revenue or expenses, as applicable. Peripheral or incidental transactions are reported as non-operating gains or losses, as applicable.

Other operating revenue

Other operating revenue of the System includes electronic health record income, cafeteria income, grant income, ground lease income and revenue from instructional classes and other operating programs.

CARES Act Provider Relief Funding

The System has received provider relief funding under the federal Coronavirus Aid, Relief and Economic Security (CARES) Act. These relief funds are considered non-exchange transactions subject to terms and conditions specified by the resource provider distributed by the Health Resources Service Administration (HRSA) section of the U.S. Department of Health and Human Services (HHS). These conditions create a restriction that such funds must be used to prevent, prepare or respond to the coronavirus (COVID 19), creating purpose restrictions in addition to conditions. This conditional grant revenue is recognized as other operating income to the extent conditions/restrictions for entitlement are met for coronavirus related expenses or lost revenues. The System reports conditional contributions for which the conditions and related restrictions are met in the same reporting period as net assets without donor restrictions. Such funds are subject to recoupment to the extent the conditions for entitlement are not met.

Excess of revenue over expenses

The consolidated statements of operations and other changes in net assets without donor restrictions report excess of revenue over expenses. Changes in net assets without donor restrictions that are excluded from this performance indicator, consistent with industry practice, include unrealized gains and losses on marketable investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of (and assets released from donor restrictions related to) long-lived assets.

Tax-exempt status

The System is exempt from federal income tax under section 501(c)(3) of the IRC as a public charity. The System is entitled to rely on this determination as long as there are no substantial changes in its character, purposes, or methods of operation. Management has concluded that there have been no such changes and, therefore, the System's status as a public charity exempt from federal income taxation remains in effect.

The state in which the System operates also provides general exemption from state income taxation for organizations that are exempt from federal income taxation. However, the System is subject to both federal and state income taxation at corporate tax rates on its unrelated business income. Exemption from other state taxes, such as real and personal property taxes, is separately determined.

The System had no unrecognized tax benefits or such amounts were immaterial during the periods presented. For tax periods with respect to which no unrelated business income was recognized, no tax return was required.

Management has also considered the impact of unrelated business activities and has concluded that the System is not subject to unrelated business tax or any other taxes that could be imposed by the IRC or state taxing authorities. As such, no provision is made for income taxes and no asset or liability has been recognized for deferred taxes.

Subsequent events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 26, 2021, the date the consolidated financial statements were issued.

New accounting pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842)*, which was amended in June 2020 by Accounting Standard Update ("ASU") 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities.* The amendments in ASU 2016-02 revised the accounting related to lessee accounting. Under the new guidance, the System is required to recognize a lease liability and a right-of-use asset for all leases. ASU 2020-05 extended the effective for the System to July 1, 2020. The System adopted this standard effective July 1, 2020 using the modified retrospective transition approach for leases existing at, or entered into after, that date and has elected not to restate prior periods. The primary impacts of adoption are a gross-up of right of use assets and lease liability for operating leases and expanded disclosures, which are included in Note 16.

3. Net Patient Service Revenue

Management has determined that the System has an unconditional right to payment only subject to the passage of time for services provided to date based on just the need to either finalize billing for such services (i.e., charge lag) or to discharge the patient and bill for such services for patients who are still receiving inpatient care in the System's facilities at the statement of financial position date. Accordingly, the System accrues revenue and the related accounts receivable for services performed but not yet billed at the statement of financial position date for in-house patients. Thus, management has determined that System does not have any amounts that should be reflected separately as contract assets.

The System elected certain available practical expedients under FASB ASU 2014-09, *Revenue from Contracts with Customers (ASC 606),* First, the System elected the practical expedient that allows nonrecognition of the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the System's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the System does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the respective contracts. Additionally, the System has applied the practical expedient whereby all incremental customer contract acquisition costs are expensed as they are incurred, as the amortization period of the asset that the System otherwise would have recognized is one year or less in duration.

Estimated uncollectible amounts from patients are considered implicit price concessions (as defined in ASC 606) and, therefore, included in net patient service revenue. Such implicit price concessions are reflected in net patient service revenue in the accompanying consolidated financial statements.

The System routinely obtains assignments of (or is otherwise entitled to receive) patient benefits receivable under their health insurance programs, plans or policies (i.e., third-party payors). Third party payors include both government payors, which include Medicare, Medicaid, and management care organizations, and commercial insurance carriers. Agreements with third party payors typically provide for payments at amounts less than established charges. A summary of payment arrangements with third party payors, by service type, is as follows:

- Global budget revenue – the Hospital has entered into agreements by which the third-party payors pay a percentage of approved HSCRC charges. A reduced percentage can be obtained if the payor advances a certain amount of working capital.

- Physician practice services – CHMG has entered into agreements by which the third-party payors pay negotiated rates per procedures as defined in the term sheet of the agreements.

- Outpatient Rehabilitation – Calvert Health Outpatient Rehabilitation has entered into agreements by which the third-party payor pay negotiated rates per procedures as defined in the term sheet of the agreements.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time are recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving services over multiple days. The System measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time are generally recognized when goods or services are provided and the System does not believe it is required to provide additional services to the patient. Generally, performance obligations satisfied at a point in time relate to patients receiving outpatient services in a single day. The System measures the performance obligation from the commencement of the outpatient service to the point when it is no longer required to provide services to that patient, which is generally the completion of the outpatient service.

All of the System's performance obligations generally relate to contracts with a duration of less than one year, therefore the System has elected to apply the optional exemptions provided under applicable standards and as a result is 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. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Generally, patients who are covered by third party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients, and offers those uninsured or underinsured patients financial assistance, by either policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any explicit price concession, financial assistance, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to net patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and other patient balances (for example, copays and deductibles).

The System aggregates revenue from contracts with customers by type of service and payor source. Tables providing details of these factors are presented below.

Net patient service revenue disaggregated by service type for the year ended June 30, 2021 and 2020 are as follows:

	2021	**2020**
Global budget revenue	**$ 142,050,039**	$ 133,672,837
Rehabilitation services	**1,976,783**	1,862,417
Physician practice services	**18,635,457**	14,700,978
Other health services	**47,680**	130,381
Total	**$ 162,709,959**	$ 150,366,613

Net patient service revenue disaggregated by payor for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Medicare	**$ 70,302,199**	$ 68,463,104
Medicaid	**21,220,564**	18,901,368
Blue Cross	**30,671,134**	25,817,702
Commercial	**6,128,240**	5,406,470
Managed Care	**31,193,883**	29,092,100
Self-Pay	**3,193,939**	2,685,869
Total	**$ 162,709,959**	$ 150,366,613

4. Investments in Affiliated Enterprises

A summary of investments in affiliated enterprises as of and for the years ended June 30 follows:

	2021		2020	
	Investment	Income	Investment	Income
Equity:				
Calvert Medical Imaging Center	**$ 2,438,589**	**$ 1,075,905**	$ 2,112,684	$ 827,522
Chesapeake-Potomac Healthcare Alliance, LLC	**3,501,709**	**(120,784)**	3,622,493	169,525
ChoiceOne Urgent Care of Calvert County, LLC	**1,029,856**	**312,323**	717,533	313,583
Prince Frederick Surgery Center, LLC	**276,604**	**62,107**	290,813	76,392
CoreLife Calvert Partnership, LLC	**225,000**	**-**	225,000	-
Cost:				
Freestate Healthcare Insurance Company, LTD	**25,542**	**-**	20,542	-
Maryland eCare, LLC	**-**	**-**	-	1,976
	$ 7,497,300	**$ 1,329,551**	$ 6,989,065	$ 1,388,998

Because CHV's investment in Calvert Medical Imaging Center (CMIC) represents approximately 33% and 30% of the reported investment balance in affiliates as of June 30, 2021 and 2020, respectively, and the Hospital's investment in Chesapeake-Potomac Healthcare Alliance, LLC (the Alliance) represents approximately 47% and 52% of the reported investment balance in affiliates as of June 30, 2021 and 2020, respectively, and the Hospital's investment in ChoiceOne Urgent Care of Calvert County (ChoiceOne) represents approximately 14% and 10% as of June 30, 2021 and 2020, respectively, summarized financial information for CMIC, the Alliance and ChoiceOne is also presented as follows.

Calvert Medical Imaging Center

CMIC is a joint venture between CHV and American Radiology Services, Inc. that operates diagnostic imaging facilities. CHV maintains a 50% interest in CMIC.

Summarized unaudited financial information of CMIC as of and for the years ended June 30 is presented below:

	2021	2020
Total assets	**$ 5,967,663**	$ 4,790,448
Total liabilities	**$ 1,090,489**	$ 565,079
Partners' capital	**4,877,174**	4,225,369
Total liabilities and partners' capital	**$ 5,967,663**	$ 4,790,488
Total revenue	**$ 9,084,935**	$ 8,036,023
Net income	**$ 2,151,807**	$ 1,655,044

Chesapeake-Potomac Healthcare Alliance, LLC

Chesapeake-Potomac Healthcare Alliance, LLC (The Alliance) is a joint venture in which the Hospital and two other hospitals have invested equally. It was created to provide certain healthcare services to the population of southern Maryland. The Alliance is a 60% owner of Chesapeake Potomac Regional Cancer Center, LLC (CPRCC), a limited liability company that owns and operates two outpatient radiation oncology centers. The other 40% of CPRCC is owned by Holy Cross Hospital of Silver Spring and Adventist Healthcare, Inc. The Alliance is also one of two members in Chesapeake-Potomac Home Health Agency, Inc., a Maryland nonstock corporation that was formed in 1995 for the purpose of providing home health care and other health care services to individuals in need of such services in Calvert, Charles and St. Mary's counties.

Summarized unaudited financial information of the Alliance as of and for the years ended June 30 is presented below:

	2021	2020
Total assets	**$ 20,189,066**	$ 19,117,929
Total liabilities	**$ 5,428,753**	$ 3,829,427
Members' equity	**14,760,313**	15,288,502
Total liabilities and members' equity	**$ 20,189,066**	$ 19,117,929
Total revenue	**$ 14,956,700**	$ 13,805,442
Net income (loss)	**$ (348,420)**	$ 614,529

ChoiceOne Urgent Care of Calvert County, LLC

ChoiceOnce is a joint venture which was formed in November 2018 to manage and operate the Dunkirk, Prince Frederick and Solomons Urgent Care locations. The Hospital maintained a 49% interest in this joint venture at June 30, 2019. In March 2020, there was a transition in ownership and the Hospital transferred a portion of its membership interests to the new management company. With the new ownership structure, the urgent care centers were rebranded to Patriot Urgent Care of Calvert County on November 12, 2020. The Hospital now maintains a 25% interest in the joint venture at June 30, 2021.

Summarized unaudited financial information of ChoiceOne as of and for the years ended June 30 is presented below:

	2021	2020
Total assets	**$ 2,675,201**	$ 1,356,644
Total liabilities	**$ 501,795**	$ 429,707
Partners' capital	**2,173,406**	926,937
Total liabilities and partners' capital	**$ 2,675,201**	$ 1,356,644
Total revenue	**$ 5,252,780**	$ 3,848,970
Net income	**$ 1,249,758**	$ 640,230

Prince Frederick Surgery Center, LLC

PFSC operates a surgical center in Prince Frederick Maryland. It was formed initially as a joint venture by five physicians in May 2009. On July 1, 2015, CSC acquired a 25% interest in PFSC. On December 1, 2018, CSC and the physician members agreed to an additional ownership interest that was issued to Surgical Center Development #3, LLC resulting in a new ownership structure where CSC maintained a 15% interest in PFSC. On July 2020, CSC relinquished 5% interest back to PFSC, resulting in a 10% interest in PFSC.

CoreLife Calvert Partnership, LLC

In March 2020, the System and CoreLife, Inc. created the CoreLife Calvert Partnership, LLC. The joint venture was created with the intent of opening and operating three weight management clinics in Calvert County and neighboring Charles County. CoreLife's innovative model addresses all facets of weight management as well as facilitates healthy lifestyles. This holistic approach aligns with the System's commitment to improving the health status of the community and its patients. The System maintains a 50% interest in the joint venture at June 30, 2021.

Freestate Healthcare Insurance Company, LTD

Freestate Healthcare Insurance Company, LTD is a captive insurance company formed in the Cayman Islands. As of June 30, 2020, five Maryland hospitals remained owners. On March 1, 2021, one member left the captive increasing the System's ownership to 25%. Freestate provides insurance coverage to its shareholders for professional liability and comprehensive general liability (see Note 11).

Maryland eCare, LLC

Maryland eCare, LLC is a joint venture formed by six Maryland hospitals to provide remote monitoring technology with clinical decision support and physician/nursing services for their use in intensive care units and other clinical areas within their respective hospitals. On May 2010 operations were ceased and final legal documents dissolved the LLC effective June 11, 2021.

5. Investments

Investments, stated at market value, which approximates fair value, at June 30 include:

	2021	2020
Equity mutual funds	**$ 60,198,869**	$ 39,457,378
Fixed maturity mutual funds	**10,489,467**	13,803,097
Guaranteed investment account	**367,316**	350,921
Corporate and municipal bonds	**17,223,615**	19,105,539
Mortgage backed securities	**960,403**	1,394,003
U.S. government issues	**16,265,193**	10,959,089
Alternative investments	**11,369,571**	9,252,057
	116,874,434	94,322,084
Less - short-term investments	**476,304**	364,284
Long-term investments	**$ 116,398,130**	$ 93,957,800

Assets limited as to use, stated at fair value, at June 30 include:

	2021	2020
Internally designated for capital acquisition and scholarships:		
Cash and cash equivalents	**$ 1,685,190**	$ 2,515,851
Net pledges and grants receivable	**378,258**	568,219
Equity mutual funds	**2,563,701**	1,895,742
Exchange traded funds	**469,884**	284,018
Fixed income mutual funds	**2,095,261**	2,051,895
	7,192,294	7,315,725
Less – current portion	**1,989**	999,928
	$ 7,190,305	$ 6,315,797

Management has $100,000 on deposit to be used toward future charitable gift annuity arrangements. There were no outstanding charitable gift annuity obligations as of June 30, 2021.

Assets held by a trustee under the indenture agreement for debt service consist of the following funds at June 30:

	2021	2020
Held by trustee under indenture agreement:		
Cash and cash equivalents	**$ -**	**$** 999,928

The debt service fund was comprised of principal and interest funds held by a trustee in accordance with the Hospital's bond indentures.

Investment income and gains or losses for assets limited as to use, cash equivalents and other investments are comprised of the following for the years ended June 30:

	Year Ended June 30, 2021		
Investment Income	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Interest and dividends	**$ 3,394,681**	**$ 29,164**	**$ 3,423,845**
Realized gains	**5,925**	**1,054**	**6,979**
Net unrealized gains on investments	**18,890,639**	**237,834**	**19,128,473**
Investment expenses	**(303,451)**	**-**	**(303,451)**
	$ 21,987,794	**$ 268,052**	**$ 22,255,846**

	Year Ended June 30, 2020		
Investment Income	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Interest and dividends	$ 2,821,155	$ 29,944	$ 2,851,099
Realized gains	608,260	4,538	612,798
Net unrealized loss on investments	(977,599)	(1,312)	(978,911)
Investment expenses	(290,885)	-	(290,885)
	$ 2,160,931	$ 33,170	$ 2,194,101

Current accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establish a framework for measuring fair value, and establish a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable input other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following discussion describes the valuation methodologies used for financial assets measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates, and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about System's business, its value, or financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of the timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Furthermore, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in the amounts disclosed.

Fair values for the System's fixed maturity securities are based on prices provided by its investment managers, who use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's experience. The System's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the System from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

The guaranteed investment account is valued at contract value, (which includes contributions made, adjusted for interest earned, withdrawals and administrative expenses) which approximates fair value.

The System's investments include investments in limited partnerships and other alternative investments, which are made in accordance with the System's investment policies. The limited partnerships acquire, hold, invest, manage, dispose of, and otherwise deal in and with securities of all kinds and descriptions. Publicly traded securities are generally valued by reference to closing market prices on one or more national securities exchange or generally accepted pricing services selected by the fund managers of the limited partnership. Securities not valued by such pricing services will be valued upon bid quotations obtained from independent dealers in the securities. The equity in earnings or losses from these investments is recorded as a component of investment income in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions.

Although the various fund managers use their best judgment at estimating the fair value of the alternative investments, there are inherent limitations in any valuation technique. Therefore, the value is not necessarily indicative of the amount that could be realized in a current transaction. Future events will also affect the estimates of fair value, and the effect of such events on the estimates of the fair value could be material.

The following table presents the System's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large growth	$ 67,826	$ -	$ -	$ 67,826
Foreign large value	11,815,221	-	-	11,815,221
Foreign large blend	1,211,908	-	-	1,211,908
Large value	82,152	-	-	82,152
Large blend	34,538,525	-	-	34,538,525
Mid cap growth	-	-	-	-
Mid cap value	43,692	-	-	43,692
Mid cap blend	61,123	-	-	61,123
Small growth	51,768	-	-	51,768
Small value	16,943	-	-	16,943
Small blend	10,699,398	-	-	10,699,398
World large stock	481,938	-	-	481,938
Fixed maturity mutual funds:				
Intermediate term bond	2,070,824	-	-	2,070,824
Intermediate core-plus bond	5,010	-	-	5,010
Inflation-protected bond	255,298	-	-	255,298
World bond	326,774	-	-	326,774
Tactical allocation	5,451,076	-	-	5,451,076
Ultrashort bond	4,475,746	-	-	4,475,746
Exchange traded funds	4,161,960			4,161,960
Corporate bonds	17,223,615	-	-	17,223,615
Mortgage backed securities	960,403	-	-	960,403
U.S. government issues (Maturity 1 - 10 years)	16,265,193	-	-	16,265,193
Guaranteed investment account	367,316	-	-	367,316
Total assets in fair value hierarchy	$110,633,709	$ -	$ -	110,633,709
Cash and cash equivalents				1,685,190
Investments measured at NAV (a)				11,369,571
Investments at fair value				$123,688,470

The following table presents the System's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large growth	$ 74,870	$ -	$ -	$ 74,870
Foreign large value	8,415,907	-	-	8,415,907
Foreign large blend	962,772	-	-	962,772
Large value	175,516	-	-	175,516
Large blend	24,865,438	-	-	24,865,438
Mid cap growth	16,506	-	-	16,506
Mid cap value	44,015	-	-	44,015
Mid cap blend	68,105	-	-	68,105
Small growth	17,917	-	-	17,917
Small value	28,691	-	-	28,691
Small blend	6,382,943	-	-	6,382,943
World large stock	300,440	-	-	300,440
Fixed maturity mutual funds:				
Intermediate term bond	1,962,541	-	-	1,962,541
Intermediate core-plus bond	36,161	-	-	36,161
Inflation-protected bond	231,249	-	-	231,249
World bond	329,218	-	-	329,218
Tactical allocation	4,207,694	-	-	4,207,694
Ultrashort bond	9,088,129	-	-	9,088,129
Exchange traded funds	284,018			284,018
Corporate bonds	19,105,539	-	-	19,105,539
Mortgage backed securities	1,394,003	-	-	1,394,003
U.S. government issues (Maturity 1 – 10 years)	10,959,089	-	-	10,959,089
Guaranteed investment account	350,921	-	-	350,921
Total assets in fair value hierarchy	$ 89,301,682	$ -	$ -	89,301,682
Cash and cash equivalents				2,515,851
Investments measured at NAV (a)				9,252,057
Investments at fair value				$101,069,590

(a) *In accordance with current accounting standards, the alternative investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.*

The accompanying consolidated financial statements of the System include total restricted and unrestricted hedge fund alternative investments as of June 30, 2021 and 2020, with the following characteristics:

> The alternative funds invest in a master fund, which is invested in underlying hedge funds. The underlying funds use a variety of investment strategies with distressed/structured products being the largest. The funds owned more than 50% of the Master Fund at December 31, 2020 and 2019. As of June 30, 2021 and 2020, the funds' balance was $11,369,571 and $9,252,057, respectively.

6. Pledges Receivable

During 2017, the Foundation commenced a capital campaign. Contributions from the campaign are being used to fund the Hospital's expansion project to build a three-story addition to its existing facility. At June 30, 2021, pledges receivables were $420,212 less an allowance for uncollectible pledges of $42,021 and a discount of $1,923. The discount rate used was 0.46%. The pledges net receivable balance is included with Assets Limited as to Use and is reported as a non-current asset on the accompanying consolidated statements of financial position.

Anticipated collection of the pledges receivable at June 30, 2021 is as follows:

2022	$ 178,842
2023	111,274
2024	80,596
2025	49,500
	420,212
Less - allowance for uncollectible accounts	42,021
Less - discount	1,923
Total	$ 376,268

7. Net Assets with Donor Restrictions

	2021	2020
Subject to expenditure for specified purposes:		
Purchases of building and equipment	**$ 1,045,114**	$ 1,460,164
Health education	**901,296**	694,617
Health care services	**594,075**	260,460
Gift annuity reserve	**100,000**	100,000
Total subject to expenditure for specified purposes	**2,640,485**	2,515,241
Investments to be held in perpetuity, the income from which is expendable to support health education	**475,310**	475,310
Total net assets with donor restrictions	**$ 3,115,795**	$ 2,990,551

8. Property and Equipment

A summary of property and equipment at June 30 follows:

	2021	2020
Land improvements	**$ 5,960,012**	$ 5,503,943
Buildings	**47,680,346**	45,591,068
Building improvements	**55,669,804**	51,078,928
Fixed equipment	**25,047,303**	17,084,817
Movable equipment	**81,860,037**	76,884,996
	216,217,502	196,143,752
Less – accumulated depreciation and amortization	**126,761,225**	114,002,207
	89,456,277	82,141,545
Land	**6,016,980**	6,016,980
Construction in progress	**102,493**	4,676,101
Property and equipment, net	**$ 95,575,750**	$ 92,834,626

In April 2020, the Hospital entered into two construction contracts for capital expenditure projects related to the building of a behavioral health unit and an Endoscope Processing renovation. The total projects cost was approved for $3,888,961. Both projects were completed in June 2021 with a total cost of $3,967,303.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest capitalized for the years ended June 30, 2021 and 2020 amounted to $37,778 and $281,925, respectively.

Depreciation expense for the years ended June 30, 2021 and 2020 amounted to $12,825,682 and $12,027,045, respectively.

9. Long-Term Debt

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

	2021	2020
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2012 Revenue Bonds); scheduled to mature in varying amounts from September 1, 2012 to June 1, 2027; interest due monthly at a fixed rate of 3.16% per annum.	**$ -**	$ 10,001,377
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2013 Revenue Bonds); scheduled to mature in varying amounts from July 1, 2014 to July 1, 2038; interest due semi-annually at rates ranging from 3.0% to 5.18%; (5.0% at June 30 2020).	**-**	29,940,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2015 Revenue Bonds); scheduled to mature in varying amounts from October 1, 2015 to September 1, 2035; interest due monthly at a fixed rate of 3.282% per annum.	**-**	16,987,599
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2021 Revenue Bonds); scheduled to mature in varying amounts from June 1, 2021 to September 1, 2035; interest due monthly at a fixed rate of 2.00%.	**16,467,000**	-
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2021 Taxable Term Note); scheduled to mature in varying amounts from July 1, 2021 to July 1, 2038; interest due semi-annually at a fixed rate of 1.45% until July 3, 2023 at which time the interest rate will increase to 2.83%.	**33,456,000**	-
	49,923,000	56,928,976
Less - current portion	**1,566,000**	2,488,777
	48,357,000	54,440,199
Less - unamortized debt issuance costs	**373,823**	541,646
Less - unamortized original issue discount	**-**	76,356
	$ 47,983,177	$ 53,822,197

The Obligated Group for the 2021 Revenue Bonds and 2021 Taxable Term Note are composed of the Hospital and Calvert Health System, Inc.

Series 2012 Revenue Bonds

The 2012 Revenue Bonds were issued by the Maryland Health and Higher Education Facilities Authority (Authority) on July 1, 2012 for the purpose of refunding the 1998 Revenue Bonds. The master loan agreement for the 1998 Revenue Bonds remained substantially unchanged. The issuance was completed thru SunTrust as tax exempt. The bonds were refunded in December 2020 with operating cash and a prepayment penalty of $338,391.

Series 2013 Revenue Bonds

The 2013 Revenue Bonds were issued by the Authority on August 7, 2013 for the purpose of refunding the 2004 Revenue Bonds. The bonds were refunded in April 2021.

Series 2015 Revenue Bonds

The 2015 Revenue Bonds were issued by the Authority on September 10, 2015 for the purpose of financing the expansion and renovation of the radiology department at the Hospital, the acquisition and installation of a new information technology system, the acquisition of a parcel of land and the acquisition and installation of certain fixtures, equipment, and machinery for the Hospital.

The financing was completed through Columbia Bank and was a tax-exempt issuance. Terms of the financing agreement included a 2.7% fixed rate and an increase in rate to 3.3% effective January 2019. The Obligated Group was not required to maintain a debt service reserve fund. The bonds were refunded in April 2021.

Series 2021 Revenue Bonds

The 2021 Revenue Bonds were issued by the Authority on April 15, 2021 for the purpose of refunding the 2015 bonds held by Columbia Bank. The bonds were purchased by CN Financing, Inc (a wholly owned subsidiary of City National Bank). Terms of the financing include fixed rate of 2% for remainder of the 2015 term (14.5 years).

2021 Taxable Term Note

The taxable note was issued by the Authority on April 15, 2021 for the purpose of refunding the 2013 bonds. The note was purchased by CN Financing, Inc. On July 3, 2023 the note can be assigned to the Authority and converted to tax exempt bonds if certain conditions are met. The Note carries a fixed interest rate of 1.45% until July 3, 2023 at which time the rate will increase to 2.83%. The term of the note is consistent with the previous term ending July 1, 2038.

As security for the performance of its obligations under the related loan agreements, the Obligated Group members have granted a security interest in its receipts, revenue, rental income and other amounts received by or on behalf of any Obligated Group member to the Authority. The Obligated Group is not required to maintain a debt service reserve fund. The Revenue Bonds also place limits on the incurrence of additional borrowings and require the Obligated Group to maintain a certain debt service coverage ratio as well as a day's cash on hand ratio.

Principal payments due under all debt instruments as of June 30, 2021 are as follows:

2022	$ 1,566,000
2023	1,942,000
2024	1,970,000
2025	1,764,000
2026	1,798,000
Thereafter	40,883,000
Total	$ 49,923,000

Interest paid on indebtedness by the System was $2,574,444 and $2,405,576 in 2021 and 2020, respectively.

10. Employee Retirement Plans

The Hospital has a defined contribution (DC) plan for employees hired or rehired after January 1, 2008. Effective January 1, 2017, participants previously in the defined benefit plan (that was fully terminated in 2018) became eligible for the DC plan. Employees credited with 1,000 hours of service in a plan year receive an employer annual contribution of 2.5% of their annual wages. On a pay period basis, the Hospital provides a 50% matching contribution not to exceed 2% of plan compensation to all participating employees. If a participant has 10 years of service and is 55 years of age, the Hospital will provide a 50% matching contribution not to exceed 3% of plan compensation.

The employer total annual contributions to the DC plan were $1,499,180 and $1,465,554 during the years ended June 30, 2021 and 2020, respectively.

11. Malpractice Insurance

Prior to March 1, 2005, the Hospital maintained a professional liability insurance policy on a claims-made basis. Under this insurance policy, the Hospital was insured for individual claims up to $1,000,000 with a total annual aggregate of $3,000,000 with no deductible for claims made. The Hospital also had excess coverage of up to $10,000,000 for individual claims and in the aggregate.

Effective March 1, 2005, the Hospital became a shareholder of the newly formed Freestate Healthcare Insurance Company, Ltd. (Freestate), a captive insurance company formed in the Cayman Islands. Freestate provides insurance coverage on a claims-made basis to its owners and their affiliates for professional liability claims and comprehensive general liability of $1,000,000 for each and every claim prior to March 1, 2021 and $2,000,000 for March 1, 2021 and after. Freestate has entered into reinsurance and excess policy agreements with independent insurance companies to limit its losses for professional liability and comprehensive general liability claims. The Hospital has $15,000,000 of additional insurance in the aggregate through such reinsurance arrangements. Retrospective premium assessments and credits are calculated based on the aggregate experience of all named insureds under the policy. Each named insured's assessment or credit is based on the percentage of their actual exposure to the actual exposure of all named insureds. Each named insured will not be charged or entitled to any retrospective premium assessments or credits until the policy period has been closed and no further claim obligations are expected. In management's opinion, the assets of Freestate are sufficient to meet its obligations as of June 30, 2021. If the financial condition of Freestate were to materially deteriorate in the future, and Freestate was unable to pay its claim obligations, the responsibility to pay those claims would return to the member hospitals.

The Hospital is involved in litigation arising in the ordinary course of business. Claims alleging malpractice have been asserted against the Hospital and are currently in various stages of litigation. Additional claims may be asserted against the Hospital arising from services provided through June 30, 2021. The ultimate outcome of these matters cannot be determined at this time.

As of June 30, 2021 and 2020, the System recorded insurance recoverables and related professional claims liability of $5,338,691 and $5,352,219, respectively, in long-term assets and liabilities, respectively, in the accompanying consolidated statements of financial position. An estimated liability for incurred but not reported professional liability claims has also been recorded in the amount of approximately $993,001 and $989,909 in long-term liabilities as of June 30, 2021 and 2020, respectively. Management believes this estimate is adequate to provide for all professional liability claims that have been incurred through June 30, 2021 and 2020 but not reported to its insurance carriers.

12. Maryland Health Services Cost Review Commission

Patient service revenue is recorded at rates established by the HSCRC. Effective July 1, 2016, the Hospital entered into a Global Budget Revenue (GBR) agreement with the HSCRC. The GBR agreement will renew each year for a one-year period unless it is cancelled by the HSCRC or by the Hospital. The GBR agreement provides the Hospital with a fixed revenue amount (CAP) under which it must operate each year. The CAP is adjusted annually for inflation, change in the Hospital's payor mix and uncompensated care, change in population and quality incentives. The Corporation's policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed and billed. Approximately 97% of the total operating revenue of the Hospital is subject to the GBR model. For 2021 and 2020, hospitals that are in an undercharge position due to the current pandemic may not be able to recoup more than their undercharge net of any applicable CARES Act funding (see Note 19).

13. Concentration of Credit and Business Risk

The System provides health care services to residents located primarily in Calvert, St. Mary's, southern Anne Arundel and Charles counties. The System grants credit without collateral to its patients, most of whom are insured under third-party payor agreements, primarily with Medicare, Medicaid, and various commercial insurance companies. The System records accounts receivable net of estimated price concessions, and such amounts have historically been within management's expectations.

The mix of accounts receivable at June 30, 2021 and 2020 from patients and third-party payors is as follows:

	2021	**2020**
Medicare	**28.2%**	33.6%
Medicaid (including managed care)	**15.1%**	12.6%
Blue Cross	**15.8%**	9.5%
Commercial and other	**7.1%**	6.7%
Managed care	**16.9%**	14.3%
Self-pay	**16.9%**	23.3%
	100.0%	100.0%

14. Functional Expenses

The System provides general health care services and related services to individual within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows for the years ended June 30:

	2021			
	Healthcare Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	**$ 61,492,311**	**$ 10,829,899**	**$ 367,137**	**$ 72,689,347**
Employee benefits	**11,159,714**	**1,999,045**	**68,883**	**13,227,642**
Supplies	**31,870,957**	**233,664**	**757**	**32,105,378**
Purchased services	**4,782,733**	**1,630,756**	**37,088**	**6,450,617**
Professional fees	**7,477,155**	**-**	**-**	**7,477,155**
Depreciation and amortization	**11,624,773**	**1,200,909**	**-**	**12,825,682**
Interest	**2,024,752**	**173,198**	**-**	**2,197,950**
Other	**13,013,608**	**6,026,643**	**107,351**	**19,147,601**
Total	**$143,446,043**	**$ 22,094,114**	**$ 581,216**	**$166,121,373**

	2020			
	Healthcare Services	**General and Administrative**	**Fundraising**	**Total**
Salaries and wages	$ 57,905,571	$ 10,248,693	$ 360,370	$ 68,514,634
Employee benefits	10,298,426	1,837,508	65,564	12,201,498
Supplies	27,748,206	252,681	829	28,001,716
Purchased services	4,921,961	1,968,059	126,181	7,016,201
Professional fees	8,186,497	-	-	8,186,497
Depreciation and amortization	10,889,780	1,137,265	-	12,027,045
Interest	2,122,921	181,596	-	2,304,517
Other	13,458,116	5,378,505	(59,523)	18,777,098
Total	$135,531,478	$ 21,004,307	$ 493,421	$157,029,206

The accompanying consolidated financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, interest, and other occupancy costs are allocated to a function based on a square footage basis.

15. Liquidity and Availability

As of June 30, 2021 and 2020, the System has working capital of approximately $19,355,000 and $25,406,000, respectively, and 341 and 308 average days, respectively, (based on normal expenditures) cash and investments without donor restriction on hand.

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following at June 30:

	2021	**2020**
Cash and cash equivalents	**$ 26,258,917**	$ 27,706,649
Accounts receivable, net	**12,905,941**	13,553,225
Other receivables	**928,694**	1,244,835
Assets whose use is limited	**1,989**	999,928
Total	**$ 40,095,541**	$ 43,504,637

In addition to the assets in the table above, the System has other investments and assets whose use is limited for specified purposes, and because they are not available for general expenditure within one year are not reflected in the amounts above. The System does, however, have investments and certain other long-term assets whose use is limited by board designation that could be made available for general expenditure within one year, if necessary.

16. Leases

Effective July 1, 2020, the System adopted the requirements of ASU 2016-02, *Leases (Topic 842)*. The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance, *(Topic 840)*, is the recognition of a right-of-use asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the System was required to measure and recognize leases that existed at July 1, 2020 using a modified retrospective approach. For leases existing at the effective date, the System elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification and did not reassess what qualifies as an initial direct cost. The adoption of *Topic 842* resulted in the recognition of operating ROU assets and lease liabilities of approximately $12,861,000. The accounting for finance leases remained substantially unchanged with the adoption of *Topic 842*.

The System leases certain equipment and office buildings under the terms of non-cancellable operating leases. For leases with terms greater than 12 months, the related right-of-use assets and right-of-use obligations are recorded at the present value of lease payments over the term. Many of the leases include rental escalation clauses and renewal options that are factored into the determination of lease payments when appropriate.

The components of lease expense (and related classification in the accompanying statements of operations) were as follows during 2021:

Operating lease cost (other expense)	$ 3,359,120
Finance lease cost:	
Amortization of right-of use assets (depreciation and amortization)	1,379,736
Interest on lease liabilities (interest expense)	142,968
Sublease income (other operating income)	(106,513)
Total lease cost	$ 4,775,311

Rental expense for all operating leases was $3,545,872 in 2021.

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30, 2021 is as follows:

Operating cash flows from operating leases	$ 2,501,927
Operating cash flows from finance leases	142,968
Financing cash flows from finance leases	1,379,736
Total	$ 4,024,631

Right-of-use assets obtained in exchange for new lease obligations for the year ended June 30, 2021 are as follows:

Right-of-use assets obtained in exchange for new finance lease liabilities	$ 4,985,885
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 12,960,101

Current operating lease liabilities are included in current portion of operating lease obligation in the accompanying consolidated statements of financial position. Noncurrent operating lease liabilities are included in long-term operating lease obligation accompanying statements of financial position. The following table presents lease-related assets and liabilities at June 30, 2021:

Operating leases:	
Right-of-use assets - operating leases	$ 10,845,674
Current portion of operating lease obligations	$ 2,548,629
Long-term operating lease obligations	8,293,079
Total operating lease liabilities	$ 10,841,708

Current finance lease liabilities are included in current portion of finance lease obligations in the accompanying consolidated statements of financial position. Noncurrent finance lease liabilities are included in long-term finance lease obligations, in the accompanying consolidated statements of financial position. The following table presents lease-related assets and liabilities at June 30, 2021:

Finance leases:	
Property and equipment, net	$ 5,861,134
Current portion of finance lease obligations	$ 1,870,788
Long-term finance lease obligations	3,277,583
Total finance lease liabilities	$ 5,148,371

Other information:

Weighted-average remaining lease term – operating leases	6.34 years
Weighted-average remaining lease term – finance leases	3.81 years
Weighted-average discount rate – operating leases	2.60%
Weighted-average discount rate – finance leases	3.04%

The following is a schedule of lease liability maturities related to leases with third-parties for the years ending:

	Operating	Finance
2022	$ 2,310,338	$ 1,870,788
2023	2,022,160	1,114,610
2024	1,645,837	1,045,867
2025	1,481,947	1,045,867
2026	1,049,045	348,622
Thereafter	2,074,226	-
Total	10,583,553	5,425,754
Less: interest	1,000,303	277,383
Lease liability	$ 9,583,250	$ 5,148,371

The following is a schedule of lease liability maturities related to leases classified as operating with affiliates for the years ending:

2022	$ 238,291
2023	238,291
2024	238,291
2025	238,291
2026	238,291
Thereafter	179,176
Total	1,370,631
Less: interest	112,173
Lease liability	$ 1,258,458

Total office rent and equipment lease expense was $3,174,152 for the year ended June 30, 2020 and is reported as a component of other expenses in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions. Rental income totaling $466,104 has been recognized in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions for the year ended June 30, 2020.

Property held under the capital leases as of June 30, 2020 consisted of information services equipment with a gross carrying value of $4,261,561 and accumulated amortization of ($2,453,475) for a net carrying value of $1,808,086.

17. Certain Risks and Uncertainties

The Hospital's ability to maintain or increase future revenue could be adversely affected by: (1) proposed or future changes in the laws, rules, regulations, and policies relating to the definition, activities, or taxation of not-for-profit tax-exempt entities; (2) the enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology or further reductions in payments to hospitals and other health care providers; (3) limited supply of physicians nationally which may limit the Hospital's ability to meet the healthcare demands of the population within its primary and secondary service areas; and (4) the ultimate impact of any changes to the federal Patient Protection and Affordable Care Act and the Health Care Education Affordability Reconciliation Act of 2010.

The Joint Commission, a non-governmental privately-owned entity, provides accreditation status to hospitals and other health care organizations in the United States. Such accreditation is based upon a number of requirements such as undergoing periodic surveys conducted by Joint Commission personnel. Certain managed care payors require hospitals to have appropriate Joint Commission accreditation in order to participate in those programs. In addition, the Center for Medicare and Medicaid Services (CMS), the agency with oversight of the Medicare and Medicaid programs, provides “deemed status” for facilities having Joint Commission accreditation. By being Joint Commission accredited, facilities are “deemed” to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare provider or exclusion from any or all of these programs or payors would have a materially negative impact on the future financial position, operating results and cash flows of the Hospital. In September 2020, the Hospital was surveyed by the Joint Commission and received a full three-year Joint Commission accreditation through November 2023.

The HSCRC has jurisdiction over hospital reimbursement in Maryland by an agreement with the Centers for Medicare and Medicaid Services (CMS) based on a waiver from the Medicare prospective payment system under Section 1814(b) of the Social Security Act. In January 2014, CMS approved a waiver to modernize Maryland's unique all-payor rate-setting system for hospital services. The waiver consists of a five-year performance period.

Maryland Hospitals committed to achieving significant quality improvements including reductions in 30-day readmissions and hospital acquired conditions. Maryland also limited annual Medicare per capita hospital cost growth to a rate lower than the national annual per capita growth rate per year for 2015 to 2018. Under this model, Medicare savings were estimated to be at least $330 million. Under the waiver, Maryland shifted virtually all of its hospital revenue over the five-year performance period into global payment models.

In connection with the waiver, the HSCRC introduced new revenue arrangements, including the GBR model. This new model for Maryland hospitals moved payment to hospitals from each individual service to a total revenue for each hospital or a combination of hospitals to provide hospitals flexibility in the objectives of better care for individuals, higher levels of overall population health, and improved health care affordability. It removed the financial incentive from increasing volume and provided incentive to work with partners to provide care in the appropriate setting. Beginning January 2019, the new "Total Cost of Care Model" (the "Model") was approved and builds upon the successes of the all-payor model. The Model encourages continued clinical redesign and provides tools to providers to treat complex and chronic conditions and is built on the same global budget arrangement mechanics for revenue setting as the predecessor model. This is approved for a 10-year term provided Maryland meets the Model performance requirements.

The Medicare and state Medicaid reimbursement programs represent a substantial portion of the System's revenue and the System'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 System.

Changes in Federal and state reimbursement funding mechanisms and related government budgetary constraints could have a significant adverse effect on the System. The healthcare industry is subject to numerous laws and regulation from federal, state and local governments, and the government has increased enforcement of Medicare and Medicaid anti-fraud and abuse laws, as well as physician self-referral laws (STARK law and regulation). The System's compliance with these laws and regulations is subject to ongoing internal monitoring as well as periodic governmental review and inquiries, and the System has responded appropriately to any such compliance matters. The System is aware of certain asserted and unasserted compliance matters, and from time to time, the System may agree to resolve certain compliance matters with the government through the self-disclosure process. The amount of such settlement for compliance matters currently being evaluated for submission under the self-disclosure process cannot be estimated at this time. The System will continue to monitor its compliance and all related government inquiries and respond appropriately, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result there is at least a reasonable possibility that the recorded estimates will change by a material amount in the near term.

As a result of pending federal healthcare reform legislation, substantial changes may occur in the healthcare system. Such legislation potentially includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers.

18. Endowment

Current accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and additional disclosures about an organization's endowment funds. The State of Maryland has adopted UPMIFA.

The System's endowment consists of two donor-restricted funds. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the System has interpreted the Maryland State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Hospital 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 made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the System 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 System and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the System
7. The investment policies of the System

From time to time, the fair value of assets associated with the endowment fund may decline below the level that the donor or SPMIFA required the System to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021 and 2020.

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the Lehman Intermediate Government/Corporate Bond index while assuming a moderate level of investment risk. The System expects its endowment funds, over time, to provide an average rate of return of approximately 8% percent annually. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the System 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 System targets a diversified asset allocation that places a greater emphasis on highly liquid investments such as money market accounts to achieve its long-term return objectives within prudent risk constraints.

The endowment's net asset composition as of June 30, 2021 and 2020 and the changes therein, are as follows:

	With Donor Restriction
Donor-restricted endowment, June 30, 2021	$ 1,325,897

Changes in endowment net assets for the fiscal year June 30, 2021:

	Without Donor Restriction	With Donor Restriction
Endowment net assets, beginning of year	**$ -**	**$ 1,115,844**
Investment return:		
Net appreciation (realized and unrealized)	**-**	**268,053**
Other changes:		
Contributions	**-**	**-**
Released from restriction	**58,000**	**(58,000)**
Used for designated purposes	**(58,000)**	**-**
Endowment net assets, end of year	**$ -**	**$ 1,325,897**

	With Donor Restriction
Donor-restricted endowment, June 30, 2020	$ 1,115,844

Changes in endowment net assets for the fiscal year June 30, 2020:

	Without Donor Restriction	With Donor Restriction
Endowment net assets, beginning of year	$ -	$ 1,130,674
Investment return:		
Net appreciation (realized and unrealized)	-	33,170
Other changes:		
Contributions	-	-
Released from restriction	48,000	(48,000)
Used for designated purposes	(48,000)	-
Endowment net assets, end of year	$ -	$ 1,115,844

19. COVID-19 Pandemic

In response to the COVID-19 pandemic across the United States, the federal government and a large number of state governments, including Maryland, have imposed strict measures to curtail aspects of public life in an effort to control further spreading of COVID-19, including limitations on public gatherings, wearing of masks in public, and restrictions on restaurant and other businesses operating capacity.

An outbreak of an infectious disease, including the growth in the magnitude or severity of COVID-19 cases in the System's service area, could result in an abnormally high demand for health care services, potentially inundating hospitals with patients in need of intensive care services. The treatment of this highly contagious disease could also result in a temporary shutdown of areas of the facility or diversion of patients or staffing shortages. Additionally, elective services were being deferred in the later part of the year ended June 30, 2020 and into the early part of 2021, which resulted in reduced patient volumes and operating revenues. Further, the changing global economic conditions or potential global health concerns surrounding the COVID-19 pandemic may also affect the System's partners, suppliers, distributors, and payors, potentially disrupting or delaying the System's supply chain and delaying reimbursement by governmental, commercial or private payors, as well as impacting their creditworthiness and ability to pay. At this time, it is not possible to accurately predict the significance of the duration of the COVID-19 pandemic, the impact on operating income, the costs associated with responding to this pandemic, or what federal funds may continue be made available to help recover from this crisis. The System has implemented various cost saving measures to help mitigate any financial impact, including closing elective procedures, redeploying staff to high impact areas, setting up screening centers, establishing a decontamination process for N95 masks, and soliciting the community for handmade masks and PP&E.

In addition to the direct impact to the health care industry, global investment and financial markets have experienced substantial volatility, with significant declines attributed to COVID-19 concerns and associated economic impacts of the curtailment of public life described above. As with nearly all industries and companies operating through the COVID-19 pandemic, the System expects to encounter further volatility and disruption in its operations and in the local, national, and global economies.

Although the System has activated plans to address the COVID-19 threat and is operating pursuant to infectious disease protocols and its emergency preparedness plan, the potential impact of the COVID-19 pandemic is difficult to predict and could materially adversely impact the System's financial condition, liquidity, and results of operations in the future.

On March 27, 2020, the federal CARES Act was signed into law, which is intended to provide economic relief and emergency assistance for individuals, families and businesses affected by COVID-19. Various state governments are also taking action to provide economic relief and emergency assistance. The System received CARES Act Provider Relief Funds general and targeted distributions of $3,900,001 and $3,954,469 for the Hospital during the years ended June 30, 2021 and 2020, respectively and $374,615 for CHMG during the year ended June 30, 2020. The System has recognized other operating revenue of $1,371,839 and $3,954,469 for the Hospital for the years ended June 30, 2021 and 2020, respectively; grant funding for capital expenditures of $2,528,161 for the Hospital for the year ended June 30, 2021; and other operating revenue of $374,615 for CHMG for the year ended June 30, 2020, to the extent the conditions for entitlement to such funding for healthcare related expenses or lost revenues to prevent, prepare for or respond to COVID-19, have been met for resulting in the simultaneous release of restrictions. The funds are subject to future audits and potential adjustment and certain amounts may need to be repaid to the government.

Additionally, the System has elected payroll taxed deferrals of $2,641,053 and $305,931 at June 30, 2021, for the Hospital and CHMG respectively, which are due back to the IRS in fiscal years 2022 and 2023, which are included in accounts payable and accrued expenses in the accompanying consolidated statement of financial position. At June 30, 2020, the payroll tax deferrals were $913,148 and $129,488 for the Hospital and CHMG, respectively.

Supplementary Consolidating Information

CalvertHealth Medical Center, Inc. and Subsidiary
Consolidating Statement of Financial Position
June 30, 2021

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries	Consolidated CalvertHealth Medical Center
ASSETS				
Current assets:				
Cash and cash equivalents	$ 14,251,206	$ 137,946	$ -	$ 14,389,152
Short-term investments	476,304	-	-	476,304
Patient accounts receivable, net	11,541,715	-	-	11,541,715
Inventories	3,208,212	-	-	3,208,212
Prepaid expenses and other assets	4,237,164	-	-	4,237,164
Assets limited as of use, current	1,989	-	-	1,989
Total current assets	33,716,590	137,946	-	33,854,536
Investments	1,536,974	-	-	1,536,974
Investments in wholly owned subsidiaries	6,836,601	-	(6,836,601) (2)	- (2)
Investments in affiliated enterprises	4,557,107	-	-	4,557,107
Assets limited as of use	253,246	6,937,059	-	7,190,305
Property and equipment, net	93,944,256	-	-	93,944,256
Insurance recoverable	5,338,691	-	-	5,338,691
Other assets	516,654	-	-	516,654
Right of use asset - leases	7,610,938	-	-	7,610,938
Total assets	$ 154,311,057	$ 7,075,005	$ (6,836,601)	$ 154,549,461
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$ 18,857,121	$ 501	$ -	$ 18,857,622
Intercompany accounts	(206,002)	237,904	-	31,902
Current portion of long-term debt	1,566,000	-	-	1,566,000
Current portion of operating lease obligatio	1,980,419	-	-	1,980,419
Current portion of finance lease obligation	1,870,788	-	-	1,870,788
Advances from third-party payors	2,907,113	-	-	2,907,113
Total current liabilities	26,975,439	238,405	-	27,213,844
Long-term debt, net	47,983,177	-	-	47,983,177
Long-term operating lease obligation	5,626,554	-	-	5,626,554
Long-term finance lease obligation	3,277,583	-	-	3,277,583
Professional liability	6,331,692	-	-	6,331,692
Other long-term liabilities	1,536,975	-	-	1,536,975
Total liabilities	91,731,420	238,405	-	91,969,825
Net assets:				
Without donor restrictions:				
Unrestricted - general	54,707,568	129,802	(129,803) (2)	54,707,567 (2)
Unrestricted - board designated	4,756,274	3,756,274	(3,756,274) (2)	4,756,274 (2)
With donor restrictions	3,115,795	2,950,524	(2,950,524) (2)	3,115,795 (2)
Total net assets	62,579,637	6,836,600	(6,836,601)	62,579,636
Total liabilities and net assets	$ 154,311,057	$ 7,075,005	$ (6,836,601)	$ 154,549,461

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries		Consolidated CalvertHealth Medical Center
Revenue:					
Net patient service revenue	$ 144,074,502	$ -	$ -		$ 144,074,502
CARES Act provider relief funding	1,371,839	-	-		1,371,839
Other operating revenue	2,295,778	1,180,677	(1,025,483)	(6)(7)	2,450,972
Total operating revenue	147,742,119	1,180,677	(1,025,483)		147,897,313
Expense:					
Salaries & wages	61,722,906	-	-		61,722,906
Employee benefits	11,580,526	-	-		11,580,526
Supplies	24,527,073	-	-		24,527,073
Purchased services	6,001,464	37,088	-		6,038,552
Professional fees	7,473,710	-	-		7,473,710
Depreciation and amortization	12,521,964	-	-		12,521,964
Interest	2,197,950	-	-		2,197,950
Other	17,005,426	1,133,591	(1,025,483)	(6)(7)	17,113,534
Total operating expenses	143,031,019	1,170,679	(1,025,483)		143,176,215
Income from operations	4,711,100	9,998	-		4,721,098
Nonoperating gains:					
Investment income	46,914	81,087	-		128,001
Income from equity investments	204,972	-	(13,433)	(4)	191,539
Net unrealized gains on investments	-	649,039	-		649,039
Loss on Extinguishment of debt	(4,074,777)	-	-		(4,074,777)
Total nonoperating gains (losses), net	(3,822,891)	730,126	(13,433)		(3,106,198)
Excess of revenue over expenses	888,209	740,124	(13,433)		1,614,900
Transfer of net assets:					
Net assets released from restrictions for capital acquisitions	883,017	-	-		883,017
CARES Act and other grant funding for capital acquisitions	4,255,161	-	-		4,255,161
Equity distributions	(2,120,528)	-	-		(2,120,528)
Increase in net assets without donor restrictions	$ 3,905,859	$ 740,124	$ (13,433)		$ 4,632,550

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries		Consolidated Calvert Memorial Hospital
Cash flows from operating activities:					
Increase (decrease) in net assets	$ 4,757,833	$ 842,133	$ (842,133)	(2)	$ 4,757,833
Adjustments to reconcile to net cash from operating activities:					
Depreciation and amortization	12,521,964	-	-		12,521,964
Amortization of debt issuance costs	82,584	-	-		82,584
Loss on extinguishment of debt	4,074,777	-	-		4,074,777
Donations restricted for capital acquisition	(5,138,178)	-	-		(5,138,178)
Equity in earnings of wholly owned subsidiaries	(13,433)	-	13,433	(4)	-
Equity in earnings of affiliated enterprises	(191,539)	-	-		(191,539)
Distributions from equity method investments	746,516		-		746,516
Realized net gains on investments	-	(5,925)	-		(5,925)
Unrealized net gains on investments	-	(649,039)	-		(649,039)
Change in:					
Patient accounts receivable	1,362,228	-	-		1,362,228
Inventories	(294,316)	-	-		(294,316)
Prepaid expenses and other assets	970,080	-	-		970,080
Accounts payable, accrued expenses and other liabilities	1,140,717	8,052	-		1,148,769
Net cash provided by operating activities	20,019,233	195,221	(828,700)		19,385,754
Cash flows from investing activities:					
Purchases of investments	(373,514)	825	-		(372,689)
Proceeds from sales of investments	249,504	-	-		249,504
Net increase in assets limited as to use	-	(50,277)	-		(50,277)
Distributions from equity method investments	(1,580,216)		828,700	(5)	(751,516)
Purchases of property and equipment	(10,635,392)	-	-		(10,635,392)
Net cash used in investing activities	(12,339,618)	(49,452)	828,700		(11,560,370)
Cash flows from financing activities:					
New borrowings	49,995,000	-	-		49,995,000
Bond issuance costs incurred	(376,986)	-	-		(376,986)
Repayment of long-term debt	(60,622,920)	-	-		(60,622,920)
Payments on finance leases	(1,374,057)	-	-		(1,374,057)
Donations received restricted for capital acquisitions	5,138,178	-	-		5,138,178
Net cash used in financing activities	(7,240,785)	-	-		(7,240,785)
Net change in cash, cash equivalents, and restricted cash	438,830	145,769	-		584,599
Cash, cash equivalents, and restricted cash beginning of year	14,065,622	1,424,122	-		15,489,744
Cash, cash equivalents and restricted cash, end of year	$ 14,504,452	$ 1,569,891	$ -		$ 16,074,343

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2021

	Consolidated CalvertHealth Medical Center	CalvertHealth Medical Group	Calvert Health Ventures	CMH Holding Company	CMH II Holding Company	Calvert Health System, Inc.	Consolidating and Eliminating Entries		Consolidated Calvert Health System, Inc.	
ASSETS										
Current assets:										
Cash and cash equivalents	$ 14,389,152	$ 1,143,483	$ 582,752	$ 68,973	$ 6,044	$ 10,068,513	$ -		$ 26,258,917	
Short-term investments	476,304	-	-	-	-	-	-		476,304	
Patient accounts receivable, net	11,541,715	1,364,226	-	-	-	-	-		12,905,941	
Inventories	3,208,212	195,986	-	-	-	-	-		3,404,198	
Prepaid expenses and other assets	4,237,164	360,361	7,621	87,503	(6,856)	-	(115,785)	(1)	4,570,008	(1)
Assets limited as to use, current	1,989	-	-	-	-	-	-		1,989	
Total current assets	33,854,536	3,064,056	590,373	156,476	(812)	10,068,513	(115,785)		47,617,357	
Investments	1,536,974	-	-	-	-	114,861,156	-		116,398,130	
Investments in wholly owned subsidiaries	-	-	-	-	-	4,926,074	(4,926,074)	(2)(5)	-	(2)(5)
Investments in affiliated enterprises	4,557,107	-	2,715,193	-	-	225,000	-		7,497,300	
Assets limited as of use	7,190,305	-	-	-	-	-	-		7,190,305	
Property and equipment, net	93,944,256	198,020	-	905,481	527,993	-	-		95,575,750	
Insurance recoverable	5,338,691	-	-	-	-	-	-		5,338,691	
Other assets	516,654	65,000	-	-	-	-	-		581,654	
Right of use asset - leases	7,610,938	2,753,678	-	481,058	-	-	-		10,845,674	
Total assets	$ 154,549,461	$ 6,080,754	$ 3,305,566	$ 1,543,015	$ 527,181	$ 130,080,743	$ (5,041,859)		$ 291,044,861	

	Consolidated CalvertHealth Medical Center	CalvertHealth Medical Group	Calvert Health Ventures	CMH Holding Company	CMH II Holding Company	Calvert Health System, Inc.	Consolidating and Eliminating Entries	Consolidated Calvert Health System, Inc.
LIABILITIES AND NET ASSETS								
Current liabilities:								
Accounts payable and accrued expenses	$ 18,857,622	$ 1,452,047	$ 45,000	$ 4,405	$ -	$ -	$ (115,785) (1)	$ 20,243,289 (1)
Intercompany accounts	31,902	(31,902)	-	-	-	-	-	-
Current portion of long-term debt	1,566,000	-	-	-	-	-	-	1,566,000
Current portion of operating lease obligation	1,980,419	534,941	-	33,269	-	-	-	2,548,629
Current portion of finance lease obligation	1,870,788	-	-	-	-	-	-	1,870,788
Advances from third-party payors	2,907,113	241,423	-	-	-	-	-	3,148,536
Total current liabilities	27,213,844	2,196,509	45,000	37,674	-	-	(115,785)	29,377,242
Long-term debt, less current portion	47,983,177	-	-	-	-	-	-	47,983,177
Long-term operating lease obligation	5,626,554	2,218,737	-	447,788	-	-	-	8,293,079
Long-term finance lease obligation	3,277,583	-	-	-	-	-	-	3,277,583
Professional liability	6,331,692	-	-	-	-	-	-	6,331,692
Other long-term liabilities	1,536,975	-	-	-	-	-	-	1,536,975
Total liabilities	91,969,825	4,415,246	45,000	485,462	-	-	(115,785)	96,799,748
Net assets:								
Without donor restrictions:								
Unrestricted - general	54,707,567	1,665,508	3,260,566	1,057,553	527,181	130,080,743	(4,926,074) (2)(5)	186,373,044 (2)(5)
Unrestricted - board designated	4,756,274	-	-	-	-	-	-	4,756,274
With donor restrictions	3,115,795	-	-	-	-	-	-	3,115,795
Total net assets	62,579,636	1,665,508	3,260,566	1,057,553	527,181	130,080,743	(4,926,074)	194,245,113
Total liabilities and net assets	$ 154,549,461	$ 6,080,754	$ 3,305,566	$ 1,543,015	$ 527,181	$ 130,080,743	$ (5,041,859)	$ 291,044,861

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Operations and Other Changes in Net Assets Without Donor Restrictions
Year Ended June 30, 2021

	Consolidated CalvertHealth Medical Center	CalvertHealth Medical Group	Calvert Health Ventures	CMH Holding Company	CMH II Holding Company	Calvert Health System, Inc.	Consolidating and Eliminating Entries	Consolidated Calvert Health System, Inc.
Revenue:								
Net patient service revenue	$ 144,074,502	$ 18,635,457	$ -	$ -	$ -	$ -	$ -	$ 162,709,959
Rental revenue	-	1,950	-	648,607	13,119	-	(246,421) (3)	417,255 (3)
CARES Act provider relief funding	1,371,839		-	-	-	-	-	1,371,839
Other operating revenue	2,450,972	377,816	46	-	-	-	(507,432) (3)	2,321,402 (3)
Total operating revenue	147,897,313	19,015,223	46	648,607	13,119	-	(753,853)	166,820,455
Expenses:								
Salaries & wages	61,722,906	10,966,441	-	-	-	-	-	72,689,347
Employee benefits	11,580,526	1,647,117	-	-	-	-	-	13,227,643
Supplies	24,527,073	7,578,305	-	-	-	-	-	32,105,378
Purchased services	6,038,552	569,733	3,082	243,682	-	-	(404,432) (3)	6,450,617 (3)
Professional fees	7,473,710	3,445	-	-	-	-	-	7,477,155
Depreciation and amortization	12,521,964	89,540	-	213,779	399	-	-	12,825,682
Interest	2,197,950	-	-	-	-	-	-	2,197,950
Other	17,113,534	2,199,316	1,545	182,627	-	-	(349,421) (3)	19,147,601 (3)
Total operating expenses	143,176,215	23,053,897	4,627	640,088	399	-	(753,853)	166,121,373
Income (loss) from operations	4,721,098	(4,038,674)	(4,581)	8,519	12,720	-	-	699,082
Nonoperating gains (losses):								
Investment income	128,001	-	(114)	-	-	2,969,268	-	3,097,155
Income (loss) from equity investments	191,539	-	1,138,012	-	-	(3,201,131)	3,201,131 (4)	1,329,551 (4)
Income tax expense	-	-	(295,775)	-	-	-	-	(295,775)
Net unrealized gains on investments	649,039	-	-	-		18,241,600	-	18,890,639
Loss on extinguishment of debt	(4,074,777)	-	-	-	-	-	-	(4,074,777)
Total nonoperating gains (losses), net	(3,106,198)	-	842,123	-	-	18,009,737	3,201,131	18,946,793
Excess of revenue over expenses (expenses over revenue)	1,614,900	(4,038,674)	837,542	8,519	12,720	18,009,737	3,201,131	19,645,875
Net assets released from restrictions for capital acquisitions	883,017	-	-	-	-	-	-	883,017
CARES Act and other grant funding for capital acquisitions	4,255,161	-	-	-	-	-	-	4,255,161
Equity contributions (distributions)	(2,120,528)	3,618,983	(2,998,455)	(182,000)	(19,000)	2,321,528	(620,528) (5)	- (5)
Increase (decrease) in net assets without donor restrictions	$ 4,632,550	$ (419,691)	$ (2,160,913)	$ (173,481)	$ (6,280)	$ 20,331,265	$ 2,580,603	$ 24,784,053

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Year Ended June 30, 2021

	Consolidated CalvertHealth Medical Center	CalvertHealth Medical Group	Calvert Health Ventures	CMH Holding Company	CMH II Holding Company	Calvert Health System, Inc.	Consolidating and Eliminating Entries	Consolidated Calvert Health System, Inc.
Cash flows from operating activities:								
Increase (decrease) in net assets	$ 4,757,833	$ (419,690)	$ (2,160,914)	$ (173,480)	$ (6,280)	$ 20,331,264	$ 2,580,604 (2)	$ 24,909,337 (2)
Adjustments to reconcile to net cash from operating activities:								
Depreciation and amortization	12,521,964	89,540	-	213,779	399	-	-	12,825,682
Amortization of debt issuance costs	82,584	-	-	-	-	-	-	82,584
Loss on extinguishment of debt	4,074,777	-	-	-	-	-	-	4,074,777
Donations restricted for capital acquisition	(5,138,178)	-	-	-	-	-	-	(5,138,178)
Equity in earnings of wholly owned subsidiaries	-	-	-	-	-	6,201,131	(6,201,131) (4)	- (4)
Equity in earnings of affiliated enterprises	(191,539)	-	(1,138,012)	-	-	-	-	(1,329,551)
Distributions from equity method investments	746,516	-	-	-	-	3,000,000	(3,000,000) (5)	746,516
Realized net gains on investments	(5,925)	-	-	-	-	-	-	(5,925)
Unrealized net gains on investments	(649,039)	-	-	-	-	(18,241,600)	-	(18,890,639)
Change in:								
Patient accounts receivable	1,362,228	(714,944)	-	-	-	-	-	647,284
Inventories	(294,316)	(31,629)	-	-	-	-	-	(325,945)
Prepaid expenses and other assets	970,080	(60,536)	4,029	(4,521)	4,745	-	41,718 (1)	955,515 (1)
Accounts payable, accrued expenses and other liabilities	1,148,769	315,353	(260,017)	(14,684)	-	-	(41,718) (1)	1,147,703 (1)
Net cash provided by (used in) operating activities	19,385,754	(821,906)	(3,554,914)	21,094	(1,136)	11,290,795	(6,620,527)	19,699,160
Cash flows from investing activities:								
Purchases of investments	(372,689)	-	-	-	-	(23,376,904)	-	(23,749,593)
Proceeds from sales of investments	249,504	-	-	-	-	19,406,854	-	19,656,358
Net increase in assets limited as to use	(50,277)	-	-	-	-	-	-	(50,277)
Distributions from equity method investments	(751,516)	-	826,315	-	-	(6,620,527)	6,620,527 (5)	74,799 (5)
Purchases of property and equipment	(10,635,392)	(16,561)	-	(16,102)	-	-	-	(10,668,055)
Net cash used in investing activities	(11,560,370)	(16,561)	826,315	(16,102)	-	(10,590,577)	6,620,527	(14,736,768)
Cash flows from financing activities:								
New borrowings	49,995,000	-	-	-	-	-	-	49,995,000
Bond issuance costs incurred	(376,986)	-	-	-	-	-	-	(376,986)
Repayment of long-term debt	(60,622,920)	-	-	-	-	-	-	(60,622,920)
Payments on capital leases	(1,374,057)	-	-	-	-	-	-	(1,374,057)
Donations received restricted for capital acquisitions	5,138,178	-	-	-	-	-	-	5,138,178
Net cash used in financing activities	(7,240,785)	-	-	-	-	-	-	(7,240,785)
Net change in cash, cash equivalents, and restricted cash	584,599	(838,467)	(2,728,599)	4,992	(1,136)	700,218	-	(2,278,393)
Cash, cash equivalents, and restricted cash, beginning of year	15,489,744	1,981,950	3,311,351	63,981	7,180	9,368,294	-	30,222,500
Cash, cash equivalents, and restricted cash, end of year	$ 16,074,343	$ 1,143,483	$ 582,752	$ 68,973	$ 6,044	$ 10,068,512	$ -	$ 27,944,107

1. To eliminate intercompany payables/receivables.

2. To eliminate investment in subsidiaries and related net asset accounts.

3. To eliminate intercompany income/expense generated from support and building service fees, staffing contracts and operating leases.

4. To eliminate income of wholly owned subsidiaries.

5. To eliminate intercompany transfer of equity and assets.

6. To eliminate revenue/expense for Calvert Memorial Hospital Foundation, Inc. for contributions transferred to the Hospital for the acquisition of property, plant and equipment.

7. To eliminate revenue/expense for Calvert Memorial Hospital Foundation, Inc. for contributions transferred to the Hospital to fund operating programs.