

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries  
Years Ended June 30, 2023 and 2022  
With Report of Independent Auditors

Ernst & Young LLP



Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2023 and 2022

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## Report of Independent Auditors

The Board of Trustees  
Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Opinion

We have audited the consolidated financial statements of Mt. Washington Pediatric Hospital, Inc. 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.

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

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

In performing an audit in accordance with GAAS, we:

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

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

## Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating 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 26, 2023

# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Consolidated Balance Sheets

	June 30	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,901,062	\$ 10,687,010
Current portion of assets limited as to use	202,670	179,217
Patient accounts receivable, net	8,883,740	6,617,286
Other accounts receivable	1,747,857	2,159,366
Inventories of supplies	152,553	98,674
Prepaid expenses and other current assets	342,575	322,370
Total current assets	15,230,457	20,063,923
Investments	74,007,691	69,911,776
Assets limited as to use, less current portion:		
Eliasberg construction fund	1,249,449	1,249,449
Funds restricted by donor	18,931,858	17,477,399
Self-insurance trust funds	7,836,794	7,237,973
	28,018,101	25,964,821
Property and equipment, net	37,622,858	36,900,847
Other assets	3,236,422	2,967,474
Total assets	\$ 158,115,529	\$ 155,808,841
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 455,000	\$ 425,000
Trade accounts payable	2,894,563	3,236,426
Accrued payroll benefits	4,954,744	5,445,143
Advances from third-party payors	3,742,843	4,105,776
Current portion of malpractice liabilities	202,670	179,217
Due to affiliates	789,434	506,037
Other current liabilities	1,714,498	4,048,198
Total current liabilities	14,753,752	17,945,797
Malpractice liabilities	4,173,042	3,846,503
Long-term debt, less current portion	2,259,821	2,708,884
Other long-term liabilities	227,174	-
Total liabilities	21,413,789	24,501,184
Net assets:		
Without donor restrictions	116,039,737	109,897,835
With donor restrictions	20,662,003	21,409,822
Total net assets	136,701,740	131,307,657
Total liabilities and net assets	\$ 158,115,529	\$ 155,808,841

*See accompanying notes to consolidated financial statements.*

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Consolidated Statements of Operations and Changes in Net Assets

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Operating revenue, gains, and other support:		
Net patient service revenue	\$ 63,214,894	\$ 59,322,840
Other revenue	2,354,984	1,592,786
Total operating revenue, gains, and other support	65,569,878	60,915,626
Operating expenses:		
Salaries, wages, and benefits	47,031,771	42,517,391
Purchased services and supplies	16,041,852	16,859,079
Interest expense, net	57,143	56,389
Depreciation and amortization	5,377,463	5,152,738
Total operating expenses	68,508,229	64,585,597
Operating loss	(2,938,351)	(3,669,971)
Nonoperating income and expenses, net:		
Contributions	1,715,298	1,757,612
Investment income, net	918,030	8,320,098
Other (loss) income, net	(548,673)	172,408
Support from Mt. Washington Pediatric Foundation, Inc.	(1,416,400)	(1,190,642)
Change in unrealized gains (losses) of trading securities	4,988,739	(15,339,844)
Total nonoperating income (expense)	5,656,994	(6,280,368)
Excess (deficit) of revenues over expenses	2,718,643	(9,950,339)
Net assets released from restrictions used for purchase of property and equipment	2,753,749	475,877
Change in funded status of defined benefit plan	491,690	(1,006,901)
Other changes in assets without donor restrictions	177,819	45,193
Increase (decrease) in net assets without donor restrictions	6,141,901	(10,436,170)
Changes in net assets with donor restriction:		
Contributions	1,074,140	2,062,559
Investment income, net	786,700	1,273,278
Net unrealized gains (losses) on donor restricted investments	1,131,688	(4,317,035)
Other changes in assets with donor restrictions	(252,972)	18,806
Net assets released from restrictions used for operations	(733,625)	(858,432)
Net assets released from restrictions used for purchase of property and equipment	(2,753,749)	(475,877)
Decrease in net assets with donor restrictions	(747,818)	(2,296,701)
Total increase (decrease) in net assets	5,394,083	(12,732,871)
Net assets, beginning of year	131,307,657	144,040,528
Net assets, end of year	\$ 136,701,740	\$ 131,307,657

*See accompanying notes to consolidated financial statements.*

# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 5,394,083	\$ (12,732,871)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	5,377,463	5,152,738
Amortization of debt issue costs	5,937	6,356
Loss on extinguishment of debt	-	35,000
Net realized (gains) losses and change in value of trading securities	(5,055,785)	6,465,563
Restricted contributions and investment income	(816,440)	(1,398,278)
Net unrealized (gains) losses on investments with donor restrictions	(1,131,688)	4,317,035
Change in funded status of defined benefit plan	(491,690)	1,006,901
Changes in operating assets and liabilities:		
Net patient accounts receivable	(2,266,454)	2,272,954
Other accounts receivable	411,509	983,489
Inventories of supplies	(53,879)	79,268
Prepaid expenses and other current assets	(20,205)	165,102
Other long-term assets	222,742	(744,466)
Amounts due to affiliates	568,334	(419,905)
Trade accounts payable	(341,863)	(405,097)
Accrued payroll benefits	(490,399)	(769,484)
Advances from third-party payors	(362,933)	(387,202)
Other liabilities	(2,041,471)	(839,881)
Net cash (used in) provided by operating activities	(1,092,739)	2,787,222
<b>Investing activities</b>		
Purchases of property and equipment	(6,099,474)	(3,014,783)
Purchases of investments and assets limited to use, net	(170,872)	(15,669,533)
Net cash used in investing activities	(6,270,346)	(18,684,316)
<b>Financing activities</b>		
Proceeds from debt issuance	-	3,380,000
Repayment of long-term debt	(425,000)	(3,790,000)
Payments of debt issuance costs	-	(41,557)
Restricted contributions and investment income	816,440	1,398,279
Net cash provided by financing activities	391,440	946,722
Decrease in cash and cash equivalents	(6,971,645)	(14,950,372)
Cash and cash equivalents at beginning of year, including restricted cash	11,057,567	26,007,939
Cash and cash equivalents at end of year, including restricted cash	\$ 4,085,922	\$ 11,057,567
Cash and cash equivalents	\$ 3,901,062	\$ 10,687,010
Restricted cash including assets limited as to use	184,860	370,557
Cash and cash equivalents at end of year, including restricted cash	\$ 4,085,922	\$ 11,057,567
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 51,833	\$ 62,121

*See accompanying notes to consolidated financial statements.*



# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements and Schedules

June 30, 2023 and 2022

### **1. Organization**

The accompanying consolidated financial statements of Mt. Washington Pediatric Hospital, Inc. and Subsidiaries (the Corporation) include the accounts of Mt. Washington Pediatric Hospital, Inc. (the Hospital) and its wholly owned subsidiaries; Mt. Washington Pediatric Foundation, Inc. (the Foundation); Mt. Washington Pediatric Community Health Services, LLC (Community Health); and Mt. Washington Community Behavioral Health Services, LLC (Behavioral Health). The Corporation is structured as a joint venture with a 50% ownership interest by the University of Maryland Medical System Corporation (UMMS) and a 50% ownership interest by Johns Hopkins Health System Corporation (JHHS).

The Hospital is a not-for-profit, nonstock corporation formed under the laws of the state of Maryland. Its purpose is to operate a pediatric rehabilitation and specialty hospital while providing the highest-quality services and programs to meet the individualized needs of infants, children, and adolescents in a nurturing environment. The Hospital has 102 licensed beds. The Foundation uses its funds and investment income to solely support the Hospital and its programs. Community Health provides off-site rehabilitation and specialty health care services. Behavioral Health provides off-site behavioral health care services.

The Corporation incurred expenses of \$749,700 and \$735,000 for the years ended June 30, 2023 and 2022, respectively, for administrative services provided by UMMS. The Corporation is managed by UMMS, and, accordingly, the results of the Corporation's operations and its financial condition could be different if it were autonomous.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

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

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

Cash and cash equivalents consist of cash and interest-bearing deposits with maturities of three months or less from date of purchase, excluding amounts presented within investments and assets limited as to use. 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.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **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.

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

The Hospital participates in an investment pool (investment pool) of one of its owners, UMMS. Each participating member of the investment pool has an undivided interest in the investment pool. The Hospital's percentage interest in the assets of the investment pool was approximately 4.25% and 4.45% at June 30, 2023 and 2022, respectively. Investment income and administrative expenses relating to the investment pool are allocated to the individual members based on this percentage.

The Hospital's investment portfolio, except the self-insurance trust funds and the investment pool, are classified as trading and are reported in the consolidated balance sheets as long-term assets at June 30, 2023 and 2022. Unrealized holding gains and losses on trading securities with readily determinable market values are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets. Investment income is reported net of investment fees.

The Foundation's investment portfolio is classified as trading and is reported in the consolidated balance sheets as long-term assets at June 30, 2023 and 2022. Unrealized holding gains and losses on trading securities without donor restrictions with readily determinable market values are included in nonoperating income. Investment income, including realized gains and losses, is included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets. Investment income is reported net of investment fees.

The Hospital records the investment within the self-insurance trust funds and the investment pool under the equity method of accounting. The equity method reflects the Corporation's share of the net assets 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. Underlying securities of these investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject to additional uncertainty, and, therefore, values realized upon disposition may vary significantly from current reported values.

# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements and Schedules (continued)

### 2. Summary of Significant Accounting Policies (continued)

Assets limited as to use include investments set aside at the discretion of the board of trustees for the replacement or acquisition of property and equipment over which the board of trustees retains control and may at its discretion use for other purposes, self-insurance trust arrangements, and assets whose use is restricted by donors. Such investments are stated at fair value. Amounts required to meet current liabilities have been included in current assets in the consolidated balance sheets. Changes in fair values of donor-restricted investments are recorded in net assets without donor restriction unless otherwise required by the donor or state law to be included in net assets with donor restriction.

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 amounts reported in the accompanying consolidated financial statements.

#### 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, patient and other accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll benefits, current and long-term debt, and advances from third-party payors* – The carrying amounts reported in the consolidated balance sheets approximate the related fair values.

The Corporation has implemented the provisions of Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, in relation to fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. This guidance established a fair value hierarchy 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.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 2. Summary of Significant Accounting Policies (continued)

- Level 2 inputs are inputs other than quoted market prices included 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 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 below 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 include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security specific characteristics.

#### *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 security specific characteristics, such as early redemption options.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**2. Summary of Significant Accounting Policies (continued)**

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.

*Self-insurance trust funds and the investment pool*

Self-insurance trust funds and the investment pool are measured at fair value and represent funds included on the consolidated balance sheet that are reported using net asset value (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 proportionate share of the NAV based on the most recent investment statements. The self-insurance trust funds and the investment pool are utilizing NAV to calculate fair value and are included in the fair value hierarchy tables presented in Note 3.

**Self-Insurance**

Under the Corporation’s self-insurance programs (general and professional liability and employee health benefits), claims are reflected as a present value liability based upon actuarial estimates, including both reported and incurred-but-not-reported claims, taking into consideration the severity of incidents and the expected timing of claim payments.

**Property and Equipment**

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The estimated useful lives of the assets are as follows:

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

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Deferred Financing Costs

Costs incurred related to the issuance of long-term debt are deferred and are amortized over the life of the related debt using the straight-line method, which approximates the effective-interest method. Accumulated amortization of such costs amounted to \$11,378 and \$5,441 for the years ended June 30, 2023 and 2022, respectively. Deferred financing costs are presented as a component of long-term debt in the accompanying consolidated balance sheets.

##### Impairment of Long-Lived Assets

Management regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, if there is an indication that the carrying amount of an asset is not recoverable, management estimates the projected undiscounted cash flows, excluding interest, to determine if an impairment loss should be recognized. The amount of impairment loss is determined by comparing the historical carrying value of the asset to its estimated fair value. Estimated fair value is determined through an evaluation of recent and projected financial performance using standard industry valuation techniques.

In estimating the future cash flows for determining whether an asset is impaired, the Corporation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. If such costs are impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. There were no impairments in the years ended June 30, 2023 and 2022.

##### Net Assets

The net assets of the Corporation and changes therein are classified as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Corporation. The Corporation's board may designate assets without restrictions for specific operational purposes from time to time.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

#### **COVID-19 Pandemic and the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Act of 2020 and the American Rescue Plan Act of 2021 (ARP Act)**

In response to COVID-19, the CARES Act and APR Act was signed into law on March 27, 2020 and March 11, 2021. The CARES Act and ARP Act authorized funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (Relief Fund) and the Local Fiscal Recovery Fund (Recovery Fund). Payments from the Relief Fund and the Recovery Fund were to be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient for healthcare-related expenses or lost revenues attributable to coronavirus and not required to be repaid, provided the recipients attest to and comply with the terms and conditions. The Corporation has recorded and recognized the applicable funds as other operating revenue.

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. As of June 30, 2022, the Corporation deferred \$706,046, half of which is recorded in accrued payroll benefits in the accompanying consolidated balance sheet. As of June 30, 2023, the Corporation has paid all required deferred payments.

Effective May 11, 2023, the COVID-19 Public Health Emergency ended. The Corporation will continue to monitor COVID-19 case rates and how those cases impact the Corporation's operations.

#### **Net Patient Service Revenue and Provision for Uncollectible Accounts**

In accordance with ASC 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient 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

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

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 price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and 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. Estimates for uncollectible amounts are based on the aging of the accounts receivable, 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 at the time the services are rendered even though they do not assess the patient's ability to pay. Based on historical experience, a significant portion of the self-pay population will be unable or unwilling to pay for services which is estimated in the transaction price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment 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 recorded as bad debt expense and recorded within operating expenses in the accompanying consolidated statement of operations and changes in net assets.

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 they do not assess the patient's ability to pay.

The standard charges for goods and services for the Corporation 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 8 for further discussion on the HSCRC and regulated rates.

Patient accounts are recorded at the net realizable value based on certain assumptions determined by each payor. For third-party payors, including Medicaid and commercial insurance, the net realizable value is based on the estimated contractual adjustments, which is based on approved



## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 2. Summary of Significant Accounting Policies (continued)

discounts on charges as permitted by the HSCRC. For self-pay accounts, which includes 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 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.

Operating revenue by line of business are as follows:

	Year Ended June 30	
	2023	2022
Hospital	\$ 55,938,034	\$ 51,755,196
Physicians	7,276,860	7,567,644
Total revenue from contracts with customers	<u>63,214,894</u>	<u>59,322,840</u>
CARES Act funding	–	131,506
Other nonpatient care	2,354,984	1,461,280
Total operating revenue	<u>\$ 65,569,878</u>	<u>\$ 60,915,626</u>

#### Charity Care

The Hospital provides charity care to patients who are unable to pay or who meet certain criteria under its charity care policy. Such patients are identified based on information obtained from the patient and subsequent analysis. Because the Hospital does not expect collection of amounts determined to qualify as charity care, such amounts are not reported as revenue. Costs incurred are estimated based on the cost-to-charge ratio for the hospital and applied to charity care charges. Since the Hospital does not pursue collection of amounts determined to meet the criteria under the charity care policy, such amounts are not reported as net patient service revenue. The amounts reported as charity care represent the cost of rendering such services. The Hospital estimates the total direct and indirect costs to provide charity care were \$264,092 and \$5,413 in the years ended June 30, 2023 and 2022, respectively.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Nonoperating Income and Expenses, Net**

Other activities that are largely unrelated to the Corporation's primary mission are recorded as nonoperating income and expenses, and include investment income, change in fair value of investments and general donations, and fund-raising activities.

##### **Excess (Deficit) of Revenues Over Expenses**

The consolidated statement of operations and changes in net assets includes a performance indicator, the excess (deficit) of revenues over expenses. Changes in net assets without donor restriction that are excluded from the excess (deficit) of revenues over expenses, consistent with industry practice, including contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), pension-related changes other than net periodic pension costs, and other items, which are required by generally accepted accounting principles to be reported separately.

##### **Income Tax Status**

The Hospital is a not-for-profit corporation as described under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Foundation is a not-for-profit corporation formed under the laws of the state of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as a tax-exempt organization under Section 501(c)(3) of the Code.

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 benefits that should be recognized.

##### **Donor-Restricted Gifts and Pledges Receivable**

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 either net assets with donor restriction if they are received with donor stipulations that limit the use of the donated assets or net assets without donor restrictions if they are received without donor stipulations. When a donor restriction is satisfied, net assets with donor restriction

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 2. Summary of Significant Accounting Policies (continued)

are reclassified as net assets without donor restriction and either reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions for operations or net assets released from restrictions for property and equipment. Donor-restricted contributions for operations whose restrictions are met within the same year as received are reported as contributions without donor restriction in the accompanying consolidated statement of operations and changes in net assets. Revenue earned from contributed assets is considered unrestricted unless specifically restricted by the donor. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restrictions when assets are placed in service.

The Corporation recognizes contributions made from the Foundation to the Hospital to be used for operations within other revenue on the consolidated statement of operations and changes in net assets. Foundation contributions to the Hospital to be used for the acquisition of land, buildings, and equipment are reported as assets without donor restrictions upon their release to service. During 2023, the Corporation recognized Foundation contributions used for operations of \$1,519,851.

Contributions to be received after one year are discounted at an appropriate 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.

Unconditional promises to give cash and other assets are reported at fair value on the date the promise is received. Conditional promises to give, and indications of intentions to give, are reported at fair value on the date the gift is received.

Scheduled payments for pledges receivable for the Hospital are as follows:

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Amounts due within 1 year	\$ 549,305	\$ 1,507,718
Amounts due in 1–5 years	228,030	656,439
Less impact of discounting pledges receivable to present value	(11,082)	(19,546)
Total pledges receivable	<u>\$ 766,253</u>	<u>\$ 2,144,611</u>

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

Management has evaluated these gifts and has determined they are fully collectable.

The Corporation follows accounting guidance for classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management Institutional Funds Act of 2006 (UPMIFA).

#### **Going Concern**

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

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

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

The carrying value of assets limited or restricted as to use is summarized as follows:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 184,860	\$ 370,557
U.S. government and agency securities	2,368,530	966,490
Corporate obligations	4,123,702	4,135,334
Foreign bonds	–	187,816
Common stocks	13,504,215	13,066,651
Self-insurance trust funds – MMCIP	8,039,464	7,417,190
Total assets limited or restricted as to use	<u>28,220,771</u>	<u>26,144,038</u>
Less amounts available for current liabilities	(202,670)	(179,217)
Total assets limited as to use, less current portion	<u>\$ 28,018,101</u>	<u>\$ 25,964,821</u>

Board-designated assets represent assets designated by the Hospital’s board of trustees for future capital improvements and expansion. The board retains control of these assets and may, at its discretion, subsequently use them for other purposes. The assets consist primarily of cash and cash equivalents, fixed-income securities, equity instruments, and the Hospital’s allocation of the UMMS investment pool.

The Corporation’s self-insurance trust funds are held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. These assets consist primarily of cash, stocks and fixed-income securities, corporate obligations, and alternative investments. MMCIP is a funding mechanism for the Corporation’s malpractice insurance. MMCIP is a funding mechanism for the Corporation’s malpractice insurance. 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 malpractice liabilities in the accompanying consolidated balance sheets.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

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

The composition and carrying value of investments were as follows:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 9,852,984	\$ 12,001,156
U.S. government and agency securities	882,685	313,058
Foreign bonds	–	60,707
Corporate obligations	1,537,243	1,340,913
Common stocks	5,035,179	4,236,999
UMMS investment pool	56,699,600	51,958,943
	<u>\$ 74,007,691</u>	<u>\$ 69,911,776</u>

The composition and carrying value of total cash and investments held in the UMMS investment pool are as follows:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 116,258,731	\$ 37,861,452
Corporate bonds	26,125,310	128,176,347
U.S. government and agency securities	132,483,993	89,228,944
Common stocks	469,415,534	387,027,372
Alternative investments	591,042,926	525,822,889
	<u>\$ 1,335,326,494</u>	<u>\$ 1,168,117,004</u>
Hospital's allocation (investments)	\$ 56,699,600	\$ 51,958,943

The alternative investments include hedge funds, private equity, and commingled investment funds. 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.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

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

Investment income and realized and unrealized gains (losses) for investments limited or restricted as to use and other long-term investments are summarized as follows:

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Interest and dividend income, net of fees	\$ 1,637,684	\$ 719,095
Net realized gains on investments and assets limited to use	67,046	8,874,281
Change in unrealized gains (losses) on trading securities	4,988,739	(15,339,844)
Net unrealized gains (losses) on net assets with donor restrictions	1,131,688	(4,317,035)
	<u>\$ 7,825,157</u>	<u>\$ (10,063,503)</u>

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

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Operating investment income	\$ 918,030	\$ 8,320,098
Investment income on net assets with donor restriction	786,700	1,273,278
Net unrealized gains (losses) on net assets with donor restriction	1,131,688	(4,317,035)
Change in unrealized gains (losses) on trading securities	4,988,739	(15,339,844)
	<u>\$ 7,825,157</u>	<u>\$ (10,063,503)</u>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis, which are accounted for under the equity method, as of June 30, 2023:

	Level 1	Level 2	Level 3	Investments Reported at NAV	Total
Investments:					
Cash and cash equivalents	\$ 9,852,984	\$ –	\$ –	\$ –	\$ 9,852,984
Bonds – government agency	–	882,685	–	–	882,685
Corporate obligations	–	1,537,243	–	–	1,537,243
Common stocks	5,035,179	–	–	–	5,035,179
UMMS investment pool	–	–	–	56,699,600	56,699,600
Total investments	14,888,163	2,419,928	–	56,699,600	74,007,691
Assets limited:					
Cash and cash equivalents	184,860	–	–	–	184,860
Bonds – government agency	–	2,368,530	–	–	2,368,530
Corporate obligations	–	4,123,702	–	–	4,123,702
Common stocks	13,504,215	–	–	–	13,504,215
Self-insurance trust funds – MMCIP	–	–	–	8,039,464	8,039,464
Total assets limited as to use	13,689,075	6,492,232	–	8,039,464	28,220,771
	\$ 28,577,238	\$ 8,912,160	\$ –	\$ 64,739,064	\$ 102,228,462



Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

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

The following table presents assets and liabilities that are measured at fair value on a recurring basis, which are accounted for under the equity method, as of June 30, 2022:

	Level 1	Level 2	Level 3	Investments Reported at NAV	Total
<b>Investments:</b>					
Cash and cash equivalents	\$ 12,001,156	\$ –	\$ –	\$ –	\$ 12,001,156
Bonds – government agency	–	313,058	–	–	313,058
Corporate obligations	–	1,340,913	–	–	1,340,913
Common stocks	4,236,999	–	–	–	4,236,999
Foreign bonds	–	60,707	–	–	60,707
UMMS investment pool	–	–	–	51,958,943	51,958,943
<b>Total investments</b>	<b>16,238,155</b>	<b>1,714,678</b>	<b>–</b>	<b>51,958,943</b>	<b>69,911,776</b>
<b>Assets limited:</b>					
Cash and cash equivalents	370,557	–	–	–	370,557
Bonds – government agency	–	966,490	–	–	966,490
Corporate obligations	–	4,135,334	–	–	4,135,334
Common stocks	13,066,651	–	–	–	13,066,651
Foreign bonds	–	187,816	–	–	187,816
Self-insurance trust funds – MMCIP	–	–	–	7,417,190	7,417,190
<b>Total assets limited as to use</b>	<b>13,437,208</b>	<b>5,289,640</b>	<b>–</b>	<b>7,417,190</b>	<b>26,144,038</b>
	<b>\$ 29,675,363</b>	<b>\$ 7,004,318</b>	<b>\$ –</b>	<b>\$ 59,376,133</b>	<b>\$ 96,055,814</b>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**4. Property and Equipment**

A summary of property and equipment and related accumulated depreciation is as follows:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Land and land improvements	\$ 1,519,854	\$ 1,520,394
Buildings and fixed equipment	68,235,292	63,145,431
Leasehold improvements	500,481	548,204
Major moveable equipment	5,329,966	7,865,498
Minor equipment	12,879,907	11,786,931
Construction-in-process	310,677	528,064
	<b>88,776,177</b>	<b>85,394,522</b>
Less accumulated depreciation	<b>(51,153,319)</b>	<b>(48,493,675)</b>
Property and equipment, net	<b>\$ 37,622,858</b>	<b>\$ 36,900,847</b>

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 Hospital's facilities.

**5. Retirement Plans**

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 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.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

Effective December 31, 2016, the Corporate Plan was amended to freeze participation for the Corporation employees who were hired after December 31, 2016. Effective December 31, 2022, the Corporate Plan was frozen to all the Corporation participants and the participant's accrued benefit shall not include any credits for accruals or compensation after this date; however, their participant's cash balance account shall continue to earn interest credits after that date.

The funding policy is to make annual contributions to the Corporate Plan in amounts sufficient to satisfy the funding standards of the Employee Retirement Income Security Act of 1974. Pension expense for the defined benefit pension plan was approximately \$813,259 and \$483,434 for the years ended June 30, 2023 and 2022, respectively.

The following table sets forth the change in the benefit obligation and plan assets as of and for the years ended June 30, the measurement date:

	<u>2023</u>	<u>2022</u>
<b>Change in projected benefit obligations</b>		
Benefit obligations at beginning of year	\$ 13,921,081	\$ 14,743,917
Curtailments	(180,512)	–
Service cost	281,037	686,245
Interest cost	692,799	432,035
Actuarial gain	(660,700)	(1,658,570)
Benefits paid	(1,147,729)	(282,546)
Projected benefit obligations at end of year	<u>\$ 12,905,976</u>	<u>\$ 13,921,081</u>
	<u>2023</u>	<u>2022</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	\$ 13,977,172	\$ 15,490,343
Actual return on plan assets	(188,945)	(2,030,625)
Employer contributions	896,000	800,000
Benefits paid	(1,147,729)	(282,546)
Fair value of plan assets at end of year	<u>\$ 13,536,498</u>	<u>\$ 13,977,172</u>
Accumulated benefit obligation at end of year	<u>\$ 12,905,976</u>	<u>\$ 13,715,814</u>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

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

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Funded status, end of period:		
Fair value of plan assets	\$ 13,536,498	\$ 13,977,172
Projected benefit obligations	12,905,976	13,921,081
Funded status	<u>\$ 630,522</u>	<u>\$ 56,091</u>
Amounts recognized in net assets without donor restriction as of June 30:		
Net actuarial loss	\$ (2,228,335)	\$ (2,524,470)
Unamortized prior service cost	–	(195,555)
	<u>\$ (2,228,335)</u>	<u>\$ (2,720,025)</u>

The estimated amounts that will be amortized from net assets with donor restriction into net periodic pension cost in fiscal 2024 are as follows:

Net actuarial loss	\$ 190,109
Prior service cost	–
	<u>\$ 190,109</u>

The components of net periodic pension cost are as follows:

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Service cost	\$ 281,037	\$ 686,245
Interest cost	692,799	432,035
Expected return on plan assets	(574,549)	(778,747)
Amortization of prior service cost	195,555	32,498
Amortization of net actuarial loss	218,417	111,403
Total net periodic pension cost	<u>\$ 813,259</u>	<u>\$ 483,434</u>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

Components of net benefit cost other than the service cost of \$281,037 and \$686,245 were recorded in other nonoperating income and expenses, net in the consolidated statements of operations and changes in net assets for the years ended June 30, 2023 and 2022, respectively. 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 assumption information, below, relates to the entire Corporate Plan. Certain information related to the Corporation is not separately identifiable.

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

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	<b>5.67%</b>	4.86%
Rate of compensation increase	<b>3.00</b>	3.00

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

	<b>Year Ended June 30</b>	
	<b>2023</b>	<b>2022</b>
Discount rate	<b>5.55%</b>	3.02%
Expected long-term return on plan assets	<b>4.15</b>	5.00
Rate of compensation increase	<b>3.00</b>	3.00

All of the Corporation Plan's assets are held in the UMMS Master Pension Trust (the Master Trust), which was established during the year ended June 30, 2012, for the investment assets of multiple-sponsored retirement plans. Each participating plan has an undivided interest in the Master Trust. The Corporation Plan's percentage interest in the net assets of the Master Trust was approximately 8.69% and 8.70% at June 30, 2023 and 2022, respectively. Investment income and administrative expenses relating to the Master Trust are allocated to the individual plans based on this percentage.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

The fair values of total cash and investments held in the Master Trust are as follows:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Cash and cash equivalents	\$ 4,985,096	\$ 9,423,581
Common and preferred stocks	6,290,034	12,258,791
Equity mutual funds	10,027,809	2,298,951
Fixed-income mutual funds	–	5,987,619
Equity and fixed income commingled funds	134,329,110	127,165,817
Hedge funds/private equity	96,576	3,219,905
Total Master Trust cash and investments	<u>\$ 155,728,625</u>	<u>\$ 160,354,664</u>
Corporation Plan's interest in Master Trust	<u>\$ 13,536,498</u>	<u>\$ 13,977,172</u>

The investment policies of the Master Trust 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 Master Trust 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 Master Trust considered 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 was then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

The Corporate Plan's target allocation and weighted average asset allocations at the measurement date of June 30, by asset category, are as follows:

	Target Allocation	Percentage of Plan Assets	
		June 30	
		2023	2022
Cash and cash equivalents	0%–20%	3%	6%
Equity securities	15%–25%	10	10
Fixed-income securities	75%–85%	87	82
Hedge funds/private equity	0%–20%	–	2
		<b>100%</b>	<b>100%</b>

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

The table below presents the Master Trust's and the Corporation Plan's allocated share of investments as of June 30, 2023 aggregated by the fair value hierarchies as described in Note 4:

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Cash and cash equivalents	\$ 4,985,096	\$ –	\$ –	\$ –	\$ 4,985,096
Common and preferred stocks	6,290,034	–	–	–	6,290,034
Equity mutual funds	10,027,809	–	–	–	10,027,809
Commingled funds	–	–	–	134,329,110	134,329,110
Hedge funds/private equity	–	–	–	96,576	96,576
	<b>\$ 21,302,939</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 134,425,686</b>	<b>\$ 155,728,625</b>
The Plan's allocation	<b>\$ 1,851,225</b>	<b>\$ –</b>	<b>\$ –</b>	<b>\$ 11,685,273</b>	<b>\$ 13,536,498</b>

\*Fund investments reported at NAV as practical expedient estimate

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**5. Retirement Plans (continued)**

The table below presents the Master Trust's and the Corporation Plan's allocated share of investments as of June 30, 2022 aggregated by the fair value hierarchies as described in Note 4:

	Level 1	Level 2	Level 3	Investments Reported at NAV*	Total
Cash and cash equivalents	\$ 9,423,581	\$ —	\$ —	\$ —	\$ 9,423,581
Common and preferred stocks	12,258,791	—	—	—	12,258,791
Equity mutual funds	2,298,951	—	—	—	2,298,951
Fixed-income mutual funds	5,987,619	—	—	—	5,987,619
Commingled funds	—	—	—	127,165,817	127,165,817
Hedge funds/private equity	—	—	—	3,219,905	3,219,905
	<u>\$ 29,968,942</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 130,385,722</u>	<u>\$ 160,354,664</u>
The Plan's allocation	<u>\$ 2,633,614</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 11,343,558</u>	<u>\$ 13,977,172</u>

\*Fund investments reported at NAV as practical expedient estimate

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. Funds totaling \$940,262 are subject to notice requirements of 60 days and greater and can be redeemed monthly or quarterly. The Corporation had no unfunded commitments as of June 30, 2023.

The Corporation expects to contribute approximately \$300,000 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	\$ 1,300,300
2025	1,226,659
2026	982,249
2027	874,106
2028	819,027
2029–2033	3,534,165



## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **5. Retirement Plans (continued)**

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

The Corporation also has a 403(b) retirement plan (Retirement Plan) covering substantially all employees. Employees are immediately eligible for elective deferrals of compensation as contributions to the Retirement Plan. The Retirement Plan currently has a discretionary provision for employer matching contributions. For the years ended June 30, 2023 and 2022, the Corporation made contributions of \$340,921 and \$310,507, respectively.

#### **6. Leases**

The Corporation determines if an arrangement is a lease at inception. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. The Corporation rents office and clinical space from UM Capital Region Medical Center, a related party, and administrative space from an unrelated third party and determined this arrangement classifies as a lease.

Lease liabilities are recognized based on the present value, net of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate based on the information available at commencement. The right-of-use (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 other operating expenses, 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, 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.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**6. Leases (continued)**

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

<b>Operating Leases</b>	<b>Balance Sheet Classification</b>	<b>June 30</b>	
		<b>2023</b>	<b>2022</b>
Operating lease ROU asset	Other assets	\$ 278,889	\$ 41,416
Operating lease obligation – current	Other current liabilities	(52,303)	(42,226)
Operating lease obligation – long term	Other long-term liabilities	(227,174)	–

The Corporation discounted the lease using a rate of 3.29%. This rate is based on the estimated borrowing rate the Corporation would incur if a loan was obtained to purchase the asset.

For the years ended June 30, 2023 and 2022, the Corporation amortized \$50,574 and \$50,561 in costs related to the ROU asset and incurred interest expense of \$1,546 and \$2,321, respectively. Total rent expense for the lease was \$311,770 and \$253,284 for the years ended June 30, 2023 and 2022, respectively.

Future noncancelable minimum lease payments under operating leases are as follows for the years ending June 30:

2024	\$ 57,402
2025	59,124
2026	60,898
2027	62,725
2028	53,571
Total future minimum payments	<u>293,720</u>

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 7. Functional Expenses

The Corporation considers healthcare services and management and general to be its primary functional categories for purposes of expense classification. Accordingly, certain costs have been allocated among healthcare services and management and general. Depreciation is allocated based on square footage. The Corporation's operating expenses by functional classification are as follows:

	<b>Healthcare Services</b>	<b>Management and General</b>	<b>Total</b>
<b>Year ended June 30, 2023</b>			
Salaries, wages, and benefits	\$ 41,578,494	\$ 5,453,277	\$ 47,031,771
Purchased services	5,493,301	4,744,890	10,238,191
Expendable supplies	4,703,861	1,099,800	5,803,661
Depreciation and amortization	5,012,337	365,126	5,377,463
Interest expense, net	57,143	–	57,143
Total	<u>\$ 56,845,136</u>	<u>\$ 11,663,093</u>	<u>\$ 68,508,229</u>
<b>Year ended June 30, 2022</b>			
Salaries, wages, and benefits	\$ 37,483,660	\$ 5,033,731	\$ 42,517,391
Purchased services	6,474,988	4,390,446	10,865,434
Expendable supplies	4,955,928	1,037,717	5,993,645
Depreciation and amortization	4,810,596	342,142	5,152,738
Interest expense, net	56,389	–	56,389
Total	<u>\$ 53,781,561</u>	<u>\$ 10,804,036</u>	<u>\$ 64,585,597</u>

#### 8. Maryland Health Services Cost Review Commission (HSCRC)

Most of the Hospital's revenues are subject to review and approval by the Maryland Health Services Cost Review Commission (HSCRC). Hospital management has filed the required forms with the HSCRC and believes the Hospital to be in compliance with the HSCRC's requirements.

The current rate of reimbursement for services to patients under the Medicare and Medicaid programs is based on an agreement between the Center for Medicare and Medicaid Services (CMS) and the HSCRC. This agreement is based upon a waiver from Medicare reimbursement principles under Section 1814(b) of the Social Security Act and will continue as long as certain conditions are met. Management believes that this program will remain in effect at least through June 30, 2024.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 8. Maryland Health Services Cost Review Commission (HSCRC) (continued)

Patient service revenue is recorded at established rates regulated by the HSCRC. Such rates are adjusted prospectively, giving effect to, among other things, the projected impact of inflation and variances between actual unit rates and previously approved unit rates (price variances) during the previous year. Effective July 1, 2023, the HSCRC approved a change to the variable cost factor in order to reduce the effects of volatile and unpredictable volume changes until the volume recovers to pre-pandemic levels. The variable cost factor change approved an additional \$1,544,177 volume adjustment to be recognized in net patient service revenue as of and for the year ended June 30, 2023.

The timing of the HSCRC's adjustment for the Hospital could result in an increase or reduction in rates (revenue) due to the variances described above in a year subsequent to the year in which the variances occur. The Hospital's policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed.

#### 9. Long-Term Debt

Long-term debt is comprised of bonds totaling \$3,380,000 issued on August 2, 2021. Interest is payable monthly at a fixed rate of 1.77% through fiscal year 2028.

The annual future maturities of long-term debt according to the original terms of the Loan Agreement are as follows:

Years ending June 30:	
2025	\$ 470,000
2026	495,000
2027	510,000
2028	540,000
2029	275,000
Total debt	<u>2,290,000</u>
Unamortized deferred financing costs	<u>(30,179)</u>
	<u>\$ 2,259,821</u>

The Loan Agreement contains certain restrictive covenants, including requirements that rates and charges be set at certain levels, that incurrence of additional debt be limited and that compliance with certain operating ratios be maintained. As further security under the Loan Agreement, the Foundation has guaranteed the Corporation's repayment of principal and interest due on the bonds.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### **10. Insurance**

##### **Professional Liability Insurance**

In connection with the affiliation agreement with UMMS and effective July 1, 2006, the Corporation became self-insured with respect to professional and general liability through its participation in the Maryland Medicine Comprehensive Insurance Program Self Insurance Trust (the Trust). The Corporation is self-insured for claims up to the limits of \$1,000,000 on individual claims and \$3,000,000 in the aggregate on an annual basis. For amounts in excess of these limits, the risk of loss has been transferred to the Terrapin Insurance Company (Terrapin), an unconsolidated joint venture of UMMS. Terrapin provides insurance for claims related to UMMS and the Corporation for claims in excess of \$1,000,000 on individual claims and \$3,000,000 in the aggregate up to \$165,000,000 individually and \$227,000,000 in the aggregate under claims made policies between the aforementioned entities and Terrapin. For claims in excess of Terrapin's coverage limits, if any, the Corporation retains the risk of loss.

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. These accrued malpractice losses are discounted using a discount rate of 2.5%. In management's opinion, these accruals provide an adequate and appropriate loss reserve. Malpractice liabilities include \$2,349,011 and \$2,233,552 as of June 30, 2023 and 2022, respectively, for which related reinsurance receivables have been recorded within other assets.

The Corporation may become involved in claims and litigation on malpractice matters that arise in the normal course of business, none of which, in the opinion of management, is expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

Total malpractice insurance loss, net of applicable investment returns, for the Corporation in 2023 and 2022 was \$375,838 and \$1,584,184, respectively.

##### **Workers' Compensation**

The Corporation is insured against workers' compensation claims through membership in the Maryland Hospital Association Workers' Compensation Self-Insurance Group. Premiums are paid quarterly and adjusted yearly based on the group's actual experience.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 10. Insurance (continued)

##### Health Insurance

The Corporation maintains a self-insurance plan for employee health insurance. The Corporation has accrued \$388,972 and \$519,000, as of June 30, 2023 and 2022, respectively, for estimated claims incurred but not reported, which are included in accrued payroll benefits.

#### 11. Business and Credit Concentrations

The Corporation provides services to patients in the Baltimore Metropolitan area, the majority of whom are under the age of 18 and are covered by third-party health insurance or state Medicaid programs. Insurance coverage and credit information is obtained from patients upon admission when available. The Corporation bills the insurer directly for services provided. No collateral is obtained for accounts receivable.

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.

Net receivables from patients and third-party payors consisted of the following:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Medicaid	<b>67%</b>	60%
Blue Cross	<b>11</b>	18
Commercial insurance and HMO	<b>16</b>	10
Self-pay and others	<b>6</b>	12
	<b>100%</b>	100%

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 11. Business and Credit Concentrations (continued)

Net patient service revenue, by payor class, consisted of the following:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Medicaid	<b>72%</b>	72%
Blue Cross	<b>13</b>	16
Commercial insurance and HMO	<b>14</b>	11
Self-pay and others	<b>1</b>	1
	<b>100%</b>	100%

#### 12. Endowment

The Corporation's endowment consists of four individual funds established based on donor-imposed restrictions. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

#### Interpretation of Relevant Law

The board of trustees has interpreted UPMIFA as requiring that donor-restricted endowment funds be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. 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 directions 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 restricted net assets until those amounts are appropriated for expenditure by the board of trustees

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**12. Endowment (continued)**

in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, 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 effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. The other resources of the Corporation
7. The investment policies of the Corporation

Endowment net assets consist of the following:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Endowment net assets:		
With donor restrictions	<u><b>\$20,061,447</b></u>	<u><b>\$18,366,291</b></u>



## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 12. Endowment (continued)

Changes in endowment net assets for the years ended June 30 consist of the following:

	<b>With Donor Restriction</b>
Endowment net assets, June 30, 2021	\$ 21,266,242
Investment return, net	(3,043,757)
Contributions	125,000
Amount appropriated for expenditures and other transfers	18,806
Endowment net assets, June 30, 2022	<u>18,366,291</u>
Investment return, net	<b>1,918,388</b>
Contributions	<b>29,740</b>
Amount appropriated for expenditures and other transfers	<b>(252,972)</b>
Endowment net assets, June 30, 2023	<u><b>\$ 20,061,447</b></u>

#### Funds With Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. As of June 30, 2023, there are no endowment funds in this position. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without donor restriction, as appropriate.

#### Return Objectives and Risk Parameters

The Foundation has adopted investment and funding policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark that includes the S&P 500, Barclays Government/Credit, and T-Bill Index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over three to five years, to provide an average annual real rate of return of at least 5%. Actual returns in any given year may vary from this amount.

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Notes to Consolidated Financial Statements and Schedules (continued)

**13. Net Assets – With Donor Restrictions**

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions.

Donor restricted net assets consist of the following:

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Subject to expenditure for specific purpose:		
Funds to be used for programs and capital projects	\$ 600,556	\$ 3,043,531
Callaway Fund	29,180	26,383
Endowment funds to be used for renovations	3,863,032	3,501,014
Endowment funds, other	15,344,064	14,013,723
Total	19,836,832	20,584,651
Investment in perpetuity:		
Endowment funds to be used for renovations	5,000	5,000
Endowment funds, other	820,171	820,171
Total	825,171	825,171
Total net assets – with donor restrictions	\$ 20,662,003	\$ 21,409,822

**14. Liquidity and Availability of Resources**

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

	<b>June 30</b>	
	<b>2023</b>	<b>2022</b>
Financial assets:		
Cash and cash equivalents	\$ 3,901,062	\$ 10,687,010
Patient accounts receivable, net	8,883,740	6,617,286
Investments	74,007,691	69,911,776
Total assets	86,792,493	87,216,072
Less		
Alternative investments	(23,747,522)	(23,399,119)
Total resources	\$ 63,044,971	\$ 63,816,953

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

#### 15. Certain Significant Risks and Uncertainties

The Corporation provides pediatric rehabilitation and specialty 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 state Medicaid programs;
- Regulation of hospital rates by the State of Maryland Health Services Cost Review Commission;
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes; and
- Lawsuits alleging malpractice and related claims.

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

The 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, is expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements and Schedules (continued)

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

The federal government and many states have aggressively increased enforcement under Medicaid anti-fraud 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 Medicaid program. 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.

#### **16. Subsequent Events**

The Corporation evaluated all events and transaction that occurred after June 30, 2023, and through October 26, 2023, the date the consolidated financial statements were issued. The Corporation did not have any material subsequent events during the period.

# Supplementary Information

# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Consolidating Balance Sheet

June 30, 2023

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Behavioral Health Services, LLC	Elimination Entries	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 2,300,196	\$ 1,105,894	\$ 494,972	\$ –	\$ –	\$ 3,901,062
Current portion of assets limited as to use	202,670	–	–	–	–	202,670
Patient accounts receivable, less allowance for doubtful accounts of \$6,445,532	8,652,240	–	220,061	11,439	–	8,883,740
Other accounts receivable	1,354,108	772,467	–	–	(378,718)	1,747,857
Inventories of supplies	152,553	–	–	–	–	152,553
Prepaid expenses and other current assets	340,824	–	1,751	–	–	342,575
<b>Total current assets</b>	<b>13,002,591</b>	<b>1,878,361</b>	<b>716,784</b>	<b>11,439</b>	<b>(378,718)</b>	<b>15,230,457</b>
Investments	66,552,585	7,455,106	–	–	–	74,007,691
Assets limited as to use, less current portion:						
Eliasberg construction fund	–	1,249,449	–	–	–	1,249,449
Funds restricted by donor	184,860	18,746,998	–	–	–	18,931,858
Self-insurance trust funds	7,836,794	–	–	–	–	7,836,794
	<b>8,021,654</b>	<b>19,996,447</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28,018,101</b>
Property and equipment, net	37,622,858	–	–	–	–	37,622,858
Economic interest in net assets of the Foundation	28,951,196	–	–	–	(28,951,196)	–
Other assets	3,236,422	–	–	–	–	3,236,422
<b>Total assets</b>	<b>\$ 157,387,306</b>	<b>\$ 29,329,914</b>	<b>\$ 716,784</b>	<b>\$ 11,439</b>	<b>\$ (29,329,914)</b>	<b>\$ 158,115,529</b>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

June 30, 2023

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Behavioral Health Services, LLC	Elimination Entries	Consolidated Total
<b>Liabilities and net assets</b>						
Current liabilities:						
Current portion of long-term debt	\$ 455,000	\$ -	\$ -	\$ -	\$ -	\$ 455,000
Trade accounts payable	2,894,352	378,718	211	-	(378,718)	2,894,563
Accrued payroll benefits	4,954,744	-	-	-	-	4,954,744
Advances from third-party payors	3,742,843	-	-	-	-	3,742,843
Current portion of malpractice liabilities	202,670	-	-	-	-	202,670
Due to affiliates	789,434	-	-	-	-	789,434
Other current liabilities	1,704,730	-	9,768	-	-	1,714,498
Total current liabilities	14,743,773	378,718	9,979	-	(378,718)	14,753,752
Malpractice liabilities	4,173,042	-	-	-	-	4,173,042
Long-term debt, less current portion	2,259,821	-	-	-	-	2,259,821
Other long-term liabilities	227,174	-	-	-	-	227,174
Total liabilities	21,403,810	378,718	9,979	-	(378,718)	21,413,789
Net assets:						
Without donor restrictions	115,321,494	8,889,749	706,805	11,439	(8,889,750)	116,039,737
With donor restrictions	20,662,002	20,061,447	-	-	(20,061,446)	20,662,003
Total net assets	135,983,496	28,951,196	706,805	11,439	(28,951,196)	136,701,740
Total liabilities and net assets	\$ 157,387,306	\$ 29,329,914	\$ 716,784	\$ 11,439	\$ (29,329,914)	\$ 158,115,529

See accompanying independent auditors' report.

# Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

## Consolidating Balance Sheet

June 30, 2022

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Health Services, LLC	Elimination Entries	Consolidated Total
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 6,558,755	\$ 2,401,273	\$ 1,726,982	\$ –	\$ –	\$ 10,687,010
Current portion of assets limited as to use	179,217	–	–	–	–	179,217
Patient accounts receivable, less allowance for doubtful accounts of \$2,692,767	6,528,399	–	88,887	–	–	6,617,286
Other accounts receivable	2,560,117	122,567	(4,719)	8,056	(526,655)	2,159,366
Inventories of supplies	98,674	–	–	–	–	98,674
Prepaid expenses and other current assets	320,212	–	2,158	–	–	322,370
Total current assets	16,245,374	2,523,840	1,813,308	8,056	(526,655)	20,063,923
Investments	63,960,099	5,951,677	–	–	–	69,911,776
Assets limited as to use, less current portion:						
Eliasberg construction fund	–	1,249,449	–	–	–	1,249,449
Funds restricted by donor	370,557	17,106,842	–	–	–	17,477,399
Self-insurance trust funds	7,237,973	–	–	–	–	7,237,973
	7,608,530	18,356,291	–	–	–	25,964,821
Property and equipment, net	36,900,847	–	–	–	–	36,900,847
Economic interest in net assets of the Foundation	26,544,486	–	–	–	(26,544,486)	–
Other assets	2,728,141	239,333	–	–	–	2,967,474
Total assets	\$ 153,987,477	\$ 27,071,141	\$ 1,813,308	\$ 8,056	\$ (27,071,141)	\$ 155,808,841



Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)

June 30, 2022

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Health Services, LLC	Elimination Entries	Consolidated Total
<b>Liabilities and net assets</b>						
Current liabilities:						
Current portion of long-term debt	\$ 425,000	\$ –	\$ –	\$ –	\$ –	\$ 425,000
Trade accounts payable	3,236,198	526,655	228	–	(526,655)	3,236,426
Accrued payroll benefits	5,445,143	–	–	–	–	5,445,143
Advances from third-party payors	4,105,776	–	–	–	–	4,105,776
Current portion of malpractice liabilities	179,217	–	–	–	–	179,217
Due to affiliates	506,037	–	–	–	–	506,037
Other current liabilities	4,048,198	–	–	–	–	4,048,198
Total current liabilities	17,945,569	526,655	228	–	(526,655)	17,945,797
Malpractice liabilities	3,846,503	–	–	–	–	3,846,503
Long-term debt, less current portion	2,708,884	–	–	–	–	2,708,884
Total liabilities	24,500,956	526,655	228	–	(526,655)	24,501,184
Net assets:						
Without donor restrictions	108,076,699	8,178,195	1,813,080	8,056	(8,178,195)	109,897,835
With donor restrictions	21,409,822	18,366,291	–	–	(18,366,291)	21,409,822
Total net assets	129,486,521	26,544,486	1,813,080	8,056	(26,544,486)	131,307,657
Total liabilities and net assets	\$ 153,987,477	\$ 27,071,141	\$ 1,813,308	\$ 8,056	\$ (27,071,141)	\$ 155,808,841

See accompanying independent auditors' report.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2023

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Behavioral Health Services, LLC	Elimination Entries	Consolidated Total
Operating revenue, gains, and other support:						
Net patient service revenue	\$ 62,484,804	\$ –	\$ 486,190	\$ 243,900	\$ –	\$ 63,214,894
Other revenue	2,308,253	–	4,731	42,000	–	2,354,984
Total operating revenue, gains, and other support	<u>64,793,057</u>	<u>–</u>	<u>490,921</u>	<u>285,900</u>	<u>–</u>	<u>65,569,878</u>
Operating expenses:						
Salaries, wages, and benefits	46,478,411	–	436,171	117,189	–	47,031,771
Purchased services and supplies	15,941,238	–	94,614	6,000	–	16,041,852
Interest expense, net	57,143	–	–	–	–	57,143
Depreciation and amortization	5,377,463	–	–	–	–	5,377,463
Total operating expenses	<u>67,854,255</u>	<u>–</u>	<u>530,785</u>	<u>123,189</u>	<u>–</u>	<u>68,508,229</u>
Operating (loss) income	<u>(3,061,198)</u>	<u>–</u>	<u>(39,864)</u>	<u>162,711</u>	<u>–</u>	<u>(2,938,351)</u>
Nonoperating income and expenses, net:						
Contributions	652,790	1,062,508	–	–	–	1,715,298
Investment income, net	581,838	336,192	–	–	–	918,030
Other loss, net	(548,673)	–	–	–	–	(548,673)
Support from Mt. Washington Pediatric Foundation, Inc.	–	(1,416,400)	–	–	–	(1,416,400)
Change in unrealized gains of trading securities	4,512,458	476,281	–	–	–	4,988,739
Total nonoperating income	<u>5,198,413</u>	<u>458,581</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,656,994</u>
Excess (deficit) of revenues over expenses	<u>2,137,215</u>	<u>458,581</u>	<u>(39,864)</u>	<u>162,711</u>	<u>–</u>	<u>2,718,643</u>

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended June 30, 2023

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Behavioral Health Services, LLC	Elimination Entries	Consolidated Total
Excess (deficit) of revenues over expenses (from previous page)	\$ 2,137,215	\$ 458,581	\$ (39,864)	\$ 162,711	\$ –	\$ 2,718,643
Change in economic interest in the Foundation	711,553	–	–	–	(711,553)	–
Net assets released from restrictions used for purchase of property and equipment	2,753,749	–	–	–	–	2,753,749
Transfers in and out	1,225,739	–	(1,066,411)	(159,328)	–	–
Change in funded status of defined benefit plan	491,690	–	–	–	–	491,690
Other changes in assets without donor restrictions	(75,153)	252,972	–	–	–	177,819
Increase (decrease) in net assets without donor restrictions	7,244,793	711,553	(1,106,275)	3,383	(711,553)	6,141,901
Changes in net assets with donor restriction:						
Contributions	1,044,400	29,740	–	–	–	1,074,140
Investment income, net	–	786,700	–	–	–	786,700
Net unrealized gains on donor restricted investments	–	1,131,688	–	–	–	1,131,688
Change in economic interest in the Foundation	1,695,156	–	–	–	(1,695,156)	–
Other changes in assets with donor restrictions	–	(252,972)	–	–	–	(252,972)
Net assets released from restrictions used for operations	(733,625)	–	–	–	–	(733,625)
Net assets released from restrictions used for purchase of property and equipment	(2,753,749)	–	–	–	–	(2,753,749)
(Decrease) increase in net assets with donor restrictions	(747,818)	1,695,156	–	–	(1,695,156)	(747,818)
Total increase (decrease) in net assets	6,496,975	2,406,709	(1,106,275)	3,383	(2,406,709)	5,394,083
Net assets, beginning of year	129,486,521	26,544,487	1,813,080	8,056	(26,544,487)	131,307,657
Net assets, end of year	\$ 135,983,496	\$ 28,951,196	\$ 706,805	\$ 11,439	\$ (28,951,196)	\$ 136,701,740

See accompanying independent auditors' report.

## Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

### Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2022

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Behavioral Health Services, LLC	Elimination Entries	Consolidated Total
Operating revenue, gains, and other support:						
Net patient service revenue	\$ 58,622,726	\$ –	\$ 448,104	\$ 252,010	\$ –	\$ 59,322,840
Other revenue	1,539,992	–	11,694	41,100	–	1,592,786
Total operating revenue, gains, and other support	60,162,718	–	459,798	293,110	–	60,915,626
Operating expenses:						
Salaries, wages, and benefits	41,945,647	–	422,558	149,186	–	42,517,391
Purchased services and supplies	16,780,835	–	72,244	6,000	–	16,859,079
Interest expense, net	56,389	–	–	–	–	56,389
Depreciation and amortization	5,152,738	–	–	–	–	5,152,738
Total operating expenses	63,935,609	–	494,802	155,186	–	64,585,597
Operating (loss) income	(3,772,891)	–	(35,004)	137,924	–	(3,669,971)
Nonoperating income and expenses, net:						
Contributions	640,249	1,117,363	–	–	–	1,757,612
Investment income, net	9,787,693	(1,467,595)	–	–	–	8,320,098
Other income (loss), net	171,456	–	953	(1)	–	172,408
Support from Mt. Washington Pediatric Foundation, Inc.	–	(1,190,642)	–	–	–	(1,190,642)
Change in unrealized losses of trading securities	(15,339,844)	–	–	–	–	(15,339,844)
Total nonoperating (expense) income	(4,740,446)	(1,540,874)	953	(1)	–	(6,280,368)
(Deficit) excess of revenues over expenses	(8,513,337)	(1,540,874)	(34,051)	137,923	–	(9,950,339)

Mt. Washington Pediatric Hospital, Inc. and Subsidiaries

Consolidating Statement of Operations and Changes in Net Assets (continued)

Year Ended June 30, 2022

	Mt. Washington Pediatric Hospital, Inc.	Mt. Washington Pediatric Foundation, Inc.	Mt. Washington Pediatric Community Health Services, LLC	Mt. Washington Pediatric Community Health Services, LLC	Elimination Entries	Consolidated Total
(Deficit) excess of revenues over expenses (from previous page)	\$ (8,513,337)	\$ (1,540,874)	\$ (34,051)	\$ 137,923	\$ –	\$ (9,950,339)
Change in economic interest in the Foundation	(1,559,678)	–	–	–	1,559,678	–
Net assets released from restrictions used for purchase of property and equipment	475,877	–	–	–	–	475,877
Transfers in and out	(627,197)	–	798,796	(171,599)	–	–
Change in funded status of defined benefit plan	(1,006,901)	–	–	–	–	(1,006,901)
Other changes in assets without donor restrictions	63,997	(18,804)	–	–	–	45,193
(Decrease) increase in net assets without donor restrictions	(11,167,239)	(1,559,678)	764,745	(33,676)	1,559,678	(10,436,170)
Changes in net assets with donor restriction:						
Contributions	1,937,559	125,000	–	–	–	2,062,559
Investment income, net	–	1,273,278	–	–	–	1,273,278
Net unrealized losses on donor restricted investments	–	(4,317,035)	–	–	–	(4,317,035)
Change in economic interest in the Foundation	(2,899,951)	–	–	–	2,899,951	–
Other changes in assets with donor restrictions	–	18,806	–	–	–	18,806
Net assets released from restrictions used for operations	(858,432)	–	–	–	–	(858,432)
Net assets released from restrictions used for purchase of property and equipment	(475,877)	–	–	–	–	(475,877)
(Decrease) increase in net assets with donor restrictions	(2,296,701)	(2,899,951)	–	–	2,899,951	(2,296,701)
Total (decrease) increase in net assets	(13,463,940)	(4,459,629)	764,745	(33,676)	4,459,629	(12,732,871)
Net assets, beginning of year	142,950,461	31,004,116	1,048,335	41,732	(31,004,116)	144,040,528
Net assets, end of year	\$ 129,486,521	\$ 26,544,487	\$ 1,813,080	\$ 8,056	\$ (26,544,487)	\$ 131,307,657

See accompanying independent auditors' report.

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