



**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Financial Statements and  
Supplementary Financial Information

June 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

## LIFEBRIDGE HEALTH, 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  
LifeBridge Health, Inc.:

### *Opinion*

We have audited the consolidated financial statements of LifeBridge Health, Inc. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and 2022, and the results of its operations 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 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 GAAS. 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 26, 2023

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Cash and cash equivalents	\$ 180,388	338,584
Investments	338,535	323,312
Assets limited as to use, current portion	35,524	46,028
Patient service receivables	216,312	209,214
Other receivables	19,265	1,904
Inventory	41,430	45,721
Prepaid expenses	22,086	20,493
Pledges receivable, current portion	3,607	4,881
Total current assets	857,147	990,137
Board-designated investments	145,920	153,306
Long-term investments	499,143	476,387
Donor-restricted investments	86,999	78,948
Reinsurance recovery receivable	10,799	11,378
Assets limited as to use, net of current portion	98,629	79,985
Pledges receivable, net of current portion	6,734	3,924
Property and equipment, net	871,174	800,459
Prepaid pension asset	21,093	14,838
Beneficial interest in split-interest agreement	4,482	4,422
Investment in unconsolidated affiliates	26,971	27,993
Operating lease right-of-use assets, net	43,039	66,771
Other assets, net	264,913	259,582
Total assets	\$ 2,937,043	2,968,130

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

<b>Liabilities and Net Assets</b>	<b>2023</b>	<b>2022</b>
Current liabilities:		
Accounts payable and accrued liabilities	\$ 165,179	170,631
Accrued salaries, wages and benefits	102,366	118,997
Advances from third-party payors	44,599	84,254
Current portion of long-term debt and finance lease obligations, net	50,230	60,048
Current portion of operating lease liabilities	10,993	13,304
Other current liabilities	50,831	51,320
Total current liabilities	424,198	498,554
Other long-term liabilities	127,863	120,444
Operating lease liabilities	32,393	53,810
Long-term debt and finance lease obligations, net	651,945	683,086
Total liabilities	1,236,399	1,355,894
Net assets:		
Net assets without donor restrictions	1,593,281	1,511,745
Noncontrolling interest in consolidated subsidiaries	19,549	20,109
Total net assets without donor restrictions	1,612,830	1,531,854
Net assets with donor restrictions	87,814	80,382
Total net assets	1,700,644	1,612,236
Total liabilities and net assets	\$ 2,937,043	2,968,130

See accompanying notes to consolidated financial statements.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Operations

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	<b>2023</b>	<b>2022</b>
Unrestricted revenues, gains and other support:		
Patient service revenue	\$ 1,880,704	1,815,586
Net assets released from restrictions used for operations	5,354	5,340
Other operating revenue	95,576	132,515
Total operating revenues	1,981,634	1,953,441
Expenses:		
Salaries and employee benefits	1,060,952	1,003,842
Supplies	331,292	308,301
Purchased services	451,981	405,871
Depreciation and amortization	100,785	94,548
Repairs and maintenance	34,895	33,924
Interest	23,812	21,742
Total expenses	2,003,717	1,868,228
Operating income (loss)	(22,083)	85,213
Other income (loss), net:		
Investment income (loss)	76,868	(107,707)
Other	1,474	10,908
Loss on refinancing of debt	—	(7,708)
Total other income (loss), net	78,342	(104,507)
Excess (deficit) of revenues over expenses	56,259	(19,294)
Net assets released from restrictions used for the purchases of property and equipment	5,360	1,764
Net change in value of beneficial interest in split-interest agreement	(622)	747
Adjustment to pension liability	16,858	12,277
Other	3,121	2,211
Increase (decrease) in unrestricted net assets	\$ 80,976	(2,295)

See accompanying notes to consolidated financial statements.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net assets</u>
Net assets at June 30, 2021	\$ 1,534,149	85,391	1,619,540
Deficit of revenues over expenses	(19,294)	—	(19,294)
Unrealized losses on investments	—	(5,570)	(5,570)
Net assets released from restrictions used for the purchase of property and equipment	1,764	(1,764)	—
Restricted gifts and bequests	—	8,368	8,368
Net assets released from restrictions used for operations	—	(5,340)	(5,340)
Net change in value of beneficial interest in split-interest agreement	747	(1,374)	(627)
Adjustment to pension liability	12,277	—	12,277
Other	2,211	671	2,882
	<u>(2,295)</u>	<u>(5,009)</u>	<u>(7,304)</u>
Change in net assets			
Net assets at June 30, 2022	<u>1,531,854</u>	<u>80,382</u>	<u>1,612,236</u>
Excess of revenues over expenses	56,259	—	56,259
Unrealized gains on investments	—	1,082	1,082
Net assets released from restrictions used for the purchase of property and equipment	5,360	(5,360)	—
Restricted gifts and bequests	—	10,680	10,680
Net assets released from restrictions used for operations	—	(5,354)	(5,354)
Net change in value of beneficial interest in split-interest agreement	(622)	939	317
Adjustment to pension liability	16,858	—	16,858
Other	3,121	5,445	8,566
	<u>80,976</u>	<u>7,432</u>	<u>88,408</u>
Change in net assets			
Net assets at June 30, 2023	<u>\$ 1,612,830</u>	<u>87,814</u>	<u>1,700,644</u>

See accompanying notes to consolidated financial statements.



**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Change in net assets	\$ 88,408	(7,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	100,785	94,548
Adjustment to pension liability	(16,858)	(12,277)
Realized and unrealized losses (gains) on investments, net	(51,867)	142,965
Restricted gifts and bequests	(10,680)	(8,368)
Change in beneficial interest of split-interest agreement	(60)	872
Earnings on investments in unconsolidated affiliates	(1,998)	(8,639)
Distributions from unconsolidated affiliates	2,706	4,968
Distributions to noncontrolling interest owners	1,257	1,195
Amortization of deferred financing costs and discounts	1,161	951
Loss on refinancing of debt	—	7,708
Gain on remeasurement of previously held equity interests	—	(42,723)
Change in operating assets and liabilities:		
Increase in patient service receivables, net	(7,098)	(19,684)
(Increase) decrease in other receivables	(17,361)	4,443
(Increase) decrease in pledges receivable	(1,536)	(972)
Decrease inventory	4,291	1,600
(Increase) decrease in prepaid expenses	(1,593)	5,283
Decrease in reinsurance recovery receivable	579	5,602
Decrease in other assets	18,401	13,909
Increase (decrease) in accounts payable and accrued liabilities, and accrued salaries, wages, and benefits	(23,741)	11,522
Decrease in advances from third-party payors	(39,655)	(133,274)
Increase (decrease) in other current and long-term liabilities	(6,195)	2,788
Net cash provided by operating activities	38,946	65,113
Cash flows from investing activities:		
Change in investments and assets limited as to use	15,538	110,644
Investment in unconsolidated affiliates	314	(1,029)
Purchases of property and equipment	(169,842)	(117,121)
Purchases of alternative investments	(6,340)	(2,411)
Proceeds from sales of alternative investments	7,220	9,074
Cash paid for acquisition, net of cash acquired	—	(67,646)
Net cash used in investing activities	(153,110)	(68,489)
Cash flows from financing activities:		
Payment on debt and finance lease obligations	(35,383)	(113,722)
Payment related to contingent consideration	(26,400)	—
Proceeds from issuance of debt	19,663	141,652
Distributions to noncontrolling interest owners	(1,257)	(1,195)
Restricted gifts and bequests	10,680	8,368
Net cash provided by (used in) financing activities	(32,697)	35,103
Net increase (decrease) in cash and cash equivalents and restricted cash	(146,861)	31,727
Cash and cash equivalents and restricted cash:		
Beginning of year	358,557	326,830
End of year	\$ 211,696	358,557

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Consolidated Statements of Cash Flows

Years ended June 30, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Supplemental cash flow disclosures:		
Cash paid during the year for interest	\$ 27,224	24,408
Cash paid during the year for income taxes	3,941	890
Accounts payable related to purchase of property and equipment	5,405	7,064
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 4,356	32,400
Reconciliation of ending cash and cash equivalents and restricted cash to consolidated balance sheets:		
Cash and cash equivalents	\$ 180,388	338,584
Investments	16,981	12,196
Long-term investments	<u>14,327</u>	<u>7,777</u>
Cash and cash equivalents and restricted cash	<u>\$ 211,696</u>	<u>358,557</u>

See accompanying notes to consolidated financial statements.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

### (1) Organization

On October 1, 1998, Sinai Health System, Inc. merged with Northwest Health System, Inc. to form LifeBridge Health, Inc. (LifeBridge). LifeBridge is a not-for-profit, nonstock Maryland Corporation.

LifeBridge's subsidiaries include Sinai Hospital of Baltimore, Inc. (Sinai); Northwest Hospital Center, Inc. (Northwest); Carroll Hospital Center (Carroll); Levindale Hebrew Geriatric Center and Hospital, Inc. (Levindale); Grace Medical Center (Grace); Baltimore Child Abuse Center (BCAC); The Family Tree (TFT); Children's Hospital of Baltimore City, Inc.; The Baltimore Jewish Health Foundation, Inc. (BJHF); The Baltimore Jewish Eldercare Foundation, Inc. (BJEF); Children's Hospital at Sinai Foundation, Inc. (CHSF); LifeBridge Anesthesia Associates, LLC (LAA); LifeBridge Insurance Company, Ltd. (LifeBridge Insurance); Courtland Gardens Nursing and Rehabilitation Center, Inc. (Courtland); LifeBridge Investments, Inc. (Investments); LifeBridge Health ACO, LLC; LifeBridge Physician Network, LLC; 8600 Liberty Road, LLC; and LifeBridge 23 Crossroads Drive Medical Office Building, LLC. Except for LifeBridge Insurance and Investments, all of the entities named above are not-for-profit and tax-exempt. Sinai and Levindale are constituent agencies of THE ASSOCIATED: Jewish Community Federation of Baltimore, Inc. (AJCF), a charitable corporation.

Effective December 31, 2021, MNR Industries, LLC (MNR) became a subsidiary of LifeBridge. The acquisition of MNR by LifeBridge is further discussed in note 3.

Investments is a for-profit corporation that holds, directly and indirectly, interests in a variety of for-profit businesses. Investments' wholly owned subsidiaries include:

- *Practice Dynamics, Inc.*
- *LifeBridge Health and Fitness, LLC*
- *MNR Industries, LLC*
- *National Respiratory Care, LLC*
- *Nation's Home Medical Equipment, LLC*
- *Nation's Infusion at Home, LLC*
- *Sinai Eldersburg Real Estate, LLC*
- *General Surgery Specialists, LLC*
- *BW Primary Care, LLC*
- *The Center for Urologic Specialties, LLC*
- *LifeBridge Community Physicians, Inc. (Community Physicians)*
- *LifeBridge Investments Properties, LLC*

Investments also holds interests in numerous other health-related businesses.

Community Physicians is a for-profit corporation that provides physician and related services through numerous subsidiaries.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Carroll is a not-for-profit, nonstock Maryland corporation. The accompanying consolidated financial statements include the accounts of Carroll and its wholly or partially owned subsidiaries.

Wholly owned subsidiaries of Carroll include Carroll Hospital Center Foundation, Inc. (Carroll Foundation); Carroll Hospice, Inc. (CH); Carroll Regional Cancer Center Physicians, LLC (CRCCP); and Carroll Hospital Center MOB Investment, LLC. Carroll also holds interests in various health-related companies.

Carroll County Med-Services, Inc. (CCMS) is a wholly owned, for-profit subsidiary of CCHS that is involved in real estate holdings, physician services, and other activities and also maintains ownership interests in various joint ventures. Wholly owned subsidiaries of CCMS include: Carroll Health Group, LLC; Carroll PHO, LLC; and Carroll ACO, LLC. CCMS also holds interests in various health-related companies.

### **(2) Significant Accounting Policies**

#### **(a) Basis of Presentation**

The consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. All controlled and direct member entities are consolidated. The accompanying consolidated financial statements include the accounts of LifeBridge Health, Inc. and subsidiaries (the Corporation). All entities where the Corporation exercises significant influence, but does not have control, are accounted for under the equity method. All other unconsolidated entities are accounted for under the cost method. All significant intercompany accounts and transactions have been eliminated.

#### **(b) Cash and Cash Equivalents**

Cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less at the date of purchase.

#### **(c) Assets Limited as to Use**

Assets limited as to use primarily consists of assets held by trustees under bond indenture agreements, a self-insured workers' compensation reserve fund, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. A portion of the designated assets set aside by the Board of Directors is contractually designated.

#### **(d) Inventory**

Inventories, which consist primarily of medical supplies and pharmaceuticals, are stated at the lower of cost (using the moving average cost method of valuation) or market.

#### **(e) Investments, Long-Term Investments and Donor-Restricted Investments**

The Corporation's investment portfolio is considered a trading portfolio and is classified as current or noncurrent assets based on management's intention as to use. All debt and equity securities are reported in the consolidated balance sheets at fair value, principally based on quoted market prices. Cash equivalents, as defined above, included within investments and assets limited as to use are treated as investments.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The Corporation has investments in alternative investments, primarily funds of hedge funds, totaling \$234,390 and \$221,168 at June 30, 2023 and 2022, respectively. These funds utilize various types of debt and equity securities and derivative instruments in their investment strategies. Also included in alternative investments are BJEF's and BJHF's funds that are invested on their behalf by the Associated Jewish Charities (AJC), an affiliate of AJCF. Alternative investments are recorded under the equity method, which is based on the net asset value (NAV) of the shares in each investment company or partnership.

Investments in unconsolidated affiliates are accounted for under the equity method of accounting as appropriate and are included in other assets or investment in unconsolidated affiliates, respectively, in the consolidated balance sheets. Also, certain equity investments that do not have a readily determinable fair value are accounted for using the cost of such investments less any impairment. The Corporation's equity income or loss is recognized in other operating revenue within the excess of revenue over expenses in the accompanying consolidated statements of operations.

Investments also include assets restricted by donor and assets designated by the Board of Directors for future capital improvements and other purposes over which it retains control and may, at its discretion, use for other purposes. Purchases and sales of securities are recorded on a trade-date basis.

Investment income (interest and dividends) including realized gains and losses on investment sales is reported as other income (loss), net within the excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets unless the income or loss is restricted by the donor or law. Investment income on funds held in trust for self-insurance purposes is included in other operating revenue. Investment income and net gains (losses) that are restricted by the donor are recorded as a component of changes in net assets with donor restrictions, in accordance with donor-imposed restrictions. Realized gains and losses are determined based on the specific security's original purchase price. Unrealized gains and losses are included in other income, net within the excess of revenue over expenses.

Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date
- Level 2 Inputs – Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 Inputs – Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest-level input that is significant to the fair value measurements.

### **(f) Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the period of the lease term or the estimated useful life of the equipment. Maintenance and repair costs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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.

### **(g) Impairment of Long-Lived Assets**

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

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Corporation groups its assets at the lowest level for which there are identifiable cash flows independent of other groups of assets. The Corporation did not record a loss on impairment during the year ended June 30, 2023 or 2022.

### **(h) Goodwill and Other Assets, Net**

Other assets consist primarily of goodwill and other intangibles related to practice acquisitions, notes receivable, and the cash surrender value of split-dollar life insurance.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. ASC Topic 350, *Intangibles – Goodwill and Other*, requires that tangible and indefinite-lived assets as well as goodwill must be analyzed in order to determine whether their value has been impaired.

Goodwill is assessed annually for impairment at the reporting unit. As of June 30, 2023 and 2022, the Corporation had one reporting unit, which included all subsidiaries. The Corporation 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 ASC Topic 350. The more-likely than-not threshold is defined as having a likelihood of more than 50%. The Corporation determined that it was not more likely than not that the fair value of its reporting unit was less than its carrying amount. Accordingly, the Corporation concluded that goodwill was not impaired as of June 30, 2023 and 2022 without having to perform the two-step impairment test.

### **(i) Beneficial Interest in Split Interest Agreement**

CHSF holds a 25% interest in a trust, of which management has estimated the present value of the future income stream. CHSF will receive 25% of the net annual income until 2024, when the trust will terminate, and 25% of the principal will be distributed to CHSF. Management has reported the beneficial interest at fair value based on the fair value of the underlying trust investments.

### **(j) Advances from Third-Party Payors**

Advances from third-party payors are comprised of advance funding from CareFirst BlueCross BlueShield, Medicaid, Aetna, United/MAMSI, and other insurance providers. The Corporation also received advance funding through the Cares Act and Medicare Accelerated and Advance Payment Program in response to the COVID-19 pandemic. See note 4 for further information.

### **(k) Self-Insurance Programs**

The Corporation maintains self-insurance programs for professional and general liability, workers' compensation, and employee health benefits. The provision for estimated self-insurance program claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The estimates are based on historical trends, claims asserted, and reported incidents.

### **(l) Other Long-Term Liabilities**

Other long-term liabilities consist of self-insurance liabilities, pension plan liabilities, asset retirement obligations, and deferred compensation plan liabilities. See note 19.

### **(m) Donor-Restricted Gifts**

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date those promises become unconditional. 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

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions.

### **(n) Net Assets**

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of externally imposed stipulations. Accordingly, net assets of the Corporation and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to externally imposed stipulations

*Net assets with donor restrictions* – Net assets subject to externally imposed stipulations that may or will be met either by actions of the Corporation and/or the passage of time or may be maintained by the Corporation in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by externally imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless use of the related asset is limited by externally imposed restrictions or law. Expirations of temporary restrictions of net assets (i.e., the externally stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets if used to acquire capital assets; otherwise, they are recorded as unrestricted operating revenue.

### **(o) Net Patient Service Revenue**

Net patient service revenue for acute care facility-based services, as defined by Maryland's system of rate regulation, at Sinai, Northwest, Carroll, Grace, and the chronic hospital component of Levindale is recorded at rates established by the State of Maryland Health Services Cost Review Commission (HSCRC) and, accordingly, reflects consideration expected to be received from patients based on rates in effect during the period in which the services are rendered over time and the Corporation's performance obligations are met. Generally, performance obligations satisfied over time relate to patients receiving acute care services. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the Corporation does not believe it is required to provide additional services to the patient.



## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Corporation is utilizing the portfolio approach practical expedient in ASC 606, *Revenue from Contracts with Customers*, for contracts related to net patient service revenue. The Corporation accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the Corporation has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

On January 29, 2014, the Corporation and the HSCRC agreed to implement the Global Budget Revenue (GBR) methodology for Sinai, Northwest, Carroll, Grace, and Levindale. The agreement, updated annually, was in place during the years ended June 30, 2023 and 2022 and will renew for a one-year period unless it is canceled by the HSCRC or by the applicable hospital. The GBR model is a revenue constraint and quality improvement system designed by the HSCRC to provide hospitals with strong financial incentives to manage their resources efficiently and effectively in order to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the hospitals' mission to provide the highest value of care possible to its patients and the communities served.

The GBR agreement establishes a prospective, fixed revenue base (the GBR cap) for each fiscal year. This includes both inpatient and outpatient regulated services. Under GBR, the Corporation's revenue for all HSCRC-regulated services is predetermined for the upcoming year, regardless of changes in volume (subject to certain limits), service mix intensity, or mix of inpatient or outpatient services that occurs during the year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall revenue base for the Corporation at year-end. Any overcharge or undercharge versus the GBR cap, within established constraint parameters, is prospectively added to the subsequent year's GBR cap. The GBR is adjusted for changes in market share, with the market-shift adjustments made semi-annually, on January 1 and July 1, although market-shift adjustments specific to calendar year 2020 were suspended due to impact of the COVID-19 pandemic. The GBR cap is adjusted annually for inflation and changes in payor mix and uncompensated care, as well as changes in population and aging within the Corporation's service area. A hospital's GBR cap may also be adjusted based on the hospital's performance on various quality and utilization metrics established by the HSCRC.

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Contractual adjustments, which represent the difference between amounts billed as patient service revenue and amounts paid by third-party payors, are accrued in the period in which the related performance obligations are met. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Implicit price concessions represent differences between amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current market factors, and other factors. Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Prior to October 1, 2019, Medicare reimbursed Northwest and Levindale for skilled nursing services under the Medicare skilled nursing Prospective Payment System (PPS) with payments being based on patient resource utilization as calculated by a patient classification system known as Resource Utilization Groups (RUG's).

Effective October 1, 2019, Medicare reimburses Northwest and Levindale for skilled nursing services under the Medicare Patient-Driven Payment Model (PDPM). Under PDPM, therapy minutes are removed as the basis for payment in favor of resident classifications and anticipated resource needs during the course of a patient's stay. PDPM assigns every resident a case-mix classification that drives the daily reimbursement rate for that individual.

Medicaid reimburses Levindale for long-term care services based on Levindale's actual costs. However, beginning in January 2015, the cost data from the 2012 cost reports was used to set Resource Utilization Group (similar to Medicare) rates, which are adjusted for changes in case mix. The case mix from two quarters prior is used to adjust the rates on a quarterly basis.

All other patient service revenue is recorded at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

#### **(p) Other Operating Revenue**

Other operating revenue includes income of LifeBridge Health and Fitness LLC, revenue from other support services, and revenue generated from investments in joint ventures that offer healthcare services or services that support or complement the delivery of care. In the year ended June 30, 2023, the Corporation recorded \$13,049 in COVID Relief funds, see note 4. In the year ended June 30, 2022, the Corporation recorded a \$42,068 gain on the acquisition of MNR Industries, LLC and \$13,387 in COVID Relief Funds.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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#### **(q) Grants**

Federal grants are accounted for either as an exchange transaction or as a contribution based on terms and conditions of the grant. If the grant is accounted for as an exchange transaction, revenue is recognized as other operating revenue when earned. If the grant is accounted for as a contribution, the revenues are recognized as either other operating revenue or restricted contributions depending on the restrictions within the grant. During the years ended June 30, 2023 and 2022, the Corporation received grants from the programs under the CARES Act.

#### **(r) Charity Care and Bad Debt**

Sinai, Northwest, Carroll, Grace, and Levindale provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. Because the facilities do not pursue the collection of amounts determined to qualify as charity care, those amounts are not reported as revenue. The amount of charity care provided during the years ended June 30, 2023 and 2022, based on patient charges forgone, was \$29,400 and \$21,800, respectively. The total direct and indirect costs to provide the care amounted to approximately \$23,500 and \$17,300 for the years ended June 30, 2023 and 2022, respectively.

All patient accounts are handled consistently and appropriately to maximize cash flow and to identify bad debt accounts timely. Active accounts are considered bad debt accounts when they met specific collection activity guidelines and/or are reviewed by the appropriate management and deemed to be uncollectible. Every effort is made to identify and pursue all account balance liquidation options, including, but not limited to, third-party payor reimbursement, patient payment arrangements, Medicaid eligibility, and financial assistance. Third-party receivable management agencies provide extended business office services and insurance outsource services to ensure maximum effort is taken to recover insurance and self-pay dollars before transfer to bad debt. Contractual arrangements with third-party collection agencies were used to assist in the recovery of bad debt after all internal collection efforts have been exhausted. In so doing, the collection agencies must operate consistently with the goal of maximum bad debt recovery and strict adherence with Fair Debt Collections Practices Act (FDCPA) rules and regulations while maintaining positive patient relations.

#### **(s) Income Taxes**

LifeBridge and its not-for-profit subsidiaries have been recognized by the Internal Revenue Service as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

LifeBridge's incorporated for-profit subsidiaries account for income taxes in accordance with FASB ASC Topic 740, *Income Taxes*. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Any changes to the valuation allowance on the deferred tax asset are reflected in the year of the change. The Corporation accounts for uncertain tax positions in accordance with ASC Topic 740.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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### **(t) Use of Estimates**

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

### **(u) Excess (Deficit) of Revenues over Expenses**

The accompanying consolidated statements of operations include a performance indicator, excess (deficit) of revenue over expenses. Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with industry practice, include changes in the funded status of defined-benefit pension plans, permanent transfers of assets to and from affiliates for other than goods and services, and contributions received for additions of long-lived assets.

### **(v) Employee Pension Plan**

Pension benefits are administered by the Corporation. The Corporation accounts for its defined-benefit pension plans within the framework of ASC Topic 958, *Not-for-Profit Entities, Section 715, Compensation-Retirement Benefits* (Topic 958, Section 715), which requires the recognition of the overfunded or underfunded status of a defined-benefit pension plan as an asset or liability. The plans are subject to annual actuarial evaluations, which involve various assumptions creating changes in elements of expense and liability measurement. Key assumptions include the discount rate, the expected rate of return on plan assets, retirement, mortality, and turnover. The Corporation evaluates these assumptions annually and modifies them as appropriate.

Additionally, ASC Topic 958, Section 715 requires the measurement date for plan assets and liabilities to coincide with the employer's year-end and requires the disclosure in the notes to the consolidated financial statements of additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation. The Corporation reports the service cost component of pension cost in salaries and employee benefit expense and the other components of net benefit cost in other income, net.

### **(w) Management's Assessment and Plans**

The Corporation adopted Accounting Standards Update (ASU) No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, (ASU 2014-15), which requires management to evaluate an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or available to be issued, when applicable). Management determined that there were no conditions or events that raise substantial doubt about the Corporation's ability to continue as a going concern, and the Corporation will continue to meet its obligations through October 26, 2024.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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### (x) New Accounting Pronouncements

From time to time, new accounting guidance is issued by the FASB or other standard-setting bodies that is adopted by the Corporation as of the effective date or, in some cases where early adoption is permitted, in advance of the effective date. The Corporation has assessed the recently issued guidance that is not yet effective and, unless otherwise indicated above, believes the new guidance will not have a material impact on its consolidated financial position, results of operations, or cash flows.

### (3) Acquisitions

Investments became the sole member of MNR Industries, LLC (MNR) on December 31, 2021 and other acquired entities during the year ended June 30, 2022. Beginning on the dates of the acquisitions, the financial position, and results of operations of MNR and other acquired entities were consolidated into the Corporation. As part of the transactions, Investments initially paid approximately \$73,000 with potential consideration of approximately \$43,000. As of June 30, 2023, the Corporation paid \$26,400 related to the contingent consideration and expects to pay an additional approximate \$16,000 related to seller notes and contingent consideration which sits in current portion of debt. The acquisitions were accounted for under the guidance of ASC Topic 805, *Business Combinations*. For certain acquired entities, the Corporation held equity interests in the acquired entities that were accounted for under the equity method of accounting. As a result of the acquisitions, the Corporation recorded adjustments of the previously held equity method investments that resulted in gains of approximately \$43,000, which is included within operating income during the year ended June 30, 2022 in the accompanying consolidated statement of operations. The impact of these acquisitions is reflected in the tables below.

The following table summarizes the estimated fair value of assets acquired and liabilities during fiscal year 2022:

Assets:	
Current assets	\$ 28,413
Property and equipment	12,698
Other long-term assets (primarily goodwill)	<u>204,499</u>
Total assets	<u>245,610</u>
Liabilities:	
Current liabilities	10,479
Long-term liabilities	<u>95,339</u>
Total liabilities	<u>105,818</u>
Net assets acquired	<u>\$ 139,792</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

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Total consideration:	
Fair value of equity method investments removed	\$ 66,723
Cash paid	<u>73,069</u>
Total consideration	<u>\$ 139,792</u>

The following table summarizes the Corporation's pro forma consolidated results as though the acquisition dates occurred at July 1, 2021:

	<b>2022</b>
Operating revenues	\$ 1,964,997
Operating expenses	<u>1,912,279</u>
Net operating income	52,718
Nonoperating income	<u>(103,027)</u>
Excess of revenues over expenses	<u>\$ (50,309)</u>
Changes in net assets:	
Net assets without donor restrictions	\$ (41,974)
Net assets with donor restrictions	<u>(5,009)</u>
Total changes in net assets	<u>\$ (46,983)</u>

**(4) COVID-19**

The 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), which was subsequently increased to \$175 billion. 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. The U.S. Department of Health and Human Services (the HHS) initially distributed \$30 billion of this funding based on each provider's share of total Medicare fee-for-service reimbursement in 2019, but announced that \$50 billion in CARES Act funding (including the \$30 billion already distributed) will be allocated proportional to providers' share of 2018 net patient revenue. HHS indicated that distributions of the remaining \$50 billion were targeted primarily to hospitals in COVID-19 high-impact areas, to rural providers, and to reimburse providers for COVID-19-related treatment of uninsured patients.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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As a way to increase cash flow to Medicare providers impacted by the COVID-19 pandemic, the CARES Act expanded the Medicare Accelerated and Advance Payment Program. Inpatient acute care hospitals may request accelerated payments of up to 100% of the Medicare payment amount for a six-month period (not including Medicare Advantage payments). CMS based payment amounts for inpatient acute care hospitals on the provider's Medicare fee-for-service reimbursements in the last six months of 2019. Such accelerated payments are interest-free for inpatient acute care hospitals for 12 months, and the program initially required CMS to recoup the payments beginning 120 days after receipt by the provider, by withholding future Medicare fee-for-service payments for claims until the full accelerated payment has been recouped. On October 1, 2020, new legislation was signed that delayed the timing of the recoupments of these advances by CMS, which began in April 2021. 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. Therefore, they are accounted for under ASC Topic 606 as revenue. Beginning in April 2021, Medicare began to retract money from normal payments to reduce this contract liability. As of June 30, 2022 a total of \$118,933, was recouped by Medicare related to the accelerated payments received. The Corporation paid back any outstanding accelerated payments to Medicare in fiscal year 2023.

As of June 30, 2023, the Corporation received approximately \$1.4 million and recognized approximately \$3 million in Federal COVID relief funds in other operating revenues. The Corporation also received and recognized approximately \$6.3 million in State COVID relief funds in other operating revenues. As of June 30, 2022, the Corporation received approximately \$4 million in State and \$1.5 million in Federal COVID relief funds all of which were recognized in fiscal year 2023 in other operating revenues.

The Corporation continues to assess the potential impact of the CARES Act and 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 its business, results of operations, financial condition, and cash flows.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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**(5) Investments**

Investments, which consist of assets limited as to use, board-designated investments, donor-restricted investments, and long-term investments in the accompanying consolidated balance sheets, are stated at fair value or under the equity method, as appropriate, as of June 30, 2023 and 2022 and consist of the following:

	<u>2023</u>	<u>2022</u>
Assets limited as to use:		
Self-insurance fund:		
Mutual funds	\$ 68,429	51,904
Equity securities	26,099	24,143
Alternative investments	<u>4,101</u>	<u>3,939</u>
Self-insurance fund	<u>98,629</u>	<u>79,986</u>
Debt service fund:		
Cash and cash equivalents	<u>14,189</u>	<u>15,943</u>
	<u>14,189</u>	<u>15,943</u>
	<u>2023</u>	<u>2022</u>
Construction funds:		
Cash and cash equivalents	\$ <u>21,335</u>	<u>30,084</u>
	<u>21,335</u>	<u>30,084</u>
Total assets limited as to use	134,153	126,013
Less current portion	<u>(35,524)</u>	<u>(46,028)</u>
Assets limited as to use, net of current portion	\$ <u>98,629</u>	<u>79,985</u>
Beneficial interest in split-interest agreement	\$ 4,482	4,422



**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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There are other investments restricted by donors other than pledges receivable and beneficial interest that are included in long-term investments as of June 30, 2023 and 2022. As of June 30, 2023 and 2022 current, long-term, donor-restricted, and board-designated investments are as follows:

	<b>2023</b>	<b>2022</b>
Current, long-term, donor-restricted, and board-designated investments:		
Cash and cash equivalents	\$ 36,982	32,774
Mutual funds	296,366	281,340
Equity securities	185,908	190,251
Government securities	68,010	17,046
Fixed-income securities	253,042	293,313
Alternative investments	230,289	217,229
Current, long-term, donor-restricted, and board-designated investments	1,070,597	1,031,953
Less current portion	(338,535)	(323,312)
Long-term, donor-restricted, and board-designated investments	\$ 732,062	708,641

Investment income and gains and losses on long-term investments, board-designated investments, donor-restricted investments, and assets limited as to use comprise the following for the years ended June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Investment income:		
Interest income and dividends	\$ 26,083	29,688
Unrealized (losses) gains on trading securities	37,241	(166,827)
Realized gains on sale of securities	13,544	29,432
Investment income (loss)	76,868	(107,707)
Other changes in net assets:		
Changes in unrealized gains (losses) on net assets with donor restrictions	1,082	(5,570)
Total investment return	\$ 77,950	(113,277)

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

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#### (6) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30, 2023 and 2022 include the following (in thousands):

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 180,388	338,584
Short-term investments	338,535	323,312
Patient receivables	216,312	209,214
Other receivables	19,265	1,904
Pledges receivables, current	3,607	4,881
Long-term investments (excluding alternatives investments)	<u>268,854</u>	<u>259,158</u>
	<u>\$ 1,026,961</u>	<u>1,137,053</u>

The Corporation has certain board-designated assets whose use is limited, which are available for general expenditures within one year in the normal course of operations, pending board approval. These board-designated assets were \$145,920 and \$153,306 as of June 30, 2023 and 2022, respectively, and are not included in the table above.

The Corporation has assets limited to use held by trustees, set aside for the Corporation's captive insurance subsidiary, and held for donor-restricted purposes. These investments are not reflected in the amounts above.

The Corporation invests in alternative investments to increase the investment portfolio's diversification. The asset allocation of the portfolio is broadly diversified across global equity and global fixed-income asset classes and alternative investment strategies and is designed to maximize the probability of achieving the Corporation's long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet the needs of ongoing portfolio management. The nature of alternative investments generally restricts the liquidity and availability of these investments to be available for the general expenditures of the Corporation within one year of the consolidated balance sheet. As such, these investments have been excluded from the amounts above.

As part of the Corporation's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in long-term investments. The Corporation's long-term investment portfolio contains money market funds and other liquid investments that can be drawn upon, if necessary, to meet the liquidity needs of the Corporation.

The Corporation maintains a \$5,000 revolving credit facility as discussed in note 12. As of June 30, 2023 and 2022, \$5,000 was available under the credit facility.

#### (7) Pledges Receivable

Contributions and pledges to raise funds are recorded as temporarily restricted net assets until the donor-intended purpose is met and the cash is collected. Future pledges are discounted at the Treasury bill

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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rate to reflect the time value of money, and an allowance for potentially uncollectible pledges has been established.

Sinai, Northwest, Carroll, and Levindale have recorded total pledges as of June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Gross pledges receivable	\$ 14,293	12,100
Less:		
Discount for time value of money	(1,862)	(1,300)
Allowance for uncollectible accounts	<u>(2,090)</u>	<u>(1,995)</u>
	<u>\$ 10,341</u>	<u>8,805</u>

The pledges are due as follows:

Less than one year	\$ 3,607
One to five years	10,686
Five years and thereafter	<u>—</u>
	<u>\$ 14,293</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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**(8) Property and Equipment**

As described in note 16, Sinai and Levindale leases from an affiliate of AJCF all land, land improvements, buildings, and fixed equipment located at those entities' primary locations; LifeBridge entities own the movable equipment. Property and equipment are classified as follows at June 30:

	<b>Estimated useful life</b>	<b>2023</b>	<b>2022</b>
Land		\$ 32,165	23,736
Land improvements	8–20 years	76,363	42,107
Building and improvements	10–40 years	1,244,068	1,180,270
Fixed equipment	8–20 years	127,381	116,272
Movable equipment	3–15 years	741,729	699,779
		<u>2,221,706</u>	<u>2,062,164</u>
Less accumulated depreciation		<u>(1,425,571)</u>	<u>(1,333,794)</u>
		796,135	728,370
Construction in progress		<u>75,039</u>	<u>72,089</u>
Property and equipment, net		<u>\$ 871,174</u>	<u>800,459</u>

Depreciation and amortization were \$100,785 and \$94,548 for the years ended June 30, 2023 and 2022, respectively. Of this, depreciation expense was \$95,705 and \$89,732 for the years ended June 30, 2023 and 2022, respectively.

**(9) Investments in Joint Ventures**

The Corporation has equity investments that are accounted for under either the equity or cost less impairments if the entity does not have a readily determinable fair value as appropriate, consisted of the following at June 30, 2023 and 2022:

<u>Joint venture</u>	<u>Business purpose</u>	<u>2023</u>		<u>2022</u>	
		<u>Percentage ownership</u>	<u>Balance</u>	<u>Percentage ownership</u>	<u>Balance</u>
Baltimore County Radiology, LLC	Outpatient Radiology	25 %	\$ 7,168	25 %	\$ 7,330
Mt. Airy Med-Services, LLC	Real Estate	50	3,137	50	3,460
Future Care Old Court, LLC	Nursing Home	40	2,961	40	3,065
Lochearn Nursing Home, LLC	Nursing Home	10	2,000	10	2,000
Mt. Airy Plaza, LLC	Real Estate	50	2	50	2
LifeBridge Sports Medicine & Rehabilitation, LLC	Physical Therapy	50	2,048	50	1,889
Other Joint Ventures	Miscellaneous	5–50	9,655	5–50	10,247
Total			<u>\$ 26,971</u>		<u>\$ 27,993</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

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For these investments, the Corporation recorded equity in earnings of joint ventures and partnerships. For those joint ventures and partnerships accounted for using the cost method, the Corporation recorded dividend income. Such amounts are included in other operating revenue in the consolidated statements of operations and was approximately \$2,000 and \$8,600 during the years ended June 30, 2023 and 2022, respectively. In fiscal year 2022, the Corporation acquired the remaining 50% interest in MNR Industries, LLC. Accordingly, the Corporation consolidated the operations of MNR Industries, LLC since the acquisition date. See note 3 for further details.

**(10) Other Assets**

As of June 30, other assets comprise the following balances:

	<b>2023</b>	<b>2022</b>
Goodwill	\$ 209,357	209,637
Investment in Premier	23,232	23,433
Notes receivable	12,999	7,745
Other intangible assets	7,488	8,158
Deferred compensation assets	8,817	7,826
Other	3,020	2,783
Other assets	\$ 264,913	259,582

**(11) Long-Term Debt and Capital Lease Obligations**

As of June 30, long-term debt and capital lease obligations consist of the following:

	<b>2023</b>	<b>2022</b>
Maryland Health and Higher Educational Facilities Authority (MHHEFA):		
Revenue Bonds Series 2012A	\$ —	1,885
Revenue Bonds Series 2015	94,925	97,645
Revenue Bonds Series 2016	117,540	118,780
Revenue Bonds Series 2017	102,940	105,100
Revenue Bonds Series 2021A	42,311	42,820
Revenue Bonds Series 2021B	23,557	23,832
Springwell Senior Living Issue Series 2019	33,339	33,339
LifeBridge Investments Issue Series 2022	75,000	75,000

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	<b>2023</b>	<b>2022</b>
Other debt:		
M&T Bank taxable loan	\$ 11,618	16,936
Bank of America note payable	28,571	35,714
BB&T promissory note	47,014	48,347
Truist term loan	19,663	—
Finance leases	44,449	48,580
Other	44,414	77,177
	685,341	725,155
Less current portion	(50,230)	(60,048)
Plus unamortized premium	19,703	21,111
Less deferred financing costs	(2,869)	(3,132)
	\$ 651,945	683,086

A single obligated group (the Obligated Group), consisting of LifeBridge, Sinai, Northwest, Grace, Levindale, BJHF, CHSF, CCHS, Carroll, CCMS and CH, has been formed with respect to certain bonds issued by the Maryland Health and Higher Educational Facilities Authority (MHHEFA) and certain other obligations. Members of the Obligated Group are jointly and severally liable for all of the outstanding bonds issued by MHHEFA on behalf of LifeBridge and CCHS and their respective affiliates, together with other obligations issued on parity with such bonds.

In May 2012, MHHEFA loaned \$59,780 from the proceeds of bonds (Series 2012A Bonds) to CCHS and certain of its subsidiaries (the Series 2012 Bonds). The Series 2012 Bonds were issued in three series: \$2,995 of serial bonds maturing in 2013 through 2027 with interest rates ranging from 2% to 5%, \$7,505 of term bonds maturing in 2030 with an interest rate of 4%, and \$25,280 of term bonds maturing in 2037 (Series 2012A Bonds) with an interest rate of 5%. Approximately \$48,775 of the Series 2012A Bonds were repaid in 2020.

On June 26, 2015, LifeBridge entered into a \$50,000 direct bank placement with M&T Bank (2015 M&T Bank Taxable Loan). The interest rates range from 1.57% to 3.28%, with maturity dates ranging from July 1, 2016 to July 1, 2025. The 2015 M&T Loan is secured on parity with the bonds.

On July 30, 2015, MHHEFA issued \$159,685 in bonds (Series 2015 Bonds) on behalf of LifeBridge. The proceeds of the Series 2015 Bonds have been and will be used to finance and refinance the cost of construction, renovation, and equipping of certain additional facilities for the Obligated Group, to refund prior years' bonds of debt obligations. \$33,130 of the bonds are serial bonds with maturity dates ranging from 2019 through 2030 and interest rates ranging from 2.0% to 5.0%. \$14,260, \$26,325, \$35,970, and \$50,000 of the bonds are term bonds that are due in 2035, 2040, 2047, and 2047, respectively, with interest rates of 4.0%, 5.0%, 4.1%, and 5.0%, respectively.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

On October 25, 2016, MHHEFA issued \$120,695 in bonds (Series 2016 Bonds) on behalf of LifeBridge Health. The proceeds of the Series 2016 Bonds were used to refinance prior bonds. \$40,465 of the bonds are serial bonds with maturity dates ranging from 2017 through 2036 and interest rates ranging from 2% to 5%. \$40,640 of the bonds are term bonds that are due in 2041 with an interest rate of 4%. The remaining \$39,590 of the bonds are term bonds that are due in 2047 with an interest rate of 5%.

On October 31, 2017, MHHEFA issued \$118,120 in bonds (Series 2017 Bonds) on behalf of LifeBridge Health. The proceeds of the Series 2017 Bonds have been used to refund prior bonds. \$82,700 of the bonds are serial bonds with maturity dates ranging from 2019 through 2037 and interest rates ranging from 3% to 5%. \$24,220 of the bonds are term bonds that are due in 2042 with an interest rate of 4%. The remaining \$11,200 of the bonds are term bonds that are due in 2044 with an interest rate of 5%.

On July 1, 2019, the Maryland Health and Higher Educational Facilities Authority issued \$35,639 in bonds (Springwell Senior Living Issue Series 2019) on behalf of Springwell. The proceeds of the Series 2019 Bonds have been and will be used to finance and refinance the cost of construction renovation and equipping of certain facilities of Springwell and to refinance certain other outstanding indebtedness. All obligations related to this bond issuance are guaranteed by LifeBridge Health, Inc. Portions are payable on July 1 of each year starting 2025 through 2034. The bonds bear interest at a rate of 2.72% for the initial term rate period ending June 30, 2024. Following the initial term rate period, the bonds will enter the flexible mode rate period and will bear interest at different flexible rates.

On July 25, 2021, the Corporation issued a \$43,352 (series 2021A Bonds) and \$24,128 (series 2021B Bonds) taxable fixed rate notes and were purchased by TD Bank. The proceeds of the Series 2021A and Series 2021B Bonds have been used to refund prior bonds. \$43,352 of the bonds have a maturity date of 2040 and an interest rate of 1.75%. \$24,128 of the bonds have a maturity date of 2040 and an interest rate of 1.75%. Both Series 2021 Bonds are expected to be refunded by tax-exempt MHHEFA Revenue Bonds in a cashless exchange on or before July 1, 2025.

On March 1, 2022, MHHEFA issued \$75,000 in bonds on behalf of Investments (Series 2022 Bonds). The proceeds of the Series 2022 Bonds have been used to finance the acquisition of sixty percent of MNR Industries, LLC and refinance certain other outstanding indebtedness. Portions are payable on July 1 and January 1 of each year starting 2027 through 2032. The bonds bear interest at a fixed interest rate of 3.34%.

The Series 2012A, 2015, 2016, 2017, 2021A, 2021B and 2022 Bonds are governed by a Master Loan Agreement. Under the Master Loan Agreement, MHHEFA maintains a security interest in the revenues of the obligors. In addition, the Master Loan Agreement requires Obligated Group members to adhere to limitations on mergers, disposition of assets, and additional indebtedness and certain financial covenants. The financial covenants include a rate covenant, which requires the Obligated Group to achieve a debt service coverage ratio of 1.10; a liquidity covenant, which requires the Obligated Group to maintain 45 days cash on hand; and a debt-to-capitalization covenant, which requires the Obligated Group to maintain a debt-to-capitalization ratio of not more than 65%, all measured as of June 30 in each fiscal year.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

On April 1, 2020, Bank of America issued a \$50,000 note payable on behalf of Grace. The proceeds of the note payable have been used to finance the cost of demolition, construction, and renovation at Grace Medical Center, Sinai Hospital, and Northwest Hospital. The note payable has a maturity date of April 1, 2027 with an interest rate of 1.9%. On July 1, 2021 the note payable was converted to a tax-exempt bond with MHHEFA.

On March 5, 2020, BB&T issued a \$48,350 promissory note on behalf of Carroll. The proceeds of the promissory note have been used to refinance the 2012A bonds discussed above. The promissory note will have an interest rate of 2.32% per year until it becomes a revenue bond issued by Maryland Health and Higher Educational Facilities, in which the rate will be 1.83% per year. The bond can be issued by MHHEFA upon request beginning July 1, 2022. The promissory note has a maturity date of July 2037.

In November 2019, the Corporation entered into an agreement with Bon Secours Baltimore Health Corporation (BSB) to acquire Grace Medical Center, an acute care hospital. Upon acquisition, the Corporation would pay \$25,000 payable over six years to an exempt affiliated foundation established by BSB that would fund future community services in West Baltimore. The note payable matures on October 2025.

In December 2020, the Corporation entered into an agreement with Harbor Community Fund XXIII, LLC to borrow two loans for \$7,236 and \$2,564 for a total of \$9,800. The loans will have an interest rate of 1.62% and a maturity date of December 2054 and will be used for the construction of the new Center For Hope building. The loan is secured by priority interest in the disbursement account and the property.

On January 1, 2022, in conjunction with the purchase of MNR Industries, LLC (MNR), Investments entered into a \$27,590 subordinated seller adjusted note. The final principal payment is due in February of 2024. Principal payments may be adjusted based on the financial performance of MNR. The maximum remaining amount due under the note is \$16,295. The note bears interest at 0.44% and is guaranteed by LifeBridge.

On August 3, 2022, Truist Bank issued a \$20,500 term note on behalf of LifeBridge Investments Properties, LLC. The proceeds of the term note have been used to finance the purchase of real estate, the majority of which is leased to MNR. The term note bears interest at 4.08% and has a maturity date of August 3, 2037. The term note is guaranteed by a security in the revenues of the Obligated Group.

The total future principal payments on long-term debt payments are as follows:

Years ending June 30:		
2024	\$	50,230
2025		35,097
2026		32,955
2027		29,305
2028		24,788
Thereafter		<u>512,966</u>
	\$	<u><u>685,341</u></u>



## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

### (12) M&T Bank Line of Credit

Sinai maintains a \$5,000 line of credit with M&T Bank. As of June 30, 2023, and 2022, there were no balances outstanding on this line of credit.

### (13) Net Assets

Net assets without and with donor restrictions are available for the following purposes at June 30:

	<u>2023</u>	<u>2022</u>
Without donor restrictions:		
Designated by the board	\$ 145,920	153,306
Undesignated	1,466,910	1,378,548
With donor restrictions:		
Perpetual in nature	24,597	23,401
Purpose restricted – capital	30,816	27,177
Purpose restricted – operations	15,067	16,689
Time restricted	<u>17,334</u>	<u>13,115</u>
Net assets	<u>\$ 1,700,644</u>	<u>1,612,236</u>

The net assets without donor restrictions that is designated by the Board of Directors represent funds that are to be used to pay for future capital expenditures at Carroll.

### (14) Employee Benefit Plans

#### (a) LifeBridge Health Pension Plans (Sinai and Levindale)

The Corporation sponsors two noncontributory defined-benefit pension plans (the Sinai/Levindale Plans) covering full-time, nonunion and union employees of Sinai and Levindale. Annual contributions to the Sinai/Levindale Plans are made at a level equal to or greater than the funding requirement as determined by the Sinai/Levindale Plans' consulting actuary. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The following table sets forth the Sinai/Levindale Plans' funded status and amounts recognized in the accompanying consolidated financial statements as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Measurement date	June 30, 2023	June 30, 2022
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 243,950	302,355
Service cost	7,719	10,710
Interest cost	11,371	9,086
Actuarial loss	(4,210)	(65,289)
Benefits paid	(10,496)	(12,108)
Expenses paid from assets	<u>(716)</u>	<u>(804)</u>
Benefit obligation at end of year	<u>247,618</u>	<u>243,950</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	234,511	279,534
Actual return on plan assets	20,341	(32,111)
Benefits paid	(10,496)	(12,108)
Expenses paid from assets	<u>(716)</u>	<u>(804)</u>
Fair value of plan assets at end of year	<u>243,640</u>	<u>234,511</u>
Funded status	<u>\$ (3,978)</u>	<u>(9,439)</u>

Amounts recognized in the consolidated financial statements consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Amounts recognized in the consolidated balance sheets:		
Other long-term liabilities	\$ 3,978	9,439
Amounts recognized in net assets without donor restrictions:		
Net actuarial loss	\$ 21,623	32,345

The Corporation has estimated \$0 for its defined-benefit contributions to the Sinai/Levindale Plans for the fiscal year ended June 30, 2024. The accumulated benefit obligation for the Sinai/Levindale Plans is \$230,222 and \$224,749 at June 30, 2023 and 2022, respectively.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Net periodic pension expense for the years ended June 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Pension expense:		
Service cost	\$ 7,719	10,710
Interest cost	11,371	9,086
Expected return on plan assets	(14,868)	(18,308)
Amortization of net loss	<u>1,039</u>	<u>2,725</u>
Net periodic pension expense	\$ <u>5,261</u>	<u>4,213</u>

The Corporation recorded \$7,719 and \$10,710 of the net periodic benefit cost in salary and employee benefit expense during the years ended June 30, 2023 and 2022, respectively, and recorded (\$2,458) and (\$6,497) in other income, net during the years ended June 30, 2023 and 2022, respectively.

Actuarial assumptions used were as follows:

	<u>2023</u>	<u>2022</u>
Assumptions used to determine annual pension expense:		
Discount rate	4.95 %	3.09 %
Expected return on plan assets	6.75	6.75
Rate of compensation increase	2.50	2.50
Assumptions used to determine end-of-year liabilities:		
Discount rate	5.32 %	4.95 %
Expected return on plan assets	6.75	6.75
Rate of compensation increase	2.50	2.50
Plan asset allocation:		
Asset category:		
Fixed-income/debt securities	23.99 %	25.00 %
Equity securities/mutual funds	50.09	48.40
Alternative investments	<u>25.92</u>	<u>26.60</u>
Total	<u>100.00 %</u>	<u>100.00 %</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

In selecting the expected long-term rate of return on plan assets, Sinai and Levindale considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the Sinai/Levindale Plans' asset allocation and the expected returns likely to be earned over the life of the plans. Target asset allocation is as follows:

	<u>Target</u>
Target allocation on assets:	
Equity securities/mutual funds	52 %
Alternative investments	23
Fixed-income/debt securities	25

Following are the benefit payments expected to be disbursed from plan assets:

Years ending June 30:		
2024	\$	31,430
2025		20,417
2026		19,772
2027		19,511
2028		19,843
2029–2033		92,908

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2023 were as follows:

	<b>Pension benefits – Plan assets</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>NAV</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 7,256	—	—	7,256
Mutual funds and equity securities	123,539	—	—	123,539
Fixed-income mutual funds	57,805	—	—	57,805
Alternative investments	—	—	55,040	55,040
Total assets	<u>\$ 188,600</u>	<u>—</u>	<u>55,040</u>	<u>243,640</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2022 were as follows:

	<b>Pension benefits – Plan assets</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>NAV</b>	<b>Total</b>
Assets:				
Cash and cash equivalents	\$ 7,855	—	—	7,855
Mutual funds and equity securities	115,717	—	—	115,717
Fixed-income mutual funds	57,271	—	—	57,271
Alternative investments	—	—	53,668	53,668
Total assets	\$ <u>180,843</u>	<u>—</u>	<u>53,668</u>	<u>234,511</u>

For the year ended June 30, 2023 or 2022, there were no significant transfers into or out of Levels 1, 2, or 3. Changes to the fair values based on the NAV are summarized as follows:

	<b>Total</b>
Balance as of June 30, 2022	\$ 53,668
Additions:	
Contributions/purchases	1,671
Disbursements:	
Withdrawals/sales	(597)
Net change in value	<u>298</u>
Balance as of June 30, 2023	\$ <u>55,040</u>

The following table summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2023:

	<b>Fund 1</b>	<b>Fund 2</b>	<b>Fund 3</b>	<b>Fund 4</b>	<b>Fund 5</b>
Redemption timing:					
Redemption frequency	Quarterly	Annually	Quarterly	Quarterly	Quarterly
Required notice	48 Days	90 Days	30 Days	60 Days	65 Days
Audit reserve:					
Percentage held back for audit reserve	— %	5 %	— %	5 %	10 %

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The Corporation's investment policies are established by LifeBridge Investment Committee, which comprises members of the Board of Directors, other community leaders, and management. Among its responsibilities, the Investment Committee is charged with establishing and reviewing asset allocation strategies, monitoring investment manager performance, and making decisions to retain and terminate investment managers. Assets of each of the Corporation's pension plans are managed in a similar fashion, as the Corporation's investments and assets whose use is limited, by the same group of investment managers. The Corporation has incorporated an Investment Policy Statement (IPS) into the investment program. The IPS, which has been formally adopted by the Corporation's Board of Directors, contains numerous standards designed to ensure adequate diversification by asset class and geography. The IPS also limits all investments by manager and position size and limits fixed-income position size based on credit ratings, which serves to further mitigate the risks associated with the investment program. As of June 30, 2023 and 2022, management believes that all investments were being managed in a manner consistent with the IPS.

Sinai and Levindale expect to contribute \$0 to the Sinai/Levindale Plan during the year ending June 30, 2024.

#### **(b) Carroll Plan**

CCHS sponsors a defined-benefit cash balance plan (the Carroll Plan) covering employees of Carroll, CCMS, and Carroll Foundation. CCHS's funding policy is to make contributions to the Carroll Plan based on actuarially determined amounts necessary to provide assets sufficient to meet benefits to be paid to plan participants and to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code, plus such amounts as CCHS may determine to be appropriate from time to time. Under the cash balance plan structure, the benefits under the Carroll Plan are determined based on employee tenure rather than age. CCHS elected to freeze benefit accruals and participation in the Carroll Plan on December 31, 2006.

The information below describes certain actions of CCHS for the years ended June 30, 2023 and 2022.

The following table sets forth the changes in the projected benefit obligation, the changes in the Carroll Plan's assets, the Carroll Plan's funded status, the amounts recognized in the consolidated financial statements, and the Carroll Plan's net periodic pension cost as of June 30, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Measurement date	June 30, 2023	June 30, 2022
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 65,810	79,651
Interest cost	3,566	2,747
Actuarial loss/(gain)	(2,843)	(12,879)
Expenses paid	(193)	(392)
Benefits paid	(3,471)	(3,317)
Benefit obligation at end of year	62,869	65,810

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	<u>2023</u>	<u>2022</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 80,648	96,549
Actual return on plan assets	6,978	(12,192)
Employer contribution	—	—
Expenses paid	(193)	(392)
Benefits paid	<u>(3,471)</u>	<u>(3,317)</u>
Fair value of plan assets at end of year	<u>83,962</u>	<u>80,648</u>
Funded status	\$ <u>21,093</u>	<u>14,838</u>

The accumulated benefit obligation for the Carroll Plan was \$62,869 and \$65,810 at June 30, 2023 and 2022, respectively. The pension asset of \$21,093 and \$14,838 as of June 30, 2023 and 2022, respectively, are included in the prepaid pension asset in the consolidated balance sheets.

Net periodic pension expense for the years ended June 30, 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Pension expense:		
Components of net periodic pension expense:		
Interest cost	\$ 3,566	2,747
Expected return on plan assets	(5,319)	(6,398)
Amortization of actuarial costs	<u>1,317</u>	<u>187</u>
Net periodic pension expense	\$ <u>(436)</u>	<u>(3,464)</u>

The Corporation recorded \$(436) and \$(3,464) of the net periodic pension expense in other income, net during the years ended June 30, 2023 and 2022, respectively.

Assumptions to determine the benefit obligation as of June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	5.32 %	4.95 %

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Assumptions used in the determination of net periodic pension expense for the years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Discount rate	4.95 %	3.09 %
Expected long-term rate of return on plan assets	6.75	6.75

Deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in net assets without donor restrictions, are \$10,547 and \$16,365 at June 30, 2023 and 2022, respectively. Deferred pension costs represent unrecognized actuarial losses or unexpected changes in the projected benefit obligation and plan assets over time primarily due to changes in assumed discount rates and investment experience.

In selecting the expected long-term rate of return on plan assets, CCHS considered the average rate of earnings on the funds invested or to be invested to provide for the benefits of these plans. This included considering the CCHS Plans' asset allocation and the expected returns likely to be earned over the life of the plans. Target asset allocation is as follows:

	<u>Target</u>
Target allocation on assets:	
Equity securities/mutual funds	53 %
Alternative investments	24
Fixed-income/debt securities	23

Pension plan assets are invested in accordance with the CCHS's investment policy in an attempt to maximize return with reasonable and prudent levels of risk. This structure includes various assets classes, investment management styles, asset allocation, and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long term. CCHS periodically reviews performance to test progress toward attainment of longer-term targets, to compare results with appropriate indices and peer groups, and to assess overall investment risk levels.



**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The following table presents the Carroll Plan's assets measured at fair value at June 30, 2023:

	<b>Pension benefits – Plan assets</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>NAV</b>	<b>Total</b>
Assets:				
Cash and cash equivalents	\$ 1,540	—	—	1,540
Mutual funds/equities	47,185	—	—	47,185
Fixed-income mutual funds	20,005	—	—	20,005
Alternative investments	—	—	15,232	15,232
Total assets	<u>\$ 68,730</u>	<u>—</u>	<u>15,232</u>	<u>83,962</u>

The following table presents the Carroll Plan's assets measured at fair value at June 30, 2022:

	<b>Pension benefits – Plan assets</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>NAV</b>	<b>Total</b>
Assets:				
Cash and cash equivalents	\$ 1,869	—	—	1,869
Mutual funds/equities	44,331	—	—	44,331
Fixed-income mutual funds	19,407	—	—	19,407
Alternative investments	—	—	15,041	15,041
Total assets	<u>\$ 65,607</u>	<u>—</u>	<u>15,041</u>	<u>80,648</u>

For the year ended June 30, 2023 or 2022, there were no significant transfers into or out of Levels 1, 2, or 3. Changes to the fair values based on the NAV are summarized as follows:

	<b>Total</b>
Balance as of June 30, 2022	\$ 15,041
Additions:	
Contributions/purchases	343
Disbursements:	
Withdrawals/sales	(97)
Net change in value	<u>(55)</u>
Balance as of June 30, 2023	<u>\$ 15,232</u>

The Carroll Plan invests in alternative investments that are primarily hedge fund of funds.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The following table summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2023:

	<u>Fund 1</u>	<u>Fund 2</u>	<u>Fund 3</u>	<u>Fund 4</u>	<u>Fund 5</u>
Redemption timing:					
Redemption frequency	Monthly	Annually	Quarterly	Quarterly	Monthly
Required notice	48 Days	90 Days	30 Days	60 Days	65 Days
Audit reserve:					
Percentage held back for audit reserve	— %	5 %	— %	5 %	10 %

CCHS expects to contribute \$0 to the Carroll Plan during the year ending June 30, 2024.

The following benefit payments, which reflect future services, as appropriate, are expected to be paid from the Carroll Plan's assets during the years ending June 30 of the indicated year:

Years ending June 30:	
2024	\$ 3,902
2025	4,180
2026	4,396
2027	4,567
2028	4,706
2029–2033	23,933

**(c) Contributory Plans**

Northwest has a qualified noncontributory defined-contribution pension plan (the NW Plan) covering substantially all employees who work at least 1,000 hours per year, who have completed 2 years of continuous service as of the beginning of the plan year, and who have attained the age of 21 as of the beginning of the plan year. Participants in the NW Plan are 100% vested. Northwest makes annual contributions to the NW Plan equivalent to 1.5% of the participants' salaries for employees who have been in the NW Plan from 1 to 5 years, 4.0% for those in the plan from 6 to 19 years, and 6.5% thereafter. It is Northwest's policy to fund plan costs as they accrue. Plan expense was approximately \$2,770 and \$2,560 for the years ended June 30, 2023 and 2022, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

Certain LifeBridge entities have supplemental 403(b) retirement plans for eligible employees. The entities may elect to match varying percentages of an employee's contribution up to a certain percentage of the employee's annual salary. The associated expense was approximately \$7,600 and \$7,900 for the years ended June 30, 2023 and 2022, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Certain companies under Community Physicians and Investments maintain a defined-contribution plan for employees meeting certain eligibility requirements. Eligible employees can also make contributions. Under the plan, the employer may elect to match a percentage of eligible employees' contributions each year. The related expense was approximately \$2,500 and \$2,000 for the years ended June 30, 2023 and 2022, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

Certain LifeBridge entities maintain a nonqualified deferred compensation plan for key employees and physicians. The Corporation establishes a separate deferral account on its books for each participant for each plan year. In general, participants are entitled to receive the deferred funds upon their death, attainment of the specified vesting date, or involuntary termination of their employment without cause, whichever occurs first. The related expense was approximately \$5,800 and \$5,000 for the years ended June 30, 2023 and 2022, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

#### **(d) Postretirement Plan Other than Pension**

Carroll sponsors a postretirement plan other than pension for employees. Carroll employees retired from active employment at 65 years of age or older or at 55 years of age after earning at least 10 years of vesting service are eligible for health and prescription drug benefits under Carroll's self-insured health plan. Effective January 1, 2009, individuals are no longer permitted to participate in this Plan once they are Medicare eligible. Plan participants contribute premiums to the Plan in amounts determined by Carroll for pre-Medicare and post-Medicare age retirees. At June 30, 2023 and 2022, Carroll has accrued a liability of \$1,146 and \$1,129 related to this plan, respectively.

#### **(15) Regulation and Reimbursement**

The Corporation and other healthcare providers in Maryland are subject to certain inherent risks, including the following:

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

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

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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

The current rate of reimbursement for hospital services to patients under the Medicare and Medicaid programs is based on an agreement between the Centers for Medicaid and Medicare Services (CMS) and the State of Maryland. This agreement is based upon a waiver from Medicare prospective payment system reimbursement principles granted to the State of Maryland by CMS.

In January 2019, Maryland entered a newly negotiated phase of the waiver agreement with CMS. This subsequent phase is designed to last for 10 years, with two distinct 5 year periods, the first 5 year period ending December 31, 2023. While elements of the initial agreement pertaining to limits on hospital per capita growth and growth of total-cost-of-care per Medicare beneficiary of Maryland compared to the nation remain unchanged, the new agreement expands the scope of the waiver to focus more on a patient's total-cost-of-care. Maryland's Waiver demonstration has since been extended through the end-of-2026, requiring Maryland hospitals to generate total cost-of-care savings of \$408,000 per year by the end of the agreement. In addition, Maryland will continue to maintain patient quality methodologies focused on readmissions, hospital acquired conditions, and potentially avoidable utilization, but will also adopt statewide measures related to national measures such as falls prevention and opioid overdoses.

### **(16) Related-Party Transactions**

#### *Land Leases*

Sinai and Levindale are constituent agencies of AJCF, a charitable corporation.

The legal title to substantially all land, land improvements, buildings, and fixed equipment included in Sinai's and Levindale's property and equipment is held by an affiliate of AJCF. Sinai and Levindale have entered into leases with the AJCF affiliate with respect to these assets. The leases allow Sinai and Levindale to conduct their business on the property as currently conducted. Rent under each lease is one dollar per year. The leases may not be terminated before December 31, 2050.

#### *Other*

In addition to its arrangement with AJCF, Sinai receives services from certain other constituent agencies of AJCF.

### **(17) Income Taxes**

At June 30, 2023, Investments has approximately \$52,522 in net operating loss carryforwards for income tax purposes. The net operating loss carryforwards for tax purposes are available to reduce future taxable income and expire in varying periods beginning in 2022 through 2039.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The net operating loss carryforwards created a federal net deferred tax asset of approximately \$11,029 and \$7,481 as of June 30, 2023 and 2022, respectively, and a state deferred tax asset of approximately \$6,729 and \$5,651 as of June 30, 2023 and 2022, respectively. Management has determined that it is more likely than not that Investments will not be able to utilize the deferred tax assets; therefore, a full valuation allowance was recorded against the net deferred assets as of June 30, 2023 and 2022.

At June 30, 2023, Carroll has approximately \$124,673 in net operating loss carryforwards for federal income tax purposes. The net operating loss carryforwards for tax purposes are available to reduce future taxable income and for net operating losses generated as of June 30, 2018, will expire in varying periods through 2038. For the net operating losses generated for the fiscal year June 30, 2019 and forward, the loss can be carryforward indefinitely.

The net operating loss carryforwards created a federal net deferred tax asset of approximately \$26,181 and \$25,080 as of June 30, 2023 and 2022, respectively, and a state deferred tax asset of approximately \$8,034 and \$7,810 as of June 30, 2023 and 2022, respectively. Management has determined that it is more likely than not that Carroll will not be able to utilize the deferred tax assets; therefore, a full valuation allowance was recorded against the net deferred assets as of June 30, 2023 and 2022.

The Tax Cuts and Jobs Act ("The Act") was signed into law on December 22, 2017. The Act significantly revises the U.S. corporate income tax by, among other things, lowering the statutory corporate tax rate from 35% to 21% and eliminating certain deductions. The Act also enhanced and extended through 2026 the option to claim accelerated depreciation deductions on qualified property.

The Act repeals the corporate Alternative Minimum Tax ("AMT") regime for tax years beginning after December 31, 2017. For tax years beginning in 2018, 2019, and 2020, the AMT credit carryforward can be utilized to offset regular tax with any remaining AMT carryforwards eligible for a refund of 50%. Any remaining AMT credit carryforwards became fully refundable beginning in the 2023 tax year.

On March 27, 2020, the United States enacted The Coronavirus Aid, Relief and Economic Security (CARES) Act which includes several significant business tax provisions that, among other things, would eliminate the taxable income limit for certain net operating losses (NOL) and allow businesses the option to carry back NOLs arising in 2018, 2019, and 2020 to the five prior tax years; accelerate refunds of previously generated corporate Alternative Minimum Tax (AMT) credits; generally loosen the business interest limitation under section 163(j) from 30 percent to 50 percent for years 2019 and 2020; and fix the "retail glitch" for qualified improvement property in the 2017 tax code overhaul known informally as the Tax Cuts and Jobs Act (TCJA, P.L. 115-97).

The provision for income taxes varies from the amount computed by applying the statutory federal income tax rate to income before income taxes primarily due to the impact of non-deductible expenses and changes in valuation allowance.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

### (18) Other Long-Term Liabilities

Other long-term liabilities at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Professional/general liability (note 19(a))	\$ 101,816	92,758
Pension liability	4,842	10,568
Asset retirement obligation	3,260	3,260
Deferred compensation	9,045	7,849
Other	8,900	6,009
	<u>\$ 127,863</u>	<u>120,444</u>

At June 30, 2023 and 2022, there was \$33,392 and \$31,314 included in other current liabilities related to professional liability claims, respectively.

### (19) Self-Insurance Programs

#### (a) Professional/General Liability

The Corporation is self-insured, through LifeBridge Insurance, for most professional and general liability claims arising out of the operations of LifeBridge and its subsidiaries. Estimated liabilities have been recorded for both reported and incurred but not reported claims. See note 18.

LifeBridge Insurance purchases reinsurance coverage from other highly rated insurance carriers to cover their liabilities in excess of various retentions. The amounts that LifeBridge subsidiaries must transfer to LifeBridge Insurance to fund professional and general liability claims are actuarially determined and are sufficient to cover expected liabilities. Management's estimate of the liability for professional and general liability claims, including incurred but not reported claims, is principally based on actuarial estimates performed by an independent third-party actuary. Professional liability coverage for certain employed physicians is provided by commercial insurance carriers. The receivable for the expected reinsurance receivable is recorded on the consolidated balance sheets. Amounts in excess of the self-insured limits are insured by highly rated commercial insurance companies.

#### (b) Workers' Compensation

Sinai, Northwest, Levindale, Grace Medical Center, LAA, LifeBridge Health and Fitness, LLC, Practice Dynamics, Inc., BCAC, Atlee Hill and CCMS and its subsidiaries are insured for workers' compensation liability through a combination of self-insurance and excess insurance policies. Losses for asserted and unasserted claims are accrued based on estimates derived from past experiences, as well as other considerations including the nature of each claim or incident, relevant trend factors, and estimates of incurred but not reported amounts.

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

LifeBridge has accrued a liability for known and incurred but not reported claims of \$7,522 and \$7,343 at June 30, 2023 and 2022, respectively. These amounts are included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets. Management believes these accruals are adequate to provide for all workers' compensation claims that have been incurred through June 30, 2023.

All other entities have occurrence-based commercial insurance coverage. There are no material insurance recoveries related to workers' compensation claims under those policies as of June 30, 2023 or 2022.

LifeBridge maintains stop-loss policies on workers' compensation claims. The Corporation is insured for individual claims exceeding \$450.

### (c) *Health Insurance*

LifeBridge is self-insured for employee health claims. LifeBridge has accrued a liability of \$5,917 and \$5,885 at June 30, 2023 and 2022, for known claims and incurred but not reported claims. These amounts are included in accounts payable and accrued liabilities in the accompanying consolidated balance sheets.

### (20) **Net Patient Service Revenue and Patient Receivables**

The Corporation 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 from patients and third-party payors at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	29 %	27 %
Medicaid	15	11
BlueCross	7	8
Commercial and other	41	43
Self-pay	8	11
	<u>100 %</u>	<u>100 %</u>

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The mix of net patient service revenue for the Corporation for the years ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Medicare	42 %	42 %
Medicaid	6	6
BlueCross	12	12
Commercial and other	38	38
Self-pay	2	2
	<u>100 %</u>	<u>100 %</u>

## (21) Commitments and Contingencies

### (a) *Litigation*

The Corporation is subject to numerous laws and regulations of federal, state, and local governments. The Corporation's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business. After consultation with legal counsel, it is management's opinion that the ultimate resolution of these claims will not have a material adverse effect on the Corporation's financial position.

### (b) *Letters of Credit*

M&T Bank has established a standby letter of credit of \$2,807 to serve as collateral as required by the Maryland Office of Unemployment Insurance. M&T Bank has established a standby letter of credit for Levindale of \$387 as required by the State of Maryland Department of Labor, Licensing, and Regulation. M&T Bank has established a standby letter of credit for LifeBridge Health & Fitness of \$200 as required by the State of Maryland Office of the Attorney General. M&T has established standby letters of credit of \$94, \$76, and \$42 to serve as collateral as required by Baltimore County for the completion of certain construction work at Northwest. M&T Bank has established a surety bond of \$1,986 for LifeBridge Health as required by the Centers for Medicare and Medicaid Services (CMS). M&T Bank has established a surety bond of \$45 for Sinai as required by Baltimore City for Sanitary Sewer. M&T Bank has established a surety bond of \$1,259 for Sinai as required by Medicare and Medicaid of Maryland.

### (c) *Lease Commitments*

The Corporation has operating and financing leases for real estate, personal property and equipment. The Corporation determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded on the consolidated balance sheets.



## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The Corporation has lease agreements which require payments for lease and non-lease components and has elected to account for these as a single lease component. For leases that commenced before the effective date of ASU 2016-02, the Corporation elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use assets represent the Corporation's right to use an underlying asset during the lease term, and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The Corporation's lease term includes options to extend or terminate the lease when it is reasonably certain that the options will be exercised. As most of the Corporation's operating leases do not provide an implicit rate, the Corporation uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Corporation considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Operating and finance right-of-use assets and liabilities were as follows:

	<b>Balance sheet classification</b>		<b>2023</b>	<b>2022</b>
<b>Assets:</b>				
Operating leases	Operating lease right-of-use assets, net	\$	43,039	66,771
Finance leases	Property and equipment, net		41,107	46,189
Total lease assets		\$	84,146	112,960
<b>Liabilities:</b>				
<b>Current:</b>				
Operating leases	Current portion of operating lease liabilities	\$	10,993	13,304
Finance leases	Current portion of long-term debt and finance lease obligations		4,495	4,169
<b>Noncurrent:</b>				
Operating leases	Operating lease liabilities		32,393	53,810
Finance leases	Long-term debt and finance lease obligations net of current portion		39,954	44,411
		\$	87,835	115,694

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Balance sheet classification	2023	2022
Weighted average remaining term – operating leases	5 years	7 years
Remaining term – finance lease	9 years	10 years
Weighted average discount rate – operating leases	4.29 %	3.93 %
Weighted average discount rate – finance leases	3.55	3.57

The following table presents certain information related to lease expenses for finance and operating leases. All expenses related to operating leases and short term and variable lease expense are included in other operating expenses:

	2023	2022
Finance lease expense:		
Amortization of lease assets	\$ 5,126	5,197
Interest on lease liability	1,643	1,810
Operating leases	14,354	14,271
Short term and variable lease expenses	19,179	16,373
Total expenses	\$ 40,302	37,651

Rent expense for operating and short term leases for the years ended June 30, 2023 and 2022 were \$33,533 and \$30,644, respectively, of which \$19,179 and \$16,373 were related to short term leases.

The following table presents supplemental cash flow information for the years ending June 30, 2023 and 2022:

Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 14,918	14,244
Operating cash flows for finance lease	1,643	1,966
Financing cash flows for finance lease	5,855	5,764

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The following table reconciles the undiscounted cash flows to the finance lease liabilities and operating lease liabilities recorded on the balance sheet at June 30, 2023:

	<u>Operating leases</u>	<u>Finance lease</u>
2024	\$ 11,962	5,979
2025	9,991	6,053
2026	8,367	6,153
2027	7,126	6,279
2028	4,140	6,413
Thereafter	<u>7,207</u>	<u>21,024</u>
Total minimum lease payments	48,793	51,901
Less amount of lease payments representing interest	<u>(5,407)</u>	<u>(7,452)</u>
Present value of future minimum lease payments	43,386	44,449
Less current obligations under leases	<u>(10,993)</u>	<u>(4,495)</u>
Long-term lease obligations	<u>\$ 32,393</u>	<u>39,954</u>

**(22) Noncontrolling Interest**

The reconciliation of a noncontrolling interest reported in unrestricted net assets is as follows:

	<u>LifeBridge Health, Inc.</u>	<u>Noncontrolling interest</u>	<u>Unrestricted net assets</u>
Balance at June 30, 2021	\$ 1,514,159	19,990	1,534,149
Operating income	85,190	23	85,213
Nonoperating income (loss)	<u>(104,540)</u>	<u>33</u>	<u>(104,507)</u>
Excess (deficit) of revenues over expenses	(19,350)	56	(19,294)
Change in funded status of pension plan	12,277	—	12,277
Net assets released for purchase of property and equipment	1,764	—	1,764
Other	<u>2,895</u>	<u>63</u>	<u>2,958</u>
Change in net assets	<u>(2,414)</u>	<u>119</u>	<u>(2,295)</u>
Balance at June 30, 2022	<u>1,511,745</u>	<u>20,109</u>	<u>1,531,854</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	<u>LifeBridge Health, Inc.</u>	<u>Noncontrolling interest</u>	<u>Unrestricted net assets</u>
Operating income (loss)	\$ (22,321)	238	(22,083)
Nonoperating income	<u>78,330</u>	<u>12</u>	<u>78,342</u>
Excess of revenues over expenses	56,009	250	56,259
Change in funded status of pension plan	16,858	—	16,858
Net assets released for purchase of property and equipment	5,360	—	5,360
Other	<u>3,309</u>	<u>(810)</u>	<u>2,499</u>
Change in net assets	<u>81,536</u>	<u>(560)</u>	<u>80,976</u>
Balance at June 30, 2023	\$ <u>1,593,281</u>	<u>19,549</u>	<u>1,612,830</u>

**(23) Functional Expenses**

The Corporation provides general healthcare services to patients. Expenses for the years ended June 30, 2023 and 2022 related to providing these services are as follows:

	<u>2023</u>			
	<u>Healthcare services</u>	<u>Other services</u>	<u>General and administrative</u>	<u>Total</u>
Salaries and benefits	\$ 749,836	1,229	309,887	1,060,952
Supplies	234,365	162	96,765	331,292
Purchased services	318,596	1,368	132,017	451,981
Depreciation, amortization, and gain/loss on sale of assets	69,434	1,913	29,438	100,785
Repairs and maintenance	24,330	373	10,192	34,895
Interest	<u>16,318</u>	<u>539</u>	<u>6,955</u>	<u>23,812</u>
	\$ <u>1,412,879</u>	<u>5,584</u>	<u>585,254</u>	<u>2,003,717</u>

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

	<b>2022</b>			
	<b>Healthcare services</b>	<b>Other services</b>	<b>General and administrative</b>	<b>Total</b>
Salaries and benefits	\$ 712,911	1,140	289,791	1,003,842
Supplies	219,108	192	89,001	308,301
Purchased services	287,490	1,213	117,168	405,871
Depreciation, amortization, and gain/loss on sale of assets	65,852	1,402	27,294	94,548
Repairs and maintenance	23,769	362	9,793	33,924
Interest	15,465	—	6,277	21,742
	<u>\$ 1,324,595</u>	<u>4,309</u>	<u>539,324</u>	<u>1,868,228</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, and benefits, which include allocations on the basis of estimates of time and effort.

**(24) Fair Value of Financial Instruments**

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

**(a) Assets and Liabilities**

*Cash and cash equivalents, patient service receivables, other receivables, inventory, prepaid expenses, pledges receivable, accounts payable and accrued liabilities, advances to third-party payors, and other current liabilities* – The carrying amounts reported in the consolidated balance sheet approximate the related fair values.

*Investments (donor-restricted, assets limited as to use, and long-term), and beneficial interest in split-interest agreements* – Fair values are based on quoted market prices of individual securities or investments if available, or are estimated using quoted market prices for similar securities or investment managers' best estimate of underlying fair value.

*Investment in unconsolidated affiliates* – Investments in unconsolidated affiliates are not readily marketable. Therefore, it is not practicable to estimate their fair value, and such investments are recorded in accordance with the equity method or at cost.

**LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

**(b) Fair Value Hierarchy**

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 72,506	—	—	72,506
Equity securities and mutual funds	576,802	—	—	576,802
Government securities	—	68,010	—	68,010
Fixed-income securities	—	253,042	—	253,042
Beneficial interest in split-interest agreement	—	4,482	—	4,482
Total assets	<u>\$ 649,308</u>	<u>325,534</u>	<u>—</u>	<u>974,842</u>

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 78,802	—	—	78,802
Equity securities and mutual funds	547,636	—	—	547,636
Government securities	—	17,046	—	17,046
Fixed-income securities	—	293,313	—	293,313
Beneficial interest in split-interest agreement	—	4,422	—	4,422
Total assets	<u>\$ 626,438</u>	<u>314,781</u>	<u>—</u>	<u>941,219</u>

See note 2(e) for information on the Corporation's alternative investments that are recorded under the equity method and are not reported above.

For the years ended June 30, 2023 or 2022, there were no significant transfers into or out of Levels 1, 2, or 3.

**(25) Subsequent Events**

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

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2023

(Dollars in thousands)

Assets	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Grace Medical Center	West Baltimore Renaissance Foundation	LB Center For Hope	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Current assets:										
Cash and cash equivalents	\$ 37,519	14,277	33,962	7,960	2,230	—	10,207	74,233	—	180,388
Investments	22,968	3,397	—	275	—	—	—	311,895	—	338,535
Assets limited as to use, current portion	3,874	1,273	1,310	119	21,335	—	—	7,613	—	35,524
Patient service receivables	115,049	30,471	25,068	10,672	4,783	—	—	30,269	—	216,312
Other receivables	130,644	24,832	57,376	2,243	563	24,877	1,129	58,145	(280,544)	19,265
Inventory	28,320	5,187	5,257	382	312	—	—	1,972	—	41,430
Prepaid expenses	5,684	1,251	1,057	75	77	—	—	13,942	—	22,086
Pledges receivable, current portion	2,080	330	1,128	3	—	—	—	66	—	3,607
Total current assets	346,138	81,018	125,158	21,729	29,300	24,877	11,336	498,135	(280,544)	857,147
Board-designated investments	—	—	—	—	—	—	—	145,920	—	145,920
Long-term investments	60,646	511	92,738	—	—	—	—	345,248	—	499,143
Donor-restricted investments	22,968	—	8,164	—	156	—	—	55,711	—	86,999
Reinsurance recovery receivable	—	—	—	—	—	—	—	10,799	—	10,799
Assets limited as to use, net of current portion	—	—	—	—	—	—	—	98,629	—	98,629
Pledges receivable, net of current portion	4,231	67	2,436	—	—	—	—	—	—	6,734
Property and equipment, net	255,658	101,099	142,770	35,774	55,936	—	10,017	269,920	—	871,174
Prepaid pension asset	—	—	21,093	—	—	—	—	—	—	21,093
Beneficial interest in split-interest agreement	4,482	—	—	—	—	—	—	—	—	4,482
Investment in unconsolidated affiliates	—	—	1,098	—	—	—	—	179,549	(153,676)	26,971
Operating lease right-of-use assets	2,111	55	4,618	—	755	—	—	35,500	—	43,039
Other assets, net of accumulated amortization	26,105	3,881	14,342	20	—	—	—	220,565	—	264,913
Total assets	\$ 722,339	186,631	412,417	57,523	86,147	24,877	21,353	1,859,976	(434,220)	2,937,043

## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2023

(Dollars in thousands)

Liabilities and Net Assets	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Grace Medical Center	West Baltimore Renaissance Foundation	LB Center For Hope	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Current liabilities:										
Accounts payable and accrued liabilities	\$ 79,596	27,402	17,132	8,960	46,419	13,218	11,095	241,900	(280,543)	165,179
Accrued salaries, wages, and benefits	24,829	6,543	8,862	1,797	946	—	—	59,389	—	102,366
Advances from third-party payors	30,136	6,687	5,683	1,383	70	—	—	640	—	44,599
Current portion of long-term debt and finance lease obligations, net	5,214	1,170	4,808	120	12,143	—	—	26,775	—	50,230
Current portion of operating lease liabilities	769	44	480	—	343	—	—	9,357	—	10,993
Other current liabilities	10,633	524	—	195	193	—	1,000	38,286	—	50,831
Total current liabilities	151,177	42,370	36,965	12,455	60,114	13,218	12,095	376,347	(280,543)	424,198
Other long-term liabilities	11,253	1,429	2,975	2,052	—	—	—	110,154	—	127,863
Operating lease liabilities	1,348	11	4,494	—	413	—	—	26,127	—	32,393
Long-term debt and finance lease obligations, net	245,181	86,693	120,889	8,926	30,838	—	9,800	149,618	—	651,945
Total liabilities	408,959	130,503	165,323	23,433	91,365	13,218	21,895	662,246	(280,543)	1,236,399
Net assets:										
Net assets without donor restrictions	256,522	47,907	180,783	33,629	(5,718)	11,659	(542)	1,178,417	(109,376)	1,593,281
Noncontrolling interest in consolidated subsidiaries	—	—	4,949	—	—	—	—	8,901	5,699	19,549
Total net assets without donor restrictions	256,522	47,907	185,732	33,629	(5,718)	11,659	(542)	1,187,318	(103,677)	1,612,830
Net assets with donor restrictions	56,858	8,221	61,362	461	500	—	—	10,412	(50,000)	87,814
Total net assets	313,380	56,128	247,094	34,090	(5,218)	11,659	(542)	1,197,730	(153,677)	1,700,644
Total liabilities and net assets	\$ 722,339	186,631	412,417	57,523	86,147	24,877	21,353	1,859,976	(434,220)	2,937,043

See accompanying independent auditors' report.



## LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2023

(Dollars in thousands)

	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Grace Medical Center	West Baltimore Renaissance Foundation	LB Center For Hope	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Unrestricted revenues, gains, and other support:										
Patient service revenue	\$ 931,442	297,878	274,475	84,208	9,264	—	—	283,437	—	1,880,704
Net assets released from restrictions used for operations	3,218	—	114	5	—	—	—	2,017	—	5,354
Other operating revenue	36,786	4,861	12,501	3,205	2,259	8,927	—	74,210	(47,173)	95,576
Total operating revenues	971,446	302,739	287,090	87,418	11,523	8,927	—	359,664	(47,173)	1,981,634
Expenses:										
Salaries and employee benefits	485,988	148,733	150,759	46,896	13,444	—	—	214,693	439	1,060,952
Supplies	193,608	59,080	25,755	6,307	1,956	21	—	44,745	(180)	331,292
Purchased services	232,120	85,298	76,647	23,394	6,119	5,784	(215)	70,266	(47,432)	451,981
Depreciation and amortization	34,240	13,803	14,186	3,202	2,660	—	348	32,346	—	100,785
Repairs and maintenance	18,737	5,903	5,234	1,260	706	1	6	3,048	—	34,895
Interest	440	280	3,368	—	524	—	125	19,075	—	23,812
Total expenses	965,133	313,097	275,949	81,059	25,409	5,806	264	384,173	(47,173)	2,003,717
Operating income (loss)	6,313	(10,358)	11,141	6,359	(13,886)	3,121	(264)	(24,509)	—	(22,083)
Other income (loss), net:										
Investment loss	37,921	8,902	22,179	2,265	(46)	—	—	5,647	—	76,868
Other	2,419	(24)	1,213	(125)	—	—	73	(2,082)	—	1,474
Loss on refinancing of debt	—	—	—	—	—	—	—	—	—	—
Total other income, net	40,340	8,878	23,392	2,140	(46)	—	73	3,565	—	78,342
Excess (deficit) of revenues over expenses	\$ 46,653	(1,480)	34,533	8,499	(13,932)	3,121	(191)	(20,944)	—	56,259

See accompanying independent auditors' report.