KPMG

GBMC HEALTHCARE, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Consolidating Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

GBMC HEALTHCARE, INC. AND SUBSIDIARIES

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Directors
GBMC HealthCare, Inc.:

Opinion

We have audited the consolidated financial statements of GBMC HealthCare, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2022 and 2021, and the results of its operations, the changes in its net assets, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in Schedules 1-3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Baltimore, Maryland
October 24, 2022

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2022 and 2021

(In thousands)

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	25,891	44,983
Short-term investments and limited or restricted use funds		133,261	80,024
Patient accounts receivable, net		65,229	66,187
Other receivables		27,105	20,913
Other current assets		15,669	29,306
Total current assets		267,155	241,413
Noncurrent assets:			
Investments and limited or restricted use funds		528,479	607,390
Property, plant, and equipment, net		288,923	269,246
Operating lease right-of-use assets		21,012	16,723
Other assets		54,750	64,515
Total noncurrent assets		893,164	957,874
Total assets	$	1,160,319	1,199,287
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	110,458	99,832
Current portion of insurance reserves		13,965	13,632
Advances from third-party payors		37,640	91,831
Current portion of operating lease liabilities		3,450	3,644
Current portion of long-term debt and finance lease liabilities		5,138	13,931
Other current liabilities		8,343	6,229
Total current liabilities		178,994	229,099
Noncurrent liabilities:			
Long-term debt		220,197	116,932
Finance lease liabilities		20,717	20,856
Operating lease liabilities		17,997	13,283
Insurance reserves		46,674	48,437
Pension liability		180	9,777
Other long-term liabilities		1,974	1,747
Total liabilities		486,733	440,131
Net assets:			
Controlling interest		542,914	626,932
Non-controlling interest		9,518	7,182
Total net assets without donor restrictions		552,432	634,114
Net assets with donor restrictions		121,154	125,042
Total net assets		673,586	759,156
Total liabilities and net assets	$	1,160,319	1,199,287

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Patient service revenue, net	$	630,459	622,755
Other operating revenue		28,152	34,111
Net assets released from restrictions		8,922	9,310
Total operating revenue		667,533	666,176
Operating expenses:			
Salaries, wages, and employee benefits		443,482	406,038
Expendable supplies		111,065	101,846
Purchased services and other		99,628	95,740
Depreciation and amortization		37,793	37,213
Interest		4,471	4,416
Total operating expenses		696,439	645,253
Total operating (loss) income		(28,906)	20,923
Nonoperating (losses) gains:			
Contributions		777	815
Fundraising expense		(3,593)	(3,238)
Investment (losses) gains, net		(60,582)	94,016
Other components of net periodic pension cost		260	(40,957)
Loss on extinguishment		(96)	—
Total nonoperating (losses) gains		(63,234)	50,636
(Deficit) excess of revenues over expenses	$	(92,140)	71,559

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
(Deficit) excess of revenues over expenses	$	(92,140)	71,559
Changes in net assets without donor restrictions:			
Pension related changes other than net periodic pension costs		2,764	57,078
Net assets released for purchase of fixed assets		6,182	205
Cumulative effect of accounting change		—	9,125
Distribution to non-controlling interest		—	(2,000)
Realized gain on donations		2	—
Government donated fixed assets		1,510	—
(Decrease) increase in net assets without donor restrictions		(81,682)	135,967
Changes in net assets with donor restrictions:			
Contributions		18,316	20,791
Investment (losses) gains, net		(7,100)	13,515
Net assets released for operations		(8,922)	(9,310)
Net assets released for purchase of fixed assets		(6,182)	(205)
(Decrease) increase in net assets with donor restrictions		(3,888)	24,791
(Decrease) increase in net assets		(85,570)	160,758
Net assets, beginning of year		759,156	598,398
Net assets, end of year	$	673,586	759,156

See accompanying notes to consolidated financial statements.

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2022 and 2021

(In thousands)

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	(85,570)	160,758
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:			
Depreciation and amortization		37,793	37,213
Cumulative effect of accounting change		—	(9,125)
Realized and unrealized losses (gains) on investments		83,761	(95,614)
Pension related changes other than net periodic pension costs		(2,764)	—
Restricted investment income		(1,927)	(1,067)
Restricted contributions		(18,316)	(20,791)
Distribution to non-controlling interest		—	2,000
Changes in assets and liabilities:			
Decrease (increase) in patient accounts receivable		958	(7,316)
Decrease (increase) in other receivables and other assets		8,345	(21,318)
Increase in accounts payable and accrued expenses and other liabilities		15,173	27,119
Decrease in advances from third-parties		(54,191)	(15,320)
Decrease in pension liability		(6,833)	(6,318)
Net cash (used in) provided by operating activities		(23,571)	50,221
Cash flows from investing activities:			
Purchases of investments and limited or restricted use funds		(119,186)	(63,422)
Proceeds from sales of investments and limited or restricted use funds		74,705	7,816
Purchases of alternative investments		(11,364)	(7,473)
Proceeds from sales of alternative investments		6,214	4,324
Purchases of property and equipment		(56,586)	(43,133)
Net cash used in investing activities		(106,217)	(101,888)
Cash flows from financing activities:			
Payment on long-term debt and finance lease liabilities		(18,886)	(15,405)
Proceeds from long-term debt		113,219	11,248
Proceeds from restricted contributions		22,892	13,659
Distributions to non-controlling interest		—	(2,000)
Net cash provided by financing activities		117,225	7,502
Decrease in cash		(12,563)	(44,165)
Cash and cash equivalents, beginning of year		63,009	107,174
Cash and cash equivalents, end of year	$	50,446	63,009
Supplemental cash flow disclosures for investing/financing activities:			
Cash paid during the year for interest	$	4,260	3,959
Capital additions accrued but not paid		4,522	3,638
Impact of adoption of ASC 842		—	20,000
Reconciliation of ending cash and cash equivalents to consolidated balance sheets:			
Restricted cash included in limited or restricted use funds	$	24,555	18,026
Cash and cash equivalents		25,891	44,983
Total cash and cash equivalents	$	50,446	63,009

See accompanying notes to consolidated financial statements.

(1) Organization and Consolidation

GBMC HealthCare, Inc. (the Company), is a not-for-profit holding company, which includes: Greater Baltimore Medical Center, Inc. (Medical Center), Greater Baltimore Health Alliance Physicians, LLC, GBMC Foundation, Inc., Gilchrist Hospice Care, Inc., Greater Baltimore Medical Center Land, Inc., and GBMC Agency, Inc.

The Medical Center is a wholly owned not-for-profit hospital, which provides in-patient, outpatient, emergency care, and physician services primarily for residents of the Baltimore metropolitan area. The Medical Center was formed by agreement dated September 1, 1965, by the Hospital for Women of Maryland of Baltimore City (Women's Hospital) and Presbyterian Eye, Ear and Throat Charity Hospital (Presbyterian Hospital). In addition, the Medical Center has ownership of Ruxton Insurance Company, Ltd., an insurance captive domiciled in Bermuda. Ruxton insures the risks for malpractice and general liability claims. The Medical Center includes a physician practice group doing business as GBMC Health Partners and GBMC Health Partners at Helping Up Mission, LLC, a wholly owned subsidiary, providing primary care services in Baltimore City.

Greater Baltimore Health Alliance Physicians, LLC (GBHA), is a wholly owned not-for-profit accountable care organization, which integrates community primary care with hospital and multi-specialty care in the Baltimore area.

GBMC Foundation, Inc. (Foundation) is a wholly owned not-for-profit organization, which coordinates fundraising efforts to benefit the Company and its subsidiaries.

Gilchrist Hospice Care, Inc. d/b/a Gilchrist Services, Inc. (Hospice) is a wholly owned not-for-profit organization, which provides inpatient and home hospice care in the greater Baltimore area. Hospice is the sole member of Joseph Richey House, Inc. (JRH) which provides inpatient hospice care in Baltimore City. In July 2019, geriatric, palliative, and hospice physicians group was transferred to Hospice from GBMC Health Partners. In December 2020, Gilchrist Baltimore Center Support Corporation (GBCSC), an independent entity, was established to support the new market tax credit transaction. Refer to footnote 2(i) for further information.

Greater Baltimore Medical Center Land, Inc. (Land) is a wholly owned not-for-profit organization, which operates Physicians Pavilion North, a medical building on the campus of the Medical Center.

GBMC Agency, Inc. (Agency) is a wholly owned for-profit organization, which has ownership interest in various medical services companies as follows:

- Greater Baltimore Diagnostic Imaging Partners, LLP (GBDIP), a diagnostic imaging company, which is 50% owned and consolidated in the financial statements of the Company.
- GBMC Pavilion West Medical Arts, LLC, which owns and operates the five upper floors of Physicians Pavilion West, a medical office building on the campus of the Medical Center.
- GBMC Pavilion Medical Arts, LLC, which owns and operates Physicians Pavilion East, a medical office building on the campus of the Medical Center.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on an accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Consolidation of Subsidiaries

The Company's consolidated financial statements include the subsidiaries in which the Company has 50% or more voting interests or when the Company is deemed to have control. Intercompany accounts and transactions have been eliminated in consolidation.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Limited or Restricted Use Funds

Limited or restricted use funds primarily include assets held by trustees under agreement. Such funds also include assets set aside for bond repayment, malpractice costs, capital replacement, and amounts restricted by donors. Independent third parties designate the assets held by trustees under agreement. The limited or restricted use funds are classified as current or noncurrent based upon the timing and nature of their intended use.

(e) Inventories

Inventories, consisting of medical supplies and drugs are stated at the lower of cost or market, with cost being determined primarily under the first-in, first-out method and are included in other current assets.

(f) Investments and Investment Income

Investments include amounts designated by the Board of Directors and management for specific purposes, insurance reserves, capital replacement, and other purposes. The Company's investment portfolio is considered a trading portfolio, with the exception of the alternative investments, and is classified as current or noncurrent assets based on management's intention as to use or required obligations. The investment portfolio includes managed cash funds, which are classified as investments and limited or restricted use funds on the consolidated balance sheets. Investments in marketable securities are measured at fair market value on the consolidated balance sheets. The fair value of the investments, with the exception of the alternative investments, is based on quoted market prices or dealer quotations. See note 4 for discussion of the measurement of fair value for investments.

Alternative investments are recorded at fair value using net asset value (NAV) or equivalent as determined by the General Partner in the absence of readily ascertainable market values. Underlying securities of these alternative investments may include certain debt and equity securities that are not readily marketable. Because certain investments are not readily marketable, their fair value is subject

(Continued)

to additional uncertainty, and therefore, values realized upon disposition may vary significantly from current reported values.

Investment income or loss (including realized gains and losses on investments, interest and dividends) on proceeds of borrowings that are held by a trustee, to the extent not capitalized, and investment income on assets deposited in the insurance captive investment is reported as other operating revenue. Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) from all other net assets without donor restricted fund investments is included in nonoperating (losses) gains unless restricted by donor or law. Investment income on investments of donor restricted net assets is recorded as an increase in net assets with donor restrictions to the extent restricted by the donor or law.

Investment income is recorded on the accrual basis. Purchases and sales of investments are reflected on a trade-date basis. Realized gains and losses on sales of investments are based on historical cost.

(g) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost or, if donated, at fair market value at date of gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. The cost and accumulated depreciation relating to property, plant and equipment sold or retired are removed from the respective accounts at the time of disposition and the resulting gain or loss is reflected in other operating revenue in the consolidated statements of operations. The estimated useful life by asset type are as follows:

Buildings	20 to 50 years
Fixed equipment	5 to 20 years
Major movable equipment	5 to 15 years
Software	3 to 7 years

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, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

In accordance with ASC 360, the Company tests long-lived assets for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. There is no indication the carrying value of the Company’s long-lived assets exceeded their fair value at June 30, 2022 and 2021.

(h) Leases

The Company determines if an arrangement contains a lease at inception of the contract. Right-of-use (ROU) assets represent the right to use the underlying assets for the lease term and the associated lease liabilities represent lease payments arising from the lease. Leases are classified as either operating or finance, with the classification determining whether the expense is recognized on a straight-line basis (for operating leases) or based on an effective interest method (for finance leases). These assets and liabilities are recognized at commencement date, when all the risks and benefits incidental to ownership have been conveyed, based on the present value of lease payments over the lease term. Lease term is equal to the noncancelable term plus any options to renew that the Company is reasonably certain to renew. The depreciable life of right-of-use assets are limited by the expected lease term, unless there is a transfer of title or purchase option that is reasonably certain to be exercised at the inception of the lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less and the Company does not separate lease and non-lease components by class of underlying asset for certain asset classes. The Company recognizes lease payments associated with short-term lease as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

Upon the adoption of ASU 2016-02, the Company recorded the following balances on the consolidated balance sheets; $20,658 in operating lease ROU assets, $20,658 in operating lease liabilities, $26,506 in finance lease ROU assets, and $26,506 in finance lease liabilities. The finance lease ROU assets and liabilities included a recognition of a built-to-suit that resulted in a change in net assets without donor restrictions of $9,125. The recognition represented a material noncash operating activity of $16,723 that affected the amount reported in other changes in assets and liabilities on the consolidated statement of cash flows. The adoption did not have a material impact on the consolidated statements of operations.

Finance lease ROU assets of $19,927 and $23,632 are included in property, plant, and equipment, net in the accompanying consolidated balance sheets as of June 30, 2022 and 2021, respectively. Finance lease liabilities of $3,813 and $3,063 are included in current portion of long-term debt and finance lease liabilities in the accompanying consolidated balance sheets as of June 30, 2022 and 2021, respectively.

(In thousands)

(i) Other Noncurrent Assets

Other noncurrent assets comprise the following items:

		2022	2021
Pledge receivables, net	$	20,816	29,209
Reinsurance receivable		12,986	14,640
New market tax credit note receivable		8,784	8,784
Goodwill		7,593	7,593
Other		4,571	4,289
	$	54,750	64,515

Goodwill is assessed annually for impairment at the reporting unit. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment tests as described in Accounting Standards Codification, Topic 350, *Intangibles – Goodwill and Other*. The more likely than not threshold is defined as having a likelihood of more than 50%.

At June 30, 2022 and 2021, the Company assessed the goodwill for its reporting unit, GBDIP, for impairment. The Company determined that it was not more likely than not that the fair value of GBDIP was less than its carrying amount. Accordingly, the Company concluded that goodwill was not impaired as of June 30, 2022 and 2021 without having to perform the two-step impairment test.

New market tax credits (NMTC) are created by the federal government to help encourage investment in low-income communities. Investors receive a 39% federal tax credit earned over a seven-year period. In December 2020, Hospice entered into a NMTC transaction which provided a mechanism for Hospice to receive funding towards the construction of its new facility in Baltimore City, Stadium Place. Refer to footnote 7 for further information. Hospice made a loan to Capital One Community Renewal Fund Investor 164 (COCRF 164) resulting in a NMTC note receivable of $8,784. As a supporting organization in the NMTC structure, it was necessary for Hospice to create a separate and independent entity Gilchrist Baltimore Center Support Corporation (GBCSC) to own Stadium Place. Hospice made a capital contribution to GBCSC of $1,956. Two community development entities, Capital One Community Renewal Fund Sub-CDE and Harbor Community Fund XXV made loans totaling $11,800 to GBCSC which were recorded in other long-term debt in the consolidated balance sheet and are due September 1, 2045. Hospice consolidates GBCSC in its financial statements. The net impact of the transaction to the consolidated financial statements is an $11,800 increase in assets and liabilities for the year ended June 30, 2021.

Deferred leasing costs include deferred leasing costs and prepaid land lease payments, which are amortized over the lease terms and expensed on a straight-line basis over the life of the related lease.

The Company accounts for its joint ventures using the equity method or at cost, as appropriate, and any income (loss) is included in other operating revenue in the consolidated statements of operations.

(j) Donor-Restricted Contributions

Unconditional promises to give cash and other assets to the Company are reported at their fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. 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 of 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 contributions without donor restrictions in the accompanying consolidated financial statements.

(k) Net Assets with Donor Restrictions

Donor restricted net assets are those whose use by the Company has been limited by donors to a specific purpose, time period or in perpetuity.

(l) Insurance Reserves

The provision for estimated insurance reserves include estimates of the ultimate costs for reported malpractice, general, and health and workers' compensation claims and claims incurred but not reported.

(m) Patient Service Revenue, Net

The Company applies FASB Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, which provides a principles-based framework for recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Patient service revenue, net is recognized, over time, as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided. Revenue for performance obligations satisfied over time is recognized at the estimated net realizable amounts from patients and third-party payors for services rendered.

The Company generates revenues, primarily by providing healthcare services to its patients. Revenues are recognized when control of the promised good or service is transferred to our patients, in an amount that reflects the consideration to which the Company expects to be entitled from patients, third-party payors (including government programs and insurers) and others, in exchange for those goods and services.

Performance obligations are determined based on the nature of the services provided. The majority of the Company's healthcare services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation satisfied over time as services are rendered. The Company also provides certain ancillary services which are not included in the bundle of services, and as such, are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

The Company's estimate of the transaction price includes estimates of price concessions for such items as contractual allowances, charity care, potential adjustments that may arise from payment and other reviews, and uncollectible amounts, which are determined using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Estimates for uncollectible amounts are based on the aging of accounts receivable, historical collection experience for similar payors and patients, current market conditions, and other relevant factors.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue, net in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2022 and 2021 was not significant to the consolidated financial statements.

Rates for the Medical Center's facility-based patient service charges are established in accordance with the regulations and rate methodologies of Maryland's rate-setting authority, the Health Services Cost Review Commission (HSCRC), an independent agency of the Maryland State government. The HSCRC's GBR model is consistent with the Medical Center's mission of controlling utilization of acute-care services by managing a patient's total spectrum of medical care. The Global Budget Revenue (GBR) agreement allows the Medical Center to adjust unit rates, within certain limits, to achieve the overall revenue base for the Medical Center at year-end. Any overcharge or undercharge versus the GBR cap is prospectively added to the subsequent year's GBR cap. While the GBR cap does not adjust for changes in volume or service mix, the GBR cap is adjusted annually for inflation, and for changes in payor mix, market share and uncompensated care.

Hospice revenue is reimbursed by Centers for Medicare and Medicaid (CMS) based on the prospective payment system which is a predetermined fixed amount for a service based on the level of care provided for hospice services and a fee schedule for physician services. Other third-party payors are primarily reimbursed based on contractually agreed upon rates.

(n) Disaggregation of Revenue

The Company earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

(In thousands)

Operating revenues from contracts with customers by line of business are as follows for the years ended June 30:

		2022	2021
Hospital services	$	438,981	462,816
Physician services		117,230	84,539
Hospice services		59,012	61,812
Radiology services – GBDIP joint venture		15,236	13,588
Total revenues from contracts with customers		630,459	622,755
Other nonpatient care		37,074	43,421
Total operating revenues	$	667,533	666,176

(o) Excess of Revenues over Expenses

The consolidated statements of operations include a performance indicator, excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded from excess of revenues over expenses, consistent with industry practice, include pension changes other than net periodic pension costs, contributions and distributions to non-controlling investors, and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

(p) Financial Assistance and Community Benefits

As part of the Company's mission, it provides medical care without discrimination, including the ability of a patient to pay for services. Under the Company's Financial Assistance Policy, patients who meet certain financial based criteria can qualify for free care on all or a portion of cost of service. Using the Company's ratio of cost to charges, the estimated total direct and indirect cost of providing financial assistance was approximately $2,917 and $4,914 during the years ended June 30, 2022 and 2021, respectively.

In addition to its Financial Assistance Policy, the Company has a long-standing commitment of supporting the community through the provision of outreach services designed to address identified health and social issues. Specifically, the Company provides a variety of screening and early detection tests, wellness activities, social support services and educational seminars. A majority of these services are provided at either nominal or no cost to community members.

(q) Rental Income

Base rental income is recognized as revenue on a straight-line basis over the life of the lease. The difference between the rent recognized and the rental income as stipulated in the lease agreement has been recognized as a receivable in the accompanying consolidated balance sheets from inception of

(Continued)

the lease. Rental income is included in other operating revenue in the accompanying consolidated statements of operations.

(r) Income Taxes

The Company is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Company is subject to income tax on unrelated business income.

Income taxes are provided for earnings (loss) of those subsidiaries which are subject to federal and state income tax based on Agency's share of the subsidiaries' taxable income, whether or not distributed. Agency's share of these subsidiaries' net losses is deductible to the extent of Agency's tax basis in the subsidiaries.

The 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 consolidated financial statements as "more likely than not" that the position is sustainable, based on its technical merits. This standard also provides guidance on the measurement, classification and disclosure of tax return positions in the consolidated financial statements. The Company has adopted this guidance, and there were no amounts recorded in the consolidated financial statements as of and during the years ended June 30, 2022 and 2021 for uncertain tax positions.

GBMC Agency, Inc and Subsidiaries are taxable entities, which have tax operating loss carry forward available to offset future taxable income. Effective for tax years after December 31, 2017, the net operating loss carry forward is indefinite. As of June 30, 2022, and 2021, the deferred tax assets consisting primarily of net operating loss carry forwards were fully offset by a related valuation allowance.

(s) Going Concern

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

(t) Use of Estimates

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

(u) COVID-19

The Coronavirus Aid Relief and Economic Security Act (CARES Act), which was enacted on March 27, 2020, authorizes $100 billion in funding to hospitals and other healthcare providers to be distributed through the Public Health and Social Services Emergency Fund (the "PHSSEF"). Payments from the PHSSEF are intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid provided the recipients attest to and comply with certain terms and conditions, including limitations on balance billing and not using PHSSEF funds to reimburse expenses or losses that other sources are obligated to reimburse. For the years ended June 30, 2022 and 2021, the Company received approximately $1,725 and $7,499, respectively, in payments from PHSSEF all of which were recognized as other operating revenue.

To increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program for Part A and Part B payments. Accelerated payments can be requested for up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). Such accelerated payments are interest free for healthcare providers up to 29 months. The program currently requires CMS to recoup the payments beginning one year from receipt by the provider, by withholding 25% of future Medicare fee-for-service payments for 11 months and then 50% future Medicare fee-for-service payments for the next 6 months. The payments are made for services a healthcare entity has provided or will provide to its Medicare patients who are the healthcare entity's customers, which are accounted for under Topic 606 as revenue. In April 2020, the Company received approximately $90,009 of accelerated payments, which were recorded on the consolidated balance sheet as advances from third party payors, in accordance with ASC 606. This liability will be reduced over time as revenue is recognized for claims submitted for services provided. The balance of these advances was $20,036 and $77,323 at June 30, 2022 and 2021, respectively. The Company repaid the remaining outstanding balance due subsequent to the advance refunding period ending on August 31, 2022.

Additionally, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Company began deferring the employer portion of social security taxes in mid-April 2020. The Company maintains deferrals of $4,816 and $10,885 in social security taxes as of June 30, 2022 and 2021, respectively.

Lastly, the Company recorded $2,436 and $3,286 of FEMA reimbursement for COVID-19 related expenses during the years ended June 30, 2022 and 2021, respectively.

Due to the recent enactment of the CARES Act and the PPPHCE Act, there is still a high degree of uncertainty surrounding their implementation, and the public health emergency continues to evolve. We continue to assess the potential impact of the CARES Act, the PPPHCE Act, the potential impact of future stimulus measures, if any, and the impact of other laws, regulations, and guidance related to COVID-19 on our business, results of operations, financial condition and cash flows.

(In thousands)

(v) New Accounting Pronouncements

Effective July 1, 2020, the Company adopted ASU 2016-02, *Leases* (Topic 842), using the modified retrospective transition approach as of the period of adoption, or fiscal year 2021. Refer to footnote 2(h) for disclosure on impact of the adoption of the lease standard.

In August 2018, FASB issued ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans*, which adds, clarifies, and removes certain disclosure requirements related to defined benefit and other postretirement plans. The Company adopted ASU 2018-14 in 2022 and this ASU did not have a material impact on the consolidated financial statements.

(w) Reclassifications

Certain prior year amounts have been reclassified to conform with current period presentation, the effects of which are not material.

(3) Concentration of Credit Risk

The Company grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables and patient service revenue from patients and third parties as of June 30, 2022 and 2021 was as follows:

	Accounts receivable		Revenue	
	2022	2021	2022	2021
Medicare	29 %	31 %	36 %	37 %
Medicaid	8	7	5	4
Blue Cross	11	11	11	12
HMO	24	23	25	25
Other third-party payors	25	25	22	21
Self-pay	3	3	1	1
Total	100 %	100 %	100 %	100 %

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

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

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

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

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

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

As a result of recently enacted and pending federal healthcare reform legislation, substantial changes are anticipated in the United States healthcare system. Such legislation includes numerous provisions affecting the delivery of healthcare services, the financing of healthcare costs, reimbursement to healthcare providers and the legal obligations of health insurers, providers and employers. These provisions are currently slated to take effect at specified times over the next decade. This federal healthcare reform legislation did not affect the 2022 or 2021 consolidated financial statements. The impact of future legislation is not known or estimable.

(4) Investments and Limited or Restricted Use Funds

Guidance for fair value measurements establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under current guidance must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last one is considered unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Company for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that

(In thousands)

are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The tables below present the balances of assets measured at fair value by levels excluding alternative investments, which are included within investments and limited or restricted use funds in the accompanying consolidated balance sheets, in the amount of $56,996 and $42,980 as of June 30, 2022 and 2021, respectively:

	June 30, 2022			
Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Managed cash funds	$ 40,222	—	—	40,222
Common stock	136,686	1,160	622	138,468
Foreign stock	10,063	—	—	10,063
Mutual funds	111,987	—	—	111,987
Mutual funds international	258	—	—	258
Total equity	258,994	1,160	622	260,776
Corporate debt securities	—	36,897	298	37,195
Bonds – treasury	112,398	—	—	112,398
Bonds – federal agency backed	—	3,284	—	3,284
Bonds – mortgage-backed	—	127	—	127
Bonds – fixed income	—	326	—	326
Mutual funds – fixed income	246	150,077	—	150,323
Municipal bonds	—	93	—	93
Total fixed income	112,644	190,804	298	303,746
Total investment and limited or restricted use funds	411,860	191,964	920	604,744
Current portion	133,261	—	—	133,261
Total noncurrent investment and limited or restricted use funds	$ 278,599	191,964	920	471,483

(In thousands)

Assets		June 30, 2021			
		Level 1	Level 2	Level 3	Total
Managed cash funds	$	97,676	—	—	97,676
Common stock		174,081	8,702	897	183,680
Foreign stock		10,562	—	—	10,562
Mutual funds		130,254	—	—	130,254
Mutual funds international		383	—	—	383
Total equity		315,280	8,702	897	324,879
Corporate debt securities		—	39,302	—	39,302
Bonds – treasury		10,832	—	—	10,832
Bonds – federal agency backed		—	3,920	—	3,920
Bonds – mortgage-backed		—	282	—	282
Bonds – fixed income		—	372	—	372
Mutual funds – fixed income		89	166,976	—	167,065
Municipal bonds		—	106	—	106
Total fixed income		10,921	210,958	—	221,879
Total investment and limited or restricted use funds		423,877	219,660	897	644,434
Current portion		80,024	—	—	80,024
Total noncurrent investment and limited or restricted use funds	$	343,853	219,660	897	564,410

As of June 30, 2022, and 2021, the alternative investments consisted of subscription partnership agreements with capital commitments of approximately $68,356 and $52,483, respectively, which are subject to periodic distributions. The Company had unfunded capital commitments related to alternative investments of $23,157 and $18,792 as of June 30, 2022 and 2021, respectively. Distributions under this investment structure are made to investors through the liquidation of the underlying assets. All assets are unable to be fully distributed to the limited partners until the dissolution of the partnership, which may not be until a point in the future. The fair value of limited partnership interests is generally based on fair value capital balances reported by the underlying partnerships, subject to management review and adjustment. Security values of companies traded on exchanges, or quoted on NASDAQ, are based upon the last reported sales price on the valuation date. Security values of companies traded over the counter, but not quoted on NASDAQ, and securities for which no sale occurred on the valuation date are based upon the last quoted bid price. The value of any security for which a market quotation is not readily available may be its cost, provided however, that the General Partner adjusts such cost value to reflect any bona fide third-party transactions in such a security between knowledgeable investors, of which the General Partner has knowledge. In the absence of any such third-party transactions, the General Partner may use other information to develop a good faith determination of value. Examples include, but are not limited to, discounted cash flow models, absolute value models, and price multiple models. Inputs for these models may include, but are not limited to, financial statement information, discount rates, and salvage value assumptions.

(In thousands)

The investment strategies within the alternative investments include strategies such as middle market growth, private equity, natural resources, and various other asset classes. The investments are subject to restrictions and are not available to be redeemed until certain time restrictions are met, which range from 7 to 10 years with a 2-year optional extension.

As of June 30, 2022, and 2021, the Level 3 investments consist of holdings of donated stock in a closely held company of $920 and $897, respectively. The value of the donated stock is based on independent appraisals obtained by the closely held company. There were no significant transfers between levels during the years ended June 30, 2022 and 2021.

Investments and limited or restricted use funds comprise the following uses and purposes at June 30:

		2022	2021
Funds held by trustees	$	99,309	4,626
Insurance settlements		47,654	47,430
Alternative investments		56,996	42,980
Investments with donor restrictions		89,391	88,703
Investments without donor restrictions – board-designated		14,218	19,447
Investments without donor restrictions		354,172	484,228
Total investments and limited or restricted use funds	$	661,740	687,414

Investment income, net comprise the following for the years ended June 30:

		Without donor restrictions	
		2022	2021
Dividends and interest, net	$	14,152	10,850
Realized gains on sales of investments		15,555	42,189
Unrealized (losses) gains on investments		(90,289)	40,977
Total investment (losses) gains, net without donor restrictions	$	(60,582)	94,016

(In thousands)

		With donor restrictions	
		2022	2021
Dividends and interest, net	$	1,927	1,067
Realized gains on sales of investments		2,369	6,412
Unrealized (losses) gains on investments		(11,396)	6,036
Total investment (losses) gains, net with donor restrictions		(7,100)	13,515
Total investment (losses) gains, net	$	(67,682)	107,531

(5) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

		2022	2021
Financial assets:			
Cash and cash equivalents	$	25,891	44,983
Patient accounts receivable, net		65,229	66,187
Other receivables		13,821	12,036
Investments without donor restrictions		354,172	484,228
Total financial assets available within one year		459,113	607,434
Liquidity resource:			
Bank line of credit		10,000	10,000
Total financial assets and liquidity resources available within one year	$	469,113	617,434

The Company manages its financial assets to be available to meet operating expenditures, liabilities and other obligations as they come due. Although the noncurrent investments disclosed in the table above are intended to be held long-term, management could utilize those investments within the next year if deemed necessary. In addition, the Company maintains a $10,000 line of credit with a commercial bank to meet unanticipated liquidity needs. No amounts were borrowed as of June 30, 2022 or 2021.

(In thousands)

(6) Property, Plant, and Equipment

The following is a summary of the cost of property, plant, and equipment as of June 30:

		2022	2021
Land and land improvements	$	23,619	23,370
Buildings and building service equipment		470,884	443,002
Movable equipment		237,300	240,908
Finance right-of-use assets		36,468	36,468
Construction-in-progress		45,789	28,235
		814,060	771,983
Less accumulated depreciation and amortization		(525,137)	(502,737)
Total property, plant, and equipment, net	$	288,923	269,246

As of June 30, 2022, construction-in-progress was comprised primarily of the Promise Project, which has a budgeted total cost of $169,414. The Promise Project is a 3-story addition to the main hospital facility for 60 new modernized patient rooms and a 2-story medical office building (The Sandra R. Berman Pavilion), which will sit atop a newly constructed 4-story garage. The construction manager for the Promise Project, DPR Construction, has a guaranteed maximum price (GMP) of $71,000. The 3-story addition is expected to be in-service September 2023, with a budgeted cost of $107,414. The pavilion will consolidate GBMC's cancer programs and is budgeted to cost $62,000. In connection with these projects, GBMC has total unspent commitments of $133,583 and $131,961 as of June 30, 2022 and 2021, respectively. Other unspent capital commitments totaled $23,815 and $24,266 as of June 30, 2022 and 2021, respectively.

Depreciation expense related to property, plant, and equipment amounted to $34,309 and $35,637 for the years ended June 30, 2022 and 2021, respectively.

(In thousands)

(7) Long-Term Debt

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

	2022	2021
MHHEFA project and refunding revenue bonds:		
Series 2021A bonds – 2.32%–4.00%	$ 104,095	—
Series 2021B bonds – variable rate	50	—
2020 Harbor CDE QLICI notes – 1.75%	9,913	9,800
2020 Capital One Sub-CDE 110 QLICI notes – 1.00%	2,000	2,000
2017 Capital One Bank term note – 3.26%	25,725	25,725
Series 2017 bonds – 2.56%	69,924	70,700
2015 PNC Bank term note – 2.34%	—	5,763
Series 2012 bonds – 3.25%–5.00%	—	3,475
Series 2011 bonds – 4.75%–5.25%	—	8,925
Series 1995 bonds – variable rate	2,230	2,730
Unamortized deferred financing costs	(2,451)	(1,318)
Unamortized net premium	10,036	—
	221,522	127,800
Less current portion of long-term debt	(1,325)	(10,868)
	$ 220,197	116,932

On September 1, 2021, Maryland Health and Higher Education Facilities Authority (MHHEFA) issued $104,095 of tax-exempt Revenue Bonds, Series 2021A, on behalf of the Company. The bond proceeds were used to fund construction on the Promise Project. The 2021 bonds are due on July 1 in annual installments ranging from $4,535 in 2035 to $7,725 in 2051. In addition, $25,000 of tax-exempt variable rate drawdown bonds, Series 2021B, were issued. The 2021B bonds are expected to be repaid with the proceeds of a $60,000 capital campaign. Final maturity on the 2021B bonds on July 1, 2051, and installment amounts will vary depending on amounts drawn. The 2021B bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate was 1.39% as of June 30, 2022. In addition, the Company repaid the balance of the Series 2011 bonds and defeased the Series 2012 bonds.

On December 23, 2020, GBCSC received a $9,800 note from Harbor CDE under the new market tax credit arrangement via two notes. Both notes have a seven-year interest only period in which interest is accrued at a rate of 1.75% and payments are made at a rate of 1.00% on the outstanding principal balance. Loan repayment will commence on January 1, 2028 and lasts through the maturity date of December 31, 2054 on both notes.

On December 23, 2020, GBCSC received a $2,000 note from Capital One Sub-CDE 110 under the new market tax credit arrangement via two notes. The notes have a seven-year interest only period in which interest is accrued and paid at a rate of 1.00% on the outstanding principal balance. Loan repayment will commence on January 1, 2028 and lasts through the maturity date of December 31, 2054 on both notes.

On March 8, 2017, MHHEFA issued $73,720 of tax-exempt Revenue Bonds, Series 2017, on behalf of the Company. The bond proceeds were used to refund a portion of the Series 2012 Revenue Bonds ($32,205) and a portion of the Series 2011 Revenue Bonds ($32,480). The Series 2017 bonds are due on July 1 in annual installments ranging from $740 in 2020 to $7,280 in 2035. On September 16, 2021, the Series 2017 bonds interest rate was modified to 2.56%.

On March 8, 2017, the Company obtained a $25,725 taxable term note from Capital One, N.A. to fund the Company's nonunion defined benefit pension plan. The 2017 note is due in annual installments ranging from $2,445 beginning in 2025 to $3,735 in 2033. On September 16, 2021, the Series 2017 term note interest rate was modified to 3.26%.

On March 1, 2015, the Company obtained a $50,000 taxable term note from PNC Bank, National Association to finance components of the system-wide integrated health record conversion and other capital projects. The 2015 note is due in monthly installments of $627, expiring on March 1, 2022.

On April 11, 2012, MHHEFA issued $35,680 of tax- exempt Revenue Bonds, Series 2012, on behalf of the Company. The bond proceeds and limited use funds were used to refund Series 2001 Revenue Bonds ($40,265). Bond proceeds from the Series 2017 revenue bonds were used to refund a portion of the Series 2012 Revenue Bonds ($32,205). The remaining amount of the Series 2012 Bonds were due on July 1 in installments of $1,710 in 2023 and $1,765 in 2024. On July 29, 2021 the Series 2012 bonds outstanding balance of $3,475 were defeased.

On April 20, 2011, MHHEFA issued $67,945 of tax-exempt Revenue Bonds, Series 2011, on behalf of the Company. The bond proceeds and limited use funds were used to finance construction and renovation to the hospital and to refund, a) the Series 2009 Revenue Bonds ($45,000); b) a portion of Series 2001 Revenue Bonds ($12,565); and c) the Series 1993 Revenue Bonds ($11,975). Bond proceeds from the Series 2017 revenue bonds were used to refund a portion of the Series 2011 Revenue Bonds ($32,480). The remaining amount of the Series 2011 bonds are due on July 1 in annual installments ranging from $3,660 in 2021 to $1,065, with a final installment of $1,930 in 2025. On July 22, 2021, the Series 2011 bonds outstanding balance of $5,095 were repaid.

On October 4, 1995, MHHEFA issued $10,000 of tax-exempt Revenue Bonds, Series 1995, on behalf of the Company. The Series 1995 bonds are due on July 1 in annual installments ranging from $480 in 2021 to $590 in 2026. The bonds bear interest at a variable rate, which is determined on a weekly basis by the remarketing agent of the issue. The rate was 1.15% and 0.15% as of June 30, 2022 and 2021, respectively. The Series 1995 Bonds are supported by a Standby Bond Purchase Agreement issued by M&T Bank, covering the remaining portion of the obligation, effective through July 1, 2025.

The 2020 NMTC notes, Capital One 2017 note, PNC 2015 note, Series 2021, 2017, 2012, 2011, and 1995 Revenue Bonds are collateralized equally and ratably by a lien on all gross receipts of the Company. The term notes and bond proceeds were loaned to the Company pursuant to the Master Trust Indenture.

(In thousands)

The Harbor CDE and Capital One Sub-CDE 110 notes are collateralized by the deed of the trust for the Stadium Place property and GBCSC bank account pledge agreements.

The aggregate future maturities of long-term debt as of June 30, 2022 are as follows:

		Long-term debt
2023	$	1,325
2024		4,945
2025		6,125
2026		8,335
2027		8,570
Thereafter		184,637
		213,937
Unamortized deferred financing costs		(2,451)
Unamortized net premium		10,036
	$	221,522

The fair value of the Company's long-term debt, which is estimated, based on quotes from underwriters, was approximately $194,432 and $129,250 as of June 30, 2022 and 2021, respectively.

Deferred financing costs related to long-term borrowings, are amortized on a straight-line basis, which approximates the effective interest rate method, over the life of the borrowings, which ranges from 7 to 34 years. The Company has incurred deferred financing costs related to the issuance of the 2020 NMTC notes, MHHEFA Series 2021, Series 2017, Series 2012, Series 2011, Series 1995 Revenue Bonds and 2017 Capital One and 2015 PNC Bank term note payables that have been capitalized. Accumulated amortization at June 30, 2022 and 2021 amounted to $960 and $1,819, respectively.

Under the Master Trust Indenture, the Company is required to maintain, among other covenants, a maximum annual debt service coverage ratio of not less than 1.1.

The Company has a line of credit in the amount of $10,000. The line of credit bears interest at the LIBOR Daily Floating Rate. No amounts were drawn on this line during the years ended June 30, 2022 and 2021.

(In thousands)

(8) Net Assets with Donor Restrictions

The Company receives contributions in support of various needs. Net assets with donor restrictions were available for the following at June 30:

		2022	2021
Subject to expenditure for specified purpose:			
Departmental needs	$	19,720	24,913
Education		7,763	9,326
Buildings and equipment		39,657	35,936
Uncompensated care		4,299	7,147
Research		1,037	2,423
Total expenditures for specified purpose		72,476	79,745
Net assets perpetual in nature subject to spending policy:			
Departmental needs		26,990	25,183
Education		3,594	3,394
Uncompensated care		12,536	12,626
Research		5,018	3,548
General support		512	512
Total subject to endowment spending policy		48,650	45,263
Subject to passage of time:			
Pledges		28	34
Total net assets with donor restrictions	$	121,154	125,042

Net assets were released from donor restrictions as expenditures were incurred, which satisfied the following restricted purposes for the years ended June 30:

		2022	2021
Departmental needs	$	6,306	6,699
Education		575	323
Uncompensated care		1,261	1,090
Research		772	601
Buildings and equipment		6,182	205
Time restriction		8	597
Total net assets released from donor restrictions	$	15,104	9,515

(a) Interpretation of Relevant Law

The Company has interpreted the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as net assets with donor restrictions perpetual in nature at the original value of the gifts donated to the donor restricted endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions perpetual in nature is classified as net assets with donor restrictions subject to expenditure for specified purpose until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the Company and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Company
- The investment policies of the Company

(b) Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. As of June 30, 2022 and 2021, the Company had no endowments with deficits.

(c) Investment Strategies

The Company has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Company expects its endowment funds over time, to provide an average rate of return of approximately 7.5% annually. Actual returns in any given year may vary from this amount.

To achieve its long-term rate of return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yields (interest and dividends). The Company targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(In thousands)

The Board of Directors of the Company approves the method to be used to appropriate endowment funds for expenditure. The Company amended its endowment spending allocation policy to conform to UPMIFA, which was passed by Maryland on April 14, 2009 and limits annual endowment spending to 7% of the annual market value per year.

(9) Functional Expenses

The Company provides general healthcare services to residents within its geographic location. Natural expenses that are attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Expenses are reported in the consolidated statements of activities in natural categories. Functional expenses were categorized as follows for the years ended June 30:

	June 30, 2022						
	Program services					Support services	
	Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:							
Salaries, wages, and employee benefits	$ 219,894	97,507	42,264	19,336	379,001	64,481	443,482
Expendable supplies	95,411	6,764	5,007	1,746	108,928	2,137	111,065
Purchased services and other	43,184	19,921	6,953	6,307	76,365	23,263	99,628
Depreciation and amortization	22,337	3,721	368	3,029	29,455	8,338	37,793
Interest	3,128	6	83	—	3,217	1,254	4,471
Total operating expenses	$ 383,954	127,919	54,675	30,418	596,966	99,473	696,439

	June 30, 2021						
	Program services					Support services	
	Hospital services	Physician services	Hospice services	Other program services	Total program services	Administration/ general	Total
Operating expenses:							
Salaries, wages, and employee benefits	$ 191,763	88,121	41,188	19,574	340,646	65,392	406,038
Expendable supplies	88,042	5,760	4,355	1,647	99,804	2,042	101,846
Purchased services and other	41,842	20,019	7,575	4,941	74,377	21,363	95,740
Depreciation and amortization	23,447	3,830	365	2,557	30,199	7,014	37,213
Interest	4,145	25	62	—	4,232	184	4,416
Total operating expenses	$ 349,239	117,755	53,545	28,719	549,258	95,995	645,253

(10) Leases

Right-of-use assets represent the Company's right to use the underlying assets for the lease term and the lease liabilities represent the Company's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Company uses its incremental borrowing rate at the commencement date of the lease to determine the present value of the lease payments.

(In thousands)

The Company's leases primarily consist of land, real estate, and equipment. Real estate leases include leases of medical facilities and office spaces. Equipment leases mainly include lease of copiers and medical equipment. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and other operating expenses. These variable lease payments are recognized in purchased services but are not included in the ROU asset or liability balances. The real estate lease agreements typically have initial terms of 3 to 20 years, and equipment lease agreements typically have initial terms of 3 to 5 years.

Real estate leases may include one or more options to renew that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Company's sole discretion. The Company does not consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for the years ended June 30 was as follows:

		2022	2021
Finance lease expense:			
Amortization of ROU assets	$	3,195	4,062
Interest on lease liabilities		1,272	171
Operating lease expense		4,790	4,406
Short-term lease expense		166	629
Variable lease expense		165	157
Total lease cost	$	9,588	9,425

The weighted average lease terms and discount rates for operating and finance leases are as follows as of June 30:

	2022	2021
Weighted average remaining lease term (years):		
Finance leases	6.9	7.7
Operating leases	10.4	10.2
Weighted average discount rate:		
Finance leases	5.0 %	5.4 %
Operating leases	3.0 %	2.4 %

(In thousands)

The following table presents supplemental cash flow information for the years ending June 30:

		2022	2021
Cash paid for amounts included in measurement of lease liabilities:			
Operating cash flows for operating leases	$	4,217	3,863
Operating cash flows for finance leases		1,272	171
Financing cash flows for finance leases		3,597	4,344

The following table summarizes the maturity lease obligations as of June 30, 2022:

		Operating leases	Finance leases	Total
2023	$	3,978	4,833	8,811
2024		3,777	4,392	8,169
2025		2,322	3,651	5,973
2026		1,551	3,657	5,208
2027		1,486	3,657	5,143
Thereafter		12,084	8,970	21,054
Total lease payments		25,198	29,160	54,358
Less imputed interest		(3,751)	(4,630)	(8,381)
Total lease liabilities	$	21,447	24,530	45,977

(11) Retirement Plans

(a) Defined Benefit Plan

The Company has one active noncontributory defined benefit pension plan, the Pension Plan for Members of the Bargaining Unit of Greater Baltimore Medical Center (DB Union), covering all full-time employees with at least one year of service. As discussed below, the Company previously had another defined benefit pension plan, Greater Baltimore Medical Center Retirement Plan (DB Non-Union) that was terminated during the fiscal year ending June 30, 2021. Benefits under the plan are determined based on increasing percentages (depending on years of service) of final average compensation. Annual contributions are made to these plans in accordance with the Employment Retirement Income Security Act (ERISA) regulations.

Effective June 30, 2007, the DB Non-Union plan was frozen. As a result, no future benefits may be earned; however, employees are eligible to vest under the terms of the plan. Effective September 3, 2020, the Board resolved to terminate the frozen Non-Union Pension Plan. The Company filed a Determination Letter request with the IRS with an effective date of plan termination of November 30, 2020. The Company received a favorable termination letter from the IRS on April 15, 2021. Participants were given the choice between (1) receiving their Plan Account distributed in a lump sum or (2) purchase an annuity contract from an insurance company. Assets were distributed in June 2021, and the Company received a reversion of excess plan assets of $13,206. As of June 30, 2022, approximately $3,500 of these funds were held in restricted cash as they will be used to make the annual contribution to the defined contribution plan in November 2023, in accordance with IRS requirements.

(In thousands)

The following tables set forth the plans' funded status and amounts recognized in the Company's consolidated financial statements as of June 30, 2022 and 2021. The change in benefit obligation, plan assets, and funded status of the pension plans is as follows:

		DB Union	
		2022	**2021**
Change in benefit obligation:			
Benefit obligation at beginning of year	$	43,514	43,346
Service cost		1,109	1,187
Interest cost		1,351	1,302
Actuarial gain		(9,193)	(835)
Benefits paid		(1,615)	(1,486)
Benefit obligation at end of year		35,166	43,514
Change in plan assets:			
Fair value of plan assets at beginning of year		33,737	27,251
Actual return on plan assets		(4,294)	6,975
Employer contribution		7,354	1,891
Benefits paid		(1,615)	(1,486)
Administrative expenses paid		(196)	(894)
Fair value of plan assets at end of year		34,986	33,737
Funded status at end of year	$	(180)	(9,777)

(In thousands)

	DB Non-Union	
	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ —	200,881
Interest cost	—	5,661
Actuarial gain	—	(15,560)
Benefits paid	—	(7,510)
Settlement benefits paid	—	(183,472)
Benefit obligation at end of year	—	—
Change in plan assets:		
Fair value of plan assets at beginning of year	—	203,580
Actual return on plan assets	—	3,274
Excess assets returned to plan sponsor	—	(13,206)
Benefits paid	—	(7,510)
Administrative expenses paid	—	(2,666)
Settlement benefits paid	—	(183,472)
Fair value of plan assets at end of year	—	—
Funded status at end of year	$ —	—

The significant decrease in the DB Union benefit obligation from June 30, 2021 to June 30, 2022 was related to the actuarial gain increasing from $835 to $9,193. This was the result of an increase in the discount rate from 3.15% to 4.83%. Management uses the Aon AA Only Above Median yield curve to determine the discount rate for the bargaining plan.

Excess assets returned to plan sponsor reflect an estimated asset reversion of $13,206 and was recorded in other receivables in the accompanying consolidated balance sheet at June 30, 2021. The excess plan assets were offset by administrative expenses of $843 allocated to be paid after the measurement date which is included in administrative expenses paid and $147 paid to Pension Benefit Guaranty Corporation (PBGC) after June 30, 2021 for missing participants, which is included in settlement benefits paid during the year ended June 30, 2021.

Amounts recognized in net assets without donor restrictions as of June 30, 2022 and 2021 are as follows:

	DB Union	
	2022	2021
Net actuarial loss	$ 2,745	5,509
	$ 2,745	5,509

(In thousands)

The components of net benefit costs other than the service cost of $1,109 and $1,187 were recorded in nonoperating (losses) gains in the consolidated statements of operations for the year ended June 30, 2022 and 2021, respectively. Service costs is included as a component of fringe benefits, which is recorded as salaries, wages, and employee benefits in the accompanying consolidated statements of operations.

Components of net periodic benefit cost for the years ended June 30, 2022 and 2021 are as follows:

		DB Union	
		2022	**2021**
Service cost	$	1,109	1,187
Interest cost		1,351	1,302
Expected return on plan assets		(2,200)	(1,330)
Amortization of loss deferral		260	1,384
Net periodic pension benefit cost	$	520	2,543

		DB Non-Union	
		2022	**2021**
Interest cost	$	—	5,660
Expected return on plan assets		—	(7,473)
Amortization of loss deferral		—	4,349
One-time settlement recognition		—	37,065
Net periodic pension benefit cost	$	—	39,601

There are no amounts in net assets without donor restrictions expected to be recognized as a component of net periodic pension benefit cost in fiscal year 2023.

(i) Assumptions

The weighted average assumptions used in developing the projected pension benefit obligations for the plans as of June 30, were as follows:

	DB Union		DB Non-Union	
	2022	**2021**	**2022**	**2021**
Discount rate	4.83 %	3.15 %	— %	— %
Rate of compensation increase	4.00 %	4.00 %	— %	— %
Cash balance interest crediting rate	3.00 %	3.00 %	— %	— %

(In thousands)

The weighted average assumptions used to determine the net periodic benefit costs for the plans as of June 30, were as follows:

	DB Union		DB Non-Union	
	2022	2021	2022	2021
Discount rate	3.15 %	3.10 %	— %	3.00 %
Expected return on plan assets	6.75 %	6.75 %	— %	4.00 %
Rate of compensation increase	4.00 %	4.00 %	— %	— %
Cash balance interest crediting rate	3.00 %	3.00 %	— %	— %

In 2021, GBMC utilized the Pri-2012 Blue Collar Mortality Table, projected generationally using the MP-2020 Mortality Improvement Scale. In 2022, GBMC utilized the Pri-2012 Blue Collar Mortality Table, projected generationally using the MP-2021 Mortality Improvement Scale.

(ii) *Expected Long-Term Rate of Return*

The expected long-term rate of return assumption used was based on a total plan return estimation by looking at the current yields available from fixed-income and reasonable equity return assumption based on long-term market trends and applying this to the plan’s asset mix. In addition, the actual long-term historical returns realized by the pension plans were taken into consideration.

(iii) *Estimated Future Benefit Payments*

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	DB Union
2023	$ 1,846
2024	1,934
2025	2,004
2026	2,048
2027	2,121
2028-2032	11,288
Total	$ 21,241

(In thousands)

The Company’s pension plan weighted average asset allocations as of June 30 by asset category were as follows:

	DB Union	
	2022	**2021**
Equity securities	44 %	62 %
Debt securities	55	36
Cash and cash equivalents	1	2
	100 %	100 %

The following tables set forth by level, within the fair value hierarchy, the DB Union Plan’s assets at fair value as of June 30:

	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Managed cash funds	$ 451	—	—	451
Common collective trust	—	19,070	—	19,070
Total fixed income	—	19,070	—	19,070
Common stock	5,192	—	—	5,192
Foreign stock	471	—	—	471
Mutual funds	7,493	—	—	7,493
Mutual funds international	2,309	—	—	2,309
Total equity	15,465	—	—	15,465
Total plan assets	$ 15,916	19,070	—	34,986

(In thousands)

		June 30, 2021			
		Level 1	**Level 2**	**Level 3**	**Total**
Managed cash funds	$	641	—	—	641
Common collective trust		—	12,299	—	12,299
Total fixed income		—	12,299	—	12,299
Common stock		7,473	—	—	7,473
Foreign stock		664	—	—	664
Mutual funds		9,904	—	—	9,904
Mutual funds international		2,756	—	—	2,756
Total equity		20,797	—	—	20,797
Total plan assets	$	21,438	12,299	—	33,737

The following is a description of the valuation methodologies used for assets measured at fair value:

Common and foreign stock and mutual funds: Valued at unadjusted quoted market share prices within active markets.

Common collective trust funds: Valued at fair value based on the NAV of the fund. NAV is determined by the bank sponsoring such funds dividing the fund's net assets at fair value by its units outstanding at the valuation date. The Company is required to provide a 90-day notice to redeem any amount of investment. There are no other restrictions or gates related to this fund.

(iv) Pension Investment Policies

DB Union Plan

The primary objective of the Medical Center's pension investment program is the long-term growth of capital consistent with the asset allocations. The program utilizes several balanced managers and provides for asset allocation guidelines consistent with the Medical Center's risk exposure. The equity portion of the DB Union portfolio may range from 45% to 65% of total portfolio assets. The fixed-income and cash equivalents portion of the DB Union portfolio may range from 35% to 55% of total portfolio assets.

DB Non-Union Plan

Since the Plan has terminated and benefits have been paid out, remaining assets were converted to cash to pay administrative expenses.

Contributions

Given the funded status of the DB Union Plan, the Company does not expect to make contributions to the plan during the fiscal year ended June 30, 2023.

(In thousands)

(b) Defined Contribution Plan

Effective July 1, 2007, the Company established the GBMC, Inc. 401(a) Defined Contribution Plan (DC Non-Union) covering all employees except those covered by a collective bargaining agreement, or employees in a zero hour or registry position. The Company contributes up to 2% of all eligible employee wages (basic contribution) to the plan and the Company matches up to 3% of employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. At the discretion of the Board of Directors, the Company may contribute additional funds to the plan.

Expenses for the defined contribution plan for June 30 were as follows:

		2022	2021
Basic contribution	$	2,830	2,788
Match contribution		5,136	4,136
Total contribution	$	7,966	6,924

Effective July 1, 2009, the Company established the GBMC, Inc. 401(a) Defined Contribution Plan for Members of the Bargaining Union of Greater Baltimore Medical Center (DC Union) for the members covered by a collective bargaining agreement. The Company matches up to 3% of eligible employee wages of those who contribute to the Greater Baltimore Medical Center, Inc. Voluntary 403(b) Plan. The Company contributed $109 and $108 for the years ended June 30, 2022 and 2021, respectively.

(c) Nonqualified Plan

The Company has a noncontributory, nonqualified deferred compensation plan for certain key employees. Benefits under the plan are determined based on increasing percentages (depending on years of service) of base pay. The Company recorded expense related to this plan of $694 and $851 for the years ended June 30, 2022 and 2021, respectively.

(12) Insurance Reserves

The Company maintains an off-shore captive insurance company in Bermuda to provide coverage for medical malpractice claims and general liability. The receivable for the expected reinsurance recoverable is recorded within other assets on the consolidated balance sheets. Retention on limits in which Ruxton assumes risk of loss is based on an annual occurrence basis of $5,000 per occurrence and $23,000 in aggregate as of August 1, 2020 and $5,000 per occurrence and $25,000 in aggregate as of August 1, 2021. Amounts in excess of these limits are insured by highly rated commercial insurance companies to provide excess liability coverage. The first reinsurance layer provides coverage of $15,000 per claim with a $15,000 policy aggregate. The second reinsurance layer which has the first layer and retention as underlying limits, provides coverage of $20,000 per claim with a $20,000 policy aggregate.

As of June 30, 2022, and 2021, the Company was self-insured for workers’ compensation and health insurance claims. The aggregate reserves for workers’ compensation claims were determined and discounted at the rate of 2.9% and 1.0% for 2022 and 2021, respectively. The receivable for the expected

(Continued)

(In thousands)

reinsurance recoverable is recorded within other current assets on the consolidated balance sheets. As of August 1, 2020, the Company's excess workers' compensation policy is based on a per claim basis in excess of $1 million.

The Company is subject to legal proceedings and claims, which arise from the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to the actions will not materially affect the consolidated financial position of the Company.

The Company recorded reserve activity for claims and claims expense as follows:

		June 30, 2022			
		Malpractice	Workers' compensation	Health	Total
Insurance reserves for self insured claims	$	40,110	3,963	3,580	47,653
Reserves that are recoverable from reinsurance carrier		12,986	—	—	12,986
Total insurance reserves		53,096	3,963	3,580	60,639
Less current portion of insurance reserve		9,075	1,310	3,580	13,965
Total noncurrent insurance reserves	$	44,021	2,653	—	46,674

		June 30, 2021			
		Malpractice	Workers' compensation	Health	Total
Insurance reserves for self insured claims	$	38,679	4,920	3,830	47,429
Reserves that are recoverable from reinsurance carrier		14,566	74	—	14,640
Total insurance reserves		53,245	4,994	3,830	62,069
Less current portion of insurance reserve		8,825	977	3,830	13,632
Total noncurrent insurance reserves	$	44,420	4,017	—	48,437

(In thousands)

(13) Promises to Contribute

The Company has received unconditional and conditional promises to give. The pledge receivables, which only include unconditional promises to give, are recorded at their present value using a discount rate of 2.0%. The Company is the beneficiary of charitable remainder trusts whose present value was $9,640 and $9,756 as of June 30, 2022 and 2021, respectively. Current pledge receivables are included in other receivables and noncurrent pledge receivables are included in other assets in the accompanying consolidated balance sheets.

		2022	2021
Due within 1 year	$	11,754	7,837
Due 1–5 years		12,932	21,553
Due over 5 years		9,640	9,756
Gross pledge receivables		34,326	39,146
Less discount and allowance		(2,563)	(2,807)
Net pledge receivables	$	31,763	36,339

(14) Controlling and Non-controlling Interest

The following table presents a reconciliation of the changes in consolidated net assets without restrictions attributable to the Company's controlling interest and non-controlling interest:

		Net assets without donor restrictions – controlling interest	Net assets without donor restrictions – non-controlling interest	Total net assets without donor restrictions
Balance as of June 30, 2020	$	491,130	7,017	498,147
Excess of revenues over expenses		69,394	2,165	71,559
Pension related changes other than net periodic pension costs		57,078	—	57,078
Distribution to non-controlling interest		—	(2,000)	(2,000)
Net assets released for purchase of fixed assets		205	—	205
Cumulative effect of accounting change		9,125	—	9,125
Increase in net assets without donor restrictions		135,802	165	135,967
Balance as of June 30, 2021		626,932	7,182	634,114

(In thousands)

		Net assets without donor restrictions – controlling interest	Net assets without donor restrictions – non-controlling interest	Total net assets without donor restrictions
(Deficit) excess of revenues over expenses	$	(94,476)	2,336	(92,140)
Pension related changes other than net periodic pension costs		2,764	—	2,764
Net assets released for purchase of fixed assets		6,182	—	6,182
Realized gain/loss on donations		2	—	2
Government donated fixed assets		1,510	—	1,510
Decrease in net assets without donor restrictions		(84,018)	2,336	(81,682)
Balance as of June 30, 2022	$	542,914	9,518	552,432

(15) Subsequent Events

The Company has evaluated all events and transactions through October 24, 2022, the date the consolidated financial statements were issued, and determined there are no other items to be recognized or disclosed this period.

CONSOLIDATING INFORMATION

Schedule 1

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Balance Sheet

June 30, 2022

(In thousands)

Assets	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Current assets:									
Cash and cash equivalents	$ 10,019	6,567	11	9,294	—	—	—	—	25,891
Short-term investments and limited or restricted use funds	125,943	6,272	—	1,046	—	—	—	—	133,261
Patient accounts receivable, net	55,633	—	1,836	7,760	—	—	—	—	65,229
Other receivables	13,418	3,721	5,044	4,710	—	212	—	—	27,105
Advances to affiliates	21,077	—	—	—	—	—	—	(21,077)	—
Other current assets	14,964	303	132	270	—	—	—	—	15,669
Total current assets	241,054	16,863	7,023	23,080	—	212	—	(21,077)	267,155
Investments and limited or restricted use funds	281,237	67,997	13,362	165,883	—	—	—	—	528,479
Interest in net assets of affiliate	—	—	—	—	—	—	674,171	(674,171)	—
Long-term receivables from affiliates	25,782	—	—	—	—	—	—	(25,782)	—
Property, plant, and equipment, net	247,440	—	16,606	22,194	152	2,531	—	—	288,923
Operating lease right-of-use assets	25,373	—	2,421	6,416	—	17,916	—	(31,114)	21,012
Other assets	19,946	12,986	10,422	11,938	—	1,622	—	(2,164)	54,750
Total assets	$ 840,832	97,846	49,834	229,511	152	22,281	674,171	(754,308)	1,160,319
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accrued expenses	$ 100,227	(29)	339	9,864	—	56	—	1	110,458
Current portion of insurance reserves	4,210	9,625	—	130	—	—	—	—	13,965
Payable to affiliates	—	11,660	—	8,832	—	—	585	(21,077)	—
Advances from third-party payors	37,586	—	—	54	—	—	—	—	37,640
Current portion of operating lease liabilities	5,135	—	260	1,293	—	1,749	—	(4,987)	3,450
Current portion of long-term debt and finance lease liabilities	5,138	—	—	—	—	—	—	—	5,138
Other current liabilities	6,342	—	—	2,001	—	—	—	—	8,343
Total current liabilities	158,638	21,256	599	22,174	—	1,805	585	(26,063)	178,994
Long-term debt	209,054	—	—	11,143	—	—	—	—	220,197
Finance lease liabilities	20,717	—	—	—	—	—	—	—	20,717
Operating lease liabilities	10,575	—	2,219	5,203	—	—	—	—	17,997
Insurance reserves	2,425	44,021	—	228	—	—	—	—	46,674
Long-term payable to affiliate	—	—	21,348	—	2,306	2,129	—	(25,783)	—
Pension liability	180	—	—	—	—	—	—	—	180
Other long-term liabilities	11,902	—	4	615	—	16,448	—	(26,995)	1,974
Total liabilities	413,491	65,277	24,170	39,363	2,306	20,382	585	(78,841)	486,733
Net assets:									
Controlling interest	335,087	32,569	16,146	160,998	(2,154)	1,899	542,914	(544,545)	542,914
Non-controlling interest	—	—	9,518	—	—	—	9,518	(9,518)	9,518
Total net assets without donor restrictions	335,087	32,569	25,664	160,998	(2,154)	1,899	552,432	(554,063)	552,432
Net assets with donor restrictions	92,254	—	—	29,150	—	—	121,154	(121,404)	121,154
Total net assets	427,341	32,569	25,664	190,148	(2,154)	1,899	673,586	(675,467)	673,586
Total liabilities and net assets	$ 840,832	97,846	49,834	229,511	152	22,281	674,171	(754,308)	1,160,319

See accompanying independent auditors' report.

Schedule 2

GBMC HEALTHCARE, INC.
AND SUBSIDIARIES

Consolidating Statement of Operations

June 30, 2022

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Patient service revenue, net	$ 551,835	—	15,236	63,388	—	—	—	—	630,459
Other operating revenue	19,171	17,804	5,544	2,136	2,194	3,008	—	(21,705)	28,152
Net assets released from restrictions	5,351	—	—	3,571	—	—	—	—	8,922
Total operating revenue	576,357	17,804	20,780	69,095	2,194	3,008	—	(21,705)	667,533
Operating expenses:									
Salaries, wages, and employee benefits	383,526	—	3,939	53,187	2,685	420	—	(275)	443,482
Expendable supplies	104,535	—	1,441	5,055	9	25	—	—	111,065
Purchased services and other	82,536	14,126	7,333	12,694	359	3,862	30	(21,312)	99,628
Depreciation and amortization	32,910	—	2,362	2,015	14	492	—	—	37,793
Interest	4,388	—	—	83	—	—	—	—	4,471
Overhead	(2,165)	250	404	949	—	49	263	250	—
Total operating expenses	605,730	14,376	15,479	73,983	3,067	4,848	293	(21,337)	696,439
Total operating (loss) income	(29,373)	3,428	5,301	(4,888)	(873)	(1,840)	(293)	(368)	(28,906)
Nonoperating (losses) gains:									
Contributions	32	—	—	745	—	—	—	—	777
Fundraising expense	(2,732)	—	—	(1,111)	—	—	—	250	(3,593)
Investment (losses) gains, net	(30,609)	(11,954)	3,737	(21,756)	—	—	—	—	(60,582)
Other components of net periodic pension cost	260	—	—	—	—	—	—	—	260
Interests in net assets of affiliate	—	—	—	—	—	—	(81,389)	81,389	—
Loss on extinguishment	(96)	—	—	—	—	—	—	—	(96)
Total nonoperating (losses) gains	(33,145)	(11,954)	3,737	(22,122)	—	—	(81,389)	81,639	(63,234)
(Deficit) excess of revenues over expenses	$ (62,518)	(8,526)	9,038	(27,010)	(873)	(1,840)	(81,682)	81,271	(92,140)

See accompanying independent auditors' report.

**GBMC HEALTHCARE, INC.
AND SUBSIDIARIES**

Consolidating Statement of Changes in Net Assets

June 30, 2022

(In thousands)

	(Obligated group) Greater Baltimore Medical Center, Inc.	Ruxton Insurance	GBMC Agency Inc. and Subsidiaries	Gilchrist Hospice Care Inc.	GBHA Inc.	GBMC Land Inc.	GBMC Healthcare Inc. (Parent)	Eliminating entries	Total
Changes in net assets without donor restrictions:									
(Deficit) excess of revenues over expenses	$ (62,518)	(8,526)	9,038	(27,010)	(873)	(1,840)	(81,682)	81,271	(92,140)
Pension related changes other than net periodic pension costs	2,764	—	—	—	—	—	—	—	2,764
Net assets released for purchase of fixed assets	—	—	—	6,182	—	—	—	—	6,182
Realized gain/loss on donations	—	—	—	2	—	—	—	—	2
Government donated fixed assets	1,510	—	—	—	—	—	—	—	1,510
(Decrease) increase in net assets without donor restrictions	(58,244)	(8,526)	9,038	(20,826)	(873)	(1,840)	(81,682)	81,271	(81,682)
Changes in net assets with donor restrictions:									
Contributions	13,608	—	—	4,708	—	—	—	—	18,316
Investment (losses) gains, net	(4,048)	—	—	(3,052)	—	—	—	—	(7,100)
Interest in net assets of affiliate	—	—	—	—	—	—	(3,888)	3,888	—
Net assets released for operations	(5,351)	—	—	(3,571)	—	—	—	—	(8,922)
Net assets released for purchase of fixed assets	—	—	—	(6,182)	—	—	—	—	(6,182)
(Decrease) increase in net assets with donor restrictions	4,209	—	—	(8,097)	—	—	(3,888)	3,888	(3,888)
(Decrease) increase in net assets	(54,035)	(8,526)	9,038	(28,923)	(873)	(1,840)	(85,570)	85,159	(85,570)
Net assets, beginning of year	481,376	41,095	16,626	219,071	(1,281)	3,739	759,155	(760,625)	759,156
Net assets, end of year	$ 427,341	32,569	25,664	190,148	(2,154)	1,899	673,585	(675,466)	673,586

See accompanying independent auditors' report.