Calvert Health System, Inc. and Subsidiaries

Independent Auditor's Report, Consolidated Financial Statements, and Supplementary Consolidating Information

June 30, 2023 and 2022

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FORVIS

Independent Auditor's Report

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

Opinion
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, 2023 and 2022, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the System as of June 30, 2023 and 2022, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net assets, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The accompanying consolidating supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards, generally accepted in the United States of America. In our opinion, the consolidating supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

FORVIS, LLP

Charleston, West Virginia
October 25, 2023

Calvert Health System, Inc. and Subsidiaries
Consolidated Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 11,953,640**	$ 23,163,657
Short-term investments	**398,562**	1,240,613
Patient accounts receivable, net	**16,604,377**	14,160,781
Inventories	**3,029,801**	3,258,651
Prepaid expenses and other assets	**5,839,192**	4,466,712
Assets limited as to use, current	**10,545**	6,249
Total current assets	**37,836,117**	46,296,663
Investments and other assets:		
Investments	**109,720,200**	107,383,704
Investments in affiliated enterprises	**9,774,293**	8,474,200
Assets limited as to use	**6,613,286**	7,262,662
Property and equipment, net	**90,768,576**	92,406,114
Insurance recoverable	**4,916,856**	5,183,737
Other assets	**80,000**	335,522
Right-of-use assets - operating leases	**8,251,056**	8,620,186
Total assets	**$ 267,960,384**	$ 275,962,788
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 19,583,155**	$ 20,529,258
Current portion of long-term debt	**1,958,000**	1,942,000
Current portion of operating lease obligations	**2,001,211**	2,036,286
Current portion of finance lease obligations	**1,491,901**	1,453,396
Advances from third party payors	**3,429,645**	3,416,987
Total current liabilities	**28,463,912**	29,377,927
Long-term debt, less current portion, net of unamortized debt issuance costs	**44,685,966**	46,084,011
Long-term operating lease obligations	**6,239,844**	6,577,632
Long-term finance lease obligations	**2,539,781**	4,031,682
Professional liability	**5,941,590**	6,208,471
Other long-term liabilities	**816,890**	735,034
Total liabilities	**88,687,983**	93,014,757
Net assets:		
Without donor restrictions:		
Unrestricted - general	**171,838,377**	175,837,327
Unrestricted - board designated	**4,652,946**	4,378,593
With donor restrictions	**2,781,078**	2,732,111
Total net assets	**179,272,401**	182,948,031
Total liabilities and net assets	**$ 267,960,384**	$ 275,962,788

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, 2023 and 2022

	2023	2022
Revenue:		
Net patient service revenue	**$ 168,805,719**	$ 167,601,367
Rental revenue	**457,149**	437,076
Other operating revenue	**4,139,993**	3,357,028
Total operating revenues	**173,402,861**	171,395,471
Expenses:		
Salaries and wages	**82,555,960**	77,734,480
Employee benefits	**15,429,719**	14,102,228
Supplies	**34,823,950**	32,819,144
Purchased services	**23,095,177**	18,693,604
Professional fees	**10,809,028**	7,394,799
Depreciation and amortization	**10,607,757**	12,089,464
Interest	**932,930**	1,021,944
Other	**8,873,751**	8,119,136
Total operating expenses	**187,128,272**	171,974,799
Loss from operations	**(13,725,411)**	(579,328)
Nonoperating gains (losses):		
Investment income	**4,780,552**	5,619,028
Income from equity investments	**1,299,918**	1,040,672
Income tax expense	**(30,000)**	(300,000)
Net unrealized gains (losses) on investments	**4,009,524**	(17,308,011)
Loss on extinguishment of debt	**(202,889)**	-
Total nonoperating gains (losses), net	**9,857,105**	(10,948,311)
Deficit of revenue over expenses	**(3,868,306)**	(11,527,639)
Net assets released from restrictions for capital acquisitions	**143,709**	614,241
Decrease in net assets without donor restrictions	**$ (3,724,597)**	$ (10,913,398)

Calvert Health System, Inc and Subsidiaries
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, June 30, 2021	$ 191,129,318	$ 3,115,795	$ 194,245,113
Deficit of revenues over expenses	(11,527,639)	-	(11,527,639)
Contributions	-	1,475,724	1,475,724
Net assets released from restrictions for capital acquisitions	614,241	(614,241)	-
Net assets released from restrictions to fund operating programs	-	(1,031,940)	(1,031,940)
Investment income on net assets with donor restrictions	-	(213,227)	(213,227)
Decrease in net assets	(10,913,398)	(383,684)	(11,297,082)
Balance, June 30, 2022	180,215,920	2,732,111	182,948,031
Deficit of revenue over expenses	**(3,868,306)**	**-**	**(3,868,306)**
Contributions	**-**	**1,517,921**	**1,517,921**
Net assets released from restrictions for capital acquisitions	**143,709**	**(143,709)**	**-**
Net assets released from restrictions to fund operating programs	**-**	**(1,184,188)**	**(1,184,188)**
Investment losses on net assets with donor restrictions	**-**	**(141,057)**	**(141,057)**
(Decrease) increase in net assets	**(3,724,597)**	**48,967**	**(3,675,630)**
Balance, June 30, 2023	**$ 176,491,323**	**$ 2,781,078**	**$ 179,272,401**

Calvert Health System, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Decrease in net assets	**$ (3,675,630)**	$ (11,297,082)
Adjustments to reconcile to net cash from operating activities:		
Depreciation and amortization	**10,607,757**	12,089,464
Amortization of debt issuance costs	**36,316**	42,834
Loss on extinguishment of debt	**202,889**	-
Donations and grants restricted for capital acquisition	**(1,517,921)**	(1,475,724)
Equity in earnings of affiliated enterprises	**(1,299,918)**	(1,040,672)
Realized net gains on investments	**(1,282,641)**	(1,877,918)
Unrealized net losses (gains) on investments	**(3,868,467)**	17,308,011
Change in:		
Patient accounts receivable	**(2,443,596)**	(1,254,840)
Inventories	**228,850**	145,547
Prepaid expenses and other assets	**(850,075)**	789,778
Accounts payable, accrued expenses and other liabilities	**(1,122,204)**	(327,048)
Net cash (used in) provided by operating activities	**(4,984,640)**	13,102,350
Cash flows from investing activities:		
Purchases of investments	**(49,158,613)**	(37,531,121)
Sales of investments	**52,870,971**	30,717,653
Net decrease (increase) in assets limited as to use	**(645,080)**	(415,311)
Distributions from equity method investments	**(175)**	63,772
Purchases of property and equipment	**(8,970,218)**	(6,421,920)
Net cash used in investing activities	**(5,903,115)**	(13,586,927)
Cash flows from financing activities:		
Payment of bond issuance costs	**(41,250)**	-
Repayment of long-term debt	**(1,580,000)**	(1,608,834)
Payments on finance leases	**(1,451,759)**	(2,161,201)
Donations and grants received restricted for capital acquisitions	**1,517,921**	1,475,724
Net cash used in financing activities	**(1,555,088)**	(2,294,311)
Net decrease in cash, cash equivalents, and restricted cash	**(12,442,843)**	(2,778,888)
Cash, cash equivalents, and restricted cash, beginning of year	**25,165,219**	27,944,107
Cash, cash equivalents and restricted cash, end of year	**$ 12,722,376**	$ 25,165,219

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 one wholly owned or controlled subsidiaries: CalvertHealth Foundation, Inc. (the Foundation). 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) and an imaging 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

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:

	2023	2022
Cash and cash equivalents	**$ 11,953,640**	$ 23,163,657
Assets whose use is limited		
Internally designated for capital acquisition and scholarships	**768,736**	2,001,562
Total cash, cash equivalents and restricted cash shown in consolidated statements of cash flows	**$ 12,722,376**	$ 25,165,219

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, 2023 and 2022, $1,215,451 and $1,975,648 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, 2023 and 2022.

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 obligations, and long-term operating lease obligations in the accompanying consolidated financial statements. Finance leases are included in property and equipment, current portion of finance lease obligations and long-term finance lease obligations 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 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 $0 and $255,522 at June 30, 2023 and 2022, 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 $2,837,675 and $2,875,602 in 2023 and 2022, 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 $2,771,122 and $1,450,656 for 2023 and 2022, respectively, to the UCC as required by the HSCRC. The Hospital did not receive any payments from the UCC in 2023 and 2022.

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 years ended June 30, 2022 and 2021 reported $7,985,178 and $21,137,843, 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.

Deficit of revenue over expenses

The consolidated statements of operations and other changes in net assets without donor restrictions report deficit of revenue over expenses. Changes in net assets without donor restrictions that are excluded from this performance indicator, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services and 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.

New Accounting Standards Not Yet Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2022, and a modified retrospective approach is required, with a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. Management is currently evaluating the impact of adopting this new accounting guidance.

Subsequent events

In preparing these consolidated financial statements, the System has evaluated events and transactions for potential recognition or disclosure through October 25, 2023, the date the consolidated financial statements were issued.

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, a hospital department, 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 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, 2023 and 2022 are as follows:

	2023	2022
Global budget revenue	**$ 148,065,320**	$ 146,111,375
Rehabilitation services	**1,901,445**	1,971,460
Physician practice services	**18,838,954**	19,277,640
Other health services	**-**	240,892
Total	**$ 168,805,719**	$ 167,601,367

Net patient service revenue disaggregated by payor for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Medicare	**$ 73,587,430**	$ 70,004,090
Medicaid	**23,127,298**	22,861,951
Blue Cross	**30,842,146**	31,849,023
Commercial	**6,272,347**	7,335,834
Managed Care	**32,132,101**	32,584,155
Self-Pay	**2,844,397**	2,966,314
Total	**$ 168,805,719**	$ 167,601,367

4. Investments in Affiliated Enterprises

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

	2023		2022	
	Investment	**Income**	**Investment**	**Income**
Equity:				
Calvert Medical Imaging Center	**$ 3,802,545**	**$ 836,772**	$ 3,265,773	$ 827,184
Chesapeake Potomac Healthcare Alliance, LLC	**4,282,613**	**484,944**	3,797,669	295,960
ChoiceOne Urgent Care of Calvert County, LLC	**688,464**	**359,510**	828,954	(200,902)
Prince Frederick Surgery Center, LLC	**(3,379)**	**(310,188)**	322,929	118,430
CoreLife Calvert Partnership, LLC	**256,428**	**(71,118)**	225,000	-
15 E Chesapeake Beach Rd, LLC	**713,747**	**-**	-	-
Cost:				
Freestate Healthcare Insurance Company, LTD	**33,875**	**-**	33,875	-
	$ 9,774,293	**$ 1,299,920**	$ 8,474,200	$ 1,040,672

CHV's investment in Calvert Medical Imaging Center (CMIC) represents approximately 39% and 39% of the reported investment balance in affiliates as of June 30, 2023 and 2022, respectively, while the Hospital's investment in Chesapeake-Potomac Healthcare Alliance, LLC (the Alliance) represents approximately 44% and 45% of the reported investment balance in affiliates as of June 30, 2023 and 2022, respectively, and the Hospital's investment in ChoiceOne Urgent Care of Calvert County (ChoiceOne) represents approximately 7% and 10% as of June 30, 2023 and 2022, respectively. The investments in CoreLife Calvert Partnership represents approximately 3% and 3% as of June 30, 2023 and 2022, respectively, and 15 E Chesapeake Beach Road, LLC represents approximately 7% as of June 30, 2023. 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:

	2023	**2022**
Total assets	**$ 9,571,541**	$ 8,931,299
Total liabilities	**$ 1,901,277**	$ 2,436,287
Partners' capital	**7,670,264**	6,495,012
Total liabilities and partners' capital	**$ 9,571,541**	$ 8,931,299
Total revenue	**$ 14,450,396**	$ 11,790,044
Net income	**$ 1,775,252**	$ 1,617,837

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 an 80% owner of Chesapeake Potomac Regional Cancer Center, LLC (CPRCC), a limited liability company that owns and operates two outpatient radiation oncology centers. The other 20% of CPRCC is owned by Holy Cross Hospital of Silver Spring. 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:

	2023	2022
Total assets	$ 18,739,605	$ 19,161,578
Total liabilities	$ 3,040,357	$ 3,418,261
Members' equity	15,699,248	15,743,317
Total liabilities and members' equity	$ 18,739,605	$ 19,161,578
Total revenue	$ 14,377,715	$ 15,441,771
Net income	$ 534,289	$ 628,332

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 maintains a 25% interest in the joint venture as of June 30, 2023 and 2022.

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

	2023	2022
Total assets	$ 3,449,587	$ 4,019,613
Total liabilities	$ 599,203	$ 798,076
Partners' capital	2,850,384	3,221,537
Total liabilities and partners' capital	$ 3,449,587	$ 4,019,613
Total revenue	$ 5,525,886	$ 5,005,103
Net income	$ 1,344,093	$ 1,155,641

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, 2023 and 2022.

15 E Chesapeake Beach Road, LLC

In June 2023, the partnership was created with Lumanus Health to acquire a property in Calvert County for future healthcare development.

Freestate Healthcare Insurance Company, LTD

Freestate Healthcare Insurance Company, LTD is a captive insurance company formed in the Cayman Islands. It is owned by three Maryland hospitals. Freestate provides insurance coverage to its shareholders for professional liability and comprehensive general liability (see Note 11).

5. Investments

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

	2023	2022
Equity mutual funds	**$ 51,110,180**	$ 50,582,944
Fixed maturity mutual funds	**9,762,688**	10,247,856
Guaranteed investment account	**1,153,458**	422,576
Corporate and municipal bonds	**19,768,578**	18,750,702
U.S. government issues	**17,440,108**	18,532,885
Alternative investments	**10,883,750**	10,087,354
	110,118,762	108,624,317
Less – short-term investments	**398,562**	1,240,613
Long-term investments	**$ 109,720,200**	$ 107,383,704

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

	2023	2022
Internally designated for capital acquisition and scholarships:		
Cash and cash equivalents	**$ 768,736**	$ 2,001,562
Net pledges and grants receivable	**375,132**	189,081
Equity mutual funds	**3,215,112**	2,087,374
Exchange traded funds	**-**	416,677
Fixed income mutual funds	**2,264,851**	2,574,217
	6,623,831	7,268,911
Less – current portion	**10,545**	6,249
	$ 6,613,286	$ 7,262,662

Management has placed $100,000 in a separate bank account to be used toward future gift annuity reserves. There were no outstanding charitable gift annuity obligations as of June 30, 2023 or 2022.

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, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	**$ 3,450,951**	**$ 46,955**	**$ 3,497,906**
Realized gains	**1,623,132**	**(46,955)**	**1,576,177**
Net unrealized gains on investments	**4,009,524**	**(141,057)**	**3,868,467**
Investment expenses	**(293,536)**	**-**	**(293,536)**
	$ 8,790,071	**$ (141,057)**	**$ 8,649,014**

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	$ 4,082,902	$ 42,457	$ 4,125,359
Realized gains	1,877,918	58,104	1,936,022
Net unrealized losses on investments	(17,308,011)	(313,433)	(17,621,444)
Investment expenses	(341,792)	(355)	(342,147)
	$ (11,688,983)	$ (213,227)	$ (11,902,210)

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, 2023:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large value	$ 11,347,120	$ -	$ -	$ 11,347,120
Foreign large blend	589,938	-	-	589,938
Large value	1	-	-	1
Large blend	28,056,937	-	-	28,056,937
Mid cap growth	12,506	-	-	12,506
Mid cap blend	1	-	-	1
Small blend	7,463,690	-	-	7,463,690
World large stock	997,976	-	-	997,976
Fixed maturity mutual funds:				
Intermediate term bond	1,747,138	-	-	1,747,138
World bond	271,021	-	-	271,021
Tactical allocation	5,166,436	-	-	5,166,436
Ultrashort bond	4,842,944	-	-	4,842,944
Exchange traded funds	5,857,122			5,857,122
Corporate bonds	19,768,578	-	-	19,768,578
U.S. government issues (Maturity 1 – 10 years)	17,440,108	-	-	17,440,108
Guaranteed investment account	1,153,458	-	-	1,153,458
Total assets in fair value hierarchy	$ 104,714,974	$ -	$ -	104,714,974
Cash and cash equivalents				768,736
Investments measured at NAV (a)				10,883,750
Investments at fair value				$ 116,367,460

The following table presents the System's fair value hierarchy for assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Foreign large growth	$ 108,827	$ -	$ -	$ 108,827
Foreign large value	10,974,656	-	-	10,974,656
Foreign large blend	980,854	-	-	980,854
Large value	78,532	-	-	78,532
Large blend	26,873,568	-	-	26,873,568
Mid cap value	1,807	-	-	1,807
Mid cap blend	59,705	-	-	59,705
Small growth	48,184	-	-	48,184
Small value	31,593	-	-	31,593
Small blend	8,045,846	-	-	8,045,846
World large stock	466,975	-	-	466,975
Fixed maturity mutual funds:				
Intermediate term bond	2,489,431	-	-	2,489,431
Intermediate core-plus bond	5,845	-	-	5,845
Inflation-protected bond	339,412	-	-	339,412
World bond	343,519	-	-	343,519
Tactical allocation	4,935,642	-	-	4,935,642
Ultrashort bond	4,708,223	-	-	4,708,223
Exchange traded funds	5,416,449			5,416,449
Corporate bonds	18,750,702	-	-	18,750,702
Mortgage backed securities	-	-	-	-
U.S. government issues (Maturity 1 – 10 years)	18,532,885	-	-	18,532,885
Guaranteed investment account	422,575	-	-	422,575
Total assets in fair value hierarchy	$ 103,615,230	$ -	$ -	103,615,230
Cash and cash equivalents				2,001,562
Investments measured at NAV (a)				10,087,354
Investments at fair value				$ 115,704,146

(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 alternative investments as of June 30, 2023 and 2022, 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 June 30, 2023 and 2022. As of June 30, 2023 and 2022, the fund's balance was $10,883,750 and $10,087,354, respectively. One fund has a monthly redemption frequency with 5 days' notice and the other fund has a semi-monthly redemption frequency with no required notice period.

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, 2023, pledges receivables were $136,346 less an allowance for uncollectible pledges of $13,635 and a discount of $2,754. At June 30, 2022, pledges receivables were $215,370 less an allowance for uncollectible pledges of $21,537, and a discount of $4,752. The discount rate used in both years was 0.46%. During 2023, the Foundation commenced a cancer care campaign. Contributions from the campaign will be used for capital, operational and endowment for cancer care. At June 30, 2023, pledges receivables were $276,050 less an allowance for uncollectible of $3,589 and a discount of $17,286. 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, 2023 is as follows:

2024	$ 153,496
2025	118,850
2026	60,100
2027	54,600
2028	25,350
	412,396
Less allowances and discounts	(37,264)
	$ 375,132

7. Net Assets with Donor Restrictions

	2023	2022
Subject to expenditure for specified purposes:		
Purchases of building and equipment	**$ 243,695**	$ 376,424
Health education	**516,089**	585,685
Health care services	**934,984**	694,692
Gift annuity reserve	**100,000**	100,000
Total subject to expenditure for specified purposes	**1,794,768**	1,756,801
Investments to be held in perpetuity, the income from which is expendable to support health education	**986,310**	975,310
Total net assets with donor restrictions	**$ 2,781,078**	$ 2,732,111

8. Property and Equipment

A summary of property and equipment at June 30 follows:

	2023	2022
Land improvements	**$ 6,141,511**	$ 6,130,391
Buildings	**47,679,381**	47,679,381
Building improvements	**57,685,994**	56,925,890
Fixed equipment	**28,339,885**	27,113,242
Movable equipment	**89,469,085**	86,550,945
	229,315,856	224,399,849
Less – accumulated depreciation and amortization	**149,198,302**	138,719,923
	80,117,554	85,679,926
Land	**6,016,980**	6,016,980
Construction in progress	**4,634,042**	709,208
Property and equipment, net	**$ 90,768,576**	$ 92,406,114

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to $10,607,757 and $12,089,464, respectively.

9. Long-Term Debt

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

	2023	2022
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%.	**$ 14,355,000**	$ 15,418,000
Maryland Health and Higher Educational Facilities Authority Revenue Bonds (2021 Non-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 2.83%.	**32,422,000**	32,939,000
	46,777,000	48,357,000
Less – current portion	**1,958,000**	1,942,000
	44,819,000	46,415,000
Less – unamortized debt issuance costs	**133,034**	330,989
	$ 44,685,966	$ 46,084,011

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

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 a fixed rate of 2% and a maturity date of February 1, 2030.

2021 Non-Taxable Term Note

A 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 was assigned to the Authority and converted to tax exempt bonds. The note carried a fixed interest rate of 1.45% until July 3, 2023 at which time the rate increased 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 minimum days cash on hand ratio.

Principal payments due under all debt instruments as of June 30, 2023 are as follows:

2024	$ 1,958,000
2025	1,764,000
2026	1,798,000
2027	1,826,000
2028	1,988,000
Thereafter	37,443,000
Total	$ 46,777,000

Interest paid on indebtedness by the System was $769,849 and $662,874 in 2023 and 2022, 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 $1,670,073 and $1,558,276 during the years ended June 30, 2023 and 2022, 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, 2023. 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, 2023. The ultimate outcome of these matters cannot be determined at this time.

As of June 30, 2023 and 2022, the System recorded insurance recoverables and related professional claims liability of $4,916,856 and $5,183,737, 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 $1,024,734 and $1,024,734 in long-term liabilities as of June 30, 2023 and 2022, respectively. Management believes this estimate is adequate to provide for all professional liability claims that have been incurred through June 30, 2023 and 2022 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 System'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.

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, 2023 and 2022 from patients and third-party payors is as follows:

	2023	2022
Medicare	**39.2%**	38.6%
Medicaid (including managed care)	**15.5%**	14.2%
Blue Cross	**15.5%**	16.4%
Commercial and other	**11.5%**	12.8%
Managed care	**14.6%**	14.9%
Self-pay	**3.7%**	3.1%
	100%	100%

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:

	2023			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	**$ 69,950,603**	**$ 12,238,220**	**$ 367,137**	**$ 82,555,960**
Employee benefits	**13,021,759**	**2,336,708**	**71,252**	**15,429,719**
Supplies	**34,417,840**	**166,360**	**239,750**	**34,823,950**
Purchased services	**19,350,305**	**3,744,872**	**-**	**23,095,177**
Professional fees	**10,809,028**	**-**	**-**	**10,809,028**
Depreciation and amortization	**9,597,451**	**1,010,306**	**-**	**10,607,757**
Interest	**859,415**	**73,515**	**-**	**932,930**
Other	**2,156,647**	**6,370,242**	**346,862**	**8,873,751**
Total	**$160,163,048**	**$ 25,940,223**	**$ 1,025,001**	**$187,128,272**

	2022			
	Healthcare Services	General and Administrative	Fundraising	Total
Salaries and wages	$ 66,102,091	$ 11,265,252	$ 367,137	$ 77,734,480
Employee benefits	11,928,397	2,103,396	70,435	14,102,228
Supplies	32,814,488	3,023	1,633	32,819,144
Purchased services	12,953,744	5,666,325	73,535	18,693,604
Professional fees	7,394,799	-	-	7,394,799
Depreciation and amortization	10,950,289	1,139,175	-	12,089,464
Interest	941,415	80,529	-	1,021,944
Other	1,199,977	6,706,931	212,228	8,119,136
Total	$144,285,200	$ 26,964,631	$ 724,968	$171,974,799

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

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

	2023	2022
Cash and cash equivalents	**$ 11,953,640**	$ 23,163,657
Accounts receivable, net	**16,604,377**	14,160,781
Other receivables	**1,672,498**	1,122,772
Total	**$ 30,230,515**	$ 38,447,210

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

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 lease 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 System adopted the use of hindsight for purposes of determining lease term, short-term leases, and combined leases and non-lease component practical expedients.

The components of lease expense (and related classification in the accompanying statements of operations) were as follows during the years ended June 30:

	2023	2022
Operating lease cost (other expense)	**$ 2,436,946**	$ 3,449,113
Variable lease cost (other expense)	**939,801**	-
Finance lease cost:		
Amortization of right-of use assets (depreciation and amortization)	**1,517,380**	2,269,996
Interest on lease liabilities (interest expense)	**119,593**	191,090
Sublease income (other operating income)	**-**	(100,274)
Total lease cost	**$ 5,013,720**	$ 5,809,925

Rental expense for all operating leases was $3,438,770 and $3,490,584 in 2023 and 2022, respectively.

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

	2023	2022
Operating cash flows from operating leases	**$ 2,450,449**	$ 2,542,713
Operating cash flows from finance leases	**119,593**	191,090
Financing cash flows from finance leases	**1,529,033**	2,269,996
Total	**$ 4,099,075**	$ 5,003,799

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

	2023	2022
Right-of-use assets obtained in exchange for new finance lease liabilities	**$ -**	$ 2,301,118
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 1,750,459**	$ 292,196

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:

	2023	2022
Operating leases:		
Right-of-use assets - operating leases	**$ 8,251,056**	$ 8,620,186
Current portion of operating lease obligations	**$ 2,001,211**	$ 2,036,286
Long-term operating lease obligations	**6,239,844**	6,577,632
Total operating lease liabilities	**$ 8,241,055**	$ 8,613,918

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:

	2023	2022
Finance leases:		
Property and equipment, net	**$ 5,980,371**	$ 6,330,329
Current portion of finance lease obligations	**$ 1,491,901**	$ 1,453,396
Long-term finance lease obligations	**2,539,781**	4,031,682
Total finance lease liabilities	**$ 4,031,682**	$ 5,485,078

	2023	2022
Other information:		
Weighted-average remaining lease term – operating leases	**4.76 years**	5.37 years
Weighted-average remaining lease term – finance leases	**2.53 years**	3.47 years
Weighted-average discount rate – operating leases	**2.55%**	2.70%
Weighted-average discount rate – finance leases	**2.60%**	2.60%

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

	Operating	Finance
2024	$ 1,958,581	$ 1,579,882
2025	1,723,591	1,579,882
2026	1,434,420	882,638
2027	1,330,416	139,873
2028	899,367	-
Thereafter	557,313	-
Total	7,903,688	4,182,275
Less: interest	507,120	150,593
Lease liability	$ 7,396,568	$ 4,031,682

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

2024	$ 238,291
2025	238,291
2026	238,291
2027	135,843
2028	20,000
Thereafter	23,333
Total	894,049
Less: interest	49,562
Lease liability	$ 844,487

Total office rent and equipment lease expense was $3,438,770 and $3,490,584 for the years ended June 30, 2023 and 2022, respectively, 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 $457,149 and $437,076 has been recognized in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions for the years ended June 30, 2023 and 2022, respectively.

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 consisted of a five-year performance period. Maryland Hospitals are 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, 2023 and 2022.

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, 2023 and 2022 and the changes therein, are as follows:

	2023	2022
Donor-restricted endowment, with donor restriction	**$ 1,476,871**	$ 1,436,938

Changes in endowment net assets for the fiscal year June 30, 2023:

	Without Donor Restriction	With Donor Restriction
Endowment net assets, beginning of year	**$ -**	**$ 1,436,938**
Investment return:		
Net loss (realized and unrealized)	**-**	**141,057**
Other changes:		
Contributions	**-**	**71,107**
Released from restriction	**172,231**	**(172,231)**
Used for designated purposes	**(172,231)**	**-**
Endowment net assets, end of year	**$ -**	**$ 1,476,871**

Changes in endowment net assets for the fiscal year June 30, 2022:

	Without Donor Restriction	With Donor Restriction
Endowment net assets, beginning of year	$ -	$ 1,325,896
Investment return:		
Net loss (realized and unrealized)	-	(213,227)
Other changes:		
Contributions	-	500,000
Released from restriction	175,731	(175,731)
Used for designated purposes	(175,731)	-
Endowment net assets, end of year	$ -	$ 1,436,938

Supplementary Consolidating Information

CalvertHealth Medical Center, Inc. and Subsidiary
Consolidating Statement of Financial Position
June 30, 2023

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries	Consolidated CalvertHealth Medical Center
ASSETS				
Current assets:				
Cash and cash equivalents	$ 5,947,878	$ 97,072	$ -	$ 6,044,950
Short-term investments	398,562	-	-	398,562
Patient accounts receivable, net	15,198,241	-	-	15,198,241
Inventories	2,864,110	-	-	2,864,110
Prepaid expenses and other assets	5,947,376	-	-	5,947,376
Assets limited as of use, current	10,545	-	-	10,545
Total current assets	30,366,712	97,072	-	30,463,784
Investments	816,889	-	-	816,889
Investments in wholly owned subsidiaries	6,343,363	-	(6,343,363) (2)	- (2)
Investments in affiliated enterprises	5,004,952	-	-	5,004,952
Assets limited as of use	273,961	6,339,325	-	6,613,286
Property and equipment, net	89,035,356	-	-	89,035,356
Insurance recoverable	4,916,856	-	-	4,916,856
Other assets	15,000	-	-	15,000
Right of use asset - leases	6,124,876	-	-	6,124,876
Total assets	$ 142,897,965	$ 6,436,397	$ (6,343,363)	$ 142,990,999
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	$ 18,666,723	$ 54,448	$ -	$ 18,721,171
Intercompany accounts	(38,586)	38,586	-	-
Current portion of long-term debt	1,958,000	-	-	1,958,000
Current portion of operating lease obligation	1,590,627	-	-	1,590,627
Current portion of finance lease obligation	1,491,901	-	-	1,491,901
Advances from third-party payors	3,429,645	-	-	3,429,645
Total current liabilities	27,098,310	93,034	-	27,191,344
Long-term debt, net	44,685,966	-	-	44,685,966
Long-term operating lease obligation	4,524,247	-	-	4,524,247
Long-term finance lease obligation	2,539,781	-	-	2,539,781
Professional liability	5,941,590	-	-	5,941,590
Other long-term liabilities	816,890	-	-	816,890
Total liabilities	85,606,784	93,034	-	85,699,818
Net assets:				
Without donor restrictions:				
Unrestricted - general	49,857,157	95,322	(95,322) (2)	49,857,157 (2)
Unrestricted - board designated	4,652,946	3,652,946	(3,652,946) (2)	4,652,946 (2)
With donor restrictions	2,781,078	2,595,095	(2,595,095) (2)	2,781,078 (2)
Total net assets	57,291,181	6,343,363	(6,343,363)	57,291,181
Total liabilities and net assets	$ 142,897,965	$ 6,436,397	$ (6,343,363)	$ 142,990,999

CalvertHealth Medical Center, Inc. and Subsidiary
Consolidating Statement of Operations and Other Changes in Net Assets Without Donor Restrictions
Year Ended June 30, 2023

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries		Consolidated CalvertHealth Medical Center
Revenue:					
Net patient service revenue	$ 149,966,766	$ -	$ -		$ 149,966,766
Other operating revenue (loss)	3,419,303	1,319,267	(752,734)	(6)(7)	3,985,836
Total operating revenue (loss)	153,386,069	1,319,267	(752,734)		153,952,602
Expense:					
Salaries & wages	69,588,121	-	-		69,588,121
Employee benefits	13,505,193	-	-		13,505,193
Supplies	27,077,302	-	-		27,077,302
Purchased services	20,682,953	238,736	-		20,921,689
Professional fees	10,809,028	-	-		10,809,028
Depreciation and amortization	10,267,231	-	-		10,267,231
Interest	932,930	-	-		932,930
Other	7,910,260	1,100,571	(752,734)	(6)(7)	8,258,097
Total operating expenses	160,773,018	1,339,307	(752,734)		161,359,591
Loss from operations	(7,386,949)	(20,040)	-		(7,406,989)
Nonoperating gains:					
Investment income	120,931	(3,853)	-		117,078
Income from equity investments	824,374	-	20,080	(4)	844,454
Net unrealized gains on investments	-	278,207	-		278,207
Loss on extinguishment of debt	(202,889)	-	-		(202,889)
Total nonoperating gains, net	742,416	274,354	20,080		1,036,850
(Deficit) excess of revenue over expenses	(6,644,533)	254,314	20,080		(6,370,139)
Transfer of net assets:					
Net assets released from restrictions for capital acquisitions	143,709	-	-		143,709
Equity distributions	(2,054,881)	-	-		(2,054,881)
(Decrease) increase in net assets without donor restrictions	$ (8,555,705)	$ 254,314	$ 20,080		$ (8,281,311)

CalvertHealth Medical Center, Inc. and Subsidiary
Consolidating Statement of Cash Flows
Year Ended June 30, 2023

	CalvertHealth Medical Center	CalvertHealth Foundation	Consolidating and Eliminating Entries	Consolidated Calvert Memorial Hospital
Cash flows from operating activities:				
Increase (decrease) in net assets	$ (8,232,346)	$ 298,241	$ (298,241) (2)	$ (8,232,346)
Adjustments to reconcile to net cash from operating activities:				
Depreciation and amortization	10,267,231	-	-	10,267,231
Amortization of debt issuance costs	36,316	-	-	36,316
Loss on extinguishment of debt	202,889	-	-	202,889
Donations and grants restricted for capital acquisition	(1,517,921)	-	-	(1,517,921)
Equity in earnings of wholly owned subsidiaries	20,080	-	(20,080) (4)	-
Equity in earnings of affiliated enterprises	(844,453)	-	-	(844,453)
Realized net gains on investments	-	46,955	-	46,955
Unrealized net losses on investments	(104,202)	(315,063)	-	(419,265)
Change in:				
Patient accounts receivable	(2,017,531)	-	-	(2,017,531)
Inventories	175,788	-	-	175,788
Prepaid expenses and other assets	(1,131,879)	-	-	(1,131,879)
Accounts payable, accrued expenses and other liabilities	363,128	(994,171)	-	(631,043)
Net cash used in operating activities	(2,782,900)	(964,038)	(318,321)	(4,065,259)
Cash flows from investing activities:				
Purchases of investments	(478,232)	-	-	(478,232)
Proceeds from sales of investments	1,666,434	-	-	1,666,434
Net increase in assets limited as to use	(335,987)	(309,093)	-	(645,080)
Distributions from equity method investments	181,679	-	318,321 (5)	500,000
Purchases of property and equipment	(8,519,862)	-	-	(8,519,862)
Net cash (used in) provided by investing activities	(7,485,968)	(309,093)	318,321	(7,476,740)
Cash flows from financing activities:				
Repayment of long-term debt	(1,580,000)	-	-	(1,580,000)
Payments on finance leases	(1,451,759)	-	-	(1,451,759)
Bond issuance costs incurred	(41,250)	-	-	(41,250)
Donations and grants received restricted for capital acquisitions	1,517,921	-	-	1,517,921
Net cash used in financing activities	(1,555,088)	-	-	(1,555,088)
Net change in cash, cash equivalents, and restricted cash	(11,823,956)	(1,273,131)	-	(13,097,087)
Cash, cash equivalents, and restricted cash beginning of year	18,045,795	1,864,978	-	19,910,773
Cash, cash equivalents and restricted cash, end of year	$ 6,221,839	$ 591,847	$ -	$ 6,813,686

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Financial Position
June 30, 2023

	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	$ 6,044,950	$ 1,665,219	$ 436,040	$ 255,641	$ 14,358	$ 3,537,432	$ -	$ 11,953,640
Short-term investments	398,562	-	-	-	-	-	-	398,562
Patient accounts receivable, net	15,198,241	1,406,136	-	-	-	-	-	16,604,377
Inventories	2,864,110	165,691	-	-	-	-	-	3,029,801
Prepaid expenses and other assets	5,947,376	1,074,395	-	22,857	-	-	(1,205,436) (1)	5,839,192 (1)
Assets limited as to use, current	10,545	-	-	-	-	-	-	10,545
Total current assets	30,463,784	4,311,441	436,040	278,498	14,358	3,537,432	(1,205,436)	37,836,117
Investments	816,889	-	-	-	-	108,903,311	-	109,720,200
Investments in wholly owned subsidiaries	-	-	-	-	-	7,267,880	(7,267,880) (2)(5)	- (2)(5)
Investments in affiliated enterprises	5,004,952	-	3,799,166	-	-	970,175	-	9,774,293
Assets limited as of use	6,613,286	-	-	-	-	-	-	6,613,286
Property and equipment, net	89,035,356	711,840	-	494,185	527,195	-	-	90,768,576
Insurance recoverable	4,916,856	-	-	-	-	-	-	4,916,856
Other assets	15,000	65,000	-	-	-	-	-	80,000
Right of use asset - leases	6,124,876	1,712,659	-	413,521	-	-	-	8,251,056
Total assets	$ 142,990,999	$ 6,800,940	$ 4,235,206	$ 1,186,204	$ 541,553	$ 120,678,798	$ (8,473,316)	$ 267,960,384

	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	$ 18,721,171	$ 2,055,606	$ -	$ 11,814	$ -	$ -	$ (1,205,436) (1)	$ 19,583,155 (1)
Current portion of long-term debt	1,958,000	-	-	-	-	-	-	1,958,000
Current portion of operating lease obligation	1,590,627	375,293	-	35,291	-	-	-	2,001,211
Current portion of finance lease obligation	1,491,901	-	-	225,000	10,000	(235,000)	-	1,491,901
Advances from third-party payors	3,429,645	-	-	-	-	-	-	3,429,645
Total current liabilities	27,191,344	2,430,899	-	272,105	10,000	(235,000)	(1,205,436)	28,463,912
Long-term debt, less current portion	44,685,966	-	-	-	-	-	-	44,685,966
Long-term operating lease obligation	4,524,247	1,337,367	-	378,230	-	-	-	6,239,844
Long-term finance lease obligation	2,539,781	-	-	-	-	-	-	2,539,781
Professional liability	5,941,590	-	-	-	-	-	-	5,941,590
Other long-term liabilities	816,890	-	-	-	-	-	-	816,890
Total liabilities	85,699,818	3,768,266	-	650,335	10,000	(235,000)	(1,205,436)	88,687,983
Net assets:								
Without donor restrictions:								
Unrestricted - general	49,857,157	3,032,674	4,235,206	535,869	531,553	120,913,798	(7,267,880) (2)(5)	171,838,377 (2)(5)
Unrestricted - board designated	4,652,946	-	-	-	-	-	-	4,652,946
With donor restrictions	2,781,078	-	-	-	-	-	-	2,781,078
Total net assets	57,291,181	3,032,674	4,235,206	535,869	531,553	120,913,798	(7,267,880)	179,272,401
Total liabilities and net assets	$ 142,990,999	$ 6,800,940	$ 4,235,206	$ 1,186,204	$ 541,553	$ 120,678,798	$ (8,473,316)	$ 267,960,384

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Operations and Other Changes in Net Assets Without Donor Restrictions
Year Ended June 30, 2023

	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	$ 149,966,766	$ 18,838,953	$ -	$ -	$ -	$ -	$ -	$ 168,805,719
Rental revenue	-	2,706	-	704,951	13,882	-	(264,390) (3)	457,149 (3)
Other operating revenue	3,985,836	1,075,377	-	-	-	-	(921,220) (3)	4,139,993 (3)
Total operating revenue	153,952,602	19,917,036	-	704,951	13,882	-	(1,185,610)	173,402,861
Expenses:								
Salaries & wages	69,588,121	12,967,839	-	-	-	-	-	82,555,960
Employee benefits	13,505,193	1,924,526	-	-	-	-	-	15,429,719
Supplies	27,077,302	7,504,579	3,976	238,093	-	-	-	34,823,950
Purchased services	20,921,689	2,590,213	-	-	-	-	(416,725) (3)	23,095,177 (3)
Professional fees	10,809,028	-	-	-	-	-	-	10,809,028
Depreciation and amortization	10,267,231	139,278	-	200,849	399	-	-	10,607,757
Interest	932,930	-	-	-	-	-	-	932,930
Other	8,258,097	1,179,845	619	204,075	-	-	(768,885) (3)	8,873,751 (3)
Total operating expenses	161,359,591	26,306,280	4,595	643,017	399	-	(1,185,610)	187,128,272
(Loss) income from operations	(7,406,989)	(6,389,244)	(4,595)	61,934	13,483	-	-	(13,725,411)
Nonoperating gains (losses):								
Investment income	117,078	-	-	-	-	4,663,474	-	4,780,552
Income (loss) from equity investments	844,454	-	526,584	-	-	(5,968,369)	5,897,249 (4)	1,299,918 (4)
Income tax expense	-	-	(30,000)	-	-	-	-	(30,000)
Loss on extinguishment of debt	(202,889)	-	-	-	-	-	-	(202,889)
Net unrealized gains on investments	278,207	-	-	-	-	3,731,317	-	4,009,524
Total nonoperating gains, net	1,036,850	-	496,584	-	-	2,426,422	5,897,249	9,857,105
Excess of (expenses over revenue) revenue over expenses	(6,370,139)	(6,389,244)	491,989	61,934	13,483	2,426,422	5,897,249	(3,868,306)
Net assets released from restrictions for capital acquisitions	143,709	-	-	-	-	-	-	143,709
(Distributions) equity contributions	(2,054,881)	7,807,253	40,618	(225,000)	(10,000)	2,289,881	(7,847,871) (5)	- (5)
(Decrease) increase in net assets without donor restrictions	$ (8,281,311)	$ 1,418,009	$ 532,607	$ (163,066)	$ 3,483	$ 4,716,303	$ (1,950,622)	$ (3,724,597)

Calvert Health System, Inc. and Subsidiaries
Consolidating Statement of Cash Flows
Year Ended June 30, 2023

	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:								
(Decrease) increase in net assets	$ (8,232,346)	$ 1,418,009	$ 532,607	$ (163,066)	$ 3,483	$ 4,716,303	$ (1,950,620) (2)	$ (3,675,630) (2)
Adjustments to reconcile to net cash from operating activities:								
Depreciation and amortization	10,267,231	139,278	-	200,849	399	-	-	10,607,757
Amortization of debt issuance costs	36,316	-	-	-	-	-	-	36,316
Loss on extinguishment of debt	202,889	-	-	-	-	-	-	202,889
Donations and grants restricted for capital acquisition	(1,517,921)	-	-	-	-	-	-	(1,517,921)
Equity in losses of wholly owned subsidiaries	-	-	-	-	-	5,856,630	(5,856,630) (4)	- (4)
Equity in earnings of affiliated enterprises	(844,453)	-	(526,583)	-	-	71,118	-	(1,299,918)
Realized net gains (losses) on investments	46,955	-	-	-	-	(1,623,132)	-	(1,576,177)
Unrealized net losses on investments	(419,265)	-	-	-	-	(3,731,316)	-	(4,150,581)
Change in:								
Patient accounts receivable	(2,017,531)	(426,065)	-	-	-	-	-	(2,443,596)
Inventories	175,788	53,062	-	-	-	-	-	228,850
Prepaid expenses and other assets	(1,131,879)	66,843	18,147	38,074	-	-	158,740 (1)	(850,075) (1)
Accounts payable, accrued expenses and other liabilities	(631,043)	(266,040)	-	(66,381)	-	-	(158,740) (1)	(1,122,204) (1)
Net cash provided by (used in) operating activities	(4,065,259)	985,087	24,171	9,476	3,882	5,289,603	(7,807,250)	(5,560,290)
Cash flows from investing activities:								
Purchases of investments	(478,232)	-	-	-	-	(48,680,381)	-	(49,158,613)
Proceeds from sales of investments	1,666,434	-	-	-	-	51,780,187	-	53,446,621
Net decrease in assets limited as to use	(645,080)	-	-	-	-	-	-	(645,080)
Distributions (contributions) from equity method investments	500,000	-	316,121	-	-	(8,623,546)	7,807,250 (5)	(175) (5)
Purchases of property and equipment	(8,519,862)	(450,356)	-	-	-	-	-	(8,970,218)
Net cash (used in) provided by investing activities	(7,476,740)	(450,356)	316,121	-	-	(5,523,740)	7,807,250	(5,327,465)
Cash flows from financing activities:								
Repayment of long-term debt	(1,580,000)	-	-	-	-	-	-	(1,580,000)
Payments on financing leases	(1,451,759)	-	-	-	-	-	-	(1,451,759)
Bond issuance costs incurred	(41,250)	-	-	-	-	-	-	(41,250)
Donations and grants received restricted for capital acquisitions	1,517,921	-	-	-	-	-	-	1,517,921
Finance lease obligations	-	-	-	225,000	10,000	(235,000)	-	-
Net cash (used in) provided by financing activities	(1,555,088)	-	-	225,000	10,000	(235,000)	-	(1,555,088)
Net change in cash, cash equivalents, and restricted cash	(13,097,087)	534,731	340,292	234,476	13,882	(469,137)	-	(12,442,843)
Cash, cash equivalents, and restricted cash, beginning of year	19,910,773	1,130,488	95,748	21,165	476	4,006,569	-	25,165,219
Cash, cash equivalents, and restricted cash, end of year	$ 6,813,686	$ 1,665,219	$ 436,040	$ 255,641	$ 14,358	$ 3,537,432	$ -	$ 12,722,376

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.