The Johns Hopkins Health System Corporation and Affiliates

Consolidated Financial Statements and Supplementary Information
June 30, 2020 and 2019

The Johns Hopkins Health System Corporation and Affiliates
Index
June 30, 2020 and 2019

Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates:

We have audited the accompanying consolidated financial statements of The Johns Hopkins Health System Corporation and its affiliates ("JHHS"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 the 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 audit 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 our 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, we consider internal control relevant to the JHHS' 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 JHHS' 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 The Johns Hopkins Health System Corporation and its affiliates as of June 30, 2020 and 2019, and the results of their operations and changes in net assets, and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Notes 1 and 9 to the consolidated financial statements, JHHS changed the manner in which it accounts for its leases and cash flow presentation of restricted cash in 2020. Our opinion is not modified with respect to these matters.

PricewaterhouseCoopers LLP

Baltimore, Maryland
October 2, 2020

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets
June 30, 2020 and 2019

(in thousands)	2020	2019
Assets		
Current assets		
Cash and cash equivalents	$ 892,791	$ 711,260
Short-term investments	95,505	90,148
Assets whose use is limited - used for current liabilities	4,273	13,531
Patient accounts receivable, net	575,383	567,416
Due from others	140,350	138,313
Due from affiliates, current portion	29,155	35,879
Inventories of supplies	147,450	125,031
Estimated malpractice recoveries, current portion	73,109	63,776
Prepaid expenses and other current assets	44,922	48,411
Total current assets	2,002,938	1,793,765
Assets whose use is limited		
By donors or grantors for		
Pledges receivable	47,985	30,544
Other	159,296	68,939
By board of trustees	628,030	578,484
Other	21,721	19,991
Total assets whose use is limited	857,032	697,958
Investments	2,900,783	2,971,310
Property, plant and equipment, net	2,958,596	2,992,135
Finance lease right-of-use assets	106,809	71,888
Operating lease right-of-use assets	128,199	-
Due from affiliates, net of current portion	67,788	83,443
Estimated malpractice recoveries, net of current portion	53,377	45,429
Swap counterparty deposit	109,459	56,477
Other assets	38,425	35,615
Total assets	$ 9,223,406	$ 8,748,020

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Balance Sheets, continued
June 30, 2020 and 2019

(in thousands)	2020	2019
Liabilities and Net Assets		
Current liabilities		
Current portion of long-term debt	$ 46,411	$ 62,268
Lines of credit	200,000	-
Finance lease liabilities, current portion	12,382	7,167
Operating lease liabilities, current portion	26,610	-
Accounts payable and accrued liabilities	851,664	783,615
Medical claims reserve	121,063	126,812
Deferred revenue	157,090	126,883
Due to affiliates	5,849	14,202
Advances from third-party payors	132,956	122,298
Current portion of estimated malpractice costs	105,494	66,134
Total current liabilities	1,659,519	1,309,379
Long-term debt, net of current portion	1,878,397	1,881,619
Finance lease liabilities, net of current portion	114,578	85,100
Operating lease liabilities, net of current portion	109,270	-
Estimated malpractice costs, net of current portion	175,375	148,210
Net pension liability	1,103,995	925,406
Other long-term liabilities	372,835	281,965
Total liabilities	5,413,969	4,631,679
Net assets		
Net assets without donor restrictions	3,616,623	3,948,092
Net assets with donor restrictions	192,814	168,249
Total net assets	3,809,437	4,116,341
Total liabilities and net assets	$ 9,223,406	$ 8,748,020

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Operations and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

(in thousands)	2020	2019
Operating revenues and other support		
Net patient service revenue	$ 3,780,913	$ 3,891,443
Insurance premium revenue	2,253,432	2,090,993
Other revenue	1,063,818	830,880
Net assets released from restrictions used for operations	12,320	13,555
Total operating revenues and other support	7,110,483	6,826,871
Operating expenses		
Salaries, wages and benefits	2,581,971	2,479,938
Purchased services	2,928,666	2,706,091
Supplies and other	1,277,031	1,206,713
Interest	57,833	61,405
Depreciation and amortization	310,708	291,533
Total operating expenses	7,156,209	6,745,680
(Loss) Income from operations	(45,726)	81,191
Non-operating revenues and expenses		
Interest expense on swap agreements	(19,670)	(16,228)
Change in fair value of interest rate swap agreements	(93,977)	(51,683)
Investment return, net	101,035	196,059
Other components of net periodic pension cost	(72,712)	(85,500)
Loss on advance refunding of debt	(27,435)	-
Other non-operating expenses	(23,711)	(23,093)
Excess of revenues (under) over expenses	(182,196)	100,746
Contributions to affiliates	(107)	(663)
Change in funded status of defined benefit plans	(157,272)	(189,892)
Net assets released from restrictions used for purchases of property, plant, and equipment	5,989	20,265
Other	2,117	8,074
Decrease in net assets without donor restrictions	(331,469)	(61,470)
Changes in net assets with donor restrictions		
Gifts, grants and bequests	41,875	35,965
Net assets released from restrictions used for purchases of property, plant, and equipment	(5,989)	(20,265)
Net assets released from restrictions used for operations	(12,320)	(13,555)
Other	999	-
Increase in net assets with donor restrictions	24,565	2,145
Decrease in net assets	(306,904)	(59,325)
Net assets		
Beginning of year	4,116,341	4,175,666
End of year	$ 3,809,437	$ 4,116,341

The accompanying notes are an integral part of these consolidated financial statements.

The Johns Hopkins Health System Corporation and Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

(in thousands)	**2020**	**2019**
Operating activities		
Change in net assets	$ (306,904)	$ (59,325)
Adjustments to reconcile change in net assets to net cash, cash equivalents and restricted cash provided by operating activities		
Depreciation and amortization	310,708	291,533
Net realized and changes in unrealized gains on investments	(38,016)	(123,147)
Change in fair value of interest rate swap agreements	93,977	51,683
Change in funded status of defined benefit plans	157,272	189,892
Restricted contributions and investment income received	(7,861)	(23,377)
Return on equity method investments	(4,036)	(5,557)
Loss on advance refunding of debt	27,435	-
Other operating activities	4,821	6,191
Change in assets and liabilities		
Patient accounts receivable	(8,855)	16,598
Inventories of supplies, prepaid expenses and other current assets	(21,255)	(36,058)
Due from affiliates, net	3,662	7,578
Pledges receivable	(17,441)	339
Other assets and other long-term liabilities, net	(3,178)	(15,838)
Accounts payable, accrued liabilities and accrued vacation	70,076	69,439
Medical claims reserve	(5,749)	8,628
Deferred revenue	30,207	(13,943)
Advances from third-party payors	10,658	8,202
Accrued pension benefit costs	18,032	(3,485)
Estimated malpractice costs	49,245	8,764
Cash provided by operating activities	362,798	378,117
Investing activities		
Purchases of property, plant and equipment	(278,386)	(363,610)
Investment in equity method investments	(8,193)	(4,877)
Purchases of investment securities	(1,667,305)	(2,331,534)
Sales of investment securities	1,682,994	2,457,124
Payments received on affiliate notes	22,490	21,494
Advances on affiliate notes	(7,363)	(11,797)
Swap counterparty deposit	(52,982)	(22,626)
Cash used in investing activities	(308,745)	(255,826)
Financing activities		
Restricted contributions and investment income received	7,861	23,377
Proceeds from long-term borrowings	375,606	7,500
Repayment of long-term debt	(420,111)	(48,988)
Proceeds from lines of credit	250,000	-
Repayments of lines of credit	(50,000)	-
Repayment of obligations under a financing lease	(11,289)	(5,119)
Other financing activities	227	-
Cash provided by (used in) financing activities	152,294	(23,230)
Change in cash, cash equivalents and restricted cash	206,347	99,061
Cash, cash equivalents, and restricted cash		
Beginning of year	726,941	627,880
End of year	$ 933,288	$ 726,941
Supplemental disclosure of cash flow information		
Purchases of property and equipment in accounts payable	$ 15,977	$ 22,251
Assets acquired under finance leases	4,660	31,155
Assets acquired under operating leases	4,346	-
Interest paid	87,398	86,012

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization. The Johns Hopkins Health System Corporation ("JHHSC") is incorporated in the State of Maryland to, among other things, formulate policy among and provide centralized management for JHHSC and Affiliates ("JHHS"). In addition, it provides certain shared services including finance, human resources, payroll, accounts payable, purchasing, patient financial services, legal, and other functions. JHHS is organized and operated for the purpose of promoting health by functioning as a parent holding company of affiliates whose combined mission is to provide patient care in the treatment and prevention of human illness which compares favorably with that rendered by any other institution in this country or abroad.

JHHSC is the sole member of The Johns Hopkins Hospital ("JHH"), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. ("JHBMC"), a community based teaching hospital, Howard County General Hospital, Inc. ("HCGH"), a community based hospital, Suburban Hospital, Inc. ("SHI"), a community based hospital, Sibley Memorial Hospital ("SMH"), a community based hospital, Johns Hopkins All Children's Hospital, Inc. ("JHACH"), an academic children's hospital, Suburban Hospital Healthcare System, Inc. ("SHHS"), a diverse healthcare system, All Children's Health System ("ACHS"), a diverse healthcare system, Johns Hopkins Community Physicians ("JHCP"), a community based physician practice group, The Johns Hopkins Medical Services Corporation ("JHMSC"), the contracting entity for the Uniformed Services Family Health Plan ("USFHP") contract, and the HCGH OB/GYN Associates Series, LLC ("HCOB"), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. ("HCSI"), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. ("JHMMC"), a taxable entity that provides temporary nursing and clerical staffing, promotes ambulatory care arrangements in support of JHHS, and houses commercial supply chain business units, Johns Hopkins Employer Health Programs, Inc. ("EHP"), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors, and Johns Hopkins Consolidated Services Center ("JHCSC"), a taxable distribution center providing commodity supplies to JHHS affiliates. JHHSC owned a 99.8% interest in Ophthalmology Associates, LLC ("OA"), a taxable professional services organization which was dissolved effective December 1, 2019. JHHSC and the Johns Hopkins University (the "University") each own a 50% membership interest in Johns Hopkins HealthCare LLC ("JHHC"), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHC. These entities are collectively known as the "Affiliates."

The University is a privately endowed institution that provides education and related services to students and others, research and related services to sponsoring organizations, and professional medical services to patients. The University is a separate legal entity from JHHSC with its own Board of Trustees. The University does not assume any responsibility or liability for the financial obligations of JHHS. The University owns membership interests in some of the affiliates of JHHS. Professional clinical services are also provided by members of the University's faculty to patients at JHHS hospitals.

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

Significant estimates made by management include the estimated net realizable value of patient receivables, valuation of alternative investments, the actuarially determined pension and other postretirement benefits, medical claims reserve, and malpractice and self-insurance reserves.

Basis of presentation. The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of consolidation. The consolidated financial statements include the accounts of JHHSC and all Affiliates after elimination of all significant intercompany accounts and transactions.

Cash, cash equivalents and restricted cash. Cash, cash equivalents and restricted cash include amounts invested in accounts with depository institutions which are readily convertible to cash, with original maturities of three months or less. Total deposits maintained at these institutions at times exceed the amount insured by federal agencies and therefore, bear a risk of loss. JHHS has not experienced such losses on these funds.

Through arrangements with banks, excess operating cash is invested daily. This investment is considered a cash equivalent in the accompanying Consolidated Balance Sheets. JHHS earns interest on these funds at a rate that is based upon the bank's Federal Funds rate. The interest is recorded in the Consolidated Statements of Operations and Changes in Net Assets as investment return, net.

Patient accounts receivable. Patient accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients. JHHS manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. JHHS reports accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates and analysis of past experience to estimate potential adjustments. JHHS writes off amounts that have been deemed to be uncollectible because of circumstances that affect the ability of payors to make payments as they occur.

Due from others. Due from others balances primarily include receivables related to the hospital discharge pharmacies.

Due from affiliates. Due from affiliates balances primarily include loans and other receivable balances from certain affiliates that do not consolidate within JHHS.

Inventories of supplies. Inventories of supplies are composed of medical supplies, drugs, linen, and parts inventory for repairs. Inventories of supplies are recorded at lower of cost or net realizable value using a first in, first out method.

Assets whose use is limited. Assets whose use is limited ("AWUIL") restricted by donors are recorded at fair value at the date of donation. Investment gains or losses on investments of assets with donor restrictions are recorded as an increase or decrease in net assets with donor restrictions to the extent restricted by the donor or law. Investment gains on investment assets whose donor restrictions are met within the same year are reported as increases in net assets without donor restrictions. The cost of securities sold is based on the specific identification method.

Assets whose use is limited include assets held by trustees under debt agreements, assets restricted by the board of trustees for future capital improvements, pledges receivable, beneficial interest remainder trusts, Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funding received that has not been recognized as revenue, and net assets set aside pursuant to their donor restricted nature. The carrying amounts reported in the Consolidated Balance Sheets represent fair value.

Investments and investment income. Investments in equity securities with readily determinable fair values and all investments in debt securities are classified as trading and are recorded at fair value in the Consolidated Balance Sheets and Statement of Operations. Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include managed funds, which include hedge funds, private partnerships and other investments (collectively "alternative investments") which do not have readily ascertainable fair values and may be subject to withdrawal restrictions. The income or loss from these alternative investments is included in the Consolidated Statements of Operations and Changes in Net Assets in investment return, net above excess of revenues over expenses.

Alternative investments are less liquid than other types of investments held by JHHS. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Investment income earned on cash and investment balances (interest and dividends), realized gains or losses related to the sale of investments, and changes in unrealized gains or losses on investments are included in the non-operating section of the Consolidated Statements of Operations and Changes in Net Assets included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Investments classified as noncurrent on the Consolidated Balance Sheets include investments that are not expected to be converted to cash within one year; however, if needed, these investments can be made available for general expenditure.

Participation in Joint Ventures. JHHS participates in several joint ventures which JHHS has determined are central to its operations and mission. These investments are recorded in long-term investments on the Consolidated Balance Sheets. Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting, and operating results flow through other revenue on the Consolidated Statements of Operations and Changes in Net Assets. Dividends received are recorded as a reduction of the carrying amount of the investment. JHHS has elected the cumulative earnings approach under ASU 2016-15 for determining cash flow presentation of distributions from its equity method investments. Distributions received are included in the Consolidated Statements of Cash Flows as operating activities, unless the cumulative distributions exceed JHHS' portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in the Consolidated Statements of Cash Flows.

Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies, are measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative in accordance with ASU 2016-01). We perform a qualitative assessment on a quarterly basis and recognize an impairment if there are sufficient indicators that the fair value of the investment is less than carrying value.

Property, plant and equipment. Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives assigned by JHHS range from 2 to 25 years for land improvements, 3 to 45 years for buildings and improvements, 2 to 25 years for fixed and movable equipment, and 2 to 20 years for leasehold improvements (using the lesser of the lease term or the useful life of the improvement). Interest costs incurred on borrowed funds, net of income earned, during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Repair and maintenance costs are expensed as incurred. When property, plant and equipment are retired, sold or otherwise disposed of, the asset's carrying amount and related accumulated depreciation are removed from the accounts and any gain or loss is included in operating income.

Capitalized costs of software include payment to vendors for the purchase of software and assistance in its installation, payroll costs of employees directly involved in the software installation, and capitalized interest costs of the software project. Preliminary costs to document system requirements, vendor selection, and any costs incurred before the software purchase are expensed. Capitalization of costs ends when the project is completed and is ready to be used. Where implementation of the project is in phases, only those costs incurred which further the development of the project are capitalized. Costs incurred to maintain the system are expensed.

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

Leases. JHHS leases property and equipment under finance and operating leases and evaluates whether a contract is or contains a lease at the inception of the contract. JHHS considers a contract to be a lease when control of an asset not owned by JHHS is obtained for a period of time and in exchange for consideration. The term of a lease may include options to renew or early termination options at such time that JHHS is reasonably certain to exercise those options.

Lessee. JHHS, as a lessee, recognizes a right-of-use ("ROU") asset and lease liability on the Consolidated Balance Sheets for its operating and finance leases as of the lease commencement date. ROU assets represent JHHS' right to use the underlying asset and the lease liabilities represent JHHS' obligation to make lease payments measured on a discounted basis. For JHHS leases where the rate implicit in the lease is not readily available, JHHS utilizes its collateralized incremental borrowing rate based on the estimated interest rate for borrowing over a term similar to that of the lease payments available at commencement of the lease. Lease liabilities are recognized at the commencement date of the lease and are based on the present value of lease payments over the lease term. ROU assets are measured at an amount equal to the initial lease liability, plus any prepaid lease payments (less any incentives received, such as reimbursement for leasehold improvements) and initial direct costs, at the lease commencement date. JHHS does not record a ROU asset or lease liability on the Consolidated Balance Sheet for leases with a term of one year or less. These short-term leases are recorded on a straight-line basis within purchased services on the Consolidated Statements of Operations and Changes in Net Assets.

Lease contracts may contain lease and non-lease components, such as provisions to pay for other goods or services (e.g. pay for medical supplies or maintenance). For real estate leases, JHHS as a practical expedient has elected to account for lease and non-lease components together as a single combined lease component. For all other non-real estate leases, JHHS accounts for the lease and non-lease components separately and allocates the contract payments to the lease and non-lease components based on estimated stand-alone selling prices.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses and/or include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services in the Consolidated Statements of Operations and Changes in Net Assets but are not included in the ROU asset or liability balances in the Consolidated Balance Sheets. Lease agreements do not contain any material residual value guarantees, restrictions or covenants.

JHHS classifies its leases as either operating or finance depending upon the terms and conditions set forth in the lease. JHHS recognizes operating lease expense on a straight-line basis within purchased services in the Consolidated Statements of Operations and Changes in Net Assets over the term of the lease. The ROU asset is generally reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability utilizing the effective interest method. Finance lease assets are amortized on a straight-line basis within depreciation over the term of the lease. Interest expense associated with finance leases is recorded using the effective interest method and is included in operating interest expense. JHHS recognizes variable expenses, other than those related to rates or indices, in operating expenses in the period in which the obligation is incurred.

Lessor. JHHS is also a lessor and sub-lessor of real estate under operating leases. JHHS records revenue associated with leases within other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Lease payments under both classifications include fixed payments but are reduced for any lease incentives. Variable payments relating to the lease are recognized in other revenue as changes in circumstances trigger such payments. JHHS as a practical expedient has elected to combine all lease and non-lease components as a single combined component of the same contract.

JHHS recognizes income from operating leases on a straight-line basis over the term of the lease. The straight-line income is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Assets subject to operating leases are carried at cost within property, plant and equipment, net in the Consolidated Balance Sheets and are depreciated over their estimated useful lives.

Impairment of long-lived assets. Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell. During the year ended June 30, 2020, JHHS recognized impairment expense of $2.1 million related to its remaining finance ROU assets. No impairment charges were recorded in 2019.

Medical claims reserve. JHHC's medical claims reserve is an estimate of payments to be made for reported claims and losses incurred but not reported. The estimate was developed using actuarial methods based upon historical data for payment patterns, cost trends, and other relevant factors. The estimate is continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operating income.

Deferred revenue. JHHC's capitated receipts received in advance for future services to be provided are recorded as deferred revenue.

Accrued vacation. JHHS records a liability within accounts payable and accrued liabilities in the Consolidated Balance Sheets for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

Advances from third-party payors. JHHS' Maryland hospitals receive advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed in the State of Maryland. Advances are recorded as a current liability in the Consolidated Balance Sheets.

Estimated malpractice costs. The provision for estimated medical malpractice claims includes estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. Additionally, an insurance recovery has been recorded representing the amount expected to be recovered from the self-insured captive insurance company.

Swap agreements. JHHS follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation. JHHS does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes gains and losses from changes in fair values of interest rate swap agreements as a non-operating revenue or expense within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets.

The values of the interest rate swap agreements entered into by JHHS are adjusted to fair value monthly at the close of each accounting period based upon quotations from market makers. The change in fair value, if any, is recorded in the non-operating section of the Consolidated Statements of Operations and Changes in Net Assets. Entering into interest rate swap agreements involves, to varying degrees, elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Consolidated Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements. The counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates.

Noncontrolling interests. JHHC is owned by JHHSC and the University, each member having a 50% interest. JHHC's profits are divided between the members based on product line. Based on control via majority voting interest, JHHSC consolidates JHHC and records noncontrolling interests for the profits attributable to the University. Additionally, JHHC owns a 50% interest in Priority

Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture approved by the State of Maryland to operate as an authorized Medicaid managed care organization. Based on controlling financial interest, JHHC consolidates Priority Partners and records noncontrolling interests for 50% of the profits. See Note 5 for further details.

Net assets. Net assets without donor restrictions include undesignated amounts as well as amounts designated by the board for a specific purpose. The amount of board designated investments included within net assets without restriction was $628.0 million and $578.5 million as of June 30, 2020 and 2019, respectively. Net assets with donor restrictions are those whose use has been limited by donors or law to a specific time period or purpose. JHHS also has net assets with donor restrictions that have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support.

Donor restricted gifts. Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the 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 Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

Grants. JHHS receives various grants from individuals and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. Grant receivables are included in due from others in the Consolidated Balance Sheets and grant income is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

JHHS and its affiliates receive contributions in the form of conditional government grants and other conditional donor contributions. The grants are carried out for research activities that benefit the general public, and not for the government's own use. Therefore, JHHS has determined that there is not an exchange back to the granting authority and accounts for these grants under the contribution model, which is outside the scope of ASC 606. The grants are considered conditional due to the need to first spend the awarded funds on qualifying expenses and a right of return exists for unexpended funds. The grants are reimbursed after the expenses have been incurred. As of June 30, 2020, JHHS and its affiliates had $86.5 million of conditional contributions for which the conditions have not been met.

Excess of revenues over expenses. The Consolidated Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses, consistent with industry practice, include, among other items, change in funded status of defined benefit plans, permanent transfers of assets to and from affiliates for other than goods or services, and 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).

Non-operating revenues and expenses. For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as non-operating revenues and expenses. For the years ended June 30, 2020 and 2019, non-operating revenues and expenses are composed primarily of interest paid and changes in market value on interest rate swap agreements, investment return, net, other non-service cost components of net periodic pension cost, loss on advance refunding of debt, and other non-operating services.

Income taxes. JHHSC and Affiliates, except JHMMC, EHP, HCSI, OA, HCOB, and JHHC are not-for-profit organizations that qualify under Section 501(c)(3) of the Internal Revenue Code, and are therefore not subject to tax under current income tax regulations.

JHHC is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with Financial Accounting Standards Board ("FASB") guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income. Total taxes paid to Federal and State tax authorities during the years ended June 30, 2020 and 2019 amounted to \$37.8 million and \$33.6 million, respectively.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The guidance also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no impact on JHHS' consolidated financial statements during the years ended June 30, 2020 and 2019.

New and recently adopted accounting standards.
In January 2016, the FASB issued ASU 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". ASU 2016-01 addresses accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. Entities that are not considered public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The amendments in ASU 2016-01 are effective for years beginning after December 15, 2018, and early adoption is permitted. JHHS early adopted the provisions of this standard for the fiscal year ended June 30, 2018 that no longer requires disclosure of the fair value of financial instruments carried at amortized cost. JHHS adopted the remaining provisions of this standard for the fiscal year ended June 30, 2020. Because JHHS' equity investments without readily determinable fair values are not impaired and do not have observable price changes, the adoption of this guidance had no impact on JHHS' consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". ASU 2016-02 amends the existing accounting principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. ASU 2016-02 requires a lessee to recognize a ROU asset and a lease liability on the Consolidated Balance Sheets for most leases. Additionally, ASU 2016-02 makes targeted changes to lessor accounting, including changes to align certain aspects with the revenue recognition model, and requires enhanced disclosure of lease arrangements. JHHS adopted ASU No. 2016-02, effective July 1, 2019 and utilized the modified retrospective transition method with no adjustments to comparative periods presented. At transition, JHHS recorded operating lease ROU assets of $152.1 million and operating lease liabilities of $156.9 million. JHHS also recorded as of July 1, 2019 additional ROU assets and liabilities related to previously misclassified finance leases totaling $32.2 million and $33.2 million, respectively. Finance leases, formerly known as capital leases, have been reclassified for 2019 within the Consolidated Balance Sheets to conform to the new presentation which separates those leases from property, plant and equipment, net and from long-term debt. All other prior period results will continue to be presented under legacy guidance based on the accounting standards originally in effect for such period. JHHS elected the package of practical expedients available under the transition provisions of the new lease standard that allows the carry forward of historical conclusions on whether an existing contract is or contains a lease, the classification of existing leases and the treatment of direct costs. Additionally, JHHS elected to not recognize on the Consolidated Balance Sheets amounts related to leases with durations of one year or less (short-term leases). See Note 9 for further details.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 is effective for JHHS for fiscal years beginning after December 15, 2022. JHHS is currently evaluating the impact of this update on the financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments”, which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows with the intent to alleviate diversity in practice. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. JHHS adopted the provisions of this standard for the fiscal year ended June 30, 2020. There was no material impact to JHHS.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows (Topic 230): Restricted Cash”, which clarifies the classification and presentation of changes in restricted cash in the statement of cash flows. The guidance requires reporting entities to explain the changes in the combined total of restricted and unrestricted cash and cash equivalent balances in the statement of cash flows. The update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. JHHS adopted the provisions of this standard for the fiscal year ended June 30, 2020. The primary change impacting JHHS includes a $15.7 million adjustment of beginning cash and cash equivalent balances within the Consolidated Statements of Cash Flows to include restricted cash. See Note 5 for further details on restricted cash.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement”. ASU 2018-13 is intended to improve the effectiveness of disclosure requirements on fair value measurement. Amongst other changes, ASU 2018-13 removes: i) the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, ii) the requirement to disclose the policy for timing of transfers between levels, iii) disclosure of the valuation processes for Level 3 fair value measurements, and iv) the requirement for nonpublic entities to disclose the changes in unrealized gains and losses included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period. In addition, ASU 2018-13 modifies the disclosure requirements to: i) allow nonpublic companies to disclose transfers into and out of Level

3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities as an alternative to reconciling the opening balances to the closing balances of recurring Level 3 fair value measurements, and ii) require disclosure for investments in certain entities that calculated net asset value of the timing of liquidation of an investee's assets and the date redemption might lapse only if the investee has communicated the timing to the entity or announced the timing publicly. The update is effective for fiscal years, and interim periods with those fiscal years, beginning after December 15, 2019 with early adoption permitted. An entity is permitted to early adopt any removed or modified disclosures upon the issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. JHHS is currently evaluating the impact of this update on the consolidated financial statements.

Reclassifications. Certain amounts in the prior year were reclassified to conform to the presentation requirements under accounting standards adopted in the current fiscal year. Certain prior year costs within purchased services and supplies and other have been reclassified to be consistent with the current year presentation.

2. Revenue Recognition

Beginning in May 2014, the FASB issued several Accounting Standards Updates which established Topic 606, Revenue from Contracts with Customers. The standard supersedes existing revenue recognition requirements and seeks to eliminate most industry-specific guidance under current Generally Accepted Accounting Principles. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Net Patient Service Revenue

Patient care service revenue is reported at the amount that reflects the consideration to which JHHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, JHHS bills its patients and third-party payors several days after the 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 JHHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. JHHS believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services or patients receiving services in our outpatient centers. JHHS measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and JHHS does not believe it is required to provide additional goods or services to the patient.

Because all of its patient service performance obligations relate to contracts with a duration of less than one year, JHHS has elected to apply the optional exemption provided in ASC 606-10-50-14(a) 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. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

JHHS determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with JHHS' policy, and implicit price concessions provided to uninsured patients. JHHS determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Fixed discounts are generally determined based upon regulatory authorities in the case of Maryland hospitals and by legislative statute in the case of Medicare and Medicaid, and negotiated in the case of commercial payors. JHHS determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being used as JHHS has a large volume of similar contracts with similar classes of customers. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. JHHS reasonably expects that the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. No significant amounts of revenues were recognized in the current year due to changes in the estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the results of an adverse change in the patient's or third party payor's ability to pay are recorded as bad debt expense. Bad debt expense is reported as a component of supplies and other in the Consolidated Statements of Operations and Changes in Net Assets and was not significant for the years ended June 30, 2020 and 2019.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Adjustments mandated by the Health Services Cost Review Commission ("Commission" or "HSCRC") for hospitals in the State of Maryland are included in contractual adjustments, a portion of which are also included in established rates. See Note 16 for further discussion on the HSCRC and regulated rates. SMH and JHACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries. Effective July 1, 2017, the State of Florida ("State") Agency for Health Care Administration ("AHCA") implemented a new outpatient payment method utilizing Enhanced Ambulatory Patient Groups ("EAPGs") for Florida Medicaid. EAPGs are an outpatient visit-based patient classification available for all outpatient services and settings. Hospital rates will be set and adjusted on a prospective basis without requiring cost report settlements.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care 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 JHHS' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon JHHS and its Affiliates. In addition, the contracts JHHS and its Affiliates have with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and JHHS' historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

During the year ended June 30, 2020, SMH received final audits for Medicare cost report year 2014. As of June 30, 2020, SMH has Medicare cost report years 2010, 2011, 2013, 2016 and 2017 open.

As of June 30, 2020, cost reports through 2015 have been audited by the fiscal intermediary. The 2015 cost report was used for the fiscal 2017 rate period, which is the last rate period under the cost-based method. The 2016 and 2017 will not be audited for rates under the cost-based method. Substantial time may elapse between receipt of a final audited cost report and the actual processing of the audited rates by the State of Florida, Agency for Health Care Administration ("AHCA"). During the year ended June 30, 2020, the JHACH adjusted its estimated due to third party settlements by approximately $5.0 million.

Consistent with JHHS' mission, care is provided to all patients regardless of their ability to pay. Therefore, JHHS has determined it has provided 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 JHHS expects to collect based on its collection history with those patients.

Patients who meet JHHS' criteria for charity care are provided care without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because JHHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to $79.6 million and $62.0 million for the years ended June 30, 2020 and 2019, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on JHHS' total expenses divided by gross patient service revenue.

The composition of net patient service revenue by primary payor for the years ended June 30 is as follows (in thousands):

	2020		2019	
Medicare	$ 1,165,999	30.8%	$ 1,224,123	31.5%
Medicaid/Medicaid MCO	366,217	9.7%	375,131	9.6%
Blue Cross	835,948	22.1%	834,018	21.4%
HMO	781,963	20.7%	789,720	20.3%
Commercial	361,072	9.5%	384,928	9.9%
Other payors	183,568	4.9%	203,476	5.2%
Self pay	86,146	2.3%	80,047	2.1%
Net patient service revenue	$ 3,780,913	100.0%	$ 3,891,443	100.0%

Revenue from patient's deductibles and coinsurance is included in the preceding categories based on the primary payor.

JHHS has elected the practical expedient allowed under ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to JHHS' expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, JHHS does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Insurance Premium Revenue
Insurance premium revenue contracts are within the scope of Topic 944, Financial Services—Insurance. For the years ended June 30, 2020 and 2019, insurance premium revenue recognized was $2.253 billion and $2.091 billion, respectively. The related expenses associated with the insurance premium revenue were $2.212 billion and $2.084 billion for the years ended June 30, 2020 and 2019, respectively.

All of Priority Partners insurance premium revenue is received from the State of Maryland and is recognized as revenue during the period in which Priority Partners is obligated to provide services to its enrollees. The HealthChoice contract with Priority Partners is for a one year term and is renewable annually on January 1 at the mutual discretion of both the State of Maryland and Priority Partners. Insurance premium revenues generated under the contract were $1.544 billion and $1.483 billion for the years ended June 30, 2020 and 2019, respectively. The current contract extends through December 31, 2020.

JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the USFHP. Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. Insurance premium revenues generated under the contract were $452.5 million and $427.2 million for the years ended June 30, 2020 and 2019, respectively. The current sole source commercial contract was awarded for the period commencing October 1, 2013 through September 30, 2023, with a Base Year and nine one-year Option Periods to be exercised at the Government's discretion. The Base Year was exercised and the seventh Option Period will begin on October 1, 2020.

A significant portion of Hopkins Health Advantage insurance premium revenue is received from the Centers for Medicare and Medicaid Services ("CMS") and is recognized as revenue during the period in which Hopkins Health Advantage is obligated to provide services to its enrollees. The CMS contract with Hopkins Health Advantage is for a one year term and is renewable annually on January 1 at the mutual discretion of both CMS and Hopkins Health Advantage. Insurance premium revenues generated under the contract were $254.6 million and $181.7 million for the years ended June 30, 2020 and 2019, respectively. The current contract extends through December 31, 2020.

Other Revenue
Other revenues consist principally of discharge pharmacy revenues, CARES Act funding (see below), grants and contribution revenue, compensated services, management fees and lab revenues. JHHS discharge pharmacies offer a full inventory of standard, specialty and over-the-counter medications. Discharge pharmacy revenue is recognized point in time as prescriptions are filled. Management fees represent payments for management services provided to the University, primarily for operations of imaging facilities, as well as other external parties. Compensated services include fees for centralized administrative services provided to nonconsolidating affiliates. JHH provides lab services for testing samples provided by patients at outreach draw stations. Revenue for management services, compensated services and lab testing is recorded in the period in which the performance obligation is satisfied.

CARES Act Funding

On March 27, 2020, the CARES Act was enacted. The CARES Act provided additional waivers, reimbursement, grants and other funds to assist health care providers during the Coronavirus Disease 2019 (COVID-19) pandemic, including $175.0 billion in appropriations for the Public Health and Social Services Emergency Fund, also referred to as the Provider Relief Fund, to be used for preventing, preparing, and responding to the coronavirus, and for reimbursing eligible health care providers for lost revenues and health care related expenses that are attributable to COVID-19. These health care related expenses could include costs associated with constructing temporary structures or emergency operation centers, retrofitting facilities, purchasing medical supplies and equipment including personal protective equipment and testing supplies, and increasing workforce and trainings.

JHHS and its affiliates received approximately $189.8 million of payments under the CARES Act as of June 30, 2020. In addition to CARES Act Provider Relief Funds received, JHHS has received additional grants as well as donations to support responding to the COVID-19 pandemic from Federal, State, and local government and private sources including the Federal Communications Commission ("FCC"), Assistant Secretary for Preparedness and Response ("ASPR"), Department of Health Care Finance ("DHCF"), Montgomery County, and Truist Bank. JHHS recognized approximately $171.7 million as other operating revenue in fiscal year 2020 related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at June 30, 2020. The remaining CARES Act payments of approximately $18.1 million are recorded within deferred revenue on the Consolidated Balance Sheets. The funds received by JHHS and its subsidiaries are subject to future audits and potential adjustment in future periods and may need to be repaid to the government. See Note 20 for further details.

In July 2020, JHHS received an additional $132.5 million in CARES Act funding. COVID-19 has impacted JHHS' financial results. The extent to which COVID-19 impacts the operations of JHHS and its affiliates in the future will depend on the duration and severity of the outbreak as well JHHS' ability to contain its impact. These developments cannot be predicted with confidence and could have a negative effect on the financial results of JHHS and its affiliates, including its operations and its investments. If the duration of COVID-19 becomes extended or increases in severity, JHHS has available liquidity (see Note 18 for information regarding liquidity and availability) as well as the ability to adjust capital expenditures and curtail certain discretionary operating expenses to mitigate the impact of COVID-19 on operating results.

The composition of other revenue for the years ended June 30 is as follows (in thousands):

	2020		2019	
Discharge pharmacy revenues	$ 465,411	43.7%	$381,607	45.9%
CARES Act funds	171,731	16.1%	-	0.0%
Grants and contribution revenue	71,330	6.7%	58,496	7.0%
Compensated services	67,727	6.4%	66,250	8.0%
Adminstration/management fees	60,812	5.7%	59,293	7.1%
Lab revenue	30,908	2.9%	33,951	4.1%
Other	195,899	18.5%	231,283	27.9%
Other Revenue	$1,063,818	100.0%	$830,880	100.0%

3. Pledges Receivable

As of June 30, 2020 and 2019, the value of pledges receivable before discounts was $52.3 million and $33.3 million, respectively. Pledges receivable have been discounted at rates ranging from 0.11% to 5.50% of the following (in thousands):

As of June 30, 2020	**1 Year**	**2 –5 Years**	**5 Years or Greater**	**Totals**
Departmental campaigns	$ 6,220	$ 10,468	$ 6,486	$ 23,174
Future campus development	15,568	8,892	351	24,811
	$ 21,788	$ 19,360	$ 6,837	$ 47,985

As of June 30, 2019	**1 Year**	**2 –5 Years**	**5 Years or Greater**	**Totals**
Departmental campaigns	$ 4,858	$ 4,436	$ 1,735	$ 11,029
Future campus development	12,732	6,044	739	19,515
	$ 17,590	$ 10,480	$ 2,474	$ 30,544

Pledges are deemed to be fully collectible and therefore, no significant allowance for uncollectible pledges has been recorded.

4. Fair Value Measurements

JHHS follows the guidance on fair value measurements, which defines 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. This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted market prices for identical assets or liabilities in active markets;

Level 2 Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions. There are no instruments requiring Level 3 classification.

The financial instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Interest rate swap agreements are valued using the income approach, while each of the remaining financial instruments below have been valued utilizing the market approach.

The following table presents the financial instruments carried at fair value as of June 30, 2020 grouped by hierarchy level:

	Total Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents (1)	$ 933,288	$ 933,288	$ -
Commercial paper (1)	45,450	-	45,450
Certificates of deposit (1)	1,181	-	1,181
U.S. Treasuries (2)	294,531	-	294,531
Corporate bonds (2)	381,701	-	381,701
Asset backed securities (2)	233,025	-	233,025
Equities and equity funds (3)	1,390,156	1,390,156	-
Fixed income funds (4)	429,071	429,071	-
Totals	$ 3,708,403	$ 2,752,515	$ 955,888
Liabilities			
Interest rate swap agreements (5)	$ 317,539	$ -	$ 317,539

The following table presents the financial instruments carried at fair value as of June 30, 2019 grouped by hierarchy level:

	Total Fair Value	Level 1	Level 2
Assets			
Cash and cash equivalents (1)	$ 726,941	$ 726,941	$ -
Commercial paper (1)	20,772	-	20,772
Certificates of deposit (1)	1,164	-	1,164
U.S. Treasuries (2)	306,294	-	306,294
Corporate bonds (2)	409,201	-	409,201
Asset backed securities (2)	329,752	-	329,752
Equities and equity funds (3)	1,265,460	1,265,460	-
Fixed income funds (4)	408,556	408,556	-
Totals	$ 3,468,140	$ 2,400,957	$ 1,067,183
Liabilities			
Interest rate swap agreements (5)	$ 223,562	$ -	$ 223,562

(1) Cash equivalents, commercial paper, money market funds, and overnight investments include investments with original maturities of three months or less. Certificates of deposit and commercial paper are carried at amortized cost, which approximates fair market value. Certificates of deposit and commercial paper that have original maturities greater than three months, but less than one year are considered short-term investments. Cash and cash equivalents, money market funds, and overnight investments are rendered Level 1 due to their frequent pricing and ease of converting to cash. Computed prices and frequent evaluation versus fair value render commercial paper and the certificates of deposit Level 2.

(2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and asset backed securities, fair value is based on quotes for similar securities; therefore these investments are rendered Level 2. These investments fluctuate in value based upon changes in interest rates.

(3) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.

(4) Fixed income funds are investments in mutual funds. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered Level 1.

(5) The interest rate swap agreements, discussed further in Note 10 “Derivative Financial Instruments,” are valued using a swap valuation model that utilizes an income approach using observable market inputs including long-term interest rates, LIBOR swap rates, and credit default swap rates.

During 2020 and 2019, there were no significant transfers between Level 1 and 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

JHHS holds investments that are not traded on national exchanges or over-the counter markets. JHHS has elected the fair value option by individual alternative investment and therefore these investments are valued utilizing the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate. There are no unfunded commitments related to JHHS' investments measured using NAV as a practical expedient.

The following table displays information by strategy for investments measured using NAV as a practical expedient as of June 30, 2020 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 162,454	Monthly	5 to 60 days
Equity long/short hedge funds (2)	69,854	Monthly or quarterly	5 to 60 days
Structured credit hedge funds (3)	16,961	Quarterly	90 days
Commingled equity funds (4)	274,637	Daily or monthly	1 to 10 days
Commingled fixed income (5)	94,257	Daily or monthly	1 to 15 days
Event driven hedge funds (6)	50,741	Monthly or quarterly	60 to 90 days
Total	$ 668,904		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2019 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 170,423	Monthly	5 to 14 days
Equity long/short hedge funds (2)	70,032	Monthly or quarterly	5 to 60 days
Commingled equity funds (4)	21,000	Daily or monthly	90 days
Commingled fixed income (5)	253,535	Daily or monthly	1 to 10 days
Event driven hedge funds (6)	108,827	Quarterly	1 to 15 days
Hedge fund of funds (7)	52,448	Quarterly	60 to 90 days
Total	$ 676,265		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.

(2) Equity long/short hedge funds: Investment managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.

(3) Structured credit hedge funds: Invest in variety of credit assets such as nonagency residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, collateralized loan obligations and collateralized debt obligations.

(4) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(5) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

(6) Event driven hedge funds: Investment managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

(7) Hedge fund of funds: Invest with multiple hedge fund managers to create a diversified portfolio of hedge funds. Hedge fund of funds strategies serve to dampen volatility within the overall investment portfolio, while offering the investor more frequent liquidity terms and lower capital requirements as compared to investing with an individual hedge fund manager. The fund of funds manager has discretion in choosing the individual investment strategies for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers across multiple strategies.

5. Cash and Cash Equivalents, Investments, and Assets Whose Use is Limited

Cash and cash equivalents and investments (short and long-term) as of June 30 consisted of the following (in thousands):

	2020 Carrying Amount	2019 Carrying Amount
Cash and cash equivalents measured at fair value	$ 933,288	$ 726,941
Cash and cash equivalents included in AWUIL	(40,497)	(15,681)
Total cash and cash equivalents	$ 892,791	$ 711,260
U.S. Treasuries	$ 213,836	$ 240,730
Commercial paper	45,450	20,772
Certificates of deposit	1,181	1,164
Corporate bonds	280,717	300,213
Asset backed securities	169,523	245,379
Fixed income funds	332,416	367,219
Equities and equity funds	980,282	922,771
Short and long-term investments measured at fair value	2,023,405	2,098,248
Investments in affiliates	303,979	286,945
Investments measured at NAV as a practical expedient	668,904	676,265
Total short and long-term investments	$ 2,996,288	$ 3,061,458

Assets whose use is limited as of June 30 consisted of the following (in thousands):

	2020 Carrying Amount	2019 Carrying Amount
U.S. Treasuries	$ 80,695	$ 65,564
Corporate bonds	100,984	108,988
Asset backed securities	63,502	84,373
Fixed income funds	96,655	41,337
Equities and equity funds	409,874	342,689
Assets whose use is limited measured at fair value	751,710	642,951
Cash in AWUIL reported as cash and cash equivalents on leveling table	40,497	15,681
Pledges receivable	47,985	30,544
Other	21,113	22,313
Total assets whose use is limited	$ 861,305	$ 711,489

The investment and assets whose use is limited balances noted above include amounts held by three pooled investment accounts shared by the affiliates of JHHS. All investments held within the pooled accounts are owned by JHHS and its affiliates. The amounts held within the liquid, intermediate and other investment pools were $296.9 million, $421.3 million, and $1.5 billion, respectively, as of June 30, 2020. The amounts held within the liquid, intermediate and other investment pools were $183.2 million, $595.9 million, and $1.4 billion, respectively, as of June 30, 2019.

Investment income, net for the years ended June 30, included in the non-operating revenues and expenses section of the Consolidated Statement of Operations and Changes in Net Assets consisted of the following (in thousands):

	2020	2019
Investment income	$ 63,019	$ 72,912
Realized gains on investments	24,227	158,371
Changes in unrealized gains (losses) on investments	13,789	(35,224)
Total	$ 101,035	$ 196,059

Investments recorded under the equity method or the measurement alternative as of June 30 consisted of the following (in thousands):

Investment	Equity / Other	%	2020	2019
Johns Hopkins Medicine International, LLC (“JHI”)	Equity	50.00 %	$ 67,616	$ 66,553
Johns Hopkins Home Care Group, Inc. (“JHHCG”)	Equity	50.00 %	16,166	14,172
FSK Land Corporation	Equity	50.00 %	15,480	14,210
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00 %	57,282	52,855
JHMI Utilities, LLC	Equity	50.00 %	24,081	20,634
West County, LLC	Equity	50.00 %	6,936	6,573
JH Surgery Center	Equity	50.00 %	22,158	20,692
MCIC Bermuda	Other	10.00 %	69,462	67,019
Other			24,798	24,237
			$303,979	$286,945

Equity investments presented as “Other” in the table above include investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments. As of June 30, 2020 and 2019, equity investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were $70.2 million and $67.8 million, respectively. There were no adjustments to these investments' cost for changes in price or impairments for the years ended June 30, 2020 and 2019.

Summarized below are the aggregate assets, liabilities, revenues and expenses for JHI, Mt. Washington Pediatric Hospital and Foundation, and JHMI Utilities, LLC as of and for the year ended June 30, 2020 and 2019 (in thousands):

	2020	2019
Assets	$ 630,241	$ 625,870
Liabilities	320,844	334,030
Revenues	289,935	305,061
Expenses	279,330	292,637

JHHS consolidates certain affiliates that it owns 50% or more, but less than 100%, because JHHS has control over those affiliates. The net assets without donor restrictions activity attributable to the noncontrolling interests consisted of the following as of June 30, (in thousands):

	2020	2019
Net assets without donor restrictions attributable to noncontrolling interests at beginning of period	$ 74,049	$ 74,018
Income (losses) attributable to noncontrolling interests	11,692	31
Contributions attributable to noncontrolling interests	-	-
Other	338	-
Net assets without donor restrictions attributable to noncontrolling interests at end of period	$ 86,079	$ 74,049

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Consolidated Balance Sheets that sum to the total amounts shown in the Consolidated Statements of Cash Flows:

	2020	2019
Cash and cash equivalents	$ 892,791	$ 711,260
Restricted cash included in assets whose use is limited - used for current liabilities	3,840	13,035
Restricted cash included in assets whose use is limited by donors or grantors (CARES Act funding)	18,052	-
Restricted cash included in assets whose use is limited by donors or grantors	2,370	-
Restricted cash included in assets whose use is limited by Board of Trustees	15,899	1,721
Restricted cash included in assets whose use is limited - other	336	925
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	$ 933,288	$ 726,941

Restricted cash included in assets whose use is limited for current liabilities is required per bond agreement. Cash included in assets whose use is limited by donors or grantors (CARES Act funding) is held in response to the COVID-19 pandemic to comply with government restriction. Restricted cash included in assets whose use is limited by donors or grantors is held to comply with hospital and/or foundation donor restrictions. Cash restricted by Board of Trustees is principally held to be used for campus redevelopment projects and other strategic investments. Cash included in assets whose use is limited – other is set aside to comply with a contractual agreement.

6. Property, Plant and Equipment

Property, plant and equipment and accumulated depreciation and amortization consisted of the following as of June 30 (in thousands):

	2020		2019	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	$ 199,754	$ 27,572	$ 197,321	$ 25,084
Buildings and improvements	2,660,558	1,133,215	2,475,676	1,051,147
Fixed and moveable equipment	2,492,472	1,355,613	2,236,421	1,225,624
Capitalized software	160,078	138,518	153,321	125,380
Construction in progress	100,652	-	356,631	-
	$ 5,613,514	$ 2,654,918	$ 5,419,370	$ 2,427,235

Accruals for purchases of property, plant and equipment as of June 30, 2020 and 2019 amounted to $16.0 million and $22.3 million, respectively, and are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. Depreciation and amortization expense for the years ended June 30, 2020 and 2019 amounted to $310.7 million and $291.5 million, respectively.

During the year ended June 30, 2020 and 2019, JHHS retired long-lived assets determined to have no future value. During 2020, the original cost and corresponding accumulated depreciation of these long-lived assets was $73.1 million and $66.6 million, respectively. During 2019, the original cost and corresponding accumulated depreciation of these long-lived assets was $97.6 million and $89.7 million, respectively. No proceeds from retirement were received in 2020 or 2019.

7. Medical Claims Reserves

JHHC's activity related to its liability for unpaid health claims for the years ended June 30 are summarized in the table below (in thousands):

	2020	2019
Balance, July 1	$ 165,429	$ 157,627
Incurred related to		
Current year	1,676,023	1,645,851
Prior year	(8,884)	(21,227)
Total incurred	1,667,139	1,624,624
Paid related to		
Current year	1,517,885	1,480,422
Prior year	156,545	136,400
Total paid	1,674,430	1,616,822
Balance, June 30	$ 158,138	$ 165,429

The medical claims reserve is inherently subject to a number of highly variable circumstances, including changes in payment patterns, cost trends and other relevant factors. Consequently, the actual experience may vary materially from the original estimate. The above medical claims reserves include intercompany activity that is eliminated in consolidation.

8. Debt

Debt as of June 30 is summarized as follows (in thousands):

	Interest Rate(s)	Final Maturity	Renewal Date	Issued Amount	2020	2019
Tax Exempt Maryland Health and Higher Education Facilities Authority ("MHHEFA") Bonds and Notes						
1985 Series A and B – Pooled Loan Program Issue (JHHSC)	1.00%	2035	7/19/2023	$ -	$ 1,788	$ 2,028
1990 Series - Revenue Bonds (JHH)	7.30% to 7.35%	2019	N/A	90,169	-	9,370
2004 – Commercial Paper Revenue Notes Series B (JHBMC)	0.62%	2025	6/28/2022	101,990	41,690	47,335
2011 Series A - Revenue Bonds (JHH)	3.75% to 5.00%	2021	N/A	74,615	7,110	50,560
2012 Series B - Revenue Bonds (JHH)	3.25% to 5.00%	2022	N/A	97,560	12,070	78,170
2013 Series C – Revenue Bonds (JHHSC)	5.00%	2023	N/A	238,000	5,526	229,801
2015 Series A - Revenue Bonds (JHHSC)	2.00% to 5.00%	2040	N/A	134,735	124,216	126,551
2016 Series A - Revenue Bonds (JHHSC)	1.53%	2023	5/31/2023	48,565	32,140	38,175
2016 Series B - Revenue Bonds (JHHSC)	1.55%	2042	5/31/2023	48,245	48,245	48,245
2017 Series B - Revenue Bonds (JHHSC)	1.83%	2038	10/1/2024	165,825	153,160	163,990
2012E/2017C Series - Revenue Bonds (JHHSC)	1.75%	2057	11/1/2022	100,000	100,000	100,000
2018 Series A - Revenue Bonds (JHHSC)	1.65%	2048	6/1/2023	48,245	48,245	48,245
2018 Series B - Revenue Bonds (JHHSC)	1.69%	2046	6/1/2023	88,250	88,250	88,250
Tax Exempt City of St. Petersburg Health Facilities Authority Revenue Bonds						
2012 Series A – Revenue Refunding Bonds (JHACH)	1.56%	2034	6/1/2024	102,400	87,925	89,925
Taxable Revenue Bonds						
2013 Series – Taxable Bonds (JHHSC)	2.77%	2023	N/A	148,165	100,000	100,000
2016 Series – Taxable Bonds (JHHSC)	3.84%	2046	N/A	690,910	690,910	500,000
2017 Series A - Taxable Revenue Bonds (JHHSC)	2.41%	2027	1/25/2027	165,200	162,723	163,473
2018 Series - Taxable Revenue Bonds (JHHSC)	2.22%	2029	6/1/2029	50,320	45,090	47,750
2019 Series - Taxable Revenue Bonds (JHHSC)	2.29%	2026	N/A	39,470	39,470	-
2020 Series - Taxable Revenue Bonds (JHHSC)	2.42%	2030	N/A	100,000	100,000	-
Other debt						
Note Payable (JHHC)	2.62%	2024	N/A	5,000	5,000	-
Note Payable (JHHC)	3.41%	2022	12/18/2022	3,006	778	2,158
					1,894,336	1,934,026
Unamortized premiums and discounts, net					36,745	16,184
Unamortized debt issuance costs					(6,273)	(6,323)
					1,924,808	1,943,887
Current maturities of long-term debt					(46,411)	(62,268)
Total long-term debt, net of current portion					$ 1,878,397	$ 1,881,619

Financing expenses. Financing expenses incurred in connection with the issuance of debt are presented in the Consolidated Balance Sheet as a direct deduction from the carrying value of the associated debt. The expenses are being amortized over the terms of the related debt issues using the effective interest method. The total amount expensed for the period ended June 30, 2020 and 2019 was $0.5 million and $0.6 million, respectively.

Obligated Group

The Johns Hopkins Health System Obligated Group ("JHHS Obligated Group") consists of JHH, JHBMC, HCGH, SHI, SHHS, SMH, JHACH and JHHSC (the "Obligated Group Members"). All of the debt of the JHHS Obligated Group is parity debt, and as such is jointly and severally liable through a claim on and a security interest in all of the receipts as defined in the Master Loan Agreement with MHHEFA of the Obligated Group Members. The Obligated Group Members are required to achieve a defined minimum debt service coverage ratio each year. The outstanding JHHS Obligated Group parity debt was $1.9 billion as of June 30, 2020 and 2019.

In December 2019, JHHSC closed the Series 2019 taxable loan of $39.5 million to advance refund a portion of its JHH 2011A series revenue bonds. In January 2020, JHHSC closed the Series 2020 taxable bond issuance of $100 million and the additional Series 2016 taxable bond issuance of $190.9 million to advance refund a portion of its JHH 2012B series revenue bonds and its JHHS 2013C series revenue bonds. Each advance refunding transaction discussed above generated significant net present value savings for JHHSC.

2016 Series Taxable Revenue Bonds – JHHS
In January 2020, JHHSC closed the additional Series 2016 taxable bond issuance of $190.9 million to advance refund a portion of its JHHS 2013C series revenue bonds. The additional Series 2016 taxable bonds maintain the same terms and structure as the original Series 2016 taxable bonds with a bullet maturity in 2046 and semiannual interest payments based on a fixed rate.

2019 Series Taxable Revenue Bonds – JHHS
In December 2019, JHHSC closed the Series 2019 taxable loan of $39.5 million to advance refund a portion of its JHH 2011A series revenue bonds. The Series 2019 taxable loan matures in May 2026 and pays principal annually and interest monthly based on a fixed rate.

2020 Series Taxable Revenue Bonds – JHHS
In January 2020, JHHSC closed the Series 2020 taxable bond issuance of $100 million to advance refund a portion of its JHH 2012B series revenue bonds and its JHHS 2013C series revenue bonds. The Series 2020 taxable bonds are structured with a ten year bullet maturity and semiannual interest payments based on a fixed rate.

Letters of Credit and Intermediate Financing Vehicles
In connection with the 2004 MHHEFA Commercial Paper Revenue Notes, JHBMC has a $41.7 million line of credit agreement with Wells Fargo to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on June 28, 2022 subject to extension or earlier termination. No amounts were outstanding as of June 30, 2020 or 2019.

JHHS utilizes public floating rate notes and bank direct purchase facilities as the core component of its variable-rate debt structure. These vehicles provide intermediate-term financing, typically 3 – 10 years, as a means to finance longer-lived assets. These variable-rate notes are structured with a mandatory purchase at the end of their term, at which time JHHS is required to purchase the bonds back from the investors. Due to the long-term nature of the underlying assets financed, JHHS has historically refunded all intermediate-term debt prior to the mandatory purchase dates. The table above notes the renewal dates for the outstanding variable-rate notes.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements during the next five fiscal years and thereafter are as follows as of June 30, 2020 (in thousands):

2021	$ 46,411
2022	50,862
2023	153,266
2024	41,268
2025	52,117
Thereafter	1,550,412
	$ 1,894,336

For the debt of JHHS and Affiliates described above, interest costs on debt and interest rate swaps incurred, paid and capitalized in the years ended June 30 are as follows (in thousands):

	2020	2019
Net interest costs		
Capitalized	$ 6,722	$ 9,635
Expensed	77,503	77,633
	$ 84,225	$ 87,268
Interest costs paid	$ 87,398	$ 86,012

Lines of Credit
Between April and June of 2020, JHHSC, JHH, and the other JHHS Obligated Group members entered into four short-term revolving line of credit facilities (each a “Facility” and collectively the “Facilities”) that constitute short-term indebtedness as defined under the Master Loan Agreement in a total aggregate principal amount of $500.0 million. JHHSC entered into the Facilities to ensure access to additional liquidity in order to address any operational costs associated with the impact of the COVID-19 pandemic. The obligations of the JHHS Obligated Group with respect to their payment obligations for each Facility have been certified as Parity Obligations under the Master Loan Agreement and Indenture of Trust. The loans made under each Facility bear interest at rates measured against one-month LIBOR plus an applicable margin. Each Facility requires repayment of the principal drawn thereunder plus accrued interest thereon on or before the expiration of the Facility, which in each case is a term of 364 days. The outstanding balance of these Facilities was $200.0 million as of June 30, 2020.

9. Leases

JHHS has operating and finance leases for medical spaces, corporate offices, storage spaces, and certain medical and office equipment. Real estate lease agreements typically have initial terms of five to ten years and equipment lease agreements typically have initial terms of three to five years.

The components of lease cost for the period ended June 30 are as follows (in thousands):

		2020
Operating lease cost(1)	$	32,492
Finance lease cost:		
Amortization of right-of-use assets(2)		12,008
Interest on lease liabilities(3)		5,449
Short-term lease cost(1)		3,502
Variable lease cost(1)		17,115
Total lease cost	$	70,566

(1) Expenses are included in purchased services in the consolidated statements of operations and changes in net assets.

(2) Expenses are included in depreciation and amortization in the consolidated statements of operations and changes in net assets.

(3) Expenses are included in interest in the consolidated statements of operations and changes in net assets.

Variable lease cost represents a significant portion of total lease cost. This is due to JHHS' election to combine lease and non-lease components for real estate contracts. Expenses that are generally variable, such as common area maintenance, are included in the variable lease cost above.

During the year ended June 30, 2020, JHHS recognized impairment expense of $2.1 million related to its remaining finance ROU assets. This amount represents the excess of the ROU assets' carrying cost over its fair value as determined under ASC 820.

Supplemental cash flow information related to leases for the period ended June 30 are as follows (in thousands):

		2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	32,455
Operating cash flows from finance leases		5,746
Financing cash flows from finance leases		11,289
Non-cash investing and financing activities		
Additions to right of use assets obtained from:		
Operating leases		4,346
Finance leases		4,660

Additional lease information as of and for the period ended June 30 are as follows (in thousands):

	2020
Weighted Average Remaining Lease Term	
Operating leases	6.1 years
Finance leases	11.5 years
Weighted Average Discount Rate	
Operating leases	2.8%
Finance leases	4.5%

Future maturities of lease liabilities are as follows (in thousands):

	Operating Leases	Finance Leases	Total
Year Ending June 30,			
2021	$ 29,911	$ 17,562	$ 47,473
2022	27,801	17,606	45,407
2023	23,475	17,688	41,163
2024	17,149	17,885	35,034
2025	13,419	15,969	29,388
Thereafter	38,120	68,028	106,148
Total lease payments	149,875	154,738	304,613
Less: Imputed interest	(13,995)	(27,778)	(41,773)
Total lease obligations	135,880	126,960	262,840
Less: Current obligations	(26,610)	(12,382)	(38,992)
Long-term lease obligations	$ 109,270	$ 114,578	$ 223,848

Because JHHS elected to use the modified retrospective transition approach, JHHS is required to include the disclosures required prior to the adoption of ASU 2016-02 for 2019. Total rental expense under operating leases for the year ended June 30, 2019 amounted to $57.9 million.

Real estate leases may include one or more options to renew that can extend the lease term for an additional one to ten years. Some real estate leases include options to terminate the lease within five years. JHHS does not recognize these options as part of its ROU assets and lease liabilities because these options are not reasonably likely to be exercised. Equipment lease agreements typically do not contain options to extend the term or terminate the lease.

The future minimum lease payments required under JHHS capital leases are as follows as of June 30, 2019 (in thousands):

	Capital Lease Payments
2020	$ 11,331
2021	11,320
2022	11,394
2023	11,599
2024	11,876
2025 and thereafter	58,989
Minimum lease payments	116,509
Interest on capital lease obligations	(24,242)
Net minimum payments	92,267
Current portion of capital lease obligation	(7,167)
Capital lease obligation, less current	$ 85,100

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2019, that have initial or remaining lease terms in excess of one year (in thousands):

	Operating Leases
2020	$ 35,738
2021	31,466
2022	26,321
2023	22,198
2024	17,304

JHHS is also a lessor and sub-lessor of real estate under operating leases. Lease income for the year ended June 30, 2020 was $25.6 million, which is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Most of JHHS' leases include operating expenses such as utilities and maintenance costs in rent charges. However, variable lease income is not material.

At June 30, 2020, land and buildings with a net book value of $41.5 million were leased to various unrelated organizations with terms ranging from one month to 38 years. These assets are included in property, plant, and equipment, net on the Consolidated Balance Sheets.

As of June 30, 2020, undiscounted cash flows for these leases over the next five years and thereafter are as follows (in thousands):

	Operating leases
Year Ending June 30,	
2021	$ 13,434
2022	10,644
2023	7,908
2024	7,078
2025	7,130
Thereafter	66,630
Total	$ 112,824

Included in the above disclosures are amounts related to leases between JHHS and its unconsolidated affiliates. See Note 14 for further details about these transactions.

10. Derivative Financial Instruments

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities. The total notional amount of interest rate swap agreements was $0.988 billion and $1.012 billion as of June 30, 2020 and 2019, respectively.

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the fair value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value. As of June 30, 2020 and 2019, the amount of required collateral was $109.5 million and $56.5 million, respectively.

The following table summarizes JHHSC interest rate swap agreements (in thousands):

Swap Type	Expiration Date	Counterparty	JHHS Pays	JHHS Receives	Notional Amount at June 30 2020	Notional Amount at June 30 2019
Fixed	2022	J.P. Morgan	3.3290 %	67% of 1-Month LIBOR	$ 44,390	$ 45,675
Fixed	2025	Bank of America	3.3265 %	67% of 1-Month LIBOR	41,690	47,335
Fixed	2021	J.P. Morgan	3.9190 %	68% of 1-Month LIBOR	6,980	11,450
Fixed	2034	Royal Bank of Canada	3.6235 %	62.2% of 1-Month LIBOR + 0.27%	14,130	14,205
Fixed	2034	Citibank, N.A.	3.6235 %	62.2% of 1-Month LIBOR + 0.27%	23,570	23,695
Fixed	2026	PNC	4.1220 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2026	PNC	4.1330 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9110 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2040	Goldman Sachs Capital Markets, L.P.	3.9220 %	67% of 1-Month LIBOR	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9460 %	67% of 1-Month LIBOR	40,000	40,000
Fixed	2038	Goldman Sachs Capital Markets, L.P.	3.8190 %	67% of 1-Month LIBOR	75,625	81,550
Fixed	2038	Merrill Lynch Capital Services	3.8091 %	67% of 1-Month LIBOR	76,000	81,450
Fixed	2025	Goldman Sachs Capital Markets, L.P.	3.6910 %	67% of 1-Month LIBOR	5,710	7,070
Fixed	2047	Citibank, N.A.	3.8505 %	61.8% of 1-Month LIBOR + 0.25%	60,000	60,000
					$ 988,095	$ 1,012,430

Fair value of derivative instruments as of June 30 (in thousands):

	Derivatives Reported as Liabilities			
	2020		2019	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps	Other long-term liabilities	$ 317,539	Other long-term liabilities	$ 223,562

Derivatives as of June 30 (in thousands):

Classification of Derivative Loss in Statement of Operations	Amount of Loss Recognized in Change in Net assets without donor restrictions 2020	2019
Interest rate swaps		
Non-operating expense	$ (93,977)	$ (51,683)

11. Net Assets with Donor Restrictions

In August 2016, the FASB issued ASU 2016-14, “Presentation of Financial Statements for Not-for-Profit Entities”. The new guidance requires improved presentation and disclosures to help not-for-profits provide more relevant information about their resources to donors, grantors, creditors and other users. JHHS adopted this new accounting standard in fiscal year 2019. The primary changes affecting JHHS include: presentation of two classes of net assets versus the previously required three; enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, and liquidity and availability; and disclosure of expenses by both their natural and functional classification in a matrix format. Also refer to Note 17 and Note 18.

Net assets with donor restrictions as of June 30 (in thousands) are restricted to:

	2020	2019
Subject to expenditure for a specified purpose:		
Purchase of property, plant, and equipment	$ 26,031	$ 22,807
Health care services	58,668	53,406
Health education and counseling	7,620	7,219
Indigent care	4,205	4,485
Restricted pledge fund	31,244	18,796
Total subect to expenditure for a specified purpose	127,768	106,713
Funds, cash and securities held into perpetuity:		
Health care services	52,193	46,984
Health education and counseling	12,853	14,552
Total funds, cash and securities held in perpetuity	65,046	61,536
Total net assets with donor restrictions	$ 192,814	$ 168,249

The JHHS endowments do not include amounts designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of JHHS has interpreted Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in the State of Maryland, the State of Florida, and the District of Columbia as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, JHHS classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

12. Pension Plans

The Affiliates sponsor a variety of defined benefit pension plans (the "Plans") covering most of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service. The FASB's guidance on employers' accounting for defined benefit pension and other postretirement plans requires that the funded status of defined benefit postretirement plans be recognized on JHHS' Consolidated Balance Sheets, and changes in the funded status be reflected as a change in net assets. Changes in net assets without donor restrictions during the year ended June 30, 2020 reflect a board approved amendment to the Plans which resulted in a reduction of $(59.7) million in the pension liability referred to as a plan amendment liability.

For the year ended June 30, 2020, the SMH pension plan is in the final stages of termination. Final distributions have been made to plan participants. The process is expected to be completed and presented to the pension committee for final conclusion in October 2020. During the year ended June 30, 2019, the HCGH Board of Trustees approved the termination of the HCGH plan. HCGH has filed with the required documents with the Internal Revenue Service for its determination letter. The plan termination is expected to take up to twelve months from the receipt of the determination letter.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the Plans as of June 30, 2020 and 2019 consisted of cash and cash equivalents, equities and equity funds, fixed income funds, and alternative investments. All assets are managed by external investment managers, consistent with the Plans' investment policy.

The change in benefit obligation, plan assets, and funded status of the Plans is shown below (in thousands):

Change in benefit obligation	**2020**	**2019**
Benefit obligation as of beginning of year	$ 2,817,530	$ 2,401,508
Service cost	84,278	79,783
Interest cost	99,862	103,199
Plan amendment liability	(59,659)	-
Actuarial loss	354,635	306,484
Benefits paid	(175,109)	(73,444)
Benefit obligation as of June 30	$ 3,121,537	$ 2,817,530

Change in plan assets	**2020**	**2019**
Fair value of plan assets as of beginning of year	$ 1,898,832	$ 1,669,415
Actual return on plan assets	164,452	134,581
Employer contribution	139,353	168,280
Benefits paid	(175,109)	(73,444)
Fair value of plan assets as of June 30	$ 2,027,528	$ 1,898,832

Funded Status as of June 30	**2020**	**2019**
Fair value of plan assets	$ 2,027,528	$ 1,898,832
Projected benefit obligation	(3,121,537)	(2,817,530)
Unfunded status	$ (1,094,009)	$ (918,698)

Amounts recognized in the Consolidated Balance Sheets consist of (in thousands):

	2020	**2019**
Net pension asset (SMH - included in other assets)	$ 9,986	$ 6,708
Net pension liability	(1,103,995)	(925,406)
Net amount recognized	$ (1,094,009)	$ (918,698)

Aside from the SMH plan, the projected benefit obligation is greater than the fair value of plan assets for all plans that are aggregated with these statements.

Amounts not yet recognized in net periodic benefit cost and included in net assets without donor restrictions consist of (in thousands):

	2020	2019
Actuarial net loss	$ 1,146,067	$ 929,136
Prior service cost	(59,659)	-
	$ 1,086,408	$ 929,136
Accumulated benefit obligation	$ 2,871,954	$ 2,499,558

Net Periodic Pension Cost

Components of net periodic pension cost (in thousands):

	2020	2019
Service cost	$ 84,278	$ 79,783
Interest cost	99,862	103,199
Expected return on plan assets	(129,523)	(108,120)
Amortization of prior service cost	-	108
Recognized net actuarial loss	101,209	89,339
Settlement loss recognized	1,566	684
Net periodic pension cost	$ 157,392	$ 164,993

Other Changes in Plan Assets and Benefit Obligations Recognized in Net Assets without Donor Restrictions

	2020	2019
Net loss	$ 319,706	$ 280,023
Amortization of net loss	(102,775)	(90,023)
Amortization of prior service cost	-	(108)
	216,931	189,892
Plan amendment liability	(59,659)	-
Total recognized in net assets without donor restrictions	$ 157,272	$ 189,892
Total loss recognized in net periodic benefit cost and net assets without donor restrictions	$ 314,664	$ 354,885

The estimated net loss that will be amortized from net assets without donor restrictions into net periodic pension cost over the next fiscal year is $126.1 million.

The assumptions used in determining net periodic pension cost for all plans, except the SMH and HCGH plans where noted, are as follows for the years ended June 30:

	2020	2019
Discount rate - service cost	3.88%	4.53%
Discount rate - benefit obligation	3.71%	4.41%
Expected return on plan assets	7.20%	7.25%
Rate of compensation increase - ultimate	2.50%	2.50%

The assumptions used in determining the benefit obligations for all plans, except the SMH and HCGH plans where noted, are as follows as of July 1:

	2020	2019
Discount rate	3.02%	3.71%
Expected return on plan assets	7.20%	7.25%
Rate of compensation increase - ultimate	2.50%	2.50%

The SMH plan utilized an expected rate of return on assets of 3.25% for the years ended June 30, 2020 and 2019, respectively, due to the nature of the plan being frozen and management's future expectations surrounding this plan. The HCGH plan utilized an expected rate of return on assets of 3.25% for the year ended June 30, 2020 due to management's future expectations surrounding this plan. The HCGH plan utilized an expected rate of return on assets of 7.25% for the year ended June 30, 2019.

The expected rate of return on plan assets assumption, excluding SMH and HCGH, was developed based on historical returns for the major asset classes. This review also considered both current market conditions and projected future conditions.

Plan Assets

Pension plan weighted average asset allocations as of June 30 by asset class are as follows:

Asset Class	2020	2019
Cash and cash equivalents	6.71 %	2.71 %
Equities and equity funds	7.44	8.08
Fixed income funds	25.32	31.66
Investments measured at NAV as a practical expedient	50.93	57.55
Distributions after measurement date	2.45	0.00
Contributions after measurement date	7.15	0.00
Total	100.00 %	100.00 %

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans, except the SMH plan, strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 75% and 25% respectively.

During the year ended June 30, 2020, the SMH plan adjusted its investment allocation to cash and cash equivalents to reduce the risk of market volatility as it moves towards terminating the plan.

Fair Value of Plan Assets
Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

Level 1 Observable inputs such as quoted market prices for identical assets or liabilities in active markets;

Level 2 Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the plan assets carried at fair value as of June 30, 2020 grouped by hierarchy level (in thousands):

Assets	**Fair Value**	**Level 1**	**Level 2**
Cash equivalents (1)	$ 136,032	$ 136,032	$ -
Equities and equity funds (2)	150,850	150,850	-
Fixed income funds (3)	513,305	360,315	152,990
	800,187	$ 647,197	$ 152,990
Investments measured at NAV as a practical expedient	1,032,628		
Distributions after measurement date (4)	49,714		
Contributions after measurement date (5)	144,999		
Total plan assets	$ 2,027,528		

The following table presents the plan assets carried at fair value as of June 30, 2019 grouped by hierarchy level (in thousands):

Assets	**Fair Value**	**Level 1**	**Level 2**
Cash equivalents (1)	$ 51,472	$ 51,472	$ -
Equities and equity funds (2)	153,403	153,403	-
Fixed income funds (3)	601,134	371,168	229,966
	806,009	$ 576,043	$ 229,966
Investments measured at NAV as a practical expedient	1,092,823		
Total plan assets	$ 1,898,832		

(1) Cash and cash equivalents and money market funds include investments with original maturities of three months or less, and are rendered Level 1 due to their frequent pricing and ease of converting to cash.

(2) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.

(3) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. For the fixed income instruments, fair value is based on quotes for similar securities; therefore, these investments are rendered Level 2.

(4) Distributions after measurement date are comprised of redemptions of investments held at NAV.

(5) Contributions after measurement date represent subscriptions in investments held at NAV.

There are no unfunded commitments related to the Plans' investments measured at NAV as a practical expedient. The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2020 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 139,612	Monthly	5 days
Equity long/short hedge funds (2)	67,982	Quarterly	30 to 60 days
Event driven hedge funds (3)	4,233	Quarterly	60 to 65 days
Hedge fund of funds (4)	66,649	Quarterly	90 days
Relative value hedge funds (5)	28,706	Quarterly	95 days
Commingled equity funds (6)	305,245	Daily or monthly	1 to 25 days
Commingled fixed income (7)	420,201	Daily or monthly	1 to 90 days
Total	$ 1,032,628		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2019 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Absolute return hedge funds (1)	$ 181,227	Monthly	5 days
Equity long/short hedge funds (2)	68,196	Monthly or quarterly	30 to 60 days
Event driven hedge funds (3)	79,035	Quarterly	60 to 65 days
Relative value hedge funds (5)	33,561	Quarterly	95 days
Commingled equity funds (6)	336,600	Daily or monthly	1 to 15 days
Commingled fixed income (7)	394,204	Daily or monthly	1 to 30 days
Total	$ 1,092,823		

(1) Absolute return hedge funds: Investment managers who seek low correlation to global equity markets. Strategies have the ability to identify opportunities across multiple sectors, asset classes, and geographic regions.

(2) Equity long/short hedge funds: Investment managers who maintain positions both long and short in primarily equity and equity derivative securities. Strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure and leverage employed.

(3) Event driven hedge funds: Investment managers who maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.

(4) Hedge fund of funds: Invest with multiple hedge fund managers to create a diversified portfolio of hedge funds. Hedge fund of funds strategies serve to dampen volatility within the overall investment portfolio, while offering the investor more frequent liquidity terms and lower capital requirements as compared to investing with an individual hedge fund manager. The fund of funds manager has discretion in choosing the individual investment strategies for the portfolio. A manager may allocate funds to numerous managers within a single strategy, or with numerous managers across multiple strategies.

(5) Relative Value hedge funds: Investment managers with an investment thesis predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types can range broadly across equity, fixed income, derivative or other security types.

(6) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.

(7) Commingled fixed income: Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.

Contributions and Estimated Future Benefit Payments

JHHS expects to contribute $177.2 million to its pension plans in the fiscal year ending June 30, 2021.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2020 (in thousands):

2021	$	101,066
2022		94,183
2023		102,371
2024		109,963
2025		117,185
Next five years		693,420

The fiscal 2021 expected benefit payments include $92 thousand and $12.6 million due to the expected settlement of all participant pension liabilities pursuant to SMH's and HCGH's plan terminations, respectively.

13. Professional and General Liability Insurance

The University and JHHS participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed a risk retention group ("RRG") and a captive insurance company to provide self-insurance for a portion of their risk.

JHH and the University each have a 10% ownership interest in the RRG and the captive insurance company, which is included in investments on the Consolidated Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and the RRG. The primary coverage is written by the RRG, and a portion of the risk is reinsured with the captive insurance company. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by the RRG and the captive. Primary retentions range between $1.0 million and $5.0 million per incident. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 1.53% and 2.18% as of June 30, 2020 and 2019, respectively.

JHHS applies the provisions of ASU 2010-24, "Presentation of Insurance Claims and Related Insurance Recoveries", which clarifies that health care entities should not net insurance recoveries against the related claims liabilities. JHHS' insurance recoveries and liabilities in the accompanying Consolidated Balance Sheets as of June 30, 2020 and 2019 are as follows:

Caption on Consolidated Balance Sheet
(in thousands)

	2020	2019
Estimated malpractice recoveries, current portion	$ 73,109	$ 63,776
Estimated malpractice recoveries, net of current	53,377	45,429
Total assets	$ 126,486	$ 109,205
Current portion of estimated malpractice costs	$ 73,109	$ 63,776
Estimated malpractice costs, net of current portion	53,377	45,429
Total liabilities	$ 126,486	$ 109,205

The assets and liabilities represent JHHS' estimated self-insured captive insurance recoveries for claims reserves and certain claims in excess of self-insured retention levels. The insurance recoveries and liabilities have been allocated between short-term and long-term assets and liabilities based upon the expected timing of the claims payments.

Professional and general liability insurance expense incurred by JHHS was $126.1 million and $70.0 million for the years ended June 30, 2020 and 2019, respectively. Reserves were $280.9 million and $214.3 million as of June 30, 2020 and 2019, respectively.

14. Related Party Transactions

During the years ended June 30, 2020 and 2019, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

(Expense) transactions (in thousands):

	2020	2019
Pharmacy management and patient discharge planning costs to JHHCG	$ (63,791)	$ (57,018)
Security and management of housekeeping and parking garage services provided by Broadway Services, Inc.	(18,403)	(19,931)
Utility, telecommunication and clinical application services provided by JHMI Utilities, LLC	(115,038)	(111,438)

Due from related party balances as of June 30 (in thousands):

	2020	2019
Note receivable - JHMI Utilities, LLC	$ 15,768	$ 15,768
Note receivable - JHI	3,693	3,498
Note receivable - FSK Land Corporation	1,492	1,529
Due from other affiliates, net	2,353	882
Due from affiliates, current portion, net	$ 23,306	$ 21,677
Note receivable - JHMI Utilities, LLC	$ 41,257	$ 49,661
Note receivable - JHI	-	3,696
Note receivable - FSK Land Corporation	14,982	16,456
Due from other affiliates	11,549	13,630
Due from affiliates, net of current portion	$ 67,788	$ 83,443

Affiliate Notes Receivable

JHHS has made loans to certain noncontrolled affiliates that do not consolidate within JHHS. The loans to these affiliates do not eliminate in consolidation. The short-term portion of these notes receivable are included in Due from affiliates, current portion, and the long-term portion is included in Due from affiliates, net of current portion in the Consolidated Balance Sheets.

JHH and JHHSC have affiliate notes receivable with JHMI Utilities, LLC. JHH has two affiliate notes receivable with JHMI Utilities, LLC. The first note receivable has a balance of $5.0 million as of June 30, 2020 and 2019. The note receivable is due in June 2027, accrues interest at a fixed rate of 6.0%, with interest payments paid monthly. The second note was established in February 2019 and has a balance of $7.4 million as of June 30, 2020. The note receivable is due March 2042, accrues interest at a fixed rate of 5.35%, with interest payments paid quarterly and principal payments paid quarterly starting in June 2022. JHHSC's note receivable has a balance of $57.0

million and $60.4 million as of June 30, 2020 and 2019, respectively. The JHHSC note receivable is due in May 2023, accrues interest at a fixed rate of 5.85%, with principal and interest payments paid monthly.

JHH has an affiliate note receivable with JHI. JHH's note receivable has a balance of $3.7 million and $7.2 million as of June 30, 2020 and 2019, respectively. The note is due in June 2021, accrues interest in the initial period at a fixed rate of 5.4%, with principal payments paid quarterly and interest payments paid monthly.

JHHSC has two affiliate notes receivable with FSK Land Corporation. The first note receivable has a balance of $15.7 million and $16.5 million as of June 30, 2020 and 2019, respectively. The note has three components due in September 2021, 2023 and 2035, respectively that accrue interest at fixed rates between 5.00% and 5.35% with principal and interest payments paid monthly. The second note receivable has a balance of $0.7 million and $1.5 million as of June 30, 2020 and 2019, respectively. The note is due in December 2026, accrues interest at a fixed rate of 4%, with principal and interest payments paid monthly.

Affiliate Leases

JHHS engages in leasing transactions with various non-controlled, unconsolidated affiliates. In most cases, JHHS is the lessee; however, in some situations, JHHS is the lessor – either as the sub-lessor or as the lessor of its owned, real property. However, lessor activity is not material.

As a lessee, the terms of JHHS' leases with related parties range from 5 to 48 years and generally do not include early termination or renewal options. JHHS uses its collateralized incremental borrowing rate to derive its ROU asset and liability associated with its related party leases unless the rate implicit in the lease is known. Lease payments are paid on a monthly basis.

The following table summarizes JHHS' expense items for the year ended June 30 (in thousands):

		2020
Expenses for operating leases with:		
FSK Land Corporation	$	(4,303)
JHHC Surgery Center Development LLC		(1,438)
550 Broadway Limited Partnership		(812)
Broadway Services, Inc.		(99)
Expenses for financing leases with:		
FSK Land		(1,643)

ROU asset and liability balances as of June 30 are as follows (in thousands):

		2020
Operating lease right-of-use assets		
FSK Land Corporation	$	5,371
JHHC Surgery Center Development LLC		11,192
Broadway Services, Inc.		90
Finance lease right-of-use assets		
FSK Land		10,232
Operating lease liabilities, current portion		
FSK Land Corporation		(3,275)
JHHC Surgery Center Development LLC		(1,009)
Broadway Services, Inc.		(90)
Operating lease liabilities, net of current portion		
FSK Land Corporation		(2,007)
JHHC Surgery Center Development LLC		(10,300)
Finance lease liabilities, current portion		
FSK Land		(1,114)
Finance lease liabilities, net of current portion		
FSK Land		(9,289)

15. Contracts, Commitments and Contingencies

There are several lawsuits pending in which JHHS has been named as a defendant as described below.

On April 1, 2015, a complaint was filed against the University, its Bloomberg School of Public Health and its School of Medicine, JHHSC and JHH (collectively the "Johns Hopkins Defendants"), as well as another institution and a pharmaceutical company (collectively the "defendants"). The claims arise from human experiments conducted in Guatemala between 1946 and 1948 (the "Study") under the auspices of the United States Public Health Service, the Guatemalan government, and the Pan American Sanitary Bureau. The plaintiffs' third amended complaint alleges that physicians and scientists employed by defendants "approved, encouraged, and directed nonconsensual and nontherapeutic human experiments in Guatemala" in which research subjects were intentionally exposed to and infected with venereal diseases without informed consent, and that the individuals were not advised about the consequences of the experiments or given follow-up care, treatment, or education. The third amended complaint alleges claims under both the Guatemala civil code and the federal Alien Tort Statute (the "ATS"), and seeks compensatory damages in excess of $75,000 and punitive damages of $1 billion. The Johns Hopkins Defendants dispute both the factual allegations and legal claims. The Johns Hopkins Defendants did not initiate, pay for, direct, or conduct the Study. In 2010, the United States government accepted responsibility for the Study and apologized to all who were affected by it. A prior lawsuit against officials of the United States government for the same injuries alleged in the suit against the Johns Hopkins Defendants was dismissed by the U.S. District Court for the District of Columbia.

On August 30, 2017, the Court issued a memorandum decision dismissing all of plaintiffs' Guatemala law claims, but denying defendants' motion to dismiss the third amended complaint with respect to the ATS claims. On May 16, 2018, defendants filed a motion for judgment on the pleadings based upon the Supreme Court's decision in Jesner v. Arab Bank, PLC, 138 S. Ct.1386

(2018), which holds that the ATS does not authorize federal courts to create federal common law causes of action against foreign corporations, as doing so would usurp Congress's role and violate the separation of powers. Defendants argue that although the Supreme Court's formal holding applied to foreign corporations—the only type of corporation that was a party to the case—the Supreme Court's reasoning should apply to domestic corporations as well.

On January 3, 2019, the Honorable Theodore D. Chuang denied the motion, declining to extend the majority's reasoning in Jesner to domestic corporations. On April 23, 2019, however, Judge Chuang granted defendants' Motion to Certify Interlocutory Appeal, and on May 17, 2019, the Fourth Circuit granted defendants' petition for permission to appeal. Briefing was completed in October 2019. In August 2020, the Fourth Circuit issued an order placing the case in abeyance pending a decision by the United States Supreme Court in No. 19-416, Nestle USA, Inc. v. John Doe I. At this time, discovery closed and both plaintiffs and defendants filed motions for summary judgment. Briefing on these motions was concluded in April 2020. The Court has not yet ruled on the motions. The Johns Hopkins Defendants intend to continue to vigorously defend this lawsuit.

JHHS

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, provides resident physicians who furnish services at JHHS hospitals, and provides certain other administrative and technical support services through the physicians employed by The Johns Hopkins University School of Medicine ("JHUSOM"). Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS. The aggregate amount of purchased services incurred by JHHS under these agreements was $410.7 million and $353.5 million for the years ended June 30, 2020 and 2019, respectively.

The Johns Hopkins Hospital

In 2005, JHH and the University created a Limited Liability Company (JHMI Utilities, LLC) to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of the LLC and shares equally in the governance of the LLC. The LLC also assumed the liability for JHH's 1985 Pooled Loan obligation of $8.5 million. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2020, the amount of the debt guarantee by JHH was $116.7 million. JHH accounts for this investment under the equity method of accounting.

JHH has pledged investments, having an aggregate market value of $32.4 million as of June 30, 2020 and 2019, for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund.

16. Concentrations of Credit Risk

JHHS provides services primarily to residents in the State of Maryland, District of Columbia and Florida without collateral or other proof of ability to pay. Most patients are local residents who are insured partially or fully under third-party payor arrangements.

The following table depicts the mix of accounts receivable, net from patients and third-party payors as of June 30, 2020 and 2019:

	2020	2019
Medicare	13.6 %	16.1 %
Medicaid	12.8	10.1
Blue Cross and Blue Shield	14.9	13.3
Medicaid managed care organizations	18.9	17.1
Self pay	7.6	9.3
Other third-party payors	32.2	34.1
Total	100.0 %	100.0 %

The State of Maryland has been granted a waiver by the federal government exempting the State from national Medicare and Medicaid reimbursement principles. JHH, JHBMC, HCGH and SHI charges for inpatient as well as outpatient and emergency services performed at the hospitals are regulated by the HSCRC. JHHS' management has made all submissions required by the HSCRC and believes JHHS is in compliance with HSCRC requirements. Phase II of the agreement was approved in July of 2018 and extended the waiver through December 31, 2023.

Effective January 1, 2014, with retroactive application to revenues generated by services provided after June 30, 2013, the HSCRC and the Center for Medicare and Medicaid Services entered into a new demonstration model for the Maryland waiver. The new demonstration model moved from a Medicare per admission methodology to a per capita population health based methodology. To facilitate the goals of the new demonstration model, the HSCRC and Maryland hospitals entered into Global Budget Revenue Agreements ("GBR"). The agreements set a hospital's revenue base annually under a global budget arrangement, whereby revenue would be fixed regardless of changes in volume and patient mix for Maryland residents. Hospital revenue for Maryland residents receiving care at Maryland hospitals is subject to this global budget. However, JHH and JHBMC have the opportunity to receive additional rate authority for any growth in the volume of out of state patients receiving care at those hospitals. When the hospitals' out of state volume exceeds a revenue floor established by the HSCRC, the hospitals will be allowed to recognize incremental revenues at a 50% variable cost factor. This variable cost factor can then increase to 75% when that out of state revenue increases to a certain level. For HCGH, out of state volume is currently included in their global budget; therefore, all in state and out of state volumes are subject to their global budget. SHI is allowed to recognize incremental revenues at a 50% variable cost factor.

Under the HSCRC reimbursement methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 92.3% of HSCRC approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

17. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the year ended June 30, 2020 consisted of the following (in thousands):

	2020		
	Health care services	General and administrative services	Total Expenses
Operating expenses:			
Salaries, wages and benefits	$ 1,909,001	$ 672,970	$2,581,971
Purchased services	2,382,554	546,112	2,928,666
Supplies and other	1,118,744	158,287	1,277,031
Interest	57,833	-	57,833
Depreciation and amortization	242,622	68,086	310,708
Total operating expenses	5,710,754	1,445,455	7,156,209
Non-operating expenses:			
Interest expense on swap agreements	19,670	-	19,670
Other components of net periodic pension cost	56,934	15,778	72,712
Other non-operating expenses, including JHUSOM academic mission support	23,711	-	23,711
Total non-operating expenses	100,315	15,778	116,093
Total expenses	$ 5,811,069	$ 1,461,233	$7,272,302

Natural expenses attributable to more than one functional expense category are allocated using administrative allocations from annual CMS cost reports.

Expenses related to providing these services for the year ended June 30, 2019 consisted of the following (in thousands):

	2019		
	Health care services	General and administrative services	Total Expenses
Operating expenses:			
Salaries, wages and benefits	$ 1,845,050	$ 634,888	$ 2,479,938
Purchased services	2,141,451	564,640	2,706,091
Supplies and other	1,065,250	141,463	1,206,713
Interest	61,405	-	61,405
Depreciation and amortization	230,013	61,520	291,533
Total operating expenses	5,343,169	1,402,511	6,745,680
Non-operating expenses:			
Interest expense on swap agreements	16,228	-	16,228
Other components of net periodic pension cost	69,293	16,207	85,500
Other non-operating expenses, including JHUSOM academic mission support	23,093	-	23,093
Total non-operating expenses	108,614	16,207	124,821
Total expenses	$ 5,451,783	$ 1,418,718	$ 6,870,501

18. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at June 30, 2020 and 2019 (in thousands):

	2020	2019
Cash and cash equivalents	$ 892,791	$ 711,260
Short-term investments	95,505	90,148
Patient accounts receivable, net	575,383	567,416
Due from others, current portion	140,350	138,313
Due from affiliates, current portion	29,155	35,879
Investments	2,596,804	2,684,365
	$ 4,329,988	$ 4,227,381

General expenditures refer to ongoing operating expenditures required to fulfill JHHS' principal business purpose. JHHS has certain board-designated assets limited to use which are excluded from the quantitative information above, however, these assets can be released by the board and made available for general expenditure.

As part of JHHS's liquidity management plan, cash in excess of daily requirements is invested in short-term and long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due. Investments classified as long-term assets can be converted to cash within one year, if needed.

19. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self-perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the consolidated financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were $700.9 million and $711.5 million as of June 30, 2020 and 2019, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were $12.8 million and $13.1 million for the years ended June 30, 2020 and 2019, respectively, and were recorded as other revenue.

20. Subsequent Events

JHHS has performed an evaluation of subsequent events, including the event described below, through October 2, 2020, which is the date the consolidated financial statements were issued.

On September 19, 2020, HHS issued new reporting requirements for the CARES Act provider relief funding. The new requirements first require JHHS and its affiliates to identify healthcare related expenses attributable to coronavirus that another source has not reimbursed. If those expenses do not exceed the funding received, JHHS and its affiliates will need to demonstrate that the remaining provider relief funds were used for a negative change in calendar year 2020 patient care operating income compared to calendar year 2019. These new reporting requirements are considered a nonrecognized subsequent event under ASC 855.

HHS is entitled to recoup amounts in excess of the negative change in patient care operating income reported net of healthcare related expenses attributable to coronavirus. Due to these new reporting requirements it is reasonably possible that amounts recorded under CARES Act provider relief fund by JHHS may change in future periods.

Supplementary Information

Report of Independent Auditors

To the Board of Trustees of
The Johns Hopkins Health System Corporation and Affiliates:

We have audited the consolidated financial statements of The Johns Hopkins Health System Corporation and its affiliates as of June 30, 2020 and 2019 and for the years ended June 30, 2020 and 2019 and our report thereon appears on pages 1 and 2 of this document, which included an unmodified opinion on those financial statements and a paragraph describing the change in the manner in which JHHS accounts for leases and presentation of restricted cash within the statement of cash flows. Those audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 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 taken as a whole. The consolidated information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, results of operations and changes in net assets and cash flows of the individual companies.

PricewaterhouseCoopers LLP

October 2, 2020

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Balance Sheets
June 30, 2020

(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Other Consolidated Entities	Suburban Hospital, Inc. Foundation	Sibley Memorial Hospital	Sibley Memorial Hospital Foundation	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.
Assets									
Current assets									
Cash and cash equivalents	$ 41,380	$ 39,008	$ 18,537	$ 11,664	$ -	$ 70,617	$ 1,515	$ -	$ 61,769
Short-term investments	-	151	53	420	-	24,380	1,837	-	100
Assets whose use is limited - used for curr liabs	3,840	-	-	433	-	-	-	-	-
Patient accounts receivables, net	277,898	52,480	27,613	29,981	-	42,764	-	-	107,101
Due from others, current portion	63,587	8,289	1,099	2,719	-	2,432	-	-	3,237
Due from affiliates, current portion	31,564	7,557	1,007	1,454	3	708	-	-	1,964
Inventories of supplies	76,891	12,783	4,424	11,829	-	8,672	-	-	11,315
Estimated malpractice recoveries, current portion	42,861	4,526	2,067	1,560	-	3,478	-	-	9,862
Prepaid expenses and other current assets	7,803	1,172	1,635	3,962	2	3,992	66	-	5,941
Total current assets	545,824	125,966	56,435	64,022	5	157,043	3,418	-	201,289
Assets whose use is limited									
By donors or grantors for									
Pledges receivable	602	192	-	-	11,806	-	24,650	-	-
Other	6,502	7,878	20,889	93	31,359	3,609	31,221	-	17,094
By Board of Trustees	107,478	76,235	-	-	-	71,959	12,139	338,146	16,911
Other	2,298	712	133	(189)	189	-	-	-	18,926
Total assets whose use is limited	116,880	85,017	21,022	(96)	43,354	75,568	68,010	338,146	52,931
Investments	1,160,078	37,189	176,469	236,036	-	473,187	37,967	-	393,362
Property, plant and equipment	2,392,885	529,973	327,314	492,949	33	749,369	107	91	685,774
Less: Allowance for depreciation and amort	(1,202,458)	(369,704)	(158,115)	(184,255)	(33)	(205,257)	(10)	(44)	(276,411)
Total property, plant and equipment, net	1,190,427	160,269	169,199	308,694	-	544,112	97	47	409,363
Finance lease right-of-use assets	6,161	21,427	6,780	-	-	-	-	-	6,383
Operating lease right-of-use assets	4,084	7,375	435	493	-	241	-	-	1,129
Due from affiliates, net of current portion	198,917	-	1,714	442	-	-	-	-	-
Estimated malpractice recoveries, net of current portion	31,294	3,305	1,509	1,139	-	2,540	-	-	7,200
Swap counterparty deposit	-	-	-	-	-	-	-	-	-
Other assets	10,199	367	55	-	-	13,406	-	-	5,353
Total assets	$ 3,263,864	$ 440,915	$ 433,618	$ 610,730	$ 43,359	$ 1,266,097	$ 109,492	$ 338,193	$ 1,077,010
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ 10,950	$ 5,930	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,125
Lines of credit	-	-	-	-	-	-	-	-	-
Finance lease liabilities, current portion	513	1,718	839	-	-	-	-	-	860
Operating lease liabilities, current portion	450	1,628	178	495	-	75	-	-	478
Accounts payable and accrued liabilities	287,322	62,018	32,227	37,452	89	55,730	373	233	53,588
Medical claims reserve	-	-	-	-	-	-	-	-	-
Deferred revenue	345	4,005	418	93	-	1,352	-	-	18,326
Due to affiliates, current portion	26,402	7,755	8,284	19,919	46	5,521	2,998	1,872	80,966
Advances from third-party payors	99,936	16,290	9,876	6,854	-	-	-	-	-
Current portion of est malpractice costs	64,809	7,964	3,170	2,158	-	4,728	-	-	10,182
Total current liabilities	490,727	107,308	54,992	66,971	135	67,406	3,371	2,105	166,525
Long-term debt, net of current portion	8,582	35,760	-	-	-	-	-	-	85,800
Finance lease liabilities, net of current portion	5,493	20,708	6,276	-	-	-	-	-	5,988
Operating lease liabilities, net of current portion	3,678	6,795	300	-	-	169	-	-	863
Est malpractice costs, net of current portion	102,841	13,661	6,228	2,502	-	8,224	-	-	23,196
Net pension liability	561,965	208,424	3,376	2,250	-	-	-	-	-
Other long-term liabilities	955,141	69,448	190,985	131,093	169	322,726	216	-	168,292
Total liabilities	2,128,427	462,104	262,157	202,816	304	398,525	3,587	2,105	450,664
Net assets									
Net assets without donor restrictions	1,127,115	(29,259)	161,011	407,914	88	863,819	50,506	336,088	607,454
Net assets with donor restrictions	8,322	8,070	10,450	-	42,967	3,753	55,399	-	18,892
Total net assets	1,135,437	(21,189)	171,461	407,914	43,055	867,572	105,905	336,088	626,346
Total liabilities and net assets	$ 3,263,864	$ 440,915	$ 433,618	$ 610,730	$ 43,359	$ 1,266,097	$ 109,492	$ 338,193	$ 1,077,010

	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Assets											
Current assets											
Cash and cash equivalents	$ 487,843	$ 156	$ -	$ 732,489	$ 107,517	$ 13,453	$ 1,856	$ 3,855	$ 33,621	$ -	$ 892,791
Short-term investments	68,211	200	-	95,352	-	-	-	153	-	-	95,505
Assets whose use is limited - used for curr liabs	-	-	-	4,273	-	-	-	-	-	-	4,273
Patient accounts receivables, net	-	5	-	537,842	44,898	-	-	-	23,982	(31,339)	575,383
Due from others, current portion	12,229	210	-	93,802	35,949	2,570	63	-	7,966	-	140,350
Due from affiliates, current portion	138,626	666	(125,354)	58,195	22,855	2,991	4	-	49,036	(103,926)	29,155
Inventories of supplies	781	-	-	126,695	378	62	-	-	20,315	-	147,450
Estimated malpractice recoveries, current portion	-	-	-	64,354	1,642	-	-	-	7,113	-	73,109
Prepaid expenses and other current assets	3,330	270	-	28,173	13,562	275	10	219	2,683	-	44,922
Total current assets	711,020	1,507	(125,354)	1,741,175	226,801	19,351	1,933	4,227	144,716	(135,265)	2,002,938
Assets whose use is limited											
By donors or grantors for											
Pledges receivable	-	-	-	37,250	-	-	2,159	8,085	491	-	47,985
Other	-	-	-	118,645	-	-	3,400	53,672	(491)	(15,930)	159,296
By Board of Trustees	-	-	-	622,868	-	-	-	5,162	-	-	628,030
Other	16,334	222	-	38,625	200	-	194	628	-	(17,926)	21,721
Total assets whose use is limited	16,334	222	-	817,388	200	-	5,753	67,547	-	(33,856)	857,032
Investments	79,406	19,518	-	2,613,212	324,630	-	8,209	32,393	32,891	(110,552)	2,900,783
Property, plant and equipment	145,659	36,329	-	5,360,483	62,266	40,612	158	23,315	126,680	-	5,613,514
Less: Allowance for depreciation and amort	(99,484)	(14,816)	-	(2,510,587)	(33,411)	(16,863)	(44)	(4,798)	(89,215)	-	(2,654,918)
Total property, plant and equipment, net	46,175	21,513	-	2,849,896	28,855	23,749	114	18,517	37,465	-	2,958,596
Finance lease right-of-use assets	19,285	9,760	-	69,796	23,797	226	-	-	12,990	-	106,809
Operating lease right-of-use assets	35,476	201	-	49,434	3,323	7,451	-	-	67,991	-	128,199
Due from affiliates, net of current portion	1,446,047	-	(1,468,735)	178,385	-	-	-	-	309	(110,906)	67,788
Estimated malpractice recoveries, net of current portion	-	-	-	46,987	1,197	-	-	-	5,193	-	53,377
Swap counterparty deposit	-	-	-	-	-	-	-	-	109,459	-	109,459
Other assets	2,690	717	-	32,787	451	5,296	-	-	496	(605)	38,425
Total assets	$ 2,356,433	$ 53,438	$ (1,594,089)	$ 8,399,060	$ 609,254	$ 56,073	$ 16,009	$ 122,684	$ 411,510	$ (391,184)	$ 9,223,406
Liabilities and Net Assets											
Current liabilities											
Current portion of long-term debt	$ 25,826	$ -	$ -	$ 44,831	$ -	$ 1,580	$ -	$ -	$ -	$ -	$ 46,411
Lines of credit	200,000	-	-	200,000	-	-	-	-	-	-	200,000
Finance lease liabilities, current portion	2,039	2,572	-	8,541	2,256	247	-	-	1,338	-	12,382
Operating lease liabilities, current portion	10,295	164	-	13,763	1,183	836	-	-	10,828	-	26,610
Accounts payable and accrued liabilities	111,240	587	-	640,859	131,673	2,010	22	518	76,582	-	851,664
Medical claims reserve	-	-	-	-	158,138	-	-	-	-	(37,075)	121,063
Deferred revenue	-	-	-	24,539	127,784	-	-	-	4,767	-	157,090
Due to affiliates, current portion	43,850	1,286	(123,227)	75,672	7,398	987	44	1,912	18,027	(98,191)	5,849
Advances from third-party payors	-	-	-	132,956	-	-	-	-	-	-	132,956
Current portion of est malpractice costs	-	-	-	93,011	1,691	-	-	-	10,792	-	105,494
Total current liabilities	393,250	4,609	(123,227)	1,234,172	430,123	5,660	66	2,430	122,334	(135,266)	1,659,519
Long-term debt, net of current portion	1,744,057	-	-	1,874,199	-	4,198	-	-	-	-	1,878,397
Finance lease liabilities, net of current portion	19,550	21,254	-	79,269	23,049	63	-	-	12,197	-	114,578
Operating lease liabilities, net of current portion	25,460	42	-	37,307	5,435	6,721	-	-	59,807	-	109,270
Est malpractice costs, net of current portion	-	-	-	156,652	3,601	-	-	-	15,122	-	175,375
Net pension liability	327,980	-	-	1,103,995	-	-	-	-	-	-	1,103,995
Other long-term liabilities	2,188	222	(1,470,862)	369,618	19	598	13	757	113,340	(111,510)	372,835
Total liabilities	2,512,485	26,127	(1,594,089)	4,855,212	462,227	17,240	79	3,187	322,800	(246,776)	5,413,969
Net assets											
Net assets without donor restrictions	(156,102)	27,311	-	3,395,945	147,027	38,833	8,139	57,924	87,841	(119,086)	3,616,623
Net assets with donor restrictions	50	-	-	147,903	-	-	7,791	61,573	869	(25,322)	192,814
Total net assets	(156,052)	27,311	-	3,543,848	147,027	38,833	15,930	119,497	88,710	(144,408)	3,809,437
Total liabilities and net assets	$ 2,356,433	$ 53,438	$ (1,594,089)	$ 8,399,060	$ 609,254	$ 56,073	$ 16,009	$ 122,684	$ 411,510	$ (391,184)	$ 9,223,406

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Balance Sheets
June 30, 2019

(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Other Consolidated Entities	Suburban Hospital, Inc. Foundation	Sibley Memorial Hospital	Sibley Memorial Hospital Foundation	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.
Assets									
Current assets									
Cash and cash equivalents	$ 81,367	$ 25,332	$ 8,087	$ 9,867	$ -	$ 79,466	$ 58,405	$ -	$ 4,291
Short-term investments	-	150	50	407	-	22,881	59	-	100
Assets whose use is limited - used for curr liabs	13,035	-	-	496	-	-	-	-	-
Patient accounts receivables, net	283,760	70,887	30,385	39,984	-	44,184	-	-	67,606
Due from others, current portion	56,081	8,561	540	3,767	-	5,329	-	-	3,779
Due from affiliates, current portion	17,089	84	561	927	2	-	-	-	3,973
Inventories of supplies	72,510	10,955	5,149	11,532	-	8,941	-	-	10,048
Estimated malpractice recoveries, current portion	37,027	3,906	1,659	1,357	-	2,883	-	-	9,231
Prepaid expenses and other current assets	12,728	1,767	1,805	3,985	261	4,353	64	9	4,590
Total current assets	573,597	121,642	48,236	72,322	263	168,037	58,528	9	103,618
Assets whose use is limited									
By donors or grantors for									
Pledges receivable	740	243	-	-	6,230	-	13,566	-	-
Other	6,986	7,697	-	-	28,204	4,213	464	-	25
By Board of Trustees	71,361	65,156	5,849	-	-	74,558	-	342,693	16,199
Other	2,364	925	19,510	-	109	-	-	-	17,755
Total assets whose use is limited	81,451	74,021	25,359	-	34,543	78,771	14,030	342,693	33,979
Investments	1,178,869	37,952	181,219	265,232	-	421,738	18,941	-	452,056
Property, plant and equipment	2,342,703	514,822	304,434	440,742	33	716,082	107	91	672,748
Less: Allowance for depreciation and amort	(1,121,012)	(340,659)	(145,801)	(168,728)	(33)	(165,997)	(10)	(38)	(239,898)
Total property, plant and equipment, net	1,221,691	174,163	158,633	272,014	-	550,085	97	53	432,850
Finance lease right-of-use assets	-	11,968	-	-	-	-	-	-	7,381
Due from affiliates, net of current portion	146,108	-	1,904	1,002	-	-	-	-	-
Estimated malpractice recoveries, net of current portion	26,376	2,782	1,182	967	-	2,053	-	-	6,575
Swap counterparty deposit	-	-	-	-	-	-	-	-	-
Other assets	7,337	-	57	-	-	10,647	-	-	4,836
Total assets	$ 3,235,429	$ 422,528	$ 416,590	$ 611,537	$ 34,806	$ 1,231,331	$ 91,596	$ 342,755	$ 1,041,295
Liabilities and Net Assets									
Current liabilities									
Current portion of long-term debt	$ 19,740	$ 5,645	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000
Finance lease liabilities, current portion	-	778	-	-	-	-	-	-	808
Accounts payable and accrued liabilities	242,009	52,903	33,381	48,600	79	53,959	5,219	1,283	55,218
Medical claims reserve	-	-	-	-	-	-	-	-	-
Deferred revenue	2,400	4,702	238	-	-	1,136	-	-	1,345
Due to affiliates, current portion	43,268	7,977	8,923	10,943	87	7,125	164	14	36,935
Advances from third-party payors	89,624	15,715	9,769	7,190	-	-	-	-	-
Current portion of est malpractice costs	38,282	4,091	1,746	1,376	-	2,978	-	-	9,536
Total current liabilities	435,323	91,811	54,057	68,109	166	65,198	5,383	1,297	105,842
Long-term debt, net of current portion	126,867	41,671	-	-	-	-	-	-	87,925
Finance lease liabilities, net of current portion	1,112	12,017	156	214	-	41	-	-	6,938
Est malpractice costs, net of current portion	84,886	11,404	5,204	1,886	-	6,488	-	-	21,341
Net pension liability	464,933	182,223	3,441	3,488	-	-	-	-	-
Other long-term liabilities	784,441	63,585	186,737	136,665	245	304,978	216	-	155,376
Total liabilities	1,897,562	402,711	249,595	210,362	411	376,705	5,599	1,297	377,422
Net assets									
Net assets without donor restrictions	1,330,854	11,877	153,604	401,175	547	850,896	43,128	341,458	646,145
Net assets with donor restrictions	7,013	7,940	13,391	-	33,848	3,730	42,869	-	17,728
Total net assets	1,337,867	19,817	166,995	401,175	34,395	854,626	85,997	341,458	663,873
Total liabilities and net assets	$ 3,235,429	$ 422,528	$ 416,590	$ 611,537	$ 34,806	$ 1,231,331	$ 91,596	$ 342,755	$ 1,041,295

	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Assets											
Current assets											
Cash and cash equivalents	$ 188,174	$ 159	$ -	$ 455,148	$ 189,849	$ 10,169	$ 4,057	$ 5,090	$ 46,947	$ -	$ 711,260
Short-term investments	66,155	200	-	90,002	-	-	-	146	-	-	90,148
Assets whose use is limited - used for curr liabs	-	-	-	13,531	-	-	-	-	-	-	13,531
Patient accounts receivables, net	-	166	-	536,972	35,147	-	-	-	28,820	(33,523)	567,416
Due from others, current portion	6,222	329	-	84,608	43,653	3,377	20	64	6,591	-	138,313
Due from affiliates, current portion	97,479	123	(75,753)	44,485	24,433	5,532	-	-	37,008	(75,579)	35,879
Inventories of supplies	5,582	202	-	124,919	-	-	-	-	112	-	125,031
Estimated malpractice recoveries, current portion	-	-	-	56,063	1,360	-	-	-	6,353	-	63,776
Prepaid expenses and other current assets	2,725	392	-	32,679	13,023	320	20	210	2,159	-	48,411
Total current assets	366,337	1,571	(75,753)	1,438,407	307,465	19,398	4,097	5,510	127,990	(109,102)	1,793,765
Assets whose use is limited											
By donors or grantors for											
Pledges receivable	-	-	-	20,779	-	-	3,199	6,566	-	-	30,544
Other	-	-	-	47,589	-	-	3,594	17,756	-	-	68,939
By Board of Trustees	-	-	-	575,816	-	-	-	2,668	-	-	578,484
Other	16,038	222	-	56,923	200	-	-	-	-	(37,132)	19,991
Total assets whose use is limited	16,038	222	-	701,107	200	-	6,793	26,990	-	(37,132)	697,958
Investments	209,691	22,598	-	2,788,296	164,583	-	8,447	68,086	33,045	(91,147)	2,971,310
Property, plant and equipment	145,666	43,337	-	5,180,765	63,219	30,181	519	23,314	121,372	-	5,419,370
Less: Allowance for depreciation and amort	(93,506)	(19,778)	-	(2,295,460)	(26,782)	(13,316)	(389)	(4,524)	(86,764)	-	(2,427,235)
Total property, plant and equipment, net	52,160	23,559	-	2,885,305	36,437	16,865	130	18,790	34,608	-	2,992,135
Finance lease right-of-use assets	13,323	11,040	-	43,712	26,419	-	-	-	1,757	-	71,888
Due from affiliates, net of current portion	1,353,030	-	(1,360,448)	141,596	-	-	-	-	461	(58,614)	83,443
Estimated malpractice recoveries, net of current portion	-	-	-	39,935	969	-	-	-	4,525	-	45,429
Swap counterparty deposit	-	-	-	-	-	-	-	-	56,477	-	56,477
Other assets	2,611	2,099	-	27,587	5	6,371	-	-	1,652	-	35,615
Total assets	$ 2,013,190	$ 61,089	$ (1,436,201)	$ 8,065,945	$ 536,078	$ 42,634	$ 19,467	$ 119,376	$ 260,515	$ (295,995)	$ 8,748,020
Liabilities and Net Assets											
Current liabilities											
Current portion of long-term debt	$ 34,292	$ -	$ -	$ 61,677	$ -	$ 591	$ -	$ -	$ -	$ -	$ 62,268
Finance lease liabilities, current portion	801	2,244	-	4,631	2,115	279	-	-	142	-	7,167
Accounts payable and accrued liabilities	138,725	1,354	-	632,730	82,035	1,930	29	426	66,465	-	783,615
Medical claims reserve	-	-	-	-	165,429	-	-	-	-	(38,617)	126,812
Deferred revenue	4	-	-	9,825	115,115	-	-	-	1,943	-	126,883
Due to affiliates, current portion	3,709	660	(75,753)	44,052	20,646	1,236	48	3,100	15,605	(70,485)	14,202
Advances from third-party payors	-	-	-	122,298	-	-	-	-	-	-	122,298
Current portion of est malpractice costs	-	-	-	58,009	1,399	-	-	-	6,726	-	66,134
Total current liabilities	177,531	4,258	(75,753)	933,222	386,739	4,036	77	3,526	90,881	(109,102)	1,309,379
Long-term debt, net of current portion	1,623,589	-	-	1,880,052	-	1,567	-	-	-	-	1,881,619
Finance lease liabilities, net of current portion	13,772	23,655	-	57,905	25,238	310	-	-	1,647	-	85,100
Est malpractice costs, net of current portion	-	-	-	131,209	2,973	-	-	-	14,028	-	148,210
Net pension liability	271,321	-	-	925,406	-	-	-	-	-	-	925,406
Other long-term liabilities	2,713	225	(1,360,448)	274,733	821	1,267	13	878	62,867	(58,614)	281,965
Total liabilities	2,088,926	28,138	(1,436,201)	4,202,527	415,771	7,180	90	4,404	169,423	(167,716)	4,631,679
Net assets											
Net assets without donor restrictions	(75,786)	32,951	-	3,736,849	120,307	35,454	8,332	56,415	90,214	(99,479)	3,948,092
Net assets with donor restrictions	50	-	-	126,569	-	-	11,045	58,557	878	(28,800)	168,249
Total net assets	(75,736)	32,951	-	3,863,418	120,307	35,454	19,377	114,972	91,092	(128,279)	4,116,341
Total liabilities and net assets	$ 2,013,190	$ 61,089	$ (1,436,201)	$ 8,065,945	$ 536,078	$ 42,634	$ 19,467	$ 119,376	$ 260,515	$ (295,995)	$ 8,748,020

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2020

(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Other Consolidated Entities	Suburban Hospital, Inc. Foundation	Sibley Memorial Hospital	Sibley Memorial Hospital Foundation	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.
Operating revenues and other support									
Net patient service revenue	$ 2,075,041	$ 565,111	$ 253,763	$ 275,202	$ -	$ 380,664	$ -	$ -	$ 448,209
Insurance premium revenue	-	-	-	-	-	-	-	-	-
Other revenue	542,382	103,362	20,757	37,482	1,578	43,787	1,409	-	83,219
Net assets released from restrict used for operations	79	577	392	-	915	4,603	269	-	-
Total operating revenues and other support	2,617,502	669,050	274,912	312,684	2,493	429,054	1,678	-	531,428
Operating expenses									
Salaries, wages and benefits	881,592	275,818	127,193	143,874	838	180,151	1,442	194	246,444
Purchased services	864,543	241,935	81,209	78,880	1,860	95,585	552	1,672	176,305
Supplies and other	724,646	106,018	34,459	61,024	64	115,538	308	28	88,736
Interest	15,659	3,593	5,275	1,496	-	10,258	-	-	6,514
Depreciation and amortization	120,653	31,635	14,487	23,163	-	40,175	-	6	38,209
Total operating expenses	2,607,093	658,999	262,623	308,437	2,762	441,707	2,302	1,900	556,208
Income (loss) from operations	10,409	10,051	12,289	4,247	(269)	(12,653)	(624)	(1,900)	(24,780)
Non-operating revenues and expenses									
Interest expense on swap agreements	(14,647)	(1,136)	(1,151)	(204)	-	-	-	-	(2,532)
Change in fair value of interest swap agreements	(70,418)	(392)	(7,761)	162	-	-	-	-	(15,568)
Investment return, net	16,154	764	3,199	635	(189)	29,777	3,889	16,704	16,947
Other components of net periodic pension cost	(37,205)	(11,743)	(2,357)	531	-	(1,353)	-	-	-
Gain (loss) on advance refunding of debt	197	-	-	-	-	-	-	-	-
Other non-operating expenses	(13,448)	(7,336)	(3,908)	-	-	(24,400)	-	-	(6,000)
Excess of revenues over (under) expenses	(108,958)	(9,792)	311	5,371	(458)	(8,629)	3,265	14,804	(31,933)
Contributions (to) from affiliates	(7,906)	(4,600)	2,067	-	-	-	-	-	(6,752)
Change in funded status of defined benefit plans	(88,722)	(26,744)	1,931	800	-	5,014	-	-	-
Net assets released from restrictions used for					-				
purchases of property, plant, and equipment	1,847	-	3,098	567	-	477	-	-	-
Other	-	-	-	-	-	20,174	-	(20,174)	(6)
(Decrease) increase in net assets without donor restrictions	(203,739)	(41,136)	7,407	6,738	(458)	17,036	3,265	(5,370)	(38,691)
Changes in net assets with donor restrictions									
Gifts, grants and bequests	3,235	707	549	-	10,601	65	17,837	-	(7)
Net assets released from restrictions used for									
purchases of property, plant, and equipment	(1,847)	-	(3,098)	-	(567)	-	(477)	-	-
Net assets released from restrict used for operations	(79)	(577)	(392)	-	(915)	(4,114)	(758)	-	-
Other	-	-	-	-	-	(41)	41	-	1,171
(Decrease) increase in net assets with donor restrictions	1,309	130	(2,941)	-	9,119	(4,090)	16,643	-	1,164
(Decrease) increase in net assets	(202,430)	(41,006)	4,466	6,738	8,661	12,946	19,908	(5,370)	(37,527)
Net assets									
Beginning of year	1,337,867	19,817	166,995	401,176	34,394	854,626	85,997	341,458	663,873
End of year	$ 1,135,437	$ (21,189)	$ 171,461	$ 407,914	$ 43,055	$ 867,572	$ 105,905	$ 336,088	$ 626,346

	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Operating revenues and other support											
Net patient service revenue	$ -	$ 1,206	$ -	$ 3,999,196	$ 89,056	$ -	$ -	$ -	$ 303,840	$ (611,179)	$ 3,780,913
Insurance premium revenue	-	-	-	-	2,253,432	-	-	-	452,493	(452,493)	2,253,432
Other revenue	444,138	7,017	(282,849)	1,002,282	70,215	46,343	647	7,214	203,463	(266,346)	1,063,818
Net assets released from restrict used for operations	-	-	-	6,835	-	-	304	5,142	39	-	12,320
Total operating revenues and other support	444,138	8,223	(282,849)	5,008,313	2,412,703	46,343	951	12,356	959,835	(1,330,018)	7,110,483
Operating expenses											
Salaries, wages and benefits	241,368	720	-	2,099,634	152,341	-	360	3,138	338,304	(11,806)	2,581,971
Purchased services	156,142	2,696	(240,740)	1,460,639	2,106,471	30,387	588	9,525	596,111	(1,275,055)	2,928,666
Supplies and other	8,207	1,414	-	1,140,442	93,008	6,205	28	1,468	40,382	(4,502)	1,277,031
Interest	53,311	2,179	(42,109)	56,176	1,290	256	-	-	189	(78)	57,833
Depreciation and amortization	11,761	2,698	-	282,787	13,721	5,604	17	274	8,305	-	310,708
Total operating expenses	470,789	9,707	(282,849)	5,039,678	2,366,831	42,452	993	14,405	983,291	(1,291,441)	7,156,209
Income (loss) from operations	(26,651)	(1,484)	-	(31,365)	45,872	3,891	(42)	(2,049)	(23,456)	(38,577)	(45,726)
Non-operating revenues and expenses											
Interest expense on swap agreements	-	-	-	(19,670)	-	-	-	-	-	-	(19,670)
Change in fair value of interest swap agreements	-	-	-	(93,977)	-	-	-	-	-	-	(93,977)
Investment return, net	8,372	20	-	96,272	2,148	-	(264)	2,865	14	-	101,035
Other components of net periodic pension cost	(11,162)	-	-	(63,289)	(3,278)	(512)	-	-	(5,656)	23	(72,712)
Gain (loss) on advance refunding of debt	(27,632)	-	-	(27,435)	-	-	-	-	-	-	(27,435)
Other non-operating expenses	27,663	(105)	-	(27,534)	(360)	-	-	(156)	(495)	4,834	(23,711)
Excess of revenues over (under) expenses	(29,410)	(1,569)	-	(166,998)	44,382	3,379	(306)	660	(29,593)	(33,720)	(182,196)
Contributions (to) from affiliates	(4,217)	(2,225)	-	(23,633)	-	-	(3,379)	(315)	27,220	-	(107)
Change in funded status of defined benefit plans	(49,551)	-	-	(157,272)	-	-	-	-	-	-	(157,272)
Net assets released from restrictions used for											
purchases of property, plant, and equipment	-	-	-	5,989	-	-	-	-	-	-	5,989
Other	2,862	(1,846)	-	1,010	(17,662)	-	3,492	1,164	-	14,113	2,117
(Decrease) increase in net assets without donor restrictions	(80,316)	(5,640)	-	(340,904)	26,720	3,379	(193)	1,509	(2,373)	(19,607)	(331,469)
Changes in net assets with donor restrictions											
Gifts, grants and bequests	-	-	-	32,987	-	-	937	8,610	(423)	(236)	41,875
Net assets released from restrictions used for											
purchases of property, plant, and equipment	-	-	-	(5,989)	-	-	-	-	-	-	(5,989)
Net assets released from restrict used for operations	-	-	-	(6,835)	-	-	(304)	(5,142)	(39)	-	(12,320)
Other	-	-	-	1,171	-	-	(3,887)	(452)	453	3,714	999
(Decrease) increase in net assets with donor restrictions	-	-	-	21,334	-	-	(3,254)	3,016	(9)	3,478	24,565
(Decrease) increase in net assets	(80,316)	(5,640)	-	(319,570)	26,720	3,379	(3,447)	4,525	(2,382)	(16,129)	(306,904)
Net assets											
Beginning of year	(75,736)	32,951	-	3,863,418	120,307	35,454	19,377	114,972	91,092	(128,279)	4,116,341
End of year	$ (156,052)	$ 27,311	$ -	$ 3,543,848	$ 147,027	$ 38,833	$ 15,930	$ 119,497	$ 88,710	$ (144,408)	$ 3,809,437

The Johns Hopkins Health System Corporation and Affiliates
Supplementary Consolidating Statements of Operations and Changes in Net Assets
For the Year Ended June 30, 2019

(in thousands)

	The Johns Hopkins Hospital	Johns Hopkins Bayview Medical Center, Inc.	Howard County General Hospital, Inc.	Suburban Hospital, Inc. and Other Consolidated Entities	Suburban Hospital, Inc. Foundation	Sibley Memorial Hospital	Sibley Memorial Hospital Foundation	Sibley Other Affiliates	Johns Hopkins All Children's Hospital, Inc.
Operating revenues and other support									
Net patient service revenue	$ 2,121,134	$ 588,871	$ 259,798	$ 289,980	$ -	$ 378,401	$ -	$ -	$ 431,802
Insurance premium revenue	-	-	-	-	-	-	-	-	-
Other revenue	406,478	58,316	21,873	18,502	895	37,287	988	-	66,511
Net assets released from restrict used for operations	78	913	700	-	1,310	2,607	355	-	740
Total operating revenues and other support	2,527,690	648,100	282,371	308,482	2,205	418,295	1,343	-	499,053
Operating expenses									
Salaries, wages and benefits	855,610	270,054	127,093	134,355	887	166,159	1,190	136	244,173
Purchased services	758,872	226,328	77,969	72,423	2,372	79,059	780	949	150,416
Supplies and other	663,885	109,170	41,080	70,464	266	107,965	455	19	82,294
Interest	23,187	3,820	5,778	2,065	8	7,594	-	-	6,059
Depreciation and amortization	125,927	30,844	13,175	17,727	-	31,990	-	6	33,687
Total operating expenses	2,427,481	640,216	265,095	297,034	3,533	392,767	2,425	1,110	516,629
Income (loss) from operations	100,209	7,884	17,276	11,448	(1,328)	25,528	(1,082)	(1,110)	(17,576)
Non-operating revenues and expenses									
Interest expense on swap agreements	(12,057)	(968)	(943)	(263)	-	-	-	-	(1,997)
Change in fair value of interest swap agreements	(39,433)	(611)	(4,388)	180	-	-	-	-	(7,431)
Investment return, net	45,333	4,187	7,593	9,637	499	51,314	5,084	32,933	20,133
Other components of net periodic pension cost	(36,579)	(11,280)	(755)	309	-	(17,807)	-	-	-
Other non-operating expenses	(11,269)	-	(400)	(498)	-	(134)	-	-	(8,126)
Excess of revenues over (under) expenses	46,204	(788)	18,383	20,813	(829)	58,901	4,002	31,823	(14,997)
Contributions (to) from affiliates	(12,000)	-	931	-	-	25,000	-	-	(8,394)
Change in funded status of defined benefit plans	(109,433)	(38,218)	(1,225)	(1,721)	-	23,214	-	-	-
Net assets released from restrictions used for purchases of property, plant, and equipment	11,555	-	347	708	-	7,526	-	-	-
Other	-	-	-	-	-	16,462	-	(16,462)	-
(Decrease) increase in net assets without donor restrictions	(63,674)	(39,006)	18,436	19,800	(829)	131,103	4,002	15,361	(23,391)
Changes in net assets with donor restrictions									
Gifts, grants and bequests	10,564	843	3,369	-	4,924	30	7,325	-	(202)
Net assets released from restrictions used for purchases of property, plant, and equipment	(11,555)	-	(347)	-	(708)	-	(7,526)	-	-
Net assets released from restrict used for operations	(78)	(913)	(700)	-	(1,310)	-	(2,962)	-	(740)
Other	-	-	-	-	-	-	-	-	-
(Decrease) increase in net assets with donor restrictions	(1,069)	(70)	2,322	-	2,906	30	(3,163)	-	(942)
(Decrease) increase in net assets	(64,743)	(39,076)	20,758	19,800	2,077	131,133	839	15,361	(24,333)
Net assets									
Beginning of year	1,402,610	58,893	146,237	381,375	32,318	723,493	85,158	326,097	688,206
End of year	$ 1,337,867	$ 19,817	$ 166,995	$ 401,175	$ 34,395	$ 854,626	$ 85,997	$ 341,458	$ 663,873

	The Johns Hopkins Health System Corporation	Suburban Hospital Healthcare System, Inc.	Eliminations	Johns Hopkins Health System Obligated Group Subtotal	Johns Hopkins HealthCare LLC and Subsidiaries	Johns Hopkins HealthCare Imaging	Howard Hospital Foundation	Johns Hopkins All Children's Foundation, Inc.	Other	Eliminations	Consolidated Johns Hopkins Health System Corporation and Affiliates
Operating revenues and other support											
Net patient service revenue	$ -	$ 2,795	$ -	$ 4,072,781	$ 104,901	$ -	$ -	$ -	$ 328,374	$ (614,613)	$ 3,891,443
Insurance premium revenue	-	-	-	-	2,090,994	-	-	-	427,241	(427,242)	2,090,993
Other revenue	394,358	9,502	(272,103)	742,607	52,316	49,285	925	13,235	173,760	(201,248)	830,880
Net assets released from restrict used for operations	-	-	-	6,703	-	-	1,244	5,488	120	-	13,555
Total operating revenues and other support	394,358	12,297	(272,103)	4,822,091	2,248,211	49,285	2,169	18,723	929,495	(1,243,103)	6,826,871
Operating expenses											
Salaries, wages and benefits	208,294	1,619	-	2,009,570	135,171	18,950	518	2,998	323,760	(11,029)	2,479,938
Purchased services	160,435	5,220	(224,000)	1,310,823	2,028,000	11,549	691	13,751	565,743	(1,224,466)	2,706,091
Supplies and other	7,327	1,665	-	1,084,590	81,440	5,525	125	1,669	36,001	(2,637)	1,206,713
Interest	57,450	2,379	(48,103)	60,237	982	202	-	-	92	(108)	61,405
Depreciation and amortization	12,354	2,924	-	268,634	11,952	3,718	323	484	6,422	-	291,533
Total operating expenses	445,860	13,807	(272,103)	4,733,854	2,257,545	39,944	1,657	18,902	932,018	(1,238,240)	6,745,680
Income (loss) from operations	(51,502)	(1,510)	-	88,237	(9,334)	9,341	512	(179)	(2,523)	(4,863)	81,191
Non-operating revenues and expenses											
Interest expense on swap agreements	-	-	-	(16,228)	-	-	-	-	-	-	(16,228)
Change in fair value of interest swap agreements	-	-	-	(51,683)	-	-	-	-	-	-	(51,683)
Investment return, net	12,010	714	-	189,437	1,617	-	2	4,972	31	-	196,059
Other components of net periodic pension cost	(10,199)	-	-	(76,311)	(3,374)	(508)	-	-	(5,307)	-	(85,500)
Other non-operating expenses	(3,986)	-	-	(24,413)	-	-	-	-	(158)	1,478	(23,093)
Excess of revenues over (under) expenses	(53,677)	(796)	-	109,039	(11,091)	8,833	514	4,793	(7,957)	(3,385)	100,746
Contributions (to) from affiliates	(12,000)	-	-	(6,463)	(7,500)	-	(1,100)	(1,961)	8,594	7,767	(663)
Change in funded status of defined benefit plans	(62,509)	-	-	(189,892)	-	-	-	-	-	-	(189,892)
Net assets released from restrictions used for purchases of property, plant, and equipment	129	-	-	20,265	-	-	-	-	-	-	20,265
Other	1,512	(138)	-	1,374	-	-	955	611	7,984	(2,850)	8,074
(Decrease) increase in net assets without donor restrictions	(126,545)	(934)	-	(65,677)	(18,591)	8,833	369	3,443	8,621	1,532	(61,470)
Changes in net assets with donor restrictions											
Gifts, grants and bequests	179	-	-	27,032	-	-	1,979	7,578	(52,192)	51,568	35,965
Net assets released from restrictions used for purchases of property, plant, and equipment	(129)	-	-	(20,265)	-	-	-	-	-	-	(20,265)
Net assets released from restrict used for operations	-	-	-	(6,703)	-	-	(1,244)	(5,488)	(120)	-	(13,555)
Other	-	-	-	-	-	-	-	(52,304)	52,304	-	-
(Decrease) increase in net assets with donor restrictions	50	-	-	64	-	-	735	(50,214)	(8)	51,568	2,145
(Decrease) increase in net assets	(126,495)	(934)	-	(65,613)	(18,591)	8,833	1,104	(46,771)	8,613	53,100	(59,325)
Net assets											
Beginning of year	50,759	33,885	-	3,929,031	138,898	26,621	18,273	161,743	82,479	(181,379)	4,175,666
End of year	$ (75,736)	$ 32,951	$ -	$ 3,863,418	$ 120,307	$ 35,454	$ 19,377	$ 114,972	$ 91,092	$ (128,279)	$ 4,116,341

1. Basis of Presentation and Accounting

The Supplementary Consolidating Financial Statements presented on pages 55-58 were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial positions and changes in net assets of the individual companies within JHHS and are not a required part of the consolidated financial statements. The individual affiliates within JHHS as presented within the supplementary consolidating financial statements are disclosed within Note 1 to the consolidated financial statements.