Doctors Community Medical Center and Subsidiaries

Consolidated Financial Statements and Other Financial Information

Years Ended June 30, 2020 and 2019

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Independent Auditors' Report

The Board of Directors
Doctors Community Medical Center and Subsidiaries
Lanham, Maryland

We have audited the accompanying consolidated financial statements of Doctors Community Medical Center and Subsidiaries (the "Company"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and other changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Doctors Community Medical Center and Subsidiaries as of June 30, 2020 and 2019, and the results of its operations, changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principles

As discussed in Note 1 to the consolidated financial statements, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-02, Leases (Topic 842) in 2020. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As explained in Notes 1 and 18 to the consolidated financial statements, the Company executed an affiliation agreement and became a controlled affiliate of Anne Arundel Health System effective July 1, 2019. Beginning net assets on July 1, 2019 have been adjusted in connection with this transaction and change in control. Our opinion is not modified with respect to this matter.

Supplemental Information

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

Dixon Hughes Goodman LLP

Tysons, Virginia
October 23, 2020

	June 30	
	2020 **Successor**	**2019** **Predecessor**
Assets		
Current assets:		
Cash and cash equivalents	**$ 99,221,421**	$ 34,168,164
Patient receivables, net	**35,468,849**	38,839,947
Inventories	**5,587,114**	4,243,356
Prepaid expenses and other current assets	**5,379,423**	9,600,901
Total current assets	**145,656,807**	86,852,368
Property and equipment	**124,878,074**	259,442,817
Less accumulated depreciation and amortization	**(10,165,956)**	(157,091,894)
Net property and equipment	**114,712,118**	102,350,923
Other assets:		
Investments	**20,023,040**	18,257,784
Lease right-of-use asset	**4,543,771**	–
Investments in joint ventures	**6,195,831**	5,019,926
Goodwill	**–**	3,070,898
Other assets	**29,322,305**	26,092,855
Total assets	**$ 320,453,872**	$ 241,644,754

	June 30	
	2020 Successor	**2019 Predecessor**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 10,273,880**	$ 13,146,010
Accrued salaries, wages, and benefits	**14,653,755**	16,046,116
Other accrued expenses	**13,952,583**	2,682,475
Advances from third-party payors	**51,905,567**	7,765,308
Current portion of lease liabilities	**1,183,557**	–
Current portion of long-term debt	**4,978,798**	4,448,457
Total current liabilities	**96,948,140**	44,088,366
Long-term debt, less current portion and unamortized original issue premium	**122,765,997**	122,394,065
Lease liabilities	**4,074,861**	–
Accrued pension liability	**6,525,431**	5,001,393
Other long-term liabilities	**14,421,786**	16,005,694
Total liabilities	**244,736,215**	187,489,518
Net assets:		
Without donor restrictions	**73,058,778**	51,403,040
Noncontrolling interest	**2,191,257**	2,265,386
With donor restrictions	**467,622**	486,810
Total net assets	**75,717,657**	54,155,236
Total liabilities and net assets	**$ 320,453,872**	$ 241,644,754

See the accompanying notes to the consolidated financial statements.

Doctors Community Medical Center and Subsidiaries
Consolidated Statements of Operations

	Year Ended June 30	
	2020	2019
	Successor	**Predecessor**
Operating revenue:		
Net patient service revenue	**$ 239,122,825**	$ 243,509,189
Other operating revenue	**21,884,197**	6,466,016
Total operating revenue	**261,007,022**	249,975,205
Operating expenses:		
Salaries and wages	**108,828,804**	105,670,968
Employee benefits	**17,005,912**	17,058,725
Purchased services	**80,683,895**	69,729,474
Supplies	**35,088,434**	34,293,627
Depreciation and amortization	**10,413,150**	9,222,787
Interest	**4,317,819**	4,766,952
Total operating expenses	**256,338,014**	240,742,533
Operating income	**4,669,008**	9,232,672
Other (loss) income:		
Investment income, net	**461,214**	158,553
Gain from joint ventures and other, net	**253,366**	311,435
Loss on sale of property	**–**	(11,247)
Change in unrealized gains (losses) on trading securities, net	**(262,337)**	145,630
Pension expense	**(660,906)**	(1,533,516)
Total other loss, net	**(208,663)**	(929,145)
Excess of revenue over expenses	**$ 4,460,345**	$ 8,303,527

See the accompanying notes to the consolidated financial statements.

Doctors Community Medical Center and Subsidiaries
Consolidated Statements of Changes in Net Assets

Predecessor

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2018	$ 44,983,697	$ 838,920	$ 45,822,617
Excess of revenues over expenses	8,303,527	-	8,303,527
Pension liability adjustment	42,563	-	42,563
Released from restrictions used for purchase of property and equipment	338,639	-	338,639
Restricted gifts, bequests, and contributions	-	980,092	980,092
Net assets released from restrictions	-	(1,332,202)	(1,332,202)
Changes in net assets	8,684,729	(352,110)	8,332,619
Net assets, June 30, 2019	53,668,426	486,810	54,155,236

Successor

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, July 1, 2019	63,980,460	486,810	64,467,270
Excess of revenues over expenses	4,460,345	–	4,460,345
Pension liability adjustment	(1,527,044)	–	(1,527,044)
Released from restrictions used for purchase of property and equipment	35,476	–	35,476
Transfers and other, net	8,300,798	–	8,300,798
Restricted gifts, bequests, and contributions	-	533,153	533,153
Net assets released from restrictions	-	(552,341)	(552,341)
Changes in net assets	11,269,575	(19,188)	11,250,387
Net assets, June 30, 2020	$ 75,250,035	$ 467,622	$ 75,717,657

See the accompanying notes to the consolidated financial statements.

	Year Ended June 30	
	2020	2019
	Successor	Predecessor
OPERATING ACTIVITIES AND OTHER GAINS		
Increase in net assets	**$ 11,250,387**	$ 8,332,619
Adjustments to reconcile increase in net assets to net cash and cash equivalents provided by operating activities:		
Unrealized (gain) loss on investments	**262,337**	(145,630)
Pension liability adjustment	**1,527,044**	841,835
Equity in earnings of joint ventures and other	**(408,621)**	(311,435)
Distributions received from joint ventures	**155,255**	689,605
Restricted contributions received	**(533,153)**	(980,090)
Depreciation and amortization	**10,413,150**	8,979,516
Amortization on bond issue cost	**59,621**	186,921
Net sales of trading investments	**(2,027,593)**	(304,469)
Loss (gain) on sale of property	**(3,000)**	11,247
Transfer from parent	**(8,300,798)**	-
Net change in operating assets and liabilities	**57,292,977**	(8,871,224)
NET CASH AND CASH EQUIVALENTS PROVIDED BY OPERATING ACTIVITIES AND OTHER GAINS	**69,687,606**	8,428,895
INVESTING ACTIVITIES		
Proceeds from sale on property	**3,000**	70,000
Purchase of property, plant and equipment	**(8,585,345)**	(4,338,290)
NET CASH AND CASH EQUIVALENTS USED IN INVESTING ACTIVITIES	**(8,582,345)**	(4,268,290)
FINANCING ACTIVITIES		
Principal payments on debt	**$ (4,885,955)**	$ (5,028,160)
Transfers from parent	**8,300,798**	-
Restricted contributions received	**533,153**	980,090
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) FINANCING ACTIVITIES	**3,947,996**	(4,048,070)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**65,053,257**	112,535
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**34,168,164**	34,055,629
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 99,221,421**	$ 34,168,164

See the accompanying notes to the consolidated financial statements.

	Year Ended June 30	
	2020 Successor	2019 Predecessor
Changes in operating assets and liabilities		
(Decrease) increase in operating assets:		
Net patient accounts receivable	**$ 3,371,098**	$ (6,079,831)
Inventories	**(1,343,758)**	(356,148)
Prepaid expenses and other current assets	**4,221,478**	211,314
Other assets	**1,485,197**	(1,702,891)
	7,734,015	(7,927,556)
Increase (decrease) in operating liabilities:		
Accounts payable	**(2,872,130)**	(629,540)
Accrued salaries, wages and benefits	**(1,392,361)**	(122,887)
Accrued expenses	**11,270,108**	35,569
(Advances from) refunds to third party payers	**44,140,259**	(210,591)
Other liabilities	**(1,586,914)**	(16,219)
	49,558,962	(943,668)
	$ 57,292,977	$ (8,871,224)

See the accompanying notes to the consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization

Doctors' Hospital, Inc. (d/b/a Doctors Community Medical Center and Subsidiaries), (the Company) is a not-for-profit, non-stock corporation that operates an acute care general hospital facility licensed for 190 beds. The Company serves the health care needs of the residents of Prince George's County, the District of Columbia, and the greater Washington, D.C. metropolitan area. The Company has four wholly owned/controlled subsidiaries: Doctors Community Healthcare Programs (CHP), Doctors Community Hospital Foundation, Inc. (the Foundation), Doctors Community Health Ventures, Inc. (Health Ventures), and Doctors Community Sleep Center, LLC (the Sleep Center).

Doctors Community Healthcare Programs (CHP) consists of three wholly owned/controlled entities: Doctors Community Hospital Clinics (CLINICS), Doctors Community Practices, LLC (DCP), Capital Orthopedics Specialists, LLC (COS) and Care Transitional Organization (CTO). CLINICS is a limited liability company formed in Maryland for the purpose of providing outpatient medical care for the residents of Prince Georges County and surrounding areas. CLINICS includes a transitional outpatient program and mobile van that provides services throughout the Prince George's County. DCP is a limited liability company formed in Maryland for the purpose of providing medical primary care services for the residents of Prince Georges County and surrounding areas. COS is a limited liability company formed in Maryland for the purpose of providing surgical services for the residents of Prince Georges County and surrounding areas. CTO is a limited liability company formed in Maryland for the purpose of participating in certain Centers for Medicare and Medicaid (CMS) programs for primary care providers serving the residents of Prince Georges County and surrounding areas.

The Foundation was incorporated in Maryland in 1990 as a not-for-profit, non-stock corporation established to raise and invest funds to support or benefit the operations of the Company. The Foundation's bylaws provide that all funds raised, except those required for the operation of the Foundation, be distributed to or be held for the benefit of the Company. Under the Foundation's bylaws, a majority of its directors must be directors of the Company, appointed by its President. The Foundation's bylaws also provide the Company with the authority to direct its activities, management, and policies.

Health Ventures is incorporated under the laws of Maryland as a for-profit, stock corporation. The Company owns 100% of its stock. Health Ventures invests in for-profit businesses consistent with the mission and strategic plan of the Company. Health Ventures consolidates three LLCs: Metropolitan Medical Specialist, LLC (MMS), Doctors Community Management Services, LLC (MSO), and Doctors Community Ambulatory Surgical Center, LLC (ASC). Health Ventures also has investments in two other companies: Magnolia Gardens LLC (Magnolia Gardens) and Diagnostic Imaging Center, LLC (DI).

The Sleep Center is a limited liability company formed in Maryland for the purpose of providing diagnostic sleep services for residents of Prince Georges County and surrounding areas. The Sleep Center operates a 10-bed sleep lab located on the Company's campus and provides outpatient sleep studies.

The Company owns a 60% interest in Doctors Regional Cancer Center, LLC (DRCC). DRCC is a limited liability company formed in June 2007 by Maryland Regional Cancer Care, LLC (MRCC) for the purpose of providing outpatient cancer treatment services to the residents of central Maryland. The Company owns 100% of Spine Team Maryland (STM), for the purpose of providing medical primary care services for the residents of Prince Georges County and surrounding areas. STM ceased operations in fiscal year 2016. The Company owns a 61% interest in the Southern Maryland Integrated Healthcare, LLC (ACO). The ACO, which notified CMS that it ended participating in the program effective December 31, 2018, was a limited liability company formed in Maryland for the purpose of participating in a Medicare Shared Savings Program (MSSP) among primary care providers serving the residents of Prince Georges County and surrounding areas.

Basis of presentation and periods presented

On July 1, 2019, the Company completed a transaction that resulted in the Company becoming a wholly-controlled subsidiary of Anne Arundel Health System (the "Acquisition"). Anne Arundel Health System then changed its name to Luminis Health ("Luminis"). The Acquisition resulted in a change of control and a new basis of accounting as of the opening of business on July 1, 2019 (see Note 18).

The Acquisition was recorded in accordance with ASC 805: *Business Combinations* and the fair values of the net assets acquired were pushed down from Luminis to the Company, which resulted in a new basis for the assets and liabilities of the Company. Under pushdown accounting, the acquiree uses the basis of the acquirer in the preparation of the acquiree's separate financial statements. Accordingly, the Company revised balance sheet amounts to estimated fair values as of July 1, 2019.

The consolidated balance sheet as of June 30, 2020, and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended (the "Successor Period"), reflect the effects of the acquisition method of accounting. Financial statement amounts prior to July 1, 2019, and the results of operations and cash flows for the year ended June 30, 2019 (the "Predecessor Period"), reflect operations prior to the Acquisition.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, CHP, the Foundation, Health Ventures, the Sleep Center, DRCC and ACO (collectively, the Company). All intercompany accounts and transactions have been eliminated in consolidation. The consolidated financial statements include non-controlling interest held by third parties in less than wholly owned subsidiaries.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts on deposit in banks, and highly liquid debt instruments with an original maturity of 90 days or less when purchased, excluding amounts whose use is limited. The Company has cash holdings in commercial banks routinely exceeding the Federal Deposit Insurance Corporation maximum insurance limit of $250,000. Cash and cash equivalents are reported at cost which approximates market value.

Investments

Marketable securities consist of investments in equity and debt securities and are carried at fair value. All such investments are classified as trading.

Unrestricted investment income, including realized gains and losses on the sale of trading securities, is reported as other operating revenue. The cost of securities sold is based on the specific-identification method. Unrealized gains and losses on trading securities are included in non-operating gains (losses) in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions.

Inventories

Inventories consist of supplies and drugs and are carried at the lower of cost or market using the average-cost method.

Land, buildings, and equipment

Land, buildings, and equipment are recorded at cost. Depreciation is recorded over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs are charged to expense as incurred. The straight-line method is used to amortize the cost of equipment under financing leases over the estimated useful lives of the equipment or the term of the lease, whichever is appropriate.

Net assets with donor restrictions

Net assets with donor restrictions are those whose use by the Company and the Foundation have been limited by donors to a specific time period or purpose. Net assets with donor restrictions are available to fund various health care services and other community benefits provided by the Company. The Company's policy is to treat restricted contributions recorded and released in the same fiscal year as contributions without donor restrictions.

Excess of revenue over expenses (expenses over revenue)

The consolidated statements of operations and other changes in net assets without donor restrictions include the excess of revenue over expenses (expenses over revenue) (the "performance indicator"). Changes in net assets without donor restrictions, which are excluded from the excess of revenue over expenses (expenses over revenue), consistent with industry practice, include contributions received and used for additions of long-lived assets, distributions to non-controlling interest-holders, and changes in the pension obligation other than net periodic pension cost.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered. The Company charges are based on rates established by the State of Maryland Health Services Cost Review Commission (the Commission); accordingly, revenue reflects actual charges to patients based on rates in effect during the period in which the services are rendered (see Note 11). CHP and the Sleep Center are paid for services based on either negotiated contracts with commercial payers, fee schedules with Medicare and Medicaid or standardized pricing for self-pay patients.

Explicit price concessions represent the difference between amounts billed as patient service revenue and amounts allowed by third-party payers, and are accrued in the period in which the related services are rendered.

Based on historical experience, a significant portion of the Company's uninsured patients will be unable or unwilling to pay for services provided. Thus, the Company estimates an implicit price concession related to uninsured patients in the period the services are provided based upon management's assessment of historical and expected net collections. This estimate considers business and general economic conditions, trends in healthcare coverage and other collection indicators. Throughout the year, management assesses the adequacy of these implicit price concessions based upon its review of patient accounts receivable and collections to date. Other factors, such as account aging and payment cycles, are considered when estimating implicit price concessions. The Company follows established guidelines for placing its self-pay patient accounts with an outside collection agency. After collection efforts are exhausted, the uncollected balances are returned to the Company for final write-off.

Charity care

A patient is classified as a charity recipient by reference to certain established policies of the Company. These policies define charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, the Company utilizes the generally recognized poverty income levels in the local community, but also includes certain cases where incurred charges are significant when compared to income.

Under current accounting standards, the Company is required to report the cost of providing charity care. The cost of charity care provided by the Company totaled $9,528,010 and $8,425,301 for the years ended June 30, 2020 and 2019, respectively. Rates charged by the Company for regulated services are determined based on assessment of direct and indirect cost calculated pursuant to the methodology established by the Commission (see Note 1), and therefore the cost of charity services noted above for the Company are equivalent to its established rates for those services. For any charity services rendered by the Company other than from the Company, the cost of charity care is calculated by applying the estimated total cost-to-charge ratio for the non-Hospital services to the total amount of charges for services provided to patients benefitting from the charity care policies of the Company's non-Hospital affiliates. These charges are excluded from consolidated net patient service revenue.

The Company receives a payment from the Commission with respect to an Uncompensated Care Fund ("UCC") established for rate-regulated hospitals in Maryland. The UCC is intended to provide Maryland hospitals with funds to support the provision of uncompensated care at those hospitals. The Company received $4,296,773 for 2020 and $2,299,712 for 2019 in UCC payments. All hospitals contribute to the Health Care Coverage Fund ("HCCF") that supports the expansion of Medicaid eligibility and the Medicaid program. The Company contributed $2,846,231 for 2020 and $2,695,536 for 2019 to the HCCF.

Contributions and pledges

Unconditional promises to give cash and other assets to the Company and the Foundation 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 gift is received or when the conditions for receiving the donation have been satisfied. The gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions restricted by donors for additions to the Company's operating property are transferred from net assets with donor restrictions to net assets without donor restrictions when the expenditure is made. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and statements of changes in net assets as net assets released from restriction.

The Company and Foundation write off any grants and pledges receivable that are considered uncollectible; accordingly, there is no allowance for doubtful accounts recorded for these grants and pledges. Grants and pledges receivable have not been discounted because management considers the effect to be immaterial. The balance of pledges receivable was $191,332 and $201,332 at June 30, 2020 and 2019, respectively, and is included in other amounts receivable in the accompanying consolidated balance sheets.

Other operating revenue

Other operating revenue is composed of contribution revenue, net assets released from restrictions for operating purposes and the CARES Act funding recognized.

Advertising costs

The Company expenses advertising costs as they are incurred. Advertising expense was $1,444,374 and $1,850,449 for the fiscal years June 30, 2020 and 2019, respectively, and is reported as other expense in the accompanying consolidated statements of operations.

Functional expenses

The Company's consolidated operating expenses by functional classification for the years ended June 30, 2020 and 2019 are as follows:

	2020			
	Health care services	**General and administrative**	**Fundraising**	**Total**
Salaries and benefits	**$ 78,056,920**	**$ 30,355,469**	**$ 416,415**	**$ 108,828,804**
Employee benefits	**12,244,257**	**4,761,655**	**-**	**17,005,912**
Purchased services	**58,808,056**	**21,547,578**	**328,261**	**80,683,895**
Medical supplies	**25,255,286**	**9,821,500**	**11,648**	**35,088,434**
Depreciation and amortization	**7,497,468**	**2,915,682**	**-**	**10,413,150**
Interest	**3,108,830**	**1,208,989**	**-**	**4,317,819**
Total Operating Expenses	**$ 184,970,817**	**$ 70,610,873**	**$ 756,324**	**$ 256,338,014**

	2019			
	Health care services	General and administrative	Fundraising	Total
Salaries and benefits	$ 75,769,916	$ 29,466,079	$ 434,973	$ 105,670,968
Employee benefits	12,282,282	4,776,443	-	17,058,725
Purchased services	50,131,040	19,495,405	103,029	69,729,474
Medical supplies	24,685,767	9,600,021	7,839	34,293,627
Depreciation and amortization	6,640,407	2,582,380	-	9,222,787
Interest	3,432,205	1,334,747	-	4,766,952
Total Operating Expenses	$ 172,941,617	$ 67,255,075	$ 545,841	$ 240,742,533

Fair value of financial instruments

The following methods and assumptions were used by the Company to estimate the fair value of financial instruments:

- **Cash and cash equivalents, patient accounts receivable, other amounts receivable, notes receivable, and advances from third-party payers***:* The carrying amount reported in the balance sheets for each of these assets and liabilities approximates their fair value.
- **Marketable securities***:* Fair values are based on quoted market prices of individual securities or investments if available, or are estimated using quoted market prices for similar securities (see *Note 2*)
- **Long-term debt***:* Fair values of the Company's fixed-rate debt are based on current traded values.

Income taxes

The Company and the Foundation are exempt from federal income tax under section 501(c) (3) of the Internal Revenue Code as public charities. Both entities are entitled to rely on this determination as long as there are no substantial changes in their character, purposes, or methods of operation. Management has concluded that there have been no such changes, and therefore the status of the Company and Foundation as public charities exempt from federal income taxation remain in effect.

The state in which the Company and the Foundation operate also provides a general exemption from state income taxation for organizations that are exempt from federal income taxation. However, both entities are subject to federal and state income taxation at corporate tax rates on unrelated business income. Exemption from other state and local taxes, such as real and personal property taxes is separately determined. The Company and the Foundation had no unrecognized tax benefits or such amounts were immaterial during the periods presented. For tax periods with respect to which unrelated business income was recognized, a tax return was filed in order to report any unrelated business income as well as any taxes due.

DRCC and ACO are Maryland limited liability companies that have not elected to be taxed as corporations under current Treasury regulations. Both are owned by more than one member. DRCC and ACO are subject to the partnership tax rules under Subchapter K of the Internal Revenue Code of 1986 (IRC), as amended. Under these rules neither is subject to federal or state income tax, but must file annual information returns indicating their gross and taxable income to determine the tax results to their members.

The Sleep Center and CHP are Maryland limited liability companies that have not elected to be taxed as corporations under current treasury regulations. Sleep Center and CHP are wholly owned by the Company. As such, the Sleep Center and CHP are considered “disregarded entities” under current IRC regulations.

Goodwill

Goodwill represented the excess of cost over the fair value of assets acquired. Management evaluated goodwill for impairment on an annual basis. Due to the Acquisition on July 1, 2019, the goodwill was written off (see Note 13 and 18).

Other assets

Included in other assets is a certificate of need (see Note 18) with a balance of $4 million. Management evaluates the carrying value reported for the certificate of need for impairment on an annual basis. As of June 30, 2020, there was no known impairment.

Reclassifications

To allow for improved transparency in the nature of revenue and expenses, in 2020 the Company moved several accounts in the revenue and expense categories to align with the line items of Luminis, the new Parent company. These reclassifications did not have any effect on the Company’s total revenues or expenses, or consolidated excess of revenues over expenses for the year ended June 30, 2019.

Subsequent events

Subsequent events have been evaluated by management through October 23, 2020, which is the date the consolidated financial statements were available to be issued.

New accounting standard

On July 1, 2019, the Company adopted the requirements of Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter into lease agreements. For lessees, the key difference of the new standard from the previous guidance (Topic 840) is the recognition of a right-of-use (ROU) asset and lease liability on the balance sheet. The most significant change is the requirement to recognize ROU assets and lease liabilities for leases classified as operating leases. The accounting for finance leases remained substantially unchanged with the adoption of Topic 842. The standard requires disclosures to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

As part of the transition to the new standard, the Company was required to measure and recognize leases that existed at July 1, 2019 using a modified retrospective approach. For leases existing at the effective date, the Company elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. The adoption of Topic 842 resulted in the recognition of an operating right of use asset and corresponding lease liability of $5,934,485 as of July 1, 2019.

2. Patient Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the Company expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. Generally, the Company bills patients and third-party payers several days after services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. The Company believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in the Company. The Company measures the performance obligation from admission to the facility to the point when the facility is no longer required to provide services to that patient, which is generally the time of discharge. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services or patients and customers in a retail setting and the Company does not believe it is required to provide additional goods or services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in current applicable accounting standards and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

As discussed in Note 11, the Company charges are based on rates established by the Commission, which are subsequently reduced by contractual discounts provided to third-party payers and discounts provided to uninsured patients (i.e., explicit price concessions) in accordance with the Company policy, as well as any applicable implicit price concessions that are estimated by management based on a number of factors including historical collection experience. For non-Hospital services provided by the Company, management generally determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concession in the form of contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with internal policy, and implicit price concessions provided to uninsured patients. The Company determines its estimate of implicit price concessions based on historical collection experience with each class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Management believes that the financial effects of using this practical expedient are not materially different from an individual contract approach.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which in some instances have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge compliance of the Company with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. The results of such governmental review could include fines, penalties and exclusion from participation in the Medicare and Medicaid programs. In addition, the contracts the Company has with commercial payers also provide for retroactive audit and review of claims.

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

Consistent with mission of the Company, care is provided to patients regardless of their ability to pay. Therefore, the Company provides implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Company expects to collect based on its collection history with those patients and other factors.

Net patient service revenue from third-party payers and others (including uninsured patients) for the years ended June 30, 2020 and 2019 are summarized in the following tables:

	2020		2019	
Medicare	**$ 123,170,170**	**52%**	$ 118,346,517	**49%**
Medicaid	**16,145,516**	**7%**	31,514,613	**13%**
Blue Cross Blue Shield	**60,318,653**	**25%**	55,852,375	**23%**
Other third-party payers	**32,049,830**	**13%**	32,975,064	**13%**
Self-pay patients	**7,438,656**	**3%**	4,820,620	**2%**
	$ 239,122,825		**$ 243,509,189**	

Revenue from deductibles and coinsurance are included in the categories presented above based on the primary payer.

The following table sets forth the detail of net patient service revenue:

	June 30 2020	June 30 2019
Gross patient service revenue	**$ 320,380,529**	$ 324,576,951
Price concessions:		
Charity care	**9,528,010**	8,425,301
Contractual and other allowances	**71,729,694**	72,642,461
Net patient service revenue	**$ 239,122,825**	$ 243,509,189

Patient accounts receivable were comprised of the following for the years ended June 30:

	2020	2019
Medicare	**28%**	24%
Medicaid	**21%**	27%
Blue Cross Blue Shield	**10%**	12%
Other third-party payers	**29%**	23%
Self-pay patients	**12%**	14%
	100%	100%

3. Investments

The following is a summary of investment securities held by the Company as of June 30:

	2020	2019
Marketable securities:		
Cash and cash equivalents		
Money market and CD funds	**$ 13,039,485**	$ 2,204,303
Equity		
Stock and mutual funds	**6,983,555**	16,053,481
	$ 20,023,040	$ 18,257,784

Investment return is summarized as follows for the years ended June 30:

	2020	2019
Interest and dividend income	**$ 508,405**	$ 406,889
Net realized loss	**-**	(214,952)
Net unrealized gain (loss)	**(262,337)**	145,630
Investment fees	**(47,191)**	(33,385)
	$ 198,877	$ 304,183

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

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

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

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

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

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

Fair values of the Company's investments in mutual funds classified at Level 1 are based on quoted market prices. Fair values for the Company's fixed income securities (corporate debt and federal government obligations) are based on prices provided by its investment managers and its custodian bank. The investment managers and the custodian bank use a variety of pricing sources to determine market valuations. Each designate specific pricing services or indexes for each sector of the market based upon the provider's experience.

The Company's federal government obligations and government backed securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

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

	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Cash and cash equivalents	**$ -**	**$ 13,039,487**	**$ -**	**$ 13,039,487**
Trading securites and other assets whose use is limited:				
Equity funds	**8,151,817**	**-**	**-**	**$ 8,151,817**
Fixed income funds	**-**	**3,031,760**	**-**	**3,031,760**
Total assets	**$ 8,151,817**	**$ 16,071,247**	**$ -**	**$ 24,223,064**
Plus deposits in transit				**-**
Less investments included in other assets				**4,200,024**
Total investments per consolidated balance sheet				**$ 20,023,040**

The above table includes financial instruments of $4,200,024 included in other assets on the consolidated balance sheets for deferred compensation and other arrangements.

The following table presents the Company's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Cash and cash equivalents	$ -	$ 2,204,303	$ -	$ 2,204,303
Trading securites and other assets whose use is limited:				
Equity funds	8,889,254	-	-	8,889,254
Fixed income funds	-	11,747,496	-	11,747,496
Total assets	$ 8,889,254	$ 13,951,799	$ -	$ 22,841,053
Plus deposits in transit				38,327
Less investments included in other assets				4,621,596
Total investments per consolidated balance sheet				$ 18,257,784

The total investment of $22,879,380 includes deposits in transit of $38,327 plus financial instruments of $22,841,053. The above table includes financial instruments of $4,621,596 included in other assets on the consolidated balance sheets for deferred compensation and other arrangements

There were no significant transfers between fair value hierarchy levels for the years ended June 30, 2020 and 2019.

4. Joint Ventures and Equity Investments

Health Ventures and ASC invest in businesses consistent with the mission and strategic plan of the Company. Unconsolidated investments are carried at cost or at equity depending on the percentage of ownership and control. Investment in Magnolia Gardens LLC represents a 51% interest and is not consolidated with the financial statements of the Company because Health Ventures and ASC do not control the investees. The investment income of these joint ventures and equity investments is reported in other (loss) income in the accompanying consolidated statements of operations and other changes in net assets without donor restrictions.

These investments, which are reported as noncurrent assets in the accompanying consolidated financial statements, are summarized as follows as of June 30:

Name	2020	2019
Magnolia Gardens LLC	**$ 5,387,968**	$ 5,210,175
University Center for Ambulatory Surgery	**-**	(922,539)
Diagnostic Imaging, LLC	**807,863**	732,290
	$ 6,195,831	$ 5,019,926

5. Related Party Transactions

The Company has income guarantee agreements with certain physicians. These advances are held as promissory notes and are often forgiven based on the established terms of these notes, such as maintaining an active practice in the Company's community.

The Company advanced funds to Health Ventures in its establishment of MMS. Since MMS is wholly owned by Health Ventures, the amounts loaned to MMS have been eliminated in consolidation.

The Medical Director of Radiology for the Company is an investor in DI, which is an unconsolidated subsidiary of Health Ventures. The Medical Director of DCP, who is also a Foundation board member, leases property to the Company and CHP.

6. Land, Buildings, and Equipment

Land, buildings, and equipment are summarized as follows:

Name	Useful Life	June 30 2020	2019
Land improvements	2-40 Years	**$ 743,583**	$ 4,525,777
Buildings	4-40 Years	**66,378,759**	137,331,411
Leasehold improvements	4-40 Years	**4,087,700**	6,090,018
Furniture and equipment	2-20 Years	**43,609,709**	104,436,820
Equipment under finance lease obligations	2-20 Years	**190,000**	190,000
		115,009,751	252,574,026
Less accumulated depreciation		**(10,165,956)**	(157,091,894)
		104,843,795	95,482,132
Construction in progress		**1,946,447**	730,289
Land		**7,921,876**	6,138,502
		$ 114,712,118	$ 102,350,923

7. Long-Term Debt

Long-term indebtedness as of June 30 consisted of the following:

		2020		2019
Maryland Health and Higher Education Facilities Authority Revenue Bonds, Series 2017B Bond				
2.180% term bonds due October 1, 2024	$	**24,165,000**	$	28,570,000
Maryland Health and Higher Education Facilities Authority Revenue Bonds, Series 2016 Bond				
Series 2016A Tax Exempt Private Placement 2007 Refunding				
2.567% term bonds due July 1, 2030		**16,795,000**		16,795,000
Series 2016A Tax Exempt Private Placement 2010 Partial Refunding				
2.567% term bonds due July 1, 2030		**15,150,000**		15,150,000
Maryland Health and Higher Education Facilities Authority Revenue Bonds, Series 2017A:				
5.00% term bonds due July 1, 2031		**6,720,000**		6,720,000
5.00% term bonds due July 1, 2032		**7,055,000**		7,055,000
5.00% term bonds due July 1, 2033		**7,410,000**		7,410,000
5.00% term bonds due July 1, 2034		**7,780,000**		7,780,000
5.00% term bonds due July 1, 2038		**35,200,000**		35,200,000
Finance leases		**33,798**		77,255
	$	**120,308,798**	$	124,757,255
Current portion of long-term debt		**(4,978,798)**		(4,448,457)
Financing costs, net of accumlated amortization		**(1,340,361)**		(1,514,133)
Premium, net of accumulated amortization		**8,776,358**		3,599,400
	$	**122,765,997**	$	122,394,065

The fair value of the Company's Series 2018A bonds, based on quoted market prices, was $72,024,163 and $72,482,555 for fiscal year 2020 and 2019, respectively. Remaining bonds are private placement bonds. Fair value of the private placement bonds approximate carrying value.

Financing costs incurred in issuing the Maryland Health and Higher Education Facilities Authority (MHHEFA) Revenue Bonds have been capitalized by the Company. These costs are being amortized over the life of the related bond issue using the bonds-outstanding method, which approximates the interest method. Deferred financing costs are presented as a direct deduction of long-term debt and are amortized using the straight-line method over the term of the related financing.

The aggregate maturities of long-term debt, including sinking fund principal requirements during the next five fiscal years, are as follows:

2021	$ 4,978,798
2022	5,070,000
2023	5,195,000
2024	5,265,000
2025	5,965,000
2026 and after	93,835,000
	$ 120,308,798

Total interest paid for the years ended June 30, 2020 and 2019 was $4,317,000 and $4,767,000, respectively.

Revenue bonds

On February 8, 2017 MHHEFA issued $64,165,000 principal amount of Revenue Bonds, Series 2017A. The proceeds of this issue were used to retire the remainder of the Series 2010 Bonds in order to take advantage of lower interest rates with an estimated net present value savings of $3.7 million.

On June 28, 2016 MHHEFA issued $73,445,000 principal amount of Revenue Bonds, Series 2016A ($31,945,000) and Series 2016B ($41,500,000). The proceeds of this issue were used to retire the Series 2007A Bonds and Series 2010 Bonds (partial) in order to take advantage of lower interest rates with an estimated net present value savings of $7.3 million. In 2017, the Series 2016B taxable note was converted as planned to Series 2017B. On March 23, 2017 the Series 2016 were converted to Series 2017B bonds as planned when the 2016B bonds were issued in June 2016.

The Obligated Group for MHHEFA bond issuances includes the Company, CHP, Foundation, Sleep Center, Doctors Community Medical Group and Doctors Integrated Healthcare Network and Health Ventures excluding the MAUI, Magnolia Gardens, DI LLC, ACO, and STM. The Series 2017A, Series 2017B, and Series 2016 Bonds are secured by the revenue and accounts receivable of the Obligated Group, and certain other property secured by a Deed of Trust. The Obligated Group is required to maintain certain compliance ratios and covenants as defined under the bond documents. In the opinion of the management, the Company has complied with the required covenants for 2017 and 2016 series bonds.

Other debt

During 2008, DRCC obtained a $4,000,000 revolving line of credit from a commercial lender to finance the acquisition of certain medical equipment. The line of credit was converted to a financing lease during 2009. Beginning in October 2009, monthly payments of principal and interest at 6.8% per annum become due. In July 2012, DRCC modified the capital equipment lease to obtain an interest rate of 3.6%. This lease ended January 2019.

8. Professional and General Liabilities, Workers Compensation, and Employee Health Coverages

The Company has coverage for professional and general liabilities on a claims-made basis from Freestate Healthcare Insurance Company, Ltd., a group captive formed by several Maryland hospitals. The Company owns 20% interest in the captive and accounts for its investment in the captive using the cost method. The cost of $15,000 is recorded in other noncurrent assets in the accompanying consolidated balance sheets as of June 30, 2020 and 2019. Premiums are expensed as incurred and are established by the captive based on the Company's historical experience supplemented as necessary with industry experience. The total premium is allocated to each of the shareholders based on their experience. Retrospective premium assessments and credits are calculated based on the aggregate experience of all named insureds under the policy. Each named insured's assessment of credit is based on the percentage of their actual exposure to the actual exposure of all named insureds. Each named insured will not be charged or entitled to any retrospective premium assessments or credits until the policy period has been closed and no further claim obligations are expected. In management's opinion, the assets of Freestate are sufficient to meet its obligations as of June 30, 2020. If the financial condition of Freestate were to materially deteriorate in the future, and Freestate was unable to pay its claim obligations, the responsibility to pay those claims would return to the member hospitals.

The captive is responsible for claims up to $1,000,000 for each and every loss event. Additional coverage has been purchased by the captive for all claims in excess of $1,000,000 to a limit of $6,000,000 effective March 1, 2006, $10,000,000 effective March 1, 2012, and $15,000,000 March 1, 2019. The estimated unpaid loss liability reserved by the captive for the Company was $9,466,094 and $10,656,429 at June 30, 2020 and 2019, respectively. These amounts are included in long term liabilities and the related anticipated insurance recoveries were reported in noncurrent assets in the accompanying consolidated balance sheets. The liability for all claims incurred but not reported for the Company was $1,106,000 and $1,066,000 at June 30, 2020 and 2019, respectively. The discount rate for unpaid losses is 3.5% for years ending June 30, 2020 and 2019. The Company engages a consulting actuary to assist in the determination of all professional liability claims incurred but not reported.

The Company is self-insured against workers' compensation claims up to a per-claim limit of $500,000 with an annual limitation of approximately $1,000,000. A liability has been recorded for all known claims and an estimate for claims incurred but not reported in the amount of $1,204,270 and $1,080,971 at June 30, 2020 and 2019, respectively. These amounts are included in accrued expense line item in the accompanying consolidated balance sheets.

The Company is self-insured against employee health medical claims up to a per-claim limit of $200,000 and no maximum aggregate benefit. A liability has been recorded for all known claims and an estimate for claims incurred but not reported in the amount of $507,000 and $621,000 at June 30, 2020 and 2019, respectively. These amounts are included in the accrued expenses line item in the accompanying consolidated balance sheets.

9. Leases

The following table presents the components of the Company's right-of-use assets and liabilities related to leases and their classification in the accompanying consolidated balance sheet as of June 30, 2020:

Component of Lease Balances	Classification in Consolidated Balance Sheet		June 30, 2020
Assets:			
Operating lease assets	Right of use asset	$	4,543,771
Finance lease assets	Property and equipment		155,672
Total leased assets			$ 4,699,443
Liabilities:			
Operating lease liabilities:			
Current	Lease liabilities short term	$	1,183,557
Long-term	Lease liabilities long term		4,074,861
Total operating lease liabilities		$	5,258,418
Finance lease liabilities:			
Current	Current portion of long-term debt	$	33,798
Long-term	Long-term debt		-
Total finance lease liabilities			33,798
Total lease liabilities		$	5,292,216

The Company determines if an arrangement is a lease at inception of the contract. The right-of-use assets represent the Company's right to use the underlying assets for the lease term and the lease liabilities represent the Company's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses a incremental borrowing rate as the discount rate.

The Company's operating leases are primarily for real estate and equipment. Real estate leases include leases of medical facilities and office spaces. Equipment leases mainly include lease of copiers and medical equipment. The Company's real estate lease agreements typically have initial terms of three to ten years, and equipment lease agreements typically have initial terms of three to five years.

Real estate leases may include one or more options to renew that can extend the lease term from five to ten years. The exercise of lease renewal options is at the Company's sole discretion. In general, the Company does not consider renewal options to be reasonably likely to be exercised; therefore, renewal options are generally not recognized as part of the Company's right-of-use assets and lease liabilities. Certain equipment leases also include options to purchase the leased equipment. The useful life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. The Company currently does not have any leases whereby there is a transfer of title or a purchase option that is reasonably certain to be exercised; hence, all of the Company's leases are depreciated over the lease term.

Certain of the Company's lease agreements for real estate include payments based on actual common area maintenance expenses and other operating expenses. These variable lease payments are recognized in other operating expenses, net but are not included in the right of-use asset or liability balances. The Company's lease agreements do not contain any material residual value guarantees, restrictions, or covenants.

The Company elected the accounting policy practical expedients by class of underlying asset to: (i) exclude recording leases with an initial term of twelve months or less ("short-term leases") as right-of-use assets and liabilities on the consolidated balance sheets; and (ii) combine associated lease and non-lease components into a single lease component. Non-lease components, which are not significant overall, are combined with lease components. The Company has elected these practical expedients for real estate, equipment, and all other asset classes when acting as a lessee.

The following table presents the components of the Company's lease expense for the year ended June 30, 2020:

Components of Lease Expense		**Year ended June 30, 2020**
Operating lease expense	$	1,653,919
Finance lease expense:		
Amortization of leased assets		2,391
Interest on lease liabilities		42,455
Total finance lease expense		44,846
Variable lease expense		59,713
Short-term lease expense		4,976
Total lease expense	$	1,763,454

The weighted-average lease terms and discount rates for operating and finance leases are as follows:

	June 30, 2020
Weighted-average remaining lease term (years)	
Operating leases	7.44
Finance leases	.67
Weighted-average discount rate	
Operating leases	4.55%
Finance leases	4.16%

Cash flow and other information related to leases are included in the following table:

		Year ended June 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	$	3,001,328
Operating cash outflows from finance leases		2,391
Financing cash outflows from finance leases		43,457
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases		$ 5,934,485

Future minimum lease payments as of June 30, 2020 are as follows:

	Finance Leases	Operating Leases	Total
2021	$ 33,798	$ 1,183,557	$ 1,217,355
2022	-	756,519	756,519
2023	-	448,616	448,616
2024	-	434,938	434,938
2025	-	406,176	406,176
Thereafter	-	2,028,612	2,028,612
Total minimum lease payments	$ 33,798	$ 5,258,418	$ 5,292,216

10. Retirement Plans

The Company has a 403b defined contribution plan (the “contribution plan”) covering substantially all its employees. The contribution plan is employee and employer contributory. The Company contributed a match of $0.50 for every $1.00 of elective deferrals for a plan year for eligible employees up to 4% of base compensation. Defined contribution plan expense amounted to $1,265,842 and $1,422,542 for 2020 and 2019, respectively.

The Company froze the defined benefit pension plan that it sponsors (the Plan) in 2011, which covered substantially all employees. The decision to terminate the Plan has not been made by the board of directors. The benefits are based on years of service and employee compensation during years of employment. The Company’s funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Company expects to contribute $1,232,021 to the Plan during 2021 to keep the funding levels at the ERISA requirements. The measurement date of the Plan is June 30.

The following table provides a reconciliation of the benefit obligation, Plan assets, and funded status of the Plan in the Company's consolidated financial statements based on actuarial valuations for the years ended June 30:

	For the Year Ended	
	2020	**2019**
Accumulated Benefit Obligation		
Change in Benefit Obligation		
Benefit Obligation at beginning of year	**$ 21,661,466**	$ 22,871,105
Interest cost	**636,293**	796,893
Settlement loss/(gain)	**(36,964)**	(14,800)
Actuarial loss/(gain)	**1,882,541**	1,234,497
Settlement payments	**(982,194)**	(3,136,449)
Benefits paid	**(111,500)**	(89,780)
Benefit Obligation at End of Year	**$ 23,049,642**	$ 21,661,466
Change in Plan Assets		
Fair value of plan assets at beginning of year	**$ 16,660,073**	$ 18,711,547
Actual return on plan assets	**293,921**	525,639
Employer contributions	**663,912**	649,116
Settlement payments	**(982,194)**	(3,136,449)
Benefits paid	**(111,500)**	(89,780)
Fair Value of Plan Assets at End of Year	**$ 16,524,212**	$ 16,660,073
Funded Status (Pension Obligation)	**$ (6,525,430)**	$ (5,001,393)
Components of Net Periodic Benefit Costs		
Interest cost	**$ 636,293**	$ 796,893
Expected return on plan assets	**(955,530)**	(942,470)
Settlement	**410,534**	1,181,733
Recognition of loss from change in measurement date	**569,608**	497,360
Net Period Pension Costs	**$ 660,905**	$ 1,533,516

The total amount recognized in net assets without donor restrictions in the accompanying consolidated financial statements for the years ended June 30:

	2020	2019
Net actuarial loss	**$ 9,634,202**	$ 8,107,158

Lump sum distributions exceeded the Plan's interest cost triggering a settlement event. As a result, a settlement loss of $410,534 and $1,181,733 was recognized for 2020 and 2019, respectively.

Plan assets are invested to ensure that the Plan has the ability to pay all benefit and expense obligations when due, to maximize return within prudent levels of risk for pension assets, and to maintain a funding cushion for unexpected developments. The target weighted-average asset allocation of pension investments was 38% equities and 62% fixed maturity securities and cash as of June 30, 2020.

The Plan’s estimated future benefit payments are as follows:

2021	**$ 2,428,434**
2022	**1,291,976**
2023	**1,235,496**
2024	**1,257,026**
2025	**1,580,928**
2026 - 2030	**6,329,519**
Total	**$ 14,123,379**

The weighted-average assumptions used to determine net periodic benefit cost and the projected benefit obligation for the years ended June 30 were as follows:

	2020	2019
Discount rate	**2.05%**	3.10%
Expected return on Plan assets	**6.00%**	6.00%

The following table presents the Company’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2020:

	June 30, 2020			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
Assets				
Mutual funds:				
Equity	$ 15,570,848	$ 15,570,848	$ -	$ -
Alternative investments:				
Common/collective trust	953,364	-	953,364	-
	$ 16,524,212	$ 15,570,848	$ 953,364	$ -

The following table presents the Company's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of June 30, 2019:

	June 30, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets				
Mutual funds:				
Equity	$ 16,660,073	$ 16,660,073	$ -	$ -
	$ 16,660,073	$ 16,660,073	$ -	$ -

There were no significant transfers between fair value hierarchy levels for the years ended June 30, 2020 and 2019.

The Company has a deferred compensation plan that permits certain executives to defer receiving a portion of their compensation. The deferred amounts are included in other assets in the accompanying consolidated balance sheets. The associated liability of an equal amount is included in other liabilities in the accompanying consolidated balance sheets. The liability recorded regarding the deferred compensation was $3,831,692 and $4,253,265 as of June 30, 2020 and 2019, respectively.

The Company is the beneficiary of split dollar life insurance policies in place for certain executives. The amounts that could be realized by the Company under the insurance contracts are approximately $9,000,000 as of both June 30, 2020 and 2019 and are included in other assets in the consolidated balance sheets.

11. Maryland Health Services Cost Review Commission

Certain of the Company's charges are subject to review and approval by the Commission. Company management has filed the required forms with the Commission and believes the Company is in compliance with Commission requirements.

The current rate of reimbursement for principally all hospital inpatient and outpatient services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicare and Medicaid Services and the Commission. 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 all third-party payers elect to be reimbursed under this program, the rate of increase for costs per hospital services is below the national average, and certain specific quality indicators are met. In January 2014, the State of Maryland and CMS agreed to implement a revised waiver focused on population health, and the previous waiver was terminated.

This was a new global budget arrangement which set a fixed revenue amount for the upcoming year, without fluctuation due to utilization or case mix. This was a five-year demonstration where Maryland successfully made significant progress toward reducing costs inside and outside of the hospital as well as improving patient care. Beginning January 2019 the new "Total Cost of Care Model" (the "Model") was approved and builds upon the successes of the All-Payer Model. The Model encourages continued clinical redesign and provides tools to providers to treat complex and chronic conditions and is built on the same global budget arrangement mechanics for revenue setting as the predecessor model. This is approved for a 10-year term provided Maryland meets the Model performance requirements.

The Commission's rate-setting methodology for service centers that provide both inpatient and outpatient services or only outpatient services consists of establishing an acceptable unit rate for these centers within the applicable facility. The actual average unit charge for each service center is compared to the approved rate on a monthly basis. The rate variances, plus penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) future approved rates on an annual basis. The timing of the Commission's rate adjustments for the Company could result in an increase or reduction due to the variances and penalties described above in a year subsequent to the year in which such items occur. The Company's policy is to accrue revenue based on actual charges for services to patients in the year in which the services are performed and billed. For 2020, hospitals that are in an undercharge position due to the current pandemic (see Note 17) may not be able to recoup more than their undercharge net of any applicable CARES Act funding (see Note 16).

12. Contingencies

Litigation

There are several lawsuits pending in which the Company has been named as defendant. In the opinion of Company management, after consultation with legal counsel, the potential liability, in the event of adverse settlement, will not have a material impact on the Company's consolidated financial position.

Risk factors

The Company's ability to maintain and/or increase future revenues could be adversely affected by:

- The growth of managed care organizations promoting alternative methods for health care delivery and payment of services such as discounted fee for service networks and capitated fee arrangements (the rate setting process in the State of Maryland prohibits hospitals from entering into discounted fee arrangements; however, managed care contracts may provide for exclusive service arrangements);

- Proposed and/or future changes in the laws, rules, regulations, and policies relating to the definition, activities, and/or taxation of not-for-profit tax-exempt entities;

- The enactment into law of all or any part of the current budget resolutions under consideration by Congress related to Medicare and Medicaid reimbursement methodology and/or further reductions in payments to hospitals and other health care providers;

- The future of Maryland's certificate of need program, where future deregulation could result in the entrance of new competitors, or future additional regulation may eliminate the Company's ability to expand new services; and

- The ultimate impact of, and any changes to, the federal Patient Protection and Affordable Care Act and the Health Care Education Affordability Reconciliation Act of 2010.

The Joint Commission, a non-governmental privately owned entity, provides accreditation status to hospitals and other health care organizations in the United States. Such accreditation is based upon a number of requirements such as undergoing periodic surveys conducted by Joint Commission personnel. Certain managed care payers require hospitals to have appropriate Joint Commission accreditation in order to participate in those programs. In addition, the CMS, the agency with oversight of the Medicare and Medicaid programs, provides "deemed status" for facilities having Joint Commission accreditation. By being Joint Commission accredited, facilities are "deemed" to be in compliance with the Medicare and Medicaid conditions of participation. Termination as a Medicare provider or exclusion from any or all of these programs/payers would have a materially negative impact on the future financial position, operating results and cash flows of the Company. In February 2019, the Company was surveyed by Joint Commission and received a full three-year Joint Commission accreditation through February 2022.

The Company invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term, and such changes could materially affect the amounts reported as investments on the consolidated balance sheets.

Other contingency

During the year ended June 30, 2020, the Company recorded an accrual related to a billing error that it intends to self-report to the Department of Health and Human Services. The Company expects to work with the Federal Government to come to a resolution on this matter. It is possible that other regulatory conditions may be part of the final resolution. Based on consultation with legal counsel, management believes the final resolution will not have a material adverse effect on the June 30, 2020 financial statements.

13. Goodwill

The Company used the acquisition method of accounting to record goodwill when purchasing physician practices and other similar entities. Goodwill is not considered an identifiable asset and as such, was not included in the acquired assets during the acquisition with the entire balance being written off as of July 1, 2019. The table below presents goodwill that had been recorded as of June 30, 2019 prior to the Acquisition.

	2019
Cancer center, DRCC	$ 1,062,531
Orthopedic practice	376,316
Nursing home	767,285
Surgery center	20,416
Cancer center, MRCC	646,975
Physician practices	197,375
	$ 3,070,898

14. Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated balance sheet date, consist the following at June 30:

	2020	2019
Cash and cash equivalents	**$ 99,221,421**	$ 34,168,164
Patient accounts receivable, net	**35,468,849**	38,839,947
Pledges receivable, net	**191,332**	201,332
Other current assets	**3,302,953**	5,418,525
Investments with daily and weekly liquidity	**18,179,843**	17,436,369
Total	**$ 156,364,398**	$ 96,064,337

15. Net Assets With Donor Restrictions

Net assets with donor restrictions are available as of June 30 for the following programs and projects:

	2020	2019
Hospital capital additions	**$ 35,476**	$ 48,108
Hospital operating programs	**432,146**	438,702
	$ 467,622	$ 486,810

16. CARES Act Funding

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. One provision of the CARES Act was the establishment of the Provider Relief Funds administered by the U.S. Department of Health and Human Services (HHS). The Provider Relief Funds are being distributed to healthcare providers throughout the country to support the battle against the COVID-19 outbreak. During the year ended June 30, 2020, the Company has received $15,553,859 in general distributions from this fund. These funds are intended to reimburse qualifying expenses and lost revenues attributable to COVID-19 and are subject to the terms, conditions, and regulatory requirements set forth by HHS. If the total distributions received by the Company exceed the cumulative amount of qualifying expenses and lost revenues attributable to COVID-19 through July 31, 2021, any excess funding may be subject recoupment. For the year ended June 30, 2020 the Company recognized $15,553,859 as other operating revenues in the accompanying consolidated statements of operations. In July 2020, the Company received targeted distributions of $16,505,004 from the Provider Relief Funds.

On October 22, 2020, HHS released additional reporting requirements for health care entities that received distributions from the Provider Relief Fund. The Post-Payment Notice of Reporting Requirements (the Notice) supplements the previous notice issued on July 20, 2020, and amended on August 14, 2020 and September 19, 2020. The Company considered the effects of the changes included in the Notice and concluded these changes represent non-recognized (i.e., Type II) subsequent events in accordance with ASC 855, Subsequent Events, since the reporting requirements included in the Notice provide evidence about conditions that did not exist at the balance sheet date, but instead are conditions that arose after that date but before financial statements were issued. Based on the expectations of the revenue to be recognized through December 31, 2020, the Company does not believe the new guidance will result in a material change to amounts recorded in the June 30, 2020, financial statements related to the Provider Relief Funds. The Company will continue to monitor changes in reporting guidance or additional clarifications that may be issued by HHS, which would affect the accounting for distributions from the Provider Relief Fund. In addition, the Company will continue to monitor guidance from the Commission related to how the Commission will interpret the new HHS guidance.

Also under the CARES Act, the Company received $43,234,231 working capital financing from the Medicare Accelerated and Advance Payment Program in May 2020, which will need to be repaid beginning 120 days after the date of issuance of the payments as new claims are submitted to CMS. As of June 30, 2020, the remaining balance of $43,101,714 is included in advances from third party payors in the accompanying consolidated balance sheets.

17. COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on employees and vendors, and governmental, regulatory and private sector responses. The accompanying consolidated financial statements do not reflect any adjustments as a result of the increase in economic uncertainty which continues through the issuance date.

18. Business Combination

On July 1, 2019, Luminis became the sole member and parent of the Company. No consideration was transferred by Luminis as part of the transaction. However, as part of the terms of the agreement, Luminis has committed to invest $138,000,000 into the Company over the next five years, with $8.3 million invested in 2020.

The Company elected to apply pushdown accounting whereby individual assets and liabilities were adjusted to the new basis of accounting established by Luminis as of the acquisition date. Luminis is required to reassess whether it has identified all of the assets acquired and all of the liabilities assumed from the transaction, and there is at least a reasonable possibility that recorded amounts will change.

The following information summarizes the recorded values of the assets acquired and liabilities assumed as of the date of the change-in-control:

Cash	$ 34,168,164
Patient accounts receivable, net	38,839,947
Other receivables	5,619,857
Inventories	4,243,356
Prepaid expenses	3,981,044
Marketable securities	18,257,784
Joint ventures and equity investments	5,942,465
Property and equipment	116,539,923
Other non-current assets	30,092,855
Total assets acquired	257,685,395
Accounts payable and accrued expenses	31,874,601
Advances from third party payers	7,765,308
Long-term debt	132,571,129
Net pension liability	5,001,393
Deferred compensation/claims incurred but not reported	16,005,694
Total liabilities assumed	193,218,125
Net assets acquired over liabilities assumed	$ 64,467,270

Supplementary Information

Doctors Community Medical Center and Subsidiaries
Consolidating Balance Sheet
June 30, 2020

	Hospital	Healthcare Programs	Foundation	Health Ventures	Sleep Center	Eliminations	Obligated Group	DRCC	Magnolia Gardens, MAUI, DI, UCAS	STM, ACO	Eliminations	Total
ASSETS												
CURRENT ASSETS												
Cash and cash equivalents	$ 91,769,627	$ 2,930,306	$ 376,096	$ 640,220	$ 1,644	$ -	$ 95,717,893	$ 3,460,484	$ -	$ 43,044	$ -	$ 99,221,421
Patient accounts receivable, net	30,471,456	4,592,046	-	79,049	4,903	-	35,147,454	297,366	-	24,029	-	35,468,849
Inventories	5,567,731	-	-	-	19,383	-	5,587,114	0	-	-	-	5,587,114
Prepaid expenses and other current assets	3,878,080	184,636	484,053	464,093	12,521	-	5,023,383	271,924	-	84,116	-	5,379,423
TOTAL CURRENT ASSETS	131,686,894	7,706,988	860,149	1,183,362	38,451	-	141,475,844	4,029,774	-	151,189	-	145,656,807
Property and equipment	120,970,659	1,249,176	-	105,853	486,920	-	122,812,608	2,065,466	-	-	-	124,878,074
Accumulated depreciation	(9,484,367)	(230,004)	-	(20,772)	23,346	-	(9,711,797)	(454,159)	-	-	-	(10,165,956)
Net property and equipment	111,486,292	1,019,172	-	85,081	510,266	-	113,100,811	1,611,307	-	-	-	114,712,118
Other assets												
Investments	18,179,843	-	-	-	-	-	18,179,843	1,843,197	-	-	-	20,023,040
Investment in DRCC	4,241,920	-	-	-	-	(4,241,920)	-	-	-	-	-	-
Right of use asset	4,543,771						4,543,771					4,543,771
Other assets	31,791,201	12,271	-	-	-	(2,485,069)	29,318,403	-	-	3,902	-	29,322,305
Joint ventures and equity investments	-	-	-	6,195,831	-	(6,195,831)	-	-	6,195,831	-	-	6,195,831
	58,756,735	12,271	-	6,195,831	-	(12,922,820)	52,042,017	1,843,197	6,195,831	3,902	-	60,084,947
DUE TO DCH	97,091,847	-	-	-	9,172,239	(96,318,283)	9,945,803	-	-	-	(9,945,803)	-
TOTAL ASSETS	$ 399,021,768	$ 8,738,431	$ 860,149	$ 7,464,274	$ 9,720,956	$ (109,241,103)	$ 316,564,475	$ 7,484,278	$ 6,195,831	$ 155,091	$ (9,945,803)	$ 320,453,872

See independent auditors' report.

Doctors Community Medical Center and Subsidiaries
Consolidating Balance Sheet
June 30, 2020

(Continued)

	Hospital	Healthcare Programs	Foundation	Health Ventures	Sleep Center	Eliminations	Obligated Group	DRCC	Magnolia Gardens, MAUI, DI, UCAS	STM ACO	Eliminations	Total
LIABILITIES AND NET ASSETS												
CURRENT LIABILITIES												
Accounts payable	$ 8,145,323	$ 1,386,691	$ -	$ 525,479	$ 44,984	$ -	10,102,477	$ 170,275	$ -	$ 1,128	$ -	10,273,880
Due to DCH	9,172,239	50,920,569	358,270	2,824,654	1,581,126	(63,603,775)	1,253,083	154,137	-	8,538,583	(9,945,803)	-
Salaries, wages, and related items	14,558,976	80,535	-	14,244	-	-	14,653,755	-	-	-	-	14,653,755
Other accrued expenses	13,461,659	-	128,253	75,872	58,714	-	13,724,498	89,997	-	138,088	-	13,952,583
Advances from third party payers	50,394,224	1,016,505	-	494,838	-	-	51,905,567	-	-	-	-	51,905,567
Current portion of operating lease liabilities	1,183,557	-	-	-	-	-	1,183,557	-	-	-	-	1,183,557
Current portion of long-term obligations	4,978,798	-	-	-	-	-	4,978,798	-	-	-	-	4,978,798
TOTAL CURRENT LIABILITIES	101,894,776	53,404,300	486,523	3,935,087	1,684,824	(63,603,775)	97,801,735	414,409	-	8,677,799	(9,945,803)	96,948,140
NONCURRENT LIABILITIES												
Other long-term liabilities	14,421,786	-	-	-	-	-	14,421,786	-	-	-	-	14,421,786
Pension obligation	6,525,431	-	-	-	-	-	6,525,431	-	-	-	-	6,525,431
Operating lease liabilities	4,074,861	-	-	-	-	-	4,074,861	-	-	-	-	4,074,861
Long-term obligation, net of current portion	122,765,997	-	-	32,725,782	-	(32,725,782)	122,765,997	-	-	-	-	122,765,997
TOTAL LIABILITIES	249,682,851	53,404,300	486,523	36,660,869	1,684,824	(96,329,557)	245,589,810	414,409	-	8,677,799	(9,945,803)	244,736,215
NET ASSETS AND MEMBERS' EQUITY												
Without donor restrictions	149,244,921	(44,665,869)	-	-	8,036,132	(44,299,398)	68,315,786	-	-	(2,270,061)	7,013,053	73,058,778
Members' equity	-	-	-	(29,196,595)	-	29,196,595	-	7,069,869	6,195,831	(6,252,647)	(7,013,053)	-
With donor restrictions	93,996	-	373,626	-	-	-	467,622	-	-	-	-	467,622
Noncontrolling interest	-	-	-	-	-	2,191,257	2,191,257		-	-	-	2,191,257
	149,338,917	(44,665,869)	373,626	(29,196,595)	8,036,132	(12,911,546)	70,974,665	7,069,869	6,195,831	(8,522,708)	-	75,717,657
TOTAL LIABILITIES AND NET ASSETS	$ 399,021,768	$ 8,738,431	$ 860,149	$ 7,464,274	$ 9,720,956	$ (109,241,103)	$ 316,564,475	$ 7,484,278	$ 6,195,831	$ 155,091	$ (9,945,803)	$ 320,453,872

See independent auditors' report.

Doctors Community Medical Center and Subsidiaries
Consolidating Statement of Operations and Changes in Net Assets
June 30, 2020

	Hospital	Healthcare Programs	Foundation	Health Ventures	Sleep Center	Eliminations	Obligated Group	DRCC	Magnolia Gardens, MAUI, DI, UCAS	STM, ACO	Total
OPERATING REVENUE											
Net patient service revenue	211,390,545	12,365,479	-	3,958,306	2,664,682	-	230,379,012	8,743,813	-	-	239,122,825
Other operating revenue	18,369,657	2,561,796	308,287	644,666	-	(66,422)	21,817,984	65,645	-	568	21,884,197
TOTAL OPERATING REVENUE	229,760,202	14,927,275	308,287	4,602,972	2,664,682	(66,422)	252,196,996	8,809,458	-	568	261,007,022
EXPENSES											
Salaries and wages	89,485,612	14,320,212	345,261	4,653,717	24,000	-	108,828,802	-	-	2	108,828,804
Employee benefits	13,710,079	2,330,795	71,154	893,884	-	-	17,005,912	-	-	-	17,005,912
Purchased services	64,296,863	5,656,856	339,909	1,313,140	1,158,425	-	72,765,193	7,758,354	-	160,348	80,683,895
Supplies	33,920,959	663,493	-	368,687	-	-	34,953,139	135,295	-	-	35,088,434
Depreciation and Amortization	9,681,806	279,759	-	20,772	(23,346)	-	9,958,991	454,159	-	-	10,413,150
Interest	4,317,819	-	-	-	-	-	4,317,819	-	-	-	4,317,819
TOTAL EXPENSES	215,413,138	23,251,115	756,324	7,250,200	1,159,079	-	247,829,856	8,347,808	-	160,350	256,338,014
INCOME (LOSS) FROM OPERATIONS	14,347,064	(8,323,840)	(448,037)	(2,647,228)	1,505,603	(66,422)	4,367,140	461,650	-	(159,782)	4,669,008
NONOPERATING GAINS (LOSSES)											
Investment income, net	457,595	3,366	253	-	-	-	461,214	-	-	-	461,214
Pension expense	(660,906)	-	-	-	-	-	(660,906)	-	-	-	(660,906)
Loss in trading securities	(262,337)	-	-	-	-	-	(262,337)	-	-	-	(262,337)
Equity in joint ventures	(111,195)	-	-	175,671	-	(64,476)	0	-	253,366	-	253,366
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	13,770,221	(8,320,474)	(447,784)	(2,471,557)	1,505,603	(130,898)	3,905,111	461,650	253,366	(159,782)	4,460,345
Net asset transfer	473,964	-	412,308	56,683	(942,955)	-	-	-	-	-	-
Equity transfer	8,300,798	-	-	-	-	-	8,300,798	-	-	-	8,300,798
Net assets released from restrictions for capital acquisitions	-	-	35,476	-	-	-	35,476	-	-	-	35,476
Contributions with donor restrictions	15,275	-	517,878	-	-	-	533,153	-	-	-	533,153
Net assets released from restrictions for use in operations	(83,028)	-	(433,837)	-	-	-	(516,865)	-	-	-	(516,865)
Net assets released from restrictions for capital acquisitions	-	-	(35,476)	-	-	-	(35,476)	-	-	-	(35,476)
Pension - related changes other than net periodic pension cost	(1,527,044)	-	-	-	-	-	(1,527,044)	-	-	-	(1,527,044)
Increase (decrease) in net assets	20,950,186	(8,320,474)	48,565	(2,414,874)	562,648	(130,898)	10,695,153	461,650	253,366	(159,782)	11,250,387
Net assets, beginning of year	128,388,731	(36,345,395)	325,061	(26,781,721)	7,473,484	(12,780,648)	60,279,512	6,608,219	5,942,465	(8,362,926)	64,467,270
Net assets, end of year	$ 149,338,917	$ (44,665,869)	$ 373,626	$ (29,196,595)	$ 8,036,132	$ (12,911,546)	$ 70,974,665	$ 7,069,869	$ 6,195,831	$ (8,522,708)	$ 75,717,657

See independent auditors' report.