Consolidated Financial Statements and Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries
Years Ended June 30, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2023 and 2022

Contents

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Report of Independent Auditors

The Board of Directors
University of Maryland Medical System Corporation

Opinion

We have audited the consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

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

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Supplementary Information

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

Ernst & Young LLP

October 24, 2023

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University of Maryland Medical System Corporation and Subsidiaries

Consolidated Balance Sheets
(In Thousands)

	June 30 2023	June 30 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 274,721**	$ 244,529
Assets limited as to use, current portion	**67,049**	68,258
Accounts receivable:		
Patient accounts receivable, net	**634,459**	571,609
Other	**92,543**	292,147
Inventories	**100,781**	97,453
Prepaid expenses and other current assets	**35,542**	38,709
Total current assets	**1,205,095**	1,312,705
Investments	**1,490,962**	1,431,494
Assets limited as to use, less current portion	**750,672**	935,258
Property and equipment, net	**2,876,463**	2,828,105
Investments in joint ventures	**134,642**	98,016
Other assets	**559,429**	493,912
Total assets	**$ 7,017,263**	$ 7,099,490
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	**$ 294,022**	$ 412,458
Accrued payroll and benefits	**314,725**	341,609
Advances from third-party payors	**186,984**	266,121
Lines of credit	**80,000**	81,000
Other current liabilities	**160,256**	135,616
Current portion of long-term debt	**32,115**	38,399
Total current liabilities	**1,068,102**	1,275,203
Long-term debt, less current portion	**1,864,194**	1,900,234
Other long-term liabilities	**547,832**	541,269
Interest rate swap liabilities	**70,350**	106,721
Total liabilities	**3,550,478**	3,823,427
Net assets:		
Without donor restrictions	**3,226,247**	3,041,971
With donor restrictions	**240,538**	234,092
Total net assets	**3,466,785**	3,276,063
Total liabilities and net assets	**$ 7,017,263**	$ 7,099,490

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

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

	Year Ended June 30 2023	2022
Operating revenue, gains, and other support:		
Net patient service revenue	**$ 4,682,343**	$ 4,523,407
State and county support	**13,700**	13,600
CARES Act – provider relief funds	**978**	22,683
Other revenue	**371,579**	333,367
Total operating revenue, gains, and other support	**5,068,600**	4,893,057
Operating expenses:		
Salaries, wages, and benefits	**2,693,388**	2,608,080
Expendable supplies	**924,459**	864,693
Purchased services	**768,454**	784,386
Contracted services	**328,588**	328,391
Depreciation and amortization	**277,955**	267,187
Interest expense	**57,942**	40,145
Total operating expenses	**5,050,786**	4,892,882
Operating income	**17,814**	175
Nonoperating income and expenses, net:		
Unrestricted contributions	**7,434**	3,508
Equity (loss) in net income of joint ventures	**5,209**	(904)
Investment income, net	**13,378**	155,850
Change in fair value of investments	**108,297**	(304,297)
Change in fair value of undesignated interest rate swaps	**35,020**	96,888
Other nonoperating losses, net	**(25,859)**	(33,212)
Excess (deficit) of revenues over expenses	**$ 161,293**	$ (81,992)

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University of Maryland Medical System Corporation and Subsidiaries

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

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2021	$ 3,036,143	$ 302,740	$ 3,338,883
Deficit of revenues over expenses	(81,992)	–	(81,992)
Investment losses, net	–	(9,443)	(9,443)
State support for capital	500	910	1,410
Contributions, net	14,044	15,909	29,953
Net assets released from restrictions used for operations and nonoperating activities	–	(5,925)	(5,925)
Net assets released from restrictions used for purchase of property and equipment	66,729	(66,729)	–
Change in economic and beneficial interests in the net assets of related organizations	1,244	(3,602)	(2,358)
Change in funded status of defined benefit pension plans	2,180	–	2,180
Other	3,123	232	3,355
Increase (decrease) in net assets	5,828	(68,648)	(62,820)
Balance at June 30, 2022	3,041,971	234,092	3,276,063
Excess of revenues over expenses	**161,293**	**–**	**161,293**
Investment gains, net	**–**	**4,565**	**4,565**
State support for capital	**17,094**	**–**	**17,094**
Contributions, net	**2,027**	**19,558**	**21,585**
Net assets released from restrictions used for operations and nonoperating activities	**–**	**(9,473)**	**(9,473)**
Net assets released from restrictions used for purchase of property and equipment	**3,948**	**(3,948)**	**–**
Change in economic and beneficial interests in the net assets of related organizations	**1,058**	**(7,672)**	**(6,614)**
Change in funded status of defined benefit pension plans	**11,300**	**–**	**11,300**
Other	**(12,444)**	**3,416**	**(9,028)**
Increase in net assets	**184,276**	**6,446**	**190,722**
Balance at June 30, 2023	**$ 3,226,247**	**$ 240,538**	**$ 3,466,785**

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2023	**2022**
Operating activities		
Increase (decrease) in net assets	**$ 190,722**	$ (62,820)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**277,955**	267,187
Amortization of bond premium and deferred financing costs	**(2,366)**	(2,456)
Net realized (gains) losses and change in fair value of investments	**(121,675)**	148,447
Equity in net (income) loss of joint ventures	**(5,209)**	904
Change in economic and beneficial interests in net assets of related organizations	**6,163**	3,602
Change in fair value of interest rate swaps	**(35,020)**	(96,888)
Change in funded status of defined benefit pension plans	**(11,300)**	(2,180)
Restricted contributions, grants and other support, net	**(24,123)**	(7,376)
Gain on sale of home health agency	**(3,500)**	–
Change in operating assets and liabilities:		
Patient accounts receivable	**(62,850)**	(41,784)
Other receivables, prepaid expenses, other current assets, and other assets	**133,453**	(78,994)
Inventories	**(3,328)**	7,623
Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities	**(104,168)**	(59,775)
Advances from third-party payors	**(79,137)**	(447,812)
Net cash provided by (used in) operating activities	**155,617**	(372,322)
Investing activities		
Purchases and sales of investments and assets limited as to use, net	**237,903**	(119,745)
Purchases of alternative investments	**(169,987)**	(198,475)
Sales of alternative investments	**139,103**	342,050
Purchases of property and equipment	**(326,313)**	(363,384)
Sale of home health agency, net cash proceeds	**4,753**	–
Sale of UM Health Plan, LLC net cash proceeds	**–**	4,587
(Contributions to) Distributions from joint ventures, net	**(29,808)**	2,951
Net cash used in investing activities	**(144,349)**	(332,016)

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University of Maryland Medical System Corporation and Subsidiaries

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

	Year Ended June 30	
	2023	**2022**
Financing activities		
Proceeds from long-term debt	**$ –**	$ 268,355
Payment of debt issuance costs	**–**	(1,333)
Repayment of long-term debt and finance leases	**(39,958)**	(297,561)
Repayments of lines of credit, net	**(1,000)**	(32,000)
Restricted contributions, grants, and other support	**24,123**	7,376
UM Health Plan, LLC earnout proceeds	**939**	8,500
Net cash used in financing activities	**(15,896)**	(46,663)
Net decrease in cash, cash equivalents, and restricted cash	**(4,628)**	(751,001)
Cash, cash equivalents, and restricted cash, beginning of year	**374,423**	1,125,424
Cash, cash equivalents, and restricted cash, end of year	**$ 369,795**	$ 374,423
Cash and cash equivalents	**$ 274,721**	$ 244,529
Restricted cash included in assets limited as to use	**95,074**	129,894
Cash, cash equivalents, and restricted cash, end of year	**$ 369,795**	$ 374,423
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	**$ 58,809**	$ 39,766
Amount included in accounts payable for construction in progress	**$ 48,764**	$ 40,913

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

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

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

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

The significant operating divisions of the Corporation are described in further detail below.

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

University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 739-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

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

The Medical Center is comprised of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 80% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing over 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 20% of admissions and patient days. The Medical Center also operates 36 South Paca Street, LLC, a wholly owned subsidiary that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2023 and 2022 was approximately $201,509 and $201,321, respectively.

University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI is comprised of a medical/surgical and rehabilitation hospital in Baltimore with 138 licensed beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

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

University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and is comprised of University of Maryland Midtown Hospital (UM Midtown), with 201 licensed beds, including 121 acute care beds and 80 chronic care beds and a wholly owned subsidiary providing primary care.

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

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

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 314-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

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

University of Maryland Shore Regional Health System (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Memorial Hospital (UM Memorial), a 146-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Cambridge (UM Cambridge), a freestanding medical facility, providing outpatient services in Cambridge, Maryland; University of Maryland Chester River Hospital Center (UM Chester River), a 12-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne’s counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a free-standing emergency center; and several other subsidiaries providing various outpatient and home care services.

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

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

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

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 104-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in Southern Maryland.

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

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 207-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes two acute care hospitals, University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 202-bed acute care hospital and University of Maryland Harford Memorial Hospital (UM Harford Memorial), an 88-bed acute care hospital; a free-standing emergency and medical facility; a physician practice; and a land holding company.

University of Maryland Capital Region Health (Capital Region)

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Capital Region Medical Center (UM Prince George's), a 205-bed acute care teaching hospital and Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a free standing medical facility providing emergency medicine and outpatient surgery; and UM Bowie Health Center (UM Bowie), a free standing medical facility providing emergency medicine and diagnostic imaging and lab services.

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

The UM Medicine Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Medical Center and certain other subsidiaries of UMMS.

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

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.

Cash and Cash Equivalents

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

Investments and Assets Limited as to Use

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported in the consolidated balance sheets as long-term assets at June 30, 2023 and 2022. Investment income earnings on cash and short-term investments associated with business operations are recorded in other operating revenues. Unrealized holding gains and losses on trading securities with readily determinable market values, as well as alternative investments, are included in nonoperating income. Investment income related to long-term investments, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets.

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

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

Alternative investments, which the Corporation defines to include multi-strategy commingled funds, hedge funds, hedge fund-of-funds, and private equity investments, are recorded under the equity method of accounting. The equity method reflects the Corporation's share of the net asset values, as a practical expedient, which is based on the unit values of the interest as determined by the issuer sponsoring such interest dividing the fund's net assets at fair value by its units outstanding at the valuation dates. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty and, therefore, values realized upon disposition may vary significantly from current reported values.

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

Inventories

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

Economic Interests in Financially Interrelated Organizations

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

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

Property and Equipment

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

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

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

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

Deferred Financing Costs

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

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimated undiscounted

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

future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Impairment losses of $0 and $2,274 were recorded for the years ended June 30, 2023 and 2022, respectively.

Investments in Joint Ventures

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

Self-Insurance

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

Net Assets

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

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

Net Patient Service Revenue and Patient Accounts Receivable

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

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

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

(In Thousands)

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

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

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

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

	Year Ended June 30	
	2023	**2022**
Hospital inpatient and outpatient services	**$ 4,367,049**	$ 4,233,750
Physician services	**305,467**	284,410
Other	**9,827**	5,247
Net patient service revenue	**$ 4,682,343**	$ 4,523,407

Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of the Corporation's charity care policy receive services without charge or at amounts less than its established rates. The criteria for charity care consider the household income in relation to the federal poverty guidelines. The Corporation provides services at no charge for patients with adjusted gross income equal to or less than 200% of the federal poverty guidelines. For uninsured patients with adjusted gross income greater than 200% of the

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

federal poverty guidelines, a sliding scale discount is applied. Income and asset information obtained from patient credit reporting data are used to determine patients' ability to pay. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy.

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

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

- The Corporation offers assistance to patients in completing the applications for Medicaid or other government payment assistance programs, or applying for care under the Corporation's charity care policy, if applicable. The Corporation also employs an external firm to assist in the eligibility process.

- Any patient, whether covered by insurance or not, may meet with a UMMS representative and receive financial counseling from UMMS' dedicated financial assistance unit.

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

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

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately $51,325 and $49,429 for the years ended June 30, 2023 and 2022, respectively.

Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, and include income earned on long-term investments, equity in the net income of joint ventures, general donations and fund-raising activities, inherent contributions, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment. Settlement payments on interest rate swaps were approximately $7,930 and $23,661 for the years ended June 30, 2023 and 2022, respectively, and are reported within other nonoperating losses, net.

Derivative Financial Instruments

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

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

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

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

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

Excess (Deficit) of Revenue over Expenses

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

Income Taxes

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

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

Donor-Restricted Gifts

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

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

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

Fair Value Measurements

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

> *Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.
>
> *Pension plan assets* – The Corporation applies Accounting Standards Update 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV.

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

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

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

- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

As of June 30, 2023 and 2022, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 3 and 11 utilize the following valuation techniques and inputs:

U.S. Government and agency securities

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

Corporate obligations

The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker-dealer quotes, issuer spreads, and

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

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

Derivative liabilities

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

Alternative investments

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

Commitments and Contingencies

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

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

Going Concern

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

Use of Estimates

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

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

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

The U.S. Department of Health and Human Services' distributions from the Relief Fund include general distribution and targeted distributions to support hospitals in high impact areas and rural providers. For the years ended June 30, 2023 and 2022, the Corporation received and recognized as other operating revenue approximately $978 and $22,683, respectively, in relief funding.

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

In April 2020, the Corporation requested Medicare advanced payments under the Centers for Medicare & Medicaid Services' Accelerated and Advanced Payment Program designed to increase cash flow to Medicare providers and suppliers impacted by COVID-19. The Medicare advanced payment program allows eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. The Corporation received approximately $641,300 of advanced payments with repayment to occur based upon the terms and conditions of the program. All funds have been repaid as of June 30, 2023. At June 30, 2022, $105,063 was not yet repaid and represented contract liabilities under Topic 606 and was recorded in advances from third-party payors within the accompanying consolidated balance sheet.

The CARES Act provided for deferred payment of the employer portion of social security taxes through December 31, 2020, with 50% of the deferred amount due December 31, 2021, and the remaining 50% due December 31, 2022. At June 30, 2023, all deferred funds had been repaid. As of June 30, 2022, the Corporation deferred $38,331 which was recorded in accrued payroll in the accompanying consolidated balance sheet.

Effective May 11, 2023, the COVID-19 Public Health Emergency ended.

(In Thousands)

3. Investments and Assets Limited as to Use

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

	June 30	
	2023	**2022**
Investments held for collateral	**$ 5,667**	$ 6,840
Debt service and reserve funds	**54,279**	55,873
Construction funds – held by trustee	**195,843**	336,591
Construction funds – held by the Corporation	**102,828**	96,629
Board designated funds	**30,000**	90,000
Self-insurance trust funds	**245,536**	240,220
Funds restricted by donors	**130,238**	117,870
Economic and beneficial interests in the net assets of related organizations *(Note 13)*	**53,330**	59,493
Total assets limited as to use	**817,721**	1,003,516
Less amounts available for current liabilities	**(67,049)**	(68,258)
Total assets limited as to use, less current portion	**$ 750,672**	$ 935,258

(In Thousands)

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

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

	Investments Held for Collateral	Debt Service and Reserve Funds	Construction Funds	Board Designated Funds	Self-Insurance Trust Funds	Funds Restricted by Donors	Economic and Beneficial Interests	Total
June 30, 2023								
Cash and cash equivalents	**$ 5,667**	**$ 54,279**	**$ 101,108**	**$ 5,316**	**$ 197**	**$ 16,959**	**$ –**	**$ 183,526**
Corporate obligations	**–**	**–**	**66,548**	**–**	**2,469**	**4,112**	**–**	**73,129**
Fixed income funds	**–**	**–**	**–**	**2,260**	**381**	**18,594**	**–**	**21,235**
U.S. Government and agency securities	**–**	**–**	**131,015**	**–**	**135**	**3,893**	**–**	**135,043**
Common stocks, including mutual funds	**–**	**–**	**–**	**6,059**	**–**	**55,033**	**–**	**61,092**
Alternative investments	**–**	**–**	**–**	**16,365**	**–**	**31,647**	**–**	**48,012**
Assets held by other organizations	**–**	**–**	**–**	**–**	**242,354**	**–**	**53,330**	**295,684**
Total assets limited as to use	**$ 5,667**	**$ 54,279**	**$ 298,671**	**$ 30,000**	**$ 245,536**	**$ 130,238**	**$ 53,330**	**$ 817,721**
June 30, 2022								
Cash and cash equivalents	$ –	$ 54,132	$ 163,575	$ 65,312	$ 604	$ 8,816	$ –	$ 292,439
Corporate obligations	–	–	45,410	2,028	5,775	8,032	–	61,245
Fixed income funds	–	–	–	2,345	2,272	20,838	–	25,455
U.S. Government and agency securities	6,840	1,741	224,235	1,307	11,243	10,093	–	255,459
Common stocks, including mutual funds	–	–	–	6,141	5,750	45,639	–	57,530
Alternative investments	–	–	–	12,867	2,080	24,452	–	39,399
Assets held by other organizations	–	–	–	–	212,496	–	59,493	271,989
Total assets limited as to use	$ 6,840	$ 55,873	$ 433,220	$ 90,000	$ 240,220	$ 117,870	$ 59,493	$ 1,003,516

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

(In Thousands)

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

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), and funds restricted by donors are included in the accompanying consolidated statements of cash flows for the years ended June 30, 2023 and 2022.

The carrying values of investments were as follows:

	June 30	
	2023	**2022**
Cash and cash equivalents	**$ 204,856**	$ 93,020
Corporate obligations	**41,764**	121,256
Fixed income funds	**51,589**	92,294
U.S. Government and agency securities	**131,370**	208,956
Common stocks	**471,822**	388,013
Alternative investments:		
Hedge funds/private equity	**153,325**	61,449
Commingled funds	**436,236**	466,506
	$ 1,490,962	$ 1,431,494

Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis. Approximately $91,619 of the alternative investments were subject to 31–60-day notice requirements and can only be redeemed monthly, quarterly, or annually. Other funds, totaling approximately $75,897, are subject to over 60-day notice requirements and can only be redeemed quarterly or annually. There is approximately $29,968 of other funds that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from three to ten years. The Corporation had approximately $53,294 of unfunded commitments in alternative investments as of June 30, 2023.

(In Thousands)

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

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	$ 204,856	$ –	$ –	$ 204,856
Corporate obligations	17,960	23,804	–	41,764
Fixed income funds	51,589	–	–	51,589
U.S. Government and agency securities	95,759	35,611	–	131,370
Common stocks, including mutual funds	471,822	–	–	471,822
	$ 841,986	$ 59,415	$ –	901,401
Alternative investments, reported using NAV:				
Hedge funds/private equity				153,325
Commingled funds				436,236
Total investments				$ 1,490,962
Assets limited as to use:				
Cash and cash equivalents	$ 183,526	$ –	$ –	$ 183,526
Corporate obligations	16,945	56,184	–	73,129
Fixed income funds	21,235	–	–	21,235
U.S. Government and agency securities	134,680	363	–	135,043
Common stocks, including mutual funds	61,092	–	–	61,092
Investments held by other organizations	–	–	53,330	53,330
	$ 417,478	$ 56,547	$ 53,330	527,355
Alternative investments, reported using NAV:				
Investments held by other organizations*				242,354
Hedge funds/private equity				16,267
Commingled funds				31,745
				$ 817,721

*"Investments held by other organizations" recorded using the NAV as a practical expedient include assets of the MMCIP Self-insurance Trust, which holds Level 1, Level 2 and alternative investments within its portfolios. Alternative investments include hedge fund, private equity, and commingled investment funds, which are valued using the equity method of accounting. As of June 30, 2023, the majority of these alternative investments are subject to 30 day or less notice requirements and are available to be redeemed on at least a monthly basis.

(In Thousands)

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

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

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

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

(In Thousands)

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

Changes to Level 1 and Level 2 securities between June 30, 2023 and 2022 were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

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

	Year Ended June 30	
	2023	**2022**
Dividends and interest, net of fees	**$ 30,823**	$ 14,120
Net realized (losses) gains	**(13,329)**	146,745
Change in fair value of trading securities and alternative investments	**112,488**	(318,755)
Total investment return	**$ 129,982**	$ (157,890)

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

	Year Ended June 30	
	2023	**2022**
Other operating revenue	$ **3,742**	$ –
Nonoperating investment income, net	**13,378**	155,850
Change in fair value of unrestricted investments	**108,297**	(304,297)
Investment gains (losses) on net assets with donor restrictions	**4,565**	(9,443)
Total investment return	**$ 129,982**	$ (157,890)

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

(In Thousands)

4. Property and Equipment

The following is a summary of property and equipment:

	June 30 2023	June 30 2022
Land	**$ 204,676**	$ 205,013
Buildings	**2,123,014**	2,047,527
Building and leasehold improvements	**1,265,355**	1,208,625
Equipment	**2,479,644**	2,341,278
Construction in progress	**367,056**	320,396
	6,439,745	6,122,839
Less accumulated depreciation and amortization	**(3,563,282)**	(3,294,734)
	$ 2,876,463	$ 2,828,105

Interest cost capitalized was $11,552 and $19,242 for the years ended June 30, 2023 and 2022, respectively. Remaining contractual commitments on construction projects were approximately $261,552 at June 30, 2023.

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

5. Investments in Joint Ventures

The Corporation has equity method investments valued at approximately $134,642 and $98,016 at June 30, 2023 and 2022, respectively, in the following unconsolidated joint ventures:

	Ownership %	2023	2022
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	50%	**$ 76,305**	$ 74,407
Terrapin Insurance	50%	**975**	975
Other investments	10%–51%	**57,362**	22,634
		$ 134,642	$ 98,016

(In Thousands)

5. Investments in Joint Ventures (continued)

During the fiscal year ending June 30, 2023, the Corporation invested $32,934 in joint ventures related to post-acute healthcare, which are reported as other investments in the schedule below.

The Corporation recorded equity in net income (loss) of $5,209 and $(904) related to its joint ventures for the years ended June 30, 2023 and 2022, respectively.

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

	2023			
	Mt. Washington	**Terrapin**	**Others**	**Total**
Current assets	**$ 15,230**	**$ 439**	**$ 50,799**	**$ 66,468**
Noncurrent assets	**142,885**	**417,714**	**49,590**	**610,189**
Total assets	**$ 158,115**	**$ 418,153**	**$ 100,389**	**$ 676,657**
Current liabilities	**$ 14,754**	**$ 2,518**	**$ 7,491**	**$ 24,763**
Noncurrent liabilities	**6,659**	**413,685**	**22,622**	**442,966**
Net assets	**136,702**	**1,950**	**70,276**	**208,928**
Total liabilities and net assets	**$ 158,115**	**$ 418,153**	**$ 100,389**	**$ 676,657**
Total operating revenue	**$ 65,570**	**$ 48,408**	**$ 111,790**	**$ 225,768**
Total operating expenses	**(68,508)**	**(58,379)**	**(92,806)**	**(219,693)**
Total nonoperating (losses) gains, net	**5,657**	**9,971**	**(2,838)**	**12,790**
Contributions from (to) owners	**–**	**–**	**(8,343)**	**(8,343)**
Other changes in net assets, net	**2,675**	**–**	**1,077**	**3,752**
Increase in net assets	**$ 5,394**	**$ –**	**$ 8,880**	**$ 14,274**

(In Thousands)

5. Investments in Joint Ventures (continued)

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

6. Leases

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

The Corporation’s leases primarily consist of real estate leases for medical and administrative office buildings. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheets.

(In Thousands)

6. Leases (continued)

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

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

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

	Consolidated Balance Sheet Classification	**June 30 2023**	**2022**
Operating leases			
Operating lease ROU assets	Other assets	**$ 92,700**	$ 89,633
Operating lease obligation – current	Other current liabilities	**(16,092)**	(14,098)
Operating lease obligation – long-term	Other long-term liabilities	**(80,473)**	(79,414)
Finance leases			
Finance lease ROU assets	Property and equipment, net	**$ 37,860**	$ 37,123
Current finance lease liabilities	Other current liabilities	**(1,055)**	(448)
Long-term finance lease liabilities	Other long-term liabilities	**(44,572)**	(44,922)

(In Thousands)

6. Leases (continued)

The components of lease expense were as follows:

	Year Ended June 30 2023	2022
Finance lease expense:		
Amortization of ROU assets	**$ 1,065**	$ 1,022
Interest on lease liabilities	**1,564**	1,574
Total finance lease expense	**2,629**	2,596
Operating lease expense	**19,681**	18,648
Short-term/variable lease expense	**15,370**	13,718
Total lease expense	**$ 37,680**	$ 34,962

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2023 are as follows:

	Operating	Finance
2024	$ 18,071	$ 2,625
2025	16,106	2,625
2026	14,419	2,522
2027	9,842	2,006
2028	7,855	2,006
Thereafter	43,994	45,044
Total	110,287	56,828
Less: Present value discount	(13,722)	(11,201)
Lease liabilities	$ 96,565	$ 45,627

(In Thousands)

6. Leases (continued)

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	Year Ended June 30	
	2023	**2022**
Operating leases	**$ 19,222**	$ 19,695
Financing leases	**2,109**	2,006
Total cash paid	**$ 21,332**	$ 21,701

Other information is as follows:

	Year Ended June 30	
	2023	**2022**
Weighted average remaining lease terms (in years):		
Finance leases	**7.34**	8.52
Operating leases	**8.83**	9.15
Weighted average discount rate:		
Finance leases	**3.48%**	3.53%
Operating leases	**2.79%**	2.95%

7. Line of Credit

For the years ended June 30, 2023 and 2022, the Corporation had a $250,000 revolving line of credit outstanding with a syndicate of banking partners. The line of credit has a three year term, and its current expiration date is August 23, 2025. Interest is calculated based on a variable rate option or percentage based on the Secured Overnight Financing Rate (SOFR). As of June 30, 2023 and 2022, the amount outstanding on the line of credit was $80,000 and $81,000, respectively. The calculated interest rates as of June 30, 2023 and 2022 were between 4.75% and 8.25%, depending on the timing of draws.

(In Thousands)

8. Long-Term Debt and Other Borrowings

Long-term debt consists of the following:

	Interest Rate	Payable in Fiscal Year(s)	June 30 2023	June 30 2022
MHHEFA project revenue bonds:				
Corporation issue, payments due annually UCHS Term Loan:				
Series 2021A/B Bonds	Variable rate	2023–2043[1]	**$ 262,405**	$ 268,355
Series 2020B/D Bonds	3.05%–5.00%	2041–2051	**752,680**	752,680
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	**189,965**	189,965
Series 2017B/C Bonds	1.98%–5.00%	2018–2040	**219,405**	238,840
Series 2016A–F Bonds	Variable rate	2017–2042[1]	**190,060**	193,825
Series 2015 Bonds	3.00%–5.00%	2016–2042	**68,965**	70,585
Series 2013 Bonds	4.00%–5.00%	2014–2044	**115,055**	115,055
Series 2008D/ Bonds	Variable rate	2025–2042	**50,000**	50,000
MHHEFA Pooled Loan Program	Variable rate	2017–2035	**13,300**	14,250
Other long-term debt:				
Term loans	1.86%–4.44%	2009–2023	**–**	5,906
Other loans, mortgages and notes payable	3.25%–6.50%	Monthly, 2001–2026	**7,714**	9,915
Total debt			**1,869,549**	1,909,376
Less current portion of long-term debt			**32,115**	38,399
			1,837,434	1,870,977
Plus unamortized premiums and discounts, net			**37,935**	41,037
Less unamortized deferred financing costs			**(11,175)**	(11,780)
			$ 1,864,194	$ 1,900,234

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

Pursuant to an Amended and Restated Master Loan Agreement, dated December 1, 2017 (UMMS Master Loan Agreement), the Corporation and several of its subsidiaries have issued debt through Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligation under the Master Loan Agreement, the

(In Thousands)

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

Authority maintains a security interest in the revenue of the obligors. The UMMS Master Loan Agreement contains certain restrictive covenants. These covenants require that rates and charges be set at certain levels, limit incurrence of additional debt, require compliance with certain operating ratios and restrict the disposition of assets.

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

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

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

2024	$ 32,115
2025	112,475
2026	35,892
2027	170,815
2028	182,405
Thereafter	1,335,847
	$ 1,869,549

The Corporation's Series 2008D Bonds are variable rate demand bonds requiring a remarketing agent to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into a letter-of-credit agreement with a banking institution. The agreement has a term that expires in 2027. If the bonds are not successfully

(In Thousands)

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

remarketed, the Corporation is required to pay an interest rate specified in the letter-of-credit agreement, and the principal repayment of bonds may be accelerated to require repayment in 48 months from the date of the failed remarketing. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements within the consolidated balance sheet according to the maturity of the bond's related letter of credit agreements. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2023 and 2022.

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

	June 30	
	2023	**2022**
Series 2008D Bonds	**3.60%**	0.61%
Series 2016B Bonds	**4.59**	1.72
Series 2016C Bonds	**4.56**	1.76
Series 2016E Bonds	**4.89**	1.57
Series 2016F Bonds	**4.56**	1.12
Series 2021A Bonds	**4.55**	1.45
Series 2021B Bonds	**4.29**	1.19
Series 1985 Pooled Loan Program (MHHEFA)	**4.00**	1.00

9. Interest Rate Risk Management

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

(In Thousands)

9. Interest Rate Risk Management (continued)

At June 30, 2023 and 2022, the Corporation's notional values of outstanding interest rate swaps and the corresponding mark-to-market values are as follows:

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Mark to Market
June 30, 2023					
Swap #1	**$ 70,512**	3.59%	70% 1-month LIBOR	7/1/2031	**$ (1,465)**
Swap #2	**84,000**	3.93	68% 1-month LIBOR	7/1/2041	**(12,758)**
Swap #3	**21,000**	4.24	68% 1-month LIBOR	7/1/2041	**(3,907)**
Swap #4	**27,225**	3.99	67% 1-month LIBOR	7/1/2034	**(2,004)**
Swap #5	**21,870**	3.54	70% 1-month LIBOR	7/1/2031	**(424)**
Swap #6	**196,000**	3.93	68% 1-month LIBOR	7/1/2041	**(18,612)**
Swap #7	**49,000**	4.24	68% 1-month LIBOR	7/1/2041	**(5,539)**
Swap #8	**63,550**	4.00	67% 1-month LIBOR	7/1/2034	**(1,722)**
Swap #9	**1,375**	3.63	67% 1-month LIBOR	7/1/2032	**(27)**
Swap #10	**85,950**	3.92	67% 1-month LIBOR	1/1/2043	**(5,452)**
Swap #11	**67,490**	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	**(467)**
Swap #12	**196,000**	4.02	68% 1-month LIBOR	10/1/2028	**(11,948)**
Swap #13	**49,000**	4.33	68% 1-month LIBOR	10/1/2028	**(3,780)**
Swap #14	**63,550**	4.09	67% 1-month LIBOR	10/1/2028	**(3,183)**
Swap #15	**85,950**	3.99	67% 1-month LIBOR	11/3/2028	**(4,883)**
					(76,171)
Valuation adjustments					**5,821**
Total					**$ (70,350)**
June 30, 2022					
Swap #1	$ 75,981	3.59%	70% 1-month LIBOR	7/1/2031	$ (4,251)
Swap #2	84,000	3.93	68% 1-month LIBOR	7/1/2041	(18,554)
Swap #3	21,000	4.24	68% 1-month LIBOR	7/1/2041	(5,444)
Swap #4	29,050	3.99	67% 1-month LIBOR	7/1/2034	(3,424)
Swap #5	23,570	3.54	70% 1-month LIBOR	7/1/2031	(1,280)
Swap #6	196,000	3.93	68% 1-month LIBOR	7/1/2041	(21,760)
Swap #7	49,000	4.24	68% 1-month LIBOR	7/1/2041	(6,361)
Swap #8	67,800	4.00	67% 1-month LIBOR	7/1/2034	(1,973)
Swap #9	1,705	3.63	67% 1-month LIBOR	7/1/2032	(80)
Swap #10	89,275	3.92	67% 1-month LIBOR	1/1/2043	(6,351)
Swap #11	70,400	0.51	67% 1-month LIBOR + 0.5133%	1/1/2038	(957)
Swap #12	196,000	4.02	68% 1-month LIBOR	10/1/2028	(21,551)
Swap #13	49,000	4.33	68% 1-month LIBOR	10/1/2028	(6,347)
Swap #14	67,800	4.09	67% 1-month LIBOR	10/1/2028	(6,051)
Swap #15	89,275	3.99	67% 1-month LIBOR	11/3/2028	(8,948)
					(113,332)
Valuation adjustments					6,611
Total					$ (106,721)

9. Interest Rate Risk Management (continued)

As of July 1, 2023, swap payments based on the 1-month London Interbank Offered Rate (LIBOR) have transitioned to the applicable Secured overnight Financing Rate (SOFR) fallback rate. For 1-month LIBOR, the fallback rate is calculated as daily SOFR compounded over 30 days plus 0.11448%. UMMS implemented this transition with all of its swap counterparties by adhering to the International Swap and Derivatives Association (ISDA) 2020 LIBOR fallbacks protocol.

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

The Corporation recorded a net nonoperating gain on changes in the fair value of nonqualifying interest rate swaps of $35,020 and $96,888 for the years ended June 30, 2023 and 2022, respectively.

The swap agreements are included in the consolidated balance sheets at their fair value of $70,350 and $106,721 as of June 30, 2023 and 2022, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy).

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was $5,667 and $6,840 at June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

(In Thousands)

9. Interest Rate Risk Management (continued)

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

10. Other Liabilities

Other liabilities consist of the following:

	June 30	
	2023	**2022**
Professional and general liabilities	**$ 425,660**	$ 417,331
Lease obligations – operating	**96,565**	93,512
Lease obligations – finance	**45,627**	45,370
Accrued interest payable	**27,722**	28,243
Other miscellaneous	**112,514**	92,429
Total other liabilities	**708,088**	676,885
Less current portion	**(160,256)**	(135,616)
Other long-term liabilities	**$ 547,832**	$ 541,269

11. Retirement Plans

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

11. Retirement Plans (continued)

Defined Benefit Plans

The Corporation's defined benefit plans include the following:

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

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

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

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

11. Retirement Plans (continued)

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

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

Effective December 31, 2022, the benefit accruals in both the Baltimore Washington and Charles Regional (non-union only) plans were frozen.

Effective August 30, 2023, all non-union Capital Region Pension Plan participants were spun off into a separate plan as part of the steps associated with the termination of this plan. UMMS initiated the plan termination process during the fiscal year ended June 30, 2023 and anticipates completion of the termination in calendar year 2024.

(In Thousands)

11. Retirement Plans (continued)

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

	June 30	
	2023	**2022**
Change in projected benefit obligations		
Benefit obligations at beginning of year	**$ 360,582**	$ 435,067
Settlements	**(1,258)**	–
Service cost	**1,333**	3,005
Interest cost	**17,214**	12,737
Actuarial (gain) and other	**(21,770)**	(68,769)
Benefit payments	**(24,243)**	(21,458)
Projected benefit obligations at end of year	**$ 331,858**	$ 360,582
Change in plan assets		
Fair value of plan assets at beginning of year	**$ 374,003**	$ 369,056
Actual return on plan assets	**(1,114)**	(50,249)
Employer contributions	**7,114**	76,654
Benefit payments	**(24,244)**	(21,458)
Fair value of plan assets at end of year	**$ 355,759**	$ 374,003

(In Thousands)

11. Retirement Plans (continued)

The funded status of the plans and amounts recognized as other assets in the accompanying consolidated balance sheets are as follows:

	June 30 2023	June 30 2022
Funded status, end of period:		
Fair value of plan assets	**$ 355,759**	$ 374,003
Projected benefit obligations	**331,858**	360,582
Net funded status	**$ 23,901**	$ 13,421
Accumulated benefit obligation at end of year	**$ 331,767**	$ 359,715
Amounts recognized in consolidated balance sheets at June 30:		
Accrued pension asset	**$ 23,901**	$ 13,421
	$ 23,901	$ 13,421
Amounts recognized in net assets without donor restrictions at June 30:		
Net actuarial loss	**$ (42,255)**	$ (52,714)
Prior service cost	**–**	(841)
	$ (42,255)	$ (53,555)

The estimated amounts that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2023 are as follows:

Net actuarial loss	$ 3,232
Prior service cost	–
	$ 3,232

(In Thousands)

11. Retirement Plans (continued)

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

	Year Ended June 30	
	2023	**2022**
Service cost	**$ 1,333**	$ 3,005
Interest cost	**17,214**	12,737
Expected return on plan assets	**(15,051)**	(19,458)
Prior service cost recognized	**841**	149
Recognized losses	**3,596**	2,969
Net periodic benefit (credit) cost	**$ 7,933**	$ (598)

Components of net benefit cost other than the service cost of $1,333 and $3,005 in 2023 and 2022, respectively, were recorded in other nonoperating losses, net in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30, 2023 and 2022. Service cost is included as a component of fringe benefits, which is recorded as salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

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

	June 30	
	2023	**2022**
Discount rate	**5.53%–5.67%**	4.37%–4.86%
Rate of compensation increase (for nonfrozen plan)	**3.00%**	3.00%
Interest crediting rate	**3.00%–5.00%**	3.00%–5.00%

(In Thousands)

11. Retirement Plans (continued)

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

	Year Ended June 30	
	2023	**2022**
Discount rate	**4.37%–5.55%**	2.35%–3.02%
Rate of compensation increase (for nonfrozen plan)	**0.00–3.00%**	3.00%
Expected long-term return on plan assets	**4.15%**	5.00%–5.50%

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

The Corporation's pension plans' target allocation and weighted average asset allocations at the measurement date of June 30, 2023 and 2022, by asset category, are as follows:

Asset Category	Target Allocation	Percentage of Plan Assets as of June 30	
		2023	**2022**
Cash and cash equivalents	0%–20%	**19%**	6%
Fixed income securities	75%–85%	**77**	85
Equity securities	15%–25%	**4**	8
Hedge funds/private equity	0%–20%	**–**	1
		100%	100%

(In Thousands)

11. Retirement Plans (continued)

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

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

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
June 30, 2023					
Cash and cash equivalents	**$ 66,776**	**$ –**	**$ –**	**$ –**	**$ 66,776**
Common stocks, including mutual funds	**14,900**	**–**	**–**	**–**	**14,900**
Alternative investments:					
Hedge funds/private equity	**–**	**–**	**–**	**188**	**188**
Commingled funds	**–**	**–**	**–**	**273,895**	**273,895**
	$ 81,676	**$ –**	**$ –**	**$ 274,083**	**$ 355,759**
June 30, 2022					
Cash and cash equivalents	$ 24,504	$ –	$ –	$ –	$ 24,504
Fixed income funds	10,556	–	–	–	10,556
Common stocks, including mutual funds	27,314	–	–	–	27,314
Alternative investments:					
Hedge funds/private equity	–	–	–	4,681	4,681
Commingled funds	–	–	–	306,948	306,948
	$ 62,374	$ –	$ –	$ 311,629	$ 374,003

*Fund investments reported at NAV as practical expedient.

(In Thousands)

11. Retirement Plans (continued)

Alternative investments include hedge funds and commingled investment funds. The majority of these alternative investments held as of June 30, 2023 are subject to notice requirements of 30 days or less and are available to be redeemed on at least a monthly basis. The Corporation had no unfunded commitments as of June 30, 2023.

The Corporation expects to contribute $4,398 to its defined benefit pension plans for the fiscal year ended June 30, 2024.

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

2024	$	24,573
2025		24,849
2026		25,029
2027		25,072
2028		25,035
2029–2033		118,575

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2023.

Defined Contribution Plans

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

Total annual retirement costs incurred by the Corporation for the previously discussed defined contribution plans were $54,237 and $55,017 for the years ended June 30, 2023 and 2022, respectively. Such amounts are included in salaries, wages, and benefits in the accompanying consolidated statements of operations and changes in net assets.

(In Thousands)

12. Net Assets with Donor Restrictions

Net assets are restricted primarily for the following purposes:

	June 30	
	2023	**2022**
Facility construction and renovations, research, education, and other:	**$ 187,208**	$ 174,599
Economic and beneficial interests in the net assets of related organizations	**53,330**	59,493
	$ 240,538	$ 234,092

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

	Year Ended June 30	
	2023	**2022**
Purchases of equipment and construction costs	**$ 8,975**	$ 66,729
Research, education, uncompensated care, and other	**9,473**	5,925
	$ 18,448	$ 72,654

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

12. Net Assets with Donor Restrictions (continued)

Interpretation of Relevant Law

The Corporation has interpreted the Maryland Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds are classified in net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Corporation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

(In Thousands)

12. Net Assets with Donor Restrictions (continued)

Endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2023			
Donor-restricted endowment funds	**$ 17,902**	**$ 75,991**	**$ 93,893**
June 30, 2022			
Donor-restricted endowment funds	$ 765	$ 70,315	$ 71,080

Donor restricted endowment funds within net assets with donor restrictions whose use is restricted in perpetuity were $55,359 and $55,359 as of June 30, 2023 and 2022, respectively.

Funds with Deficiencies

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

Investment Strategies

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

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

(In Thousands)

12. Net Assets with Donor Restrictions (continued)

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

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

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

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

	June 30	
	2023	**2022**
Economic interests in:		
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	**$ 37,636**	$ 42,776
Baltimore Washington Medical Center Foundation, Inc.	**10,316**	11,243
Total economic interests	**47,952**	54,019
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	**4,049**	4,145
University of Maryland Capital Region Health Foundation, Inc.	**1,267**	1,267
Laurel Regional Hospital Auxiliary, Inc.	**62**	62
	$ 53,330	$ 59,493

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

(In Thousands)

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

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

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

University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Auxiliary, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities

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

	June 30	
	2023	**2022**
Current assets	**$ 5,466**	$ 5,848
Noncurrent assets	**47,928**	53,645
Total assets	**$ 53,394**	$ 59,493
Current liabilities	**$ 64**	$ –
Net assets	**53,330**	59,493
Total liabilities and net assets	**$ 53,394**	$ 59,493
Total operating revenue	**$ 3,159**	$ 3,230
Total operating expense	**(8,030)**	(661)
Other changes in net assets	**(1,292)**	(6,171)
Total decrease in net assets	**$ (6,163)**	$ (3,602)

(In Thousands)

14. State and County Support

The Corporation received $3,700 and $3,600 in support for the Shock Trauma Center operations from the State of Maryland for the years ended June 30, 2023 and 2022, respectively.

The Corporation received $10,000 in support for Capital Region operations from the State of Maryland for each of the years ended June 30, 2023 and 2022, respectively.

The State of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recognizes this support as the funds are expended for the intended projects. The Corporation expended and recorded $17,094 and $1,410 during the years ended June 30, 2023 and 2022, respectively.

15. Functional Expenses

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

	Healthcare Services				Corporate Services,	
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices	Risk Taking	Other, and Eliminations	Total
Year ended June 30, 2023						
Operating expenses:						
Salaries, wages, and benefits	**$ 2,002,868**	**$ 8,665**	**$ 330,649**	**$ 5,792**	**$ 345,414**	**$ 2,693,388**
Expendable supplies	**717,228**	**144,834**	**54,464**	**8**	**7,925**	**924,459**
Purchased services:						
Purchased services	**1,010,557**	**17,394**	**71,538**	**5,993**	**(337,028)**	**768,454**
Contracted services	**353,736**	**–**	**31,344**	**–**	**(56,492)**	**328,588**
Depreciation and amortization	**264,626**	**–**	**2,305**	**–**	**11,024**	**277,955**
Interest expense	**55,921**	**–**	**–**	**–**	**2,021**	**57,942**
Total operating expenses	**$ 4,404,936**	**$ 170,893**	**$ 490,300**	**$ 11,793**	**$ (27,136)**	**$ 5,050,786**

(In Thousands)

15. Functional Expenses (continued)

	Healthcare Services				Corporate Services, Other, and Eliminations	
	Hospital & Ambulatory	**Retail Pharmacy**	**Physician Practices**	**Risk Taking**		**Total**
Year ended June 30, 2022						
Operating expenses:						
Salaries, wages, and benefits	$ 1,961,817	$ 8,162	$ 305,291	$ 5,032	$ 327,778	$ 2,608,080
Expendable supplies	692,521	120,358	41,642	30	10,142	864,693
Purchased services:						
Purchased services	936,823	16,837	68,285	4,662	(242,221)	784,386
Contracted services	345,759	–	30,062	–	(47,430)	328,391
Depreciation and amortization	261,082	–	2,271	–	3,834	267,187
Interest expense	39,430	–	–	–	715	40,145
Total operating expenses	$ 4,237,432	$ 145,357	$ 447,551	$ 9,724	$ 52,818	$ 4,892,882

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

16. Liquidity and Availability of Resources

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, 2023 and 2022, as follows:

	2023	2022
Cash and cash equivalents	**$ 274,721**	$ 244,529
Receivables, net	**727,002**	863,756
Assets limited as to use – board designated	**30,000**	90,000
Investments	**1,490,962**	1,431,494
Total financial assets available within one year	**2,522,685**	2,629,779
Less:		
Amounts unavailable for general expenditures within one year due to:		
Alternative investments subject to lockup restrictions	**29,968**	12,623
Total financial assets available to management for general expenditure within one year	**$ 2,492,717**	$ 2,617,156

(In Thousands)

17. Insurance

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

	June 30	
	2023	**2022**
Professional and general liabilities	**$ 425,660**	$ 417,331
Employee health	**14,417**	24,292
Employee long-term disability	**2,185**	3,002
Workers' compensation	**26,854**	27,483
Total self-insured liabilities	**469,116**	472,108
Less current portion	**(56,295)**	(67,201)
	$ 412,821	$ 404,907

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include $297,272 and $280,763 as of June 30, 2023 and 2022, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of $1,000 on individual claims and $3,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to Terrapin, an unconsolidated joint venture. Terrapin provides insurance for claims in excess of $1,000 individually and $3,000 in the aggregate up to $164,000 individually and $227,000 in the aggregate under claims made policies between the Corporation and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

(In Thousands)

17. Insurance (continued)

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

Total malpractice insurance expense, net of investment return on self-insurance trust funds, for the Corporation during the years ended June 30, 2023 and 2022, was approximately $63,970 and $137,206, respectively.

18. Business and Credit Concentrations

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

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

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

	June 30	
	2023	**2022**
Medicare	**29%**	35%
Medicaid	**29**	20
Commercial insurance and HMOs	**33**	35
Self-pay and others	**9**	10
	100%	100%

(In Thousands)

18. Business and Credit Concentrations (continued)

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

	Year Ended June 30	
	2023	**2022**
Medicare	**42%**	42%
Medicaid	**23**	24
Commercial insurance and HMOs	**30**	30
Self-pay and others	**5**	4
	100%	100%

19. Certain Significant Risks and Uncertainties

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

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

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

19. Certain Significant Risks and Uncertainties (continued)

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

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

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

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

20. Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the Health Services Cost Review Commission (HSCRC) agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Memorial, UM Dorchester, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Harford Memorial, UM Prince George's, and UM Laurel. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a

20. Maryland Health Services Cost Review Commission (continued)

one-year period unless they are canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2023 and 2022. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest value of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, regardless of changes in volume, service mix intensity, or mix of inpatient or outpatient services that occurred during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap is prospectively subtracted from the subsequent year's GBR cap. Although the GBR cap is fixed each year, it does not adjust for changes in volume or service mix. The GBR cap is also adjusted annually for inflation, and for changes in payor mix and uncompensated care. The Corporation will receive an annual adjustment to its cap for the change in population in the Corporation's service areas. GBR is designed to encourage hospitals to operate efficiently by reducing excess utilization and managing patients in the appropriate care delivery setting. The HSCRC also may impose various other revenue adjustments, which could be significant in the future.

21. Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2023 and through October 24, 2023, the date the consolidated financial statements were issued. Other than described below, the Corporation did not have any material subsequent events during the period.

Effective August 30, 2023, all non-union Capital Region Pension Plan participants were spun off into a separate plan as part of the steps associated with the termination of this plan. UMMS initiated the plan termination process during the fiscal year ended June 30, 2023 and anticipates completion of the termination in calendar year 2024 (see Note 11).

Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division
(In Thousands)

June 30, 2023

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated Total
Assets														
Current assets:														
Cash and cash equivalents	$ 81,704	$ 11,261	$ 29,341	$ 22,751	$ 59,726	$ 16,702	$ 10,779	$ 29,844	$ 3,533	$ 146	$ 8,685	$ 249	$ –	$ 274,721
Assets limited as to use, current portion	67,049	–	–	–	–	–	–	–	–	–	–	–	–	67,049
Accounts receivable:														
Patient accounts receivable, net	301,089	17,027	33,133	57,583	48,802	18,965	55,748	50,993	54,019	–	–	–	(2,900)	634,459
Other	218,600	97	6,107	5,583	3,800	657	2,387	1,976	11,472	255	–	2,025	(160,416)	92,543
Inventories	61,332	1,783	3,900	6,780	4,266	1,676	5,078	8,656	6,999	–	–	311	–	100,781
Prepaid expenses and other current assets	30,737	263	392	456	660	145	1,088	540	1,261	–	–	–	–	35,542
Total current assets	760,511	30,431	72,873	93,153	117,254	38,145	75,080	92,009	77,284	401	8,685	2,585	(163,316)	1,205,095
Investments	625,038	49,234	4,775	203,410	181,127	29,896	20,210	351,208	3,077	–	22,987	–	–	1,490,962
Assets limited as to use, less current portion:														
Investments held for collateral	5,667	–	–	–	–	–	–	–	–	–	–	–	–	5,667
Debt service funds	68	–	–	–	–	–	–	–	–	–	–	–	–	68
Construction funds	117,094	11,000	–	6,738	34,358	7,191	–	101,740	20,550	–	–	–	–	298,671
Board designated and escrow funds	–	–	–	–	30,000	–	–	–	–	–	–	–	–	30,000
Self-insurance trust funds	229,515	–	–	–	3,183	–	–	–	–	–	–	–	–	232,698
Funds restricted by donor	–	–	1,155	–	42,572	705	20,600	13,265	–	–	51,941	–	–	130,238
Economic and beneficial interests in the net assets of related organizations	91,206	39,270	547	10,316	4,051	–	–	–	1,330	–	–	–	(93,390)	53,330
	443,550	50,270	1,702	17,054	114,164	7,896	20,600	115,005	21,880	–	51,941	–	(93,390)	750,672
Property and equipment, net	873,482	40,191	146,954	270,860	175,232	107,734	257,131	381,544	619,870	–	–	3,465	–	2,876,463
Investments in joint ventures and other assets	612,689	28,496	1,810	2,537	37,239	11,228	32,599	74,707	40,678	4,656	15,751	11,826	(180,145)	694,071
Total assets	$ 3,315,270	$ 198,622	$ 228,114	$ 587,014	$ 625,016	$ 194,899	$ 405,620	$ 1,014,473	$ 762,789	$ 5,057	$ 99,364	$ 17,876	$ (436,851)	$ 7,017,263
Liabilities and net assets														
Current liabilities:														
Trade accounts payable	$ 141,188	$ 9,236	$ 13,706	$ 16,571	$ 15,059	$ 11,767	$ 19,579	$ 26,117	$ 36,355	$ 551	$ 546	$ 3,347	$ –	$ 294,022
Accrued payroll and benefits	148,067	4,797	12,164	30,271	22,854	7,720	31,437	35,063	21,029	–	229	1,094	–	314,725
Advances from third-party payors	100,102	5,993	8,465	16,802	7,714	4,929	13,351	11,098	18,530	–	–	–	–	186,984
Lines of credit	80,000	–	–	–	–	–	–	–	–	–	–	–	–	80,000
Other current liabilities	104,452	944	4,463	4,342	6,113	2,662	7,376	7,549	65,782	73,255	6,852	38,827	(162,361)	160,256
Current portion of long-term debt	5,234	365	563	4,125	2,466	1,036	4,637	8,822	4,867	–	–	–	–	32,115
Total current liabilities	579,043	21,335	39,361	72,111	54,206	28,114	76,380	88,649	146,563	73,806	7,627	43,268	(162,361)	1,068,102
Long-term debt, less current portion	660,233	16,854	26,030	190,521	113,860	41,163	195,490	407,414	212,629	–	–	–	–	1,864,194
Other long-term liabilities	482,781	429	584	6,520	35,681	3,347	118,389	5,427	67,626	4,320	–	3,828	(181,100)	547,832
Interest rate swap liabilities	70,350	–	–	–	–	–	–	–	–	–	–	–	–	70,350
Total liabilities	1,792,407	38,618	65,975	269,152	203,747	72,624	390,259	501,490	426,818	78,126	7,627	47,096	(343,461)	3,550,478
Net assets:														
Without donor restrictions	1,451,129	120,708	115,714	307,546	369,800	121,252	(10,544)	496,090	331,123	(73,069)	25,718	(29,220)	–	3,226,247
With donor restrictions	71,734	39,296	46,425	10,316	51,469	1,023	25,905	16,893	4,848	–	66,019	–	(93,390)	240,538
Total net assets	1,522,863	160,004	162,139	317,862	421,269	122,275	15,361	512,983	335,971	(73,069)	91,737	(29,220)	(93,390)	3,466,785
Total liabilities and net assets	$ 3,315,270	$ 198,622	$ 228,114	$ 587,014	$ 625,016	$ 194,899	$ 405,620	$ 1,014,473	$ 762,789	$ 5,057	$ 99,364	$ 17,876	$ (436,851)	$ 7,017,263

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations by Division

(In Thousands)

Year Ended June 30, 2023

	University of Maryland Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Midtown	Baltimore Washington Medical System	Shore Regional	Charles Regional	St. Joseph Health	Upper Chesapeake	Capital Region	UM Health Plans	UMMS Foundation	Other	Eliminations	Consolidated Total
Operating revenue, gains and other support:														
Net patient service revenue	$ 1,852,375	$ 123,762	$ 236,047	$ 520,544	$ 388,667	$ 167,517	$ 486,387	$ 495,369	$ 394,082	$ –	$ –	$ 21,663	$ (4,070)	$ 4,682,343
State support	13,700	–	–	–	–	–	–	–	10,000	–	–	–	(10,000)	13,700
CARES Act – provider relief funds	–	–	–	–	–	248	–	–	730	–	–	–	–	978
Other revenue	1,103,695	2,905	33,388	6,079	6,471	2,316	9,066	13,841	12,930	–	–	16,627	(835,739)	371,579
Total operating revenue, gains, and other support	2,969,770	126,667	269,435	526,623	395,138	170,081	495,453	509,210	417,742	–	–	38,290	(849,809)	5,068,600
Operating expenses:														
Salaries, wages and fringe benefits	1,322,900	68,306	122,039	304,919	209,911	78,998	275,575	287,655	220,048	–	–	22,047	(219,010)	2,693,388
Expendable supplies	519,140	13,032	44,376	81,688	46,072	20,596	76,613	75,112	44,715	–	–	5,838	(2,723)	924,459
Purchased services	754,614	23,336	55,031	108,624	92,362	44,003	107,595	88,974	105,106	–	–	13,239	(624,430)	768,454
Contracted services	168,249	10,920	35,821	18,905	23,090	11,903	6,206	15,592	41,548	–	–	–	(3,646)	328,588
Depreciation and amortization	102,989	8,430	17,287	32,157	22,106	6,990	27,918	23,280	35,796	–	–	1,002	–	277,955
Interest expense	18,786	361	1,008	7,569	4,604	1,637	8,861	7,574	7,542	–	–	–	–	57,942
Total operating expenses	2,886,678	124,385	275,562	553,862	398,145	164,127	502,768	498,187	454,755	–	–	42,126	(849,809)	5,050,786
Operating income (loss) from continuing operations	83,092	2,282	(6,127)	(27,239)	(3,007)	5,954	(7,315)	11,023	(37,013)	–	–	(3,836)	–	17,814
Nonoperating income and expenses, net:														
Contributions	2,688	–	–	–	569	434	(156)	(1,407)	2,500	–	2,806	–	–	7,434
Equity in net income of joint ventures	1,333	–	–	–	330	518	1,978	522	473	–	–	55	–	5,209
Investment income	2,479	247	70	860	4,941	576	665	1,596	70	–	1,874	–	–	13,378
Change in fair value of investments	44,107	4,162	200	16,248	14,423	2,644	1,000	23,586	309	–	1,618	–	–	108,297
Change in fair value of undesignated interest rate swaps	35,020	–	–	–	–	–	–	–	–	–	–	–	–	35,020
Other nonoperating gains and losses	(6,898)	(75)	(1,795)	(4,975)	(1,031)	(1,993)	(2,158)	(2,208)	(1,667)	–	(3,084)	25	–	(25,859)
Total nonoperating income and expenses	78,729	4,334	(1,525)	12,133	19,232	2,179	1,329	22,089	1,685	–	3,214	80	–	143,479
Excess (deficiency) of revenues over expenses	$ 161,821	$ 6,616	$ (7,652)	$ (15,106)	$ 16,225	$ 8,133	$ (5,986)	$ 33,112	$ (35,328)	$ –	$ 3,214	$ (3,756)	$ –	$ 161,293

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Obligated Group

(In Thousands)

June 30, 2023

	University of Maryland Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.**	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals***	University of Maryland Capital Region Health****	UMMS Foundation	Eliminations	Obligated Group Total
Assets													
Current assets:													
Cash and cash equivalents	$ 74,738	$ 11,260	$ 28,806	$ 24,987	$ 8,392	$ 42,017	$ 14,857	$ 5,523	$ 28,682	$ 24	$ 8,685	$ –	$ 247,971
Assets limited as to use, current portion	67,049	–	–	–	–	–	–	–	–	–	–	–	67,049
Accounts receivable:													
Patient accounts receivable, net	300,596	17,012	33,133	47,159	39,471	4,097	17,774	48,616	45,725	51,611	–	–	605,194
Other	221,563	97	2,929	38,176	25,663	1,096	1,013	2,781	977	11,357	–	(60,565)	245,087
Inventories	61,332	1,783	3,900	6,755	3,776	490	1,676	5,078	7,893	6,999	–	–	99,682
Prepaid expenses and other current assets	29,923	263	384	351	393	11	140	557	174	1,177	–	–	33,373
Total current assets	755,201	30,415	69,152	117,428	77,695	47,711	35,460	62,555	83,451	71,168	8,685	(60,565)	1,298,356
Investments	625,038	49,234	4,771	203,410	125,411	3,330	27,862	17,967	321,359	3,077	22,987	–	1,404,446
Assets limited as to use, less current portion:													
Investments held for collateral	5,667	–	–	–	–	–	–	–	–	–	–	–	5,667
Debt service funds	68	–	–	–	–	–	–	–	–	–	–	–	68
Construction funds	117,094	11,000	–	6,738	34,358	–	7,191	–	101,740	20,550	–	–	298,671
Board designated and escrow funds	–	–	–	–	25,000	5,000	–	–	–	–	–	–	30,000
Self-insurance trust funds	229,515	–	–	–	3,183	–	–	–	–	–	–	–	232,698
Funds restricted by donor	–	–	1,155	–	3,364	–	–	–	–	–	51,941	–	56,460
Economic interests in the net assets of related organizations	91,206	39,270	547	10,316	98,666	7,976	5,534	28,973	31,109	1,330	–	(93,390)	221,537
	443,550	50,270	1,702	17,054	164,571	12,976	12,725	28,973	132,849	21,880	51,941	(93,390)	845,101
Property and equipment, net	866,018	40,191	145,168	250,523	161,754	9,770	82,706	244,433	361,834	617,520	–	–	2,779,917
Investments in joint ventures and other assets	613,413	28,496	1,810	2,537	37,053	180	10,267	25,466	67,112	37,885	15,751	(180,144)	659,826
Total assets	$ 3,303,220	$ 198,606	$ 222,603	$ 590,952	$ 566,484	$ 73,967	$ 169,020	$ 379,394	$ 966,605	$ 751,530	$ 99,364	$ (334,099)	$ 6,987,646
Liabilities and net assets													
Current liabilities:													
Trade accounts payable	$ 141,155	$ 9,234	$ 13,622	$ 13,866	$ 11,597	$ 2,224	$ 11,341	$ 17,472	$ 23,806	$ 34,582	$ 546	$ –	$ 279,445
Accrued payroll and benefits	148,067	4,797	11,814	21,910	13,153	1,722	6,035	21,845	24,544	19,439	229	–	273,555
Advances from third-party payors	100,102	5,993	8,464	16,802	6,962	752	4,929	13,308	11,003	18,530	–	–	186,845
Lines of credit	80,000	–	–	–	–	–	–	–	–	–	–	–	80,000
Other current liabilities	104,299	944	4,443	3,978	5,357	536	2,405	6,881	19,504	64,921	6,852	(59,610)	160,510
Current portion of long-term debt	5,234	365	563	4,125	2,394	72	887	4,099	8,822	4,594	–	–	31,155
Total current liabilities	578,857	21,333	38,906	60,681	39,463	5,306	25,597	63,605	87,679	142,066	7,627	(59,610)	1,011,510
Long-term debt, less current portion	660,233	16,854	26,030	190,521	110,559	3,300	41,046	189,282	407,414	212,202	–	–	1,857,441
Other long-term liabilities	482,781	429	584	1,373	35,348	333	3,075	118,389	5,424	67,626	–	(181,099)	534,263
Interest rate swap liabilities	70,350	–	–	–	–	–	–	–	–	–	–	–	70,350
Total liabilities	1,792,221	38,616	65,520	252,575	185,370	8,939	69,718	371,276	500,517	421,894	7,627	(240,709)	3,473,564
Net assets:													
Without donor restrictions	1,439,265	120,694	110,658	328,061	335,770	58,904	99,302	(19,711)	434,978	324,800	25,718	–	3,258,439
With donor restrictions	71,734	39,296	46,425	10,316	45,344	6,124	–	27,829	31,110	4,836	66,019	(93,390)	255,643
Total net assets	1,510,999	159,990	157,083	338,377	381,114	65,028	99,302	8,118	466,088	329,636	91,737	(93,390)	3,514,082
Total liabilities and net assets	$ 3,303,220	$ 198,606	$ 222,603	$ 590,952	$ 566,484	$ 73,967	$ 169,020	$ 379,394	$ 966,605	$ 751,530	$ 99,364	$ (334,099)	$ 6,987,646

* Includes University of Maryland Medical System Corporation (Parent)
** Includes both Memorial Hospital and Dorchester Hospital
*** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
**** Includes Prince George's Hospital Center, Laurel Regional Hospital and Bowie Health Center

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets Without Donor Restrictions – Obligated Group

(In Thousands)

Year Ended June 30, 2023

	University of Maryland Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.**	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals***	University of Maryland Capital Region Health****	UMMS Foundation	Eliminations	Obligated Group Total
Operating revenue, gains and other support:													
Net patient service revenue	$ 1,850,996	$ 123,310	$ 231,392	$ 440,247	$ 286,767	$ 46,599	$ 154,871	$ 398,038	$ 422,010	$ 383,863	$ –	$ (5,509)	$ 4,332,584
State support	13,700	–	–	–	–	–	–	–	–	10,000	–	(10,000)	13,700
Other revenue	1,103,242	2,894	31,387	3,707	8,036	1,404	1,744	4,483	5,277	12,023	–	(828,442)	345,755
Total operating revenue, gains, and other support	2,967,938	126,204	262,779	443,954	294,803	48,003	156,615	402,521	427,287	405,886	–	(843,951)	4,692,039
Operating expenses:													
Salaries, wages, and benefits	1,321,706	67,595	118,863	228,857	132,914	15,037	68,592	169,333	202,142	205,745	–	(219,010)	2,311,774
Expendable supplies	518,987	13,031	44,172	57,648	36,808	2,630	19,813	72,728	55,552	43,919	–	(2,723)	862,565
Purchased services	752,745	23,174	53,281	101,626	65,621	16,878	41,200	79,716	87,617	107,410	–	(622,218)	707,050
Contracted services	168,249	10,920	32,182	24,198	19,197	4,955	11,176	29,148	24,512	28,446	–	–	352,983
Depreciation and amortization	102,604	8,430	17,023	30,597	18,798	2,603	6,452	26,605	21,710	35,507	–	–	270,329
Interest expense	18,634	361	1,008	7,549	4,604	–	1,601	8,576	6,620	7,514	–	–	56,467
Total operating expenses	2,882,925	123,511	266,529	450,475	277,942	42,103	148,834	386,106	398,153	428,541	–	(843,951)	4,561,168
Operating income (loss)	85,013	2,693	(3,750)	(6,521)	16,861	5,900	7,781	16,415	29,134	(22,655)	–	–	130,871
Nonoperating income and expenses, net:													
Contributions	2,688	–	–	–	–	–	–	–	–	2,500	2,806	–	7,994
Equity in net income of joint ventures	1,333	–	–	–	330	–	485	1,978	–	–	–	–	4,126
Investment income	2,478	247	70	860	3,265	18	490	147	1,370	64	1,874	–	10,883
Change in fair value of investments	44,107	4,162	200	16,248	9,629	558	2,551	1,509	23,796	309	1,618	–	104,687
Change in fair value of undesignated interest rate swaps	35,020	–	–	–	–	–	–	–	–	–	–	–	35,020
Other nonoperating gains and losses	(6,897)	(76)	(1,795)	(4,195)	(423)	–	(1,106)	(854)	(1,768)	(1,594)	(3,084)	–	(21,792)
Total nonoperating income and expenses	78,729	4,333	(1,525)	12,913	12,801	576	2,420	2,780	23,398	1,279	3,214	–	140,918
Excess (deficiency) of revenues over expenses	163,742	7,026	(5,275)	6,392	29,662	6,476	10,201	19,195	52,532	(21,376)	3,214	–	271,789
Net assets released from restrictions used for purchase of property and equipment	–	–	–	–	–	–	–	–	–	–	9	–	9
Contributions	–	–	–	2,027	–	–	–	–	–	–	–	–	2,027
State support for capital	–	–	–	3,000	–	–	–	–	–	14,094	–	–	17,094
Change in economic and beneficial interest in the net assets of related organizations	992	–	–	–	6,327	378	–	–	–	–	–	–	7,697
Capital transfers (to) from member organization	(570,570)	6,399	47,306	(22,872)	(26,896)	1,609	1,226	(25,777)	(133,986)	(15,613)	(9)	551,749	(187,434)
Change in funded status of defined benefit pension plans	–	–	1,645	3,579	–	–	846	–	–	5,230	–	–	11,300
Other	1,351	–	–	–	–	246	–	–	–	–	366	–	1,963
Increase (decrease) net assets without donor restrictions	$ (404,485)	$ 13,425	$ 43,676	$ (7,874)	$ 9,093	$ 8,709	$ 12,273	$ (6,582)	$ (81,454)	$ (17,665)	$ 3,580	$ 551,749	$ 124,445

* Includes University of Maryland Medical System Corporation (Parent)
** Includes both Memorial Hospital and Dorchester Hospital
*** Includes both Upper Chesapeake Medical Center and Harford Memorial Hospital
**** Includes Prince George's Hospital Center, Laurel Regional Hospital and Bowie Health Center

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet – Hospital Format

(In Thousands)

June 30, 2023

	University of Maryland Medical Center	Rehabilitation & Orthopaedic Institute	University of Maryland Midtown Campus	Baltimore Washington Medical Center, Inc.	Shore Health System, Inc.	Chester River Medical Center	Charles Regional Medical Center	St. Joseph Medical Center	Upper Chesapeake Hospitals Medical Center	Upper Chesapeake Hospitals Harford Memorial	University of Maryland Capital Region Health Hospitals	All Other Entities	Eliminations	Consolidated Total
Assets														
Current assets:														
Cash and cash equivalents	$ 16,162	$ 11,261	$ 28,806	$ 24,987	$ 8,392	$ 42,017	$ 14,857	$ 5,523	$ 28,682	$ –	$ 24	$ 94,010	$ –	$ 274,721
Assets limited as to use, current portion	–	–	–	–	–	–	–	–	–	–	–	67,049	–	67,049
Accounts receivable:														
Patient accounts receivable, net	300,596	17,027	33,133	47,159	39,471	4,097	17,774	48,616	37,704	8,021	51,611	32,150	(2,900)	634,459
Other	82,434	97	5,753	35,391	5,150	1,060	574	313	756	26,496	11,357	28,994	(105,832)	92,543
Inventories	52,360	1,783	3,900	6,755	3,776	490	1,676	5,078	6,398	1,495	6,999	10,071	–	100,781
Prepaid expenses and other current assets	1,949	263	384	351	393	11	140	557	136	38	1,177	30,143	–	35,542
Total current assets	453,501	30,431	71,976	114,643	57,182	47,675	35,021	60,087	73,676	36,050	71,168	262,417	(108,732)	1,205,095
Investments	427,327	49,234	4,771	203,410	125,411	3,330	27,862	17,967	205,538	115,821	3,077	307,214	–	1,490,962
Assets limited as to use, less current portion:														
Investments held for collateral	–	–	–	–	–	–	–	–	–	–	–	5,667	–	5,667
Debt service funds	–	–	–	–	–	–	–	–	–	–	–	68	–	68
Construction funds	126,018	11,000	–	6,738	34,358	–	7,191	–	101,740	–	20,550	–	(8,924)	298,671
Board designated and escrow funds	–	–	–	–	25,000	5,000	–	–	–	–	–	–	–	30,000
Self-insurance trust funds	–	–	–	–	3,183	–	–	–	–	–	–	229,515	–	232,698
Funds restricted by donor	–	–	1,155	–	3,364	–	–	–	–	–	–	125,719	–	130,238
Economic interests in the net assets of related organizations	91,206	39,270	547	10,316	98,666	7,976	5,534	28,973	31,109	–	1,330	–	(261,597)	53,330
	217,224	50,270	1,702	17,054	164,571	12,976	12,725	28,973	132,849	–	21,880	360,969	(270,521)	750,672
Property and equipment, net	623,515	40,191	145,168	250,523	161,754	9,770	82,706	244,433	305,084	56,750	617,520	339,049	–	2,876,463
Investments in joint ventures and other assets	170,816	28,496	1,810	2,537	37,053	180	10,267	25,466	61,388	5,724	37,885	498,841	(186,392)	694,071
Total assets	$ 1,892,383	$ 198,622	$ 225,427	$ 588,167	$ 545,971	$ 73,931	$ 168,581	$ 376,926	$ 778,535	$ 214,345	$ 751,530	$ 1,768,490	$ (565,645)	$ 7,017,263
Liabilities and net assets														
Current liabilities:														
Trade accounts payable	$ 102,006	$ 9,236	$ 13,622	$ 13,866	$ 11,597	$ 2,224	$ 11,341	$ 17,472	$ 13,804	$ 10,002	$ 34,582	$ 54,270	$ –	$ 294,022
Accrued payroll and benefits	95,429	4,797	11,814	21,910	13,153	1,722	6,035	21,845	20,053	4,491	19,439	94,037	–	314,725
Advances from third-party payors	100,102	5,993	8,464	16,802	6,962	752	4,929	13,308	8,919	2,084	18,530	139	–	186,984
Lines of credit	–	–	–	–	–	–	–	–	–	–	–	80,000	–	80,000
Other current liabilities	60,221	944	4,443	3,978	5,357	4,177	7,649	6,881	50,187	764	65,248	61,166	(110,759)	160,256
Current portion of long-term debt	12,136	365	563	4,125	2,394	72	887	4,099	8,822	–	4,594	–	(5,942)	32,115
Total current liabilities	369,894	21,335	38,906	60,681	39,463	8,947	30,841	63,605	101,785	17,341	142,393	289,612	(116,701)	1,068,102
Long-term debt, less current portion	560,458	16,854	26,030	190,521	110,559	3,300	41,046	189,282	384,541	22,873	212,202	106,528	–	1,864,194
Other long-term liabilities	19,172	429	584	1,373	35,348	333	3,075	118,389	4,227	1,197	67,626	477,179	(181,100)	547,832
Interest rate swap liabilities	–	–	–	–	–	–	–	–	–	–	–	70,350	–	70,350
Total liabilities	949,524	38,618	65,520	252,575	185,370	12,580	74,962	371,276	490,553	41,411	422,221	943,669	(297,801)	3,550,478
Net assets:														
Without donor restrictions	889,421	120,708	113,482	325,276	315,257	55,227	93,619	(22,179)	256,872	172,934	324,473	656,403	(75,246)	3,226,247
With donor restrictions	53,438	39,296	46,425	10,316	45,344	6,124	–	27,829	31,110	–	4,836	168,418	(192,598)	240,538
Total net assets	942,859	160,004	159,907	335,592	360,601	61,351	93,619	5,650	287,982	172,934	329,309	824,821	(267,844)	3,466,785
Total liabilities and net assets	$ 1,892,383	$ 198,622	$ 225,427	$ 588,167	$ 545,971	$ 73,931	$ 168,581	$ 376,926	$ 778,535	$ 214,345	$ 751,530	$ 1,768,490	$ (565,645)	$ 7,017,263

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations – Hospital Format
(In Thousands)

Year Ended June 30, 2023

	University of Maryland Medical Center					Shore Health System, Inc.						Upper Chesapeake Hospitals		Capital Region Hospitals					
	University Hospital	**Shock Trauma Center**	**Rehabilitation & Orthopaedic Institute**	**University of Maryland Midtown Campus**	**Baltimore Washington Medical Center, Inc.**	**Memorial Hospital**	**Dorchester General**	**QAEC**	**Chester River Medical Center**	**Charles Regional Medical Center**	**St. Joseph Medical Center**	**Medical Center**	**Harford Memorial**	**Capital Regional**	**Laurel Regional**	**Bowie Health Center**	**All Other Entities**	**Eliminations**	**Consolidated Total**
Operating revenue, gains and other support:																			
Net patient service revenue	$ 1,632,360	$ 218,636	$ 123,762	$ 231,392	$ 440,247	$ 259,938	$ 20,005	$ 6,824	$ 46,599	$ 154,871	$ 398,038	$ 319,582	$ 102,428	$ 339,335	$ 27,603	$ 16,925	$ 350,400	$ (6,602)	$ 4,682,343
State support	–	3,700	–	–	–	–	–	–	–	–	–	–	–	10,000	–	–	10,000	(10,000)	13,700
CARES Act – provider relief funds	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	978	–	978
Other revenue	244,605	315	2,905	31,387	3,707	7,298	551	187	1,404	1,744	4,483	4,542	735	11,990	33	–	1,091,393	(1,035,700)	371,579
Total operating revenue, gains, and other support	1,876,965	222,651	126,667	262,779	443,954	267,236	20,556	7,011	48,003	156,615	402,521	324,124	103,163	361,325	27,636	16,925	1,452,771	(1,052,302)	5,068,600
Operating expenses:																			
Salaries, wages, and benefits	705,563	82,035	68,306	118,863	228,857	115,757	10,721	6,436	15,037	68,592	169,333	146,412	55,730	184,835	14,855	6,055	916,072	(220,071)	2,693,388
Expendable supplies	484,316	29,923	13,032	44,172	57,648	34,836	1,006	966	2,630	19,813	72,728	48,123	7,429	37,495	5,064	1,360	66,641	(2,723)	924,459
Purchased services	389,719	50,115	23,336	53,281	101,626	58,157	5,915	1,549	16,878	41,200	79,716	61,366	26,251	83,605	17,752	6,053	421,043	(669,108)	768,454
Contracted services	151,917	16,332	10,920	34,355	47,769	39,063	798	319	8,717	12,501	52,904	30,071	10,284	32,623	7,322	989	32,105	(160,400)	328,588
Depreciation and amortization	87,647	7,264	8,430	17,023	30,597	15,187	3,394	217	2,603	6,452	26,605	17,611	4,099	33,785	277	1,445	15,319	–	277,955
Interest expense	18,088	–	361	1,008	7,549	4,604	–	–	–	1,601	8,576	5,820	800	7,514	–	–	2,021	–	57,942
Total operating expenses	1,837,250	185,669	124,385	268,702	474,046	267,604	21,834	9,487	45,865	150,159	409,862	309,403	104,593	379,857	45,270	15,902	1,453,201	(1,052,302)	5,050,786
Operating income (loss)	39,715	36,982	2,282	(5,923)	(30,092)	(368)	(1,278)	(2,476)	2,138	6,456	(7,341)	14,721	(1,430)	(18,532)	(17,634)	1,023	(430)	–	17,814
Nonoperating income and expenses, net:																			
Contributions	2,688	–	–	–	–	–	–	–	–	–	–	–	–	2,500	–	–	2,246	–	7,434
Equity in net income of joint ventures	159	–	–	–	–	330	–	–	–	485	1,978	–	–	–	–	–	2,257	–	5,209
Investment income	3,425	–	247	70	860	3,265	–	–	18	490	147	929	441	64	–	–	3,422	–	13,378
Change in fair value of investments	33,219	–	4,162	200	16,248	9,629	–	–	558	2,551	1,509	15,036	8,760	309	–	–	16,116	–	108,297
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	35,020	–	35,020
Other nonoperating gains and losses	(6,898)	–	(75)	(1,795)	(4,195)	(423)	–	–	–	(1,106)	(854)	(1,768)	–	(1,520)	(53)	(21)	(7,151)	–	(25,859)
Total nonoperating income and expenses	32,593	–	4,334	(1,525)	12,913	12,801	–	–	576	2,420	2,780	14,197	9,201	1,353	(53)	(21)	51,910	–	143,479
Excess (deficiency) of revenues over expenses	$ 72,308	$ 36,982	$ 6,616	$ (7,448)	$ (17,179)	$ 12,433	$ (1,278)	$ (2,476)	$ 2,714	$ 8,876	$ (4,561)	$ 28,918	$ 7,771	$ (17,179)	$ (17,687)	$ 1,002	$ 51,480	$ –	$ 161,293

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