Form **990-T**

Department of the Treasury
Internal Revenue Service

Exempt Organization Business Income Tax Return
(and proxy tax under section 6033(e))

For calendar year 2019 or other tax year beginning JUL 1, 2019 , and ending JUN 30, 2020 .

▶ Go to www.irs.gov/Form990T for instructions and the latest information.

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

OMB No. 1545-0047

2019

Open to Public Inspection for 501(c)(3) Organizations Only

A [ ] Check box if address changed

B Exempt under section [X] 501(c)(3) [ ] 408(e) [ ] 220(e) [ ] 408A [ ] 530(a) [ ] 529(a)

C Book value of all assets at end of year 279,053,757.

Print or Type

Name of organization ([ ] Check box if name changed and see instructions.)
NORTHWEST HOSPITAL CENTER, INC.

Number, street, and room or suite no. If a P.O. box, see instructions.
5401 OLD COURT ROAD

City or town, state or province, country, and ZIP or foreign postal code
RANDALLSTOWN, MD 21133

D Employer identification number (Employees' trust, see instructions.)
52-1372665

E Unrelated business activity code (See instructions.)
531120

F Group exemption number (See instructions.) ▶

G Check organization type ▶ [X] 501(c) corporation [ ] 501(c) trust [ ] 401(a) trust [ ] Other trust

H Enter the number of the organization's unrelated trades or businesses. ▶ 4 Describe the only (or first) unrelated trade or business here ▶ SEE STATEMENT 1 . If only one, complete Parts I-V. If more than one, describe the first in the blank space at the end of the previous sentence, complete Parts I and II, complete a Schedule M for each additional trade or business, then complete Parts III-V.

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? STMT 2 ▶ [X] Yes [ ] No
If "Yes," enter the name and identifying number of the parent corporation. ▶

J The books are in care of ▶ NANCY KANE Telephone number ▶ (410) 601-5653

Part I Unrelated Trade or Business Income

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances / c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit. Subtract line 2 from line 1c	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from a partnership or an S corporation (attach statement)	5			
6	Rent income (Schedule C)	6			
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)	8	50,988.	74,452.	-23,464.
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (See instructions; attach schedule)	12			
13	**Total.** Combine lines 3 through 12	13	50,988.	74,452.	-23,464.

Part II Deductions Not Taken Elsewhere
(See instructions for limitations on deductions.) (Deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule) (see instructions)	18	
19	Taxes and licenses	19	
20	Depreciation (attach Form 4562) — 20		
21	Less depreciation claimed on Schedule A and elsewhere on return — 21a	21b	
22	Depletion	22	
23	Contributions to deferred compensation plans	23	
24	Employee benefit programs	24	
25	Excess exempt expenses (Schedule I)	25	
26	Excess readership costs (Schedule J)	26	
27	Other deductions (attach schedule)	27	
28	**Total deductions.** Add lines 14 through 27	28	0.
29	Unrelated business taxable income before net operating loss deduction. Subtract line 28 from line 13	29	-23,464.
30	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions) SEE STATEMENT 3	30	0.
31	Unrelated business taxable income. Subtract line 30 from line 29	31	-23,464.

Part III Total Unrelated Business Taxable Income

32	Total of unrelated business taxable income computed from all unrelated trades or businesses (see instructions)	32	19,875.
33	Amounts paid for disallowed fringes	33	
34	Charitable contributions (see instructions for limitation rules)	34	0.
35	Total unrelated business taxable income before pre-2018 NOLs and specific deduction. Subtract line 34 from the sum of lines 32 and 33	35	19,875.
36	Deduction for net operating loss arising in tax years beginning before January 1, 2018 (see instructions) STMT 4	36	19,875.
37	Total of unrelated business taxable income before specific deduction. Subtract line 36 from line 35	37	
38	Specific deduction (Generally $1,000, but see line 38 instructions for exceptions)	38	1,000.
39	**Unrelated business taxable income.** Subtract line 38 from line 37. If line 38 is greater than line 37, enter the smaller of zero or line 37	39	0.

Part IV Tax Computation

40	**Organizations Taxable as Corporations.** Multiply line 39 by 21% (0.21) ▶	40	0.
41	**Trusts Taxable at Trust Rates.** See instructions for tax computation. Income tax on the amount on line 39 from: ☐ Tax rate schedule or ☐ Schedule D (Form 1041) ▶	41	
42	**Proxy tax.** See instructions ▶	42	
43	Alternative minimum tax (trusts only)	43	
44	**Tax on Noncompliant Facility Income.** See instructions	44	
45	**Total.** Add lines 42, 43, and 44 to line 40 or 41, whichever applies	45	0.

Part V Tax and Payments

46a	Foreign tax credit (corporations attach Form 1118; trusts attach Form 1116)	46a			
b	Other credits (see instructions)	46b			
c	General business credit. Attach Form 3800	46c			
d	Credit for prior year minimum tax (attach Form 8801 or 8827)	46d			
e	**Total credits.** Add lines 46a through 46d			46e	
47	Subtract line 46e from line 45			47	0.
48	Other taxes. Check if from: ☐ Form 4255 ☐ Form 8611 ☐ Form 8697 ☐ Form 8866 ☐ Other (attach schedule)			48	
49	**Total tax.** Add lines 47 and 48 (see instructions)			49	0.
50	2019 net 965 tax liability paid from Form 965-A or Form 965-B, Part II, column (k), line 3			50	0.
51a	Payments: A 2018 overpayment credited to 2019	51a	329.		
b	2019 estimated tax payments	51b			
c	Tax deposited with Form 8868	51c			
d	Foreign organizations: Tax paid or withheld at source (see instructions)	51d			
e	Backup withholding (see instructions)	51e			
f	Credit for small employer health insurance premiums (attach Form 8941)	51f			
g	Other credits, adjustments, and payments: ☐ Form 2439 ____ ☐ Form 4136 ____ ☐ Other ____ Total ▶	51g			
52	**Total payments.** Add lines 51a through 51g			52	329.
53	Estimated tax penalty (see instructions). Check if Form 2220 is attached ▶ ☐			53	
54	**Tax due.** If line 52 is less than the total of lines 49, 50, and 53, enter amount owed ▶			54	
55	**Overpayment.** If line 52 is larger than the total of lines 49, 50, and 53, enter amount overpaid ▶			55	329.
56	Enter the amount of line 55 you want: **Credited to 2020 estimated tax** ▶ 329. **Refunded** ▶			56	0.

Part VI Statements Regarding Certain Activities and Other Information (see instructions)

		Yes	No
57	At any time during the 2019 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If "Yes," the organization may have to file FinCEN Form 114, Report of Foreign Bank and Financial Accounts. If "Yes," enter the name of the foreign country here ▶		X
58	During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," see instructions for other forms the organization may have to file.		X
59	Enter the amount of tax-exempt interest received or accrued during the tax year ▶ $		

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Signature of officer | Date | ▶ EXECUTIVE VP/CFO Title

May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes ☐ No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check ☐ if self-employed	PTIN
LORI S. BURGHAUSER	LORI S. BURGHAUSER	05/10/21		P00370694
Firm's name ▶ SC&H GROUP, INC.			Firm's EIN ▶	20-5991824
Firm's address ▶ 910 RIDGEBROOK ROAD SPARKS, MD 21152			Phone no.	(410) 403-1500

Schedule A - Cost of Goods Sold. Enter method of inventory valuation ▶ N/A

1 Inventory at beginning of year	1		6 Inventory at end of year	6			
2 Purchases	2		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7			
3 Cost of labor	3		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?			Yes	No
4a Additional section 263A costs (attach schedule)	4a						X
b Other costs (attach schedule)	4b						
5 Total. Add lines 1 through 4b	5						

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)
(see instructions)

1. Description of property

(1)
(2)
(3)
(4)

2. Rent received or accrued: (a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(1)		
(2)		
(3)		
(4)		
Total 0.	Total 0.	
(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ▶	0.	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶ 0.

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property: (a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

	4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)			%		
(2)			%		
(3)			%		
(4)			%		
				Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Totals ▶				0.	0.
Total dividends-received deductions included in column 8 ▶					0.

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

Exempt Controlled Organizations

1. Name of controlled organization	2. Employer identification number	3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1) LIFEBRIDGE					
(2) NEUROSCIENCES, LLC	45-0719598				
(3)					
(4)					

Nonexempt Controlled Organizations

	7. Taxable Income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10 STATEMENT 5
(1)					
(2)	-2,461,288.	-2,461,288.	50,988.	50,988.	74,452.
(3)					
(4)					
Totals ▶				Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A). 50,988.	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B). 74,452.

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization
(see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
Totals ▶	Enter here and on page 1, Part I, line 9, column (A). 0.			Enter here and on page 1, Part I, line 9, column (B). 0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income
(see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals ▶	Enter here and on page 1, Part I, line 10, col. (A). 0.	Enter here and on page 1, Part I, line 10, col. (B). 0.				Enter here and on page 1, Part II, line 25. 0.

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5)) ▶	0.	0.				0.

Part II **Income From Periodicals Reported on a Separate Basis** (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals from Part I ▶	0.	0.				0.
	Enter here and on page 1, Part I, line 11, col. (A).	Enter here and on page 1, Part I, line 11, col. (B).				Enter here and on page 1, Part II, line 26.
Totals, Part II (lines 1-5) ▶	0.	0.				0.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions)

1. Name	2. Title	3. Percent of time devoted to business	4. Compensation attributable to unrelated business
(1)		%	
(2)		%	
(3)		%	
(4)		%	
Total. Enter here and on page 1, Part II, line 14		▶	0.

Form 990-T (2019)

NORTHWEST HOSPITAL CENTER, INC. 52-1372665

FORM 990-T DESCRIPTION OF ORGANIZATION'S PRIMARY UNRELATED BUSINESS ACTIVITY STATEMENT 1

RENTAL INCOME FROM CONTROLLED ORGANIZATIONS

TO FORM 990-T, PAGE 1

FORM 990-T PARENT CORPORATION'S NAME AND IDENTIFYING NUMBER STATEMENT 2

CORPORATION'S NAME	IDENTIFYING NO
LIFEBRIDGE HEALTH, INC.	52-1402373

FORM 990-T NET OPERATING LOSS DEDUCTION STATEMENT 3

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/19	4,029.	0.	4,029.	4,029.
NOL CARRYOVER AVAILABLE THIS YEAR			4,029.	4,029.

FORM 990-T NET OPERATING LOSS DEDUCTION STATEMENT 4

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/02	58,253.	58,253.	0.	0.
06/30/03	4,739.	4,739.	0.	0.
06/30/04	134,476.	72,053.	62,423.	62,423.
06/30/05	44,074.	0.	44,074.	44,074.
06/30/06	64,770.	0.	64,770.	64,770.
06/30/07	8,154.	0.	8,154.	8,154.
06/30/09	2,833.	0.	2,833.	2,833.
06/30/14	4,458.	0.	4,458.	4,458.
NOL CARRYOVER AVAILABLE THIS YEAR			186,712.	186,712.

FORM 990-T SCHEDULE F - DEDUCTIONS OF CONTROLLED ORGANIZATIONS DIRECTLY CONNECTED WITH COLUMN 10 INCOME STATEMENT 5

DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
OPERATING EXPENSE		2,286.	
RENT EXPENSE		72,166.	
- SUBTOTAL -	1		74,452.
TOTAL OF FORM 990-T, SCHEDULE F, COLUMN 11			74,452.

ENTITY 1

SCHEDULE M (Form 990-T)

Department of the Treasury Internal Revenue Service

Unrelated Business Taxable Income from an Unrelated Trade or Business

OMB No. 1545-0047

2019

Open to Public Inspection for 501(c)(3) Organizations Only

For calendar year 2019 or other tax year beginning JUL 1, 2019 , and ending JUN 30, 2020 .

▶ Go to www.irs.gov/Form990T for instructions and the latest information.

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

Name of the organization: NORTHWEST HOSPITAL CENTER, INC.

Employer identification number: 52-1372665

Unrelated Business Activity Code (see instructions) ▶ 523000

Describe the unrelated trade or business ▶ PARTNERSHIP PASSTHROUGH INCOME

Part I Unrelated Trade or Business Income

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances / c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit. Subtract line 2 from line 1c	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from a partnership or an S corporation (attach statement) STATEMENT 6	5	13,696.		13,696.
6	Rent income (Schedule C)	6			
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)	8			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (See instructions; attach schedule)	12			
13	**Total.** Combine lines 3 through 12	13	13,696.		13,696.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule) (see instructions)	18	
19	Taxes and licenses	19	528.
20	Depreciation (attach Form 4562) — 20		
21	Less depreciation claimed on Schedule A and elsewhere on return — 21a	21b	
22	Depletion	22	
23	Contributions to deferred compensation plans	23	
24	Employee benefit programs	24	
25	Excess exempt expenses (Schedule I)	25	
26	Excess readership costs (Schedule J)	26	
27	Other deductions (attach schedule) SEE STATEMENT 7	27	2,206.
28	**Total deductions.** Add lines 14 through 27	28	2,734.
29	Unrelated business taxable income before net operating loss deduction. Subtract line 28 from line 13	29	10,962.
30	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions)	30	0.
31	Unrelated business taxable income. Subtract line 30 from line 29	31	10,962.

LHA **For Paperwork Reduction Act Notice, see instructions.**

923741 01-28-20

23090510 769024 LIF240.5 2019.05094 NORTHWEST HOSPITAL CENTER LIF240.1

FORM 990-T (M)	INCOME (LOSS) FROM PARTNERSHIPS	STATEMENT 6

DESCRIPTION	NET INCOME OR (LOSS)
PREMIER HEALTHCARE ALLIANCE - ORDINARY BUSINESS INCOME (LOSS)	13,696.
TOTAL INCLUDED ON SCHEDULE M, PART I, LINE 5	13,696.

FORM 990-T (M)	OTHER DEDUCTIONS	STATEMENT 7

DESCRIPTION	AMOUNT
TAX PREP FEES	2,206.
TOTAL TO SCHEDULE M, PART II, LINE 27	2,206.

SCHEDULE M (Form 990-T)

Department of the Treasury Internal Revenue Service

Unrelated Business Taxable Income from an Unrelated Trade or Business

For calendar year 2019 or other tax year beginning JUL 1, 2019, and ending JUN 30, 2020.

▶ Go to www.irs.gov/Form990T for instructions and the latest information.

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

OMB No. 1545-0047

2019

Open to Public Inspection for 501(c)(3) Organizations Only

Name of the organization: NORTHWEST HOSPITAL CENTER, INC.

Employer identification number: 52-1372665

Unrelated Business Activity Code (see instructions) ▶ 561499

Describe the unrelated trade or business ▶ RENTAL INCOME THAT INCLUDES SERVICES

Part I Unrelated Trade or Business Income

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit. Subtract line 2 from line 1c	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from a partnership or an S corporation (attach statement)	5			
6	Rent income (Schedule C)	6	12,200.	1,441.	10,759.
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)	8			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (See instructions; attach schedule)	12			
13	**Total.** Combine lines 3 through 12	13	12,200.	1,441.	10,759.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule) (see instructions)	18	
19	Taxes and licenses	19	415.
20	Depreciation (attach Form 4562) — 20		
21	Less depreciation claimed on Schedule A and elsewhere on return — 21a	21b	
22	Depletion	22	
23	Contributions to deferred compensation plans	23	
24	Employee benefit programs	24	
25	Excess exempt expenses (Schedule I)	25	
26	Excess readership costs (Schedule J)	26	
27	Other deductions (attach schedule) SEE STATEMENT 8	27	1,733.
28	**Total deductions.** Add lines 14 through 27	28	2,148.
29	Unrelated business taxable income before net operating loss deduction. Subtract line 28 from line 13	29	8,611.
30	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions)	30	0.
31	Unrelated business taxable income. Subtract line 30 from line 29	31	8,611.

LHA For Paperwork Reduction Act Notice, see instructions. Schedule M (Form 990-T) 2019

923741 01-28-20

FORM 990-T (M)	OTHER DEDUCTIONS	STATEMENT 8

DESCRIPTION	AMOUNT
TAX PREP FEES	1,733.
TOTAL TO SCHEDULE M, PART II, LINE 27	1,733.

NORTHWEST HOSPITAL CENTER, INC. 52-1372665

Schedule A - Cost of Goods Sold. Enter method of inventory valuation ▶

1 Inventory at beginning of year	1		6 Inventory at end of year	6		
2 Purchases	2		7 Cost of goods sold. Subtract line 6 from line 5. Enter here and in Part I, line 2	7		
3 Cost of labor	3					
4a Additional section 263A costs (attach schedule)	4a		8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization?		Yes	No
b Other costs (attach schedule)	4b					
5 Total. Add lines 1 through 4b	5					

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property)

(see instructions)

1. Description of property

(1) RENTAL INCOME THAT INCLUDES SERVICES
(2)
(3)
(4)

	2. Rent received or accrued: (a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	2. (b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	3(a) Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
			SEE STATEMENT 11
(1)	0.	12,200.	1,441.
(2)			
(3)			
(4)			
Total	0.	Total 12,200.	
(c) Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) ▶		12,200.	(b) Total deductions. Enter here and on page 1, Part I, line 6, column (B) ▶ 1,441.

Schedule E - Unrelated Debt-Financed Income (see instructions)

1. Description of debt-financed property	2. Gross income from or allocable to debt-financed property	3. Deductions directly connected with or allocable to debt-financed property: (a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

	4. Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5. Average adjusted basis of or allocable to debt-financed property (attach schedule)	6. Column 4 divided by column 5	7. Gross income reportable (column 2 x column 6)	8. Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)			%		
(2)			%		
(3)			%		
(4)			%		
				Enter here and on page 1, Part I, line 7, column (A).	Enter here and on page 1, Part I, line 7, column (B).
Totals ▶					
Total dividends-received deductions included in column 8 ▶					

FORM 990-T (M) DEDUCTIONS CONNECTED WITH RENTAL INCOME STATEMENT 11

DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
RENT EXPENSE		1,441.	
- SUBTOTAL -	2		1,441.
TOTAL TO FORM 990-T, SCHEDULE C, COLUMN 3			1,441.

ENTITY 3

SCHEDULE M (Form 990-T)

Department of the Treasury
Internal Revenue Service

Unrelated Business Taxable Income from an Unrelated Trade or Business

For calendar year 2019 or other tax year beginning JUL 1, 2019, and ending JUN 30, 2020.

▶ Go to www.irs.gov/Form990T for instructions and the latest information.

▶ Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

OMB No. 1545-0047

2019

Open to Public Inspection for 501(c)(3) Organizations Only

Name of the organization: NORTHWEST HOSPITAL CENTER, INC.

Employer identification number: 52-1372665

Unrelated Business Activity Code (see instructions) ▶ 531120

Describe the unrelated trade or business ▶ RENTAL INCOME FROM CONTROLLED ORGANIZATIONS

Part I — Unrelated Trade or Business Income

			(A) Income	(B) Expenses	(C) Net
1a	Gross receipts or sales				
b	Less returns and allowances; c Balance ▶	1c			
2	Cost of goods sold (Schedule A, line 7)	2			
3	Gross profit. Subtract line 2 from line 1c	3			
4a	Capital gain net income (attach Schedule D)	4a			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)	4b			
c	Capital loss deduction for trusts	4c			
5	Income (loss) from a partnership or an S corporation (attach statement)	5			
6	Rent income (Schedule C)	6			
7	Unrelated debt-financed income (Schedule E)	7			
8	Interest, annuities, royalties, and rents from a controlled organization (Schedule F)	8	58,883.	58,505.	378.
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)	9			
10	Exploited exempt activity income (Schedule I)	10			
11	Advertising income (Schedule J)	11			
12	Other income (See instructions; attach schedule)	12			
13	**Total.** Combine lines 3 through 12	13	58,883.	58,505.	378.

Part II — Deductions Not Taken Elsewhere (See instructions for limitations on deductions.) (Deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)			14	
15	Salaries and wages			15	
16	Repairs and maintenance			16	
17	Bad debts			17	
18	Interest (attach schedule) (see instructions)			18	
19	Taxes and licenses			19	15.
20	Depreciation (attach Form 4562)	20			
21	Less depreciation claimed on Schedule A and elsewhere on return	21a		21b	
22	Depletion			22	
23	Contributions to deferred compensation plans			23	
24	Employee benefit programs			24	
25	Excess exempt expenses (Schedule I)			25	
26	Excess readership costs (Schedule J)			26	
27	Other deductions (attach schedule) SEE STATEMENT 9			27	61.
28	**Total deductions.** Add lines 14 through 27			28	76.
29	Unrelated business taxable income before net operating loss deduction. Subtract line 28 from line 13			29	302.
30	Deduction for net operating loss arising in tax years beginning on or after January 1, 2018 (see instructions) STMT 10			30	0.
31	Unrelated business taxable income. Subtract line 30 from line 29			31	302.

LHA **For Paperwork Reduction Act Notice, see instructions.**

FORM 990-T (M)	OTHER DEDUCTIONS	STATEMENT 9

DESCRIPTION	AMOUNT
TAX PREP FEES	61.
TOTAL TO SCHEDULE M, PART II, LINE 27	61.

SCHEDULE M	NET OPERATING LOSS DEDUCTION	STATEMENT 10

TAX YEAR	LOSS SUSTAINED	LOSS PREVIOUSLY APPLIED	LOSS REMAINING	AVAILABLE THIS YEAR
06/30/19	20,986.		20,986.	20,986.
NOL CARRYOVER AVAILABLE THIS YEAR			20,986.	20,986.

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (see instructions)

Exempt Controlled Organizations

1. Name of controlled organization	2. Employer identification number	3. Net unrelated income (loss) (see instructions)	4. Total of specified payments made	5. Part of column 4 that is included in the controlling organization's gross income	6. Deductions directly connected with income in column 5
(1) LIFEBRIDGE					
(2) COMMUNITY					
(3) GASTROENTEROLOGY,					
(4) LLC	46-2863298				

Nonexempt Controlled Organizations

	7. Taxable Income	8. Net unrelated income (loss) (see instructions)	9. Total of specified payments made	10. Part of column 9 that is included in the controlling organization's gross income	11. Deductions directly connected with income in column 10
					STATEMENT 12
(1)					
(2)					
(3)					
(4)	-84,128.	-84,128.	58,883.	58,883.	58,505.
				Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A).	Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B).
Totals ▶				58,883.	58,505.

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization (see instructions)

1. Description of income	2. Amount of income	3. Deductions directly connected (attach schedule)	4. Set-asides (attach schedule)	5. Total deductions and set-asides (col. 3 plus col. 4)
(1)				
(2)				
(3)				
(4)				
	Enter here and on page 1, Part I, line 9, column (A).			Enter here and on page 1, Part I, line 9, column (B).
Totals ▶				

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income (see instructions)

1. Description of exploited activity	2. Gross unrelated business income from trade or business	3. Expenses directly connected with production of unrelated business income	4. Net income (loss) from unrelated trade or business (column 2 minus column 3). If a gain, compute cols. 5 through 7.	5. Gross income from activity that is not unrelated business income	6. Expenses attributable to column 5	7. Excess exempt expenses (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
	Enter here and on page 1, Part I, line 10, col. (A).	Enter here and on page 1, Part I, line 10, col. (B).				Enter here and on page 1, Part II, line 25.
Totals ▶						

Schedule J - Advertising Income (see instructions)

Part I Income From Periodicals Reported on a Consolidated Basis

1. Name of periodical	2. Gross advertising income	3. Direct advertising costs	4. Advertising gain or (loss) (col. 2 minus col. 3). If a gain, compute cols. 5 through 7.	5. Circulation income	6. Readership costs	7. Excess readership costs (column 6 minus column 5, but not more than column 4).
(1)						
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5)) ▶						

FORM 990-T (M) SCHEDULE F - DEDUCTIONS OF CONTROLLED ORGANIZATIONS DIRECTLY CONNECTED WITH COLUMN 10 INCOME STATEMENT 12

DESCRIPTION	ACTIVITY NUMBER	AMOUNT	TOTAL
OPERATING EXPENSE		2,256.	
RENT EXPENSE		56,249.	
- SUBTOTAL -	2		58,505.
TOTAL OF FORM 990-T, SCHEDULE F, COLUMN 11			58,505.

SCHEDULE O (Form 1120)
(Rev. December 2018)
Department of the Treasury
Internal Revenue Service

Consent Plan and Apportionment Schedule for a Controlled Group

▶ Attach to Form 1120, 1120-C, 1120-F, 1120-FSC, 1120-L, 1120-PC, 1120-REIT, or 1120-RIC.
▶ Go to www.irs.gov/Form1120 for instructions and the latest information.

OMB No. 1545-0123

Name: NORTHWEST HOSPITAL CENTER, INC.

Employer identification number: 52-1372665

Part I Apportionment Plan Information

1 Type of controlled group:
a [X] Parent-subsidiary group
b [ ] Brother-sister group
c [ ] Combined group
d [ ] Life insurance companies only

2 This corporation has been a member of this group:
a [X] For the entire year.
b [ ] From ______________, until ______________.

3 This corporation consents and represents to:
a [ ] Adopt an apportionment plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on ______________, and for all succeeding tax years.
b [ ] Amend the current apportionment plan. All the other members of this group are currently amending a previously adopted plan, which was in effect for the tax year ending ______________, and for all succeeding tax years.
c [ ] Terminate the current apportionment plan and not adopt a new plan. All the other members of this group are not adopting an apportionment plan.
d [ ] Terminate the current apportionment plan and adopt a new plan. All the other members of this group are adopting an apportionment plan effective for the current tax year which ends on ______________, and for all succeeding tax years.

4 If you checked box 3c or 3d above, check the applicable box below to indicate if the termination of the current apportionment plan was:
a [ ] Elected by the component members of the group.
b [ ] Required for the component members of the group.

5 If you did not check a box on line 3 above, check the applicable box below concerning the status of the group's apportionment plan (see instructions).
a [ ] No apportionment plan is in effect and none is being adopted.
b [X] An apportionment plan is already in effect. It was adopted for the tax year ending JUNE 30, 2018, and for all succeeding tax years.

6 If all the members of this group are adopting a plan or amending the current plan for a tax year after the due date (including extensions) of the tax return for this corporation, is there at least one year remaining on the statute of limitations from the date this corporation filed its amended return for such tax year for assessing any resulting deficiency? See instructions.
a [ ] Yes.
(i) [ ] The statute of limitations for this year will expire on ______________.
(ii) [ ] On ______________, this corporation entered into an agreement with the Internal Revenue Service to extend the statute of limitations for purposes of assessment until ______________.
b [X] No. The members may not adopt or amend an apportionment plan.

7 [ ] If the corporation has a short tax year that does not include December 31, check the box. See instructions.

Part II Apportionment (See instructions)

	(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Apportionment (c) Accumulated earnings credit	(d) Penalty for failure to pay estimated tax	(e) Other
1	NORTHWEST HOSPITAL CENTER, INC.	52-1372665	20-06			
2	LIFEBRIDGE INVESTMENTS, INC. & SUBS	52-1483166	20-06			
3	SINAI HOSPITAL OF BALTIMORE, INC.	52-0486540	20-06			
4	CARROLL COUNTY MED SERVICES, INC.	52-1891102	20-06			
5	CARROLL COUNTY HEALTH SERVICES CORP	52-0691413	20-06			
6	CARROLL HOSPITAL CENTER FOUNDATION, INC.	52-1115038	20-06			
7	CARROLL HOSPITAL CENTER, INC.	52-1452024	20-06			
8	LIFEBRIDGE HEALTH, INC.	52-1402373	20-06			
9	LEVINDALE HEBREW GERIATRIC CENTER AND HOSPITAL, INC.	52-0607913	20-06			
10	BALTIMORE CHILD ABUSE CENTER, INC.	52-1681279	20-06			
Total						

Schedule O (Form 1120) (Rev. 12-2018)

Part II Apportionment (See instructions)

(a) Group member's name and employer identification number		(b) Tax year end (Yr-Mo)	Apportionment (c) Accumulated earnings credit	(d) Penalty for failure to pay estimated tax	(e) Other
1 CHILDREN'S HOSPITAL AT SINAI FOUNDATION, INC.	52-2167587	20-06			
2					
3					
4					
5					
6					
7					
8					
9					
10					
Total					

Form **8868** (Rev. January 2020)

Department of the Treasury Internal Revenue Service

Application for Automatic Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

▶ Go to www.irs.gov/Form8868 for the latest information.

OMB No. 1545-0047

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit *www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.*

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print		
File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. NORTHWEST HOSPITAL CENTER, INC.	Taxpayer identification number (TIN) 52-1372665
	Number, street, and room or suite no. If a P.O. box, see instructions. 5401 OLD COURT ROAD	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. RANDALLSTOWN, MD 21133	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 1

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

- The books are in the care of ▶ NANCY KANE 2401 WEST BELVEDERE ROAD - BALTIMORE, MD 21215
  Telephone No. ▶ (410) 601-5653   Fax No. ▶ (410) 601-8362
- If the organization does not have an office or place of business in the United States, check this box .... ▶ [ ]
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) ______ . If this is for the whole group, check this box ▶ [ ] . If it is for part of the group, check this box ▶ [ ] and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until MAY 17, 2021 , to file the exempt organization return for the organization named above. The extension is for the organization's return for:

▶ [ ] calendar year ______ or

▶ [X] tax year beginning JUL 1, 2019 , and ending JUN 30, 2020 .

2 If the tax year entered in line 1 is for less than 12 months, check reason: [ ] Initial return [ ] Final return

[ ] Change in accounting period

3a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$ 0.
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$ 0.
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$ 0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LHA **For Privacy Act and Paperwork Reduction Act Notice, see instructions.** Form **8868** (Rev. 1-2020)

Form **8868** (Rev. January 2020)

Department of the Treasury Internal Revenue Service

Application for Automatic Extension of Time To File an Exempt Organization Return

▶ File a separate application for each return.

▶ Go to www.irs.gov/Form8868 for the latest information.

OMB No. 1545-0047

Electronic filing (e-file). You can electronically file Form 8868 to request a 6-month automatic extension of time to file any of the forms listed below with the exception of Form 8870, Information Return for Transfers Associated With Certain Personal Benefit Contracts, for which an extension request must be sent to the IRS in paper format (see instructions). For more details on the electronic filing of this form, visit *www.irs.gov/e-file-providers/e-file-for-charities-and-non-profits.*

Automatic 6-Month Extension of Time. Only submit original (no copies needed).

All corporations required to file an income tax return other than Form 990-T (including 1120-C filers), partnerships, REMICs, and trusts must use Form 7004 to request an extension of time to file income tax returns.

Type or print File by the due date for filing your return. See instructions.	Name of exempt organization or other filer, see instructions. NORTHWEST HOSPITAL CENTER, INC.	Taxpayer identification number (TIN) 52-1372665
	Number, street, and room or suite no. If a P.O. box, see instructions. 5401 OLD COURT ROAD	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions. RANDALLSTOWN, MD 21133	

Enter the Return Code for the return that this application is for (file a separate application for each return) 0 7

Application Is For	Return Code	Application Is For	Return Code
Form 990 or Form 990-EZ	01	Form 990-T (corporation)	07
Form 990-BL	02	Form 1041-A	08
Form 4720 (individual)	03	Form 4720 (other than individual)	09
Form 990-PF	04	Form 5227	10
Form 990-T (sec. 401(a) or 408(a) trust)	05	Form 6069	11
Form 990-T (trust other than above)	06	Form 8870	12

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  Telephone No. ▶ (410) 601-5653 Fax No. ▶ (410) 601-8362
- If the organization does not have an office or place of business in the United States, check this box .... ▶ ☐
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) ______ . If this is for the whole group, check this box ▶ ☐ . If it is for part of the group, check this box ▶ ☐ and attach a list with the names and TINs of all members the extension is for.

1 I request an automatic 6-month extension of time until MAY 17, 2021 , to file the exempt organization return for the organization named above. The extension is for the organization's return for:

▶ ☐ calendar year ______ or

▶ ☒ tax year beginning JUL 1, 2019 , and ending JUN 30, 2020 .

2 If the tax year entered in line 1 is for less than 12 months, check reason: ☐ Initial return ☐ Final return ☐ Change in accounting period

3a	If this application is for Forms 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See instructions.	3a	$ 0.
b	If this application is for Forms 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit.	3b	$ 329.
c	**Balance due.** Subtract line 3b from line 3a. Include your payment with this form, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions.	3c	$ 0.

Caution: If you are going to make an electronic funds withdrawal (direct debit) with this Form 8868, see Form 8453-EO and Form 8879-EO for payment instructions.

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Financial Statements and
Supplementary Financial Information

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Table of Contents

Independent Auditors' Report

The Board of Directors
LifeBridge Health, Inc. and Subsidiaries:

We have audited the accompanying consolidated financial statements of LifeBridge Health, Inc. and subsidiaries, which comprise the consolidated balance sheets as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LifeBridge Health, Inc. and subsidiaries as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 22, 2020

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

(Dollars in thousands)

Assets		**2020**	**2019**
Current assets:			
Cash and cash equivalents	$	251,832	167,802
Investments		470,176	219,672
Assets limited as to use, current portion		81,346	39,733
Patient service receivables		151,707	171,245
Other receivables		10,253	21,216
Inventory		44,020	34,280
Prepaid expenses		22,683	22,237
Pledges receivable, current portion		3,386	2,841
Total current assets		1,035,403	679,026
Board-designated investments		191,964	213,856
Long-term investments		398,330	382,848
Donor-restricted investments		58,174	56,508
Reinsurance recovery receivable		11,138	21,401
Assets limited as to use, net of current portion		68,743	59,955
Pledges receivable, net of current portion		7,681	7,567
Property and equipment, net		714,010	672,491
Beneficial interest in split-interest agreement		4,792	4,997
Investment in unconsolidated affiliates		41,450	47,701
Other assets, net		82,816	77,461
Total assets	$	2,614,501	2,223,811

(Continued)

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

(Dollars in thousands)

Liabilities and Net Assets		2020	2019
Current liabilities:			
Accounts payable and accrued liabilities	$	115,082	106,640
Accrued salaries, wages and benefits		110,853	94,250
Advances from third-party payors		235,588	36,772
Current portion of long-term debt and capital lease obligations, net		24,501	14,957
Other current liabilities		41,129	29,377
Total current liabilities		527,153	281,996
Other long-term liabilities		178,107	141,448
Long-term debt and capital lease obligations, net		592,211	537,831
Total liabilities		1,297,471	961,275
Net assets:			
Net assets without donor restrictions		1,222,796	1,170,838
Noncontrolling interest in consolidated subsidiaries		20,201	19,785
Total net assets without donor restrictions		1,242,997	1,190,623
Net assets with donor restrictions		74,033	71,913
Total net assets		1,317,030	1,262,536
Total liabilities and net assets	$	2,614,501	2,223,811

See accompanying notes to consolidated financial statements.

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Unrestricted revenues, gains and other support:			
Patient service revenue	$	1,532,608	1,521,903
Net assets released from restrictions used for operations		3,955	4,101
Other operating revenue		125,642	84,391
Total operating revenues		1,662,205	1,610,395
Expenses:			
Salaries and employee benefits		928,375	868,537
Supplies		263,453	267,679
Purchased services		286,696	276,338
Depreciation and amortization		89,160	86,949
Repairs and maintenance		31,660	27,448
Interest		25,430	26,312
Total expenses		1,624,774	1,553,263
Operating income		37,431	57,132
Other income (loss), net:			
Investment income		37,815	42,019
Other		6,684	2,037
Loss on refinancing of debt		(2,954)	—
Total other income, net		41,545	44,056
Excess of revenues over expenses		78,976	101,188
Net assets released from restrictions used for the purchases of property and equipment		1,647	3,533
Net change in value of beneficial interest in split-interest agreement		210	224
Adjustment to pension liability		(26,795)	(32,548)
Other		(1,664)	(6,866)
Increase in unrestricted net assets	$	52,374	65,531

See accompanying notes to consolidated financial statements.

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total net assets
Net assets at June 30, 2018	$ 1,125,092	72,676	1,197,768
Excess of revenues over expenses	101,188	—	101,188
Unrealized gain on investments	—	303	303
Net assets released from restrictions used for the purchase of property and equipment	3,533	(3,533)	—
Restricted gifts and bequests	—	6,826	6,826
Net assets released from restrictions used for operations	—	(4,101)	(4,101)
Net change in value of beneficial interest in split-interest agreement	224	(298)	(74)
Adjustment to pension liability	(32,548)	—	(32,548)
Other	(6,866)	40	(6,826)
Change in net assets	65,531	(763)	64,768
Net assets at June 30, 2019	1,190,623	71,913	1,262,536
Excess of revenues over expenses	78,976	—	78,976
Unrealized gain on investments	—	476	476
Net assets released from restrictions used for the purchase of property and equipment	1,647	(1,647)	—
Restricted gifts and bequests	—	7,384	7,384
Net assets released from restrictions used for operations	—	(3,955)	(3,955)
Net change in value of beneficial interest in split-interest agreement	210	(187)	23
Adjustment to pension liability	(26,795)	—	(26,795)
Other	(1,664)	49	(1,615)
Change in net assets	52,374	2,120	54,494
Net assets at June 30, 2020	$ 1,242,997	74,033	1,317,030

See accompanying notes to consolidated financial statements.

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 54,494	64,768
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	89,160	86,949
Gain on sale of lab business	—	(15,113)
Adjustment to pension liability	26,795	32,548
Realized and unrealized gains on investments, net	(19,949)	(21,982)
Restricted gifts and bequests	(7,384)	(6,826)
Change in beneficial interest of split-interest agreement	205	297
Earnings on investments in unconsolidated affiliates	111	(2,594)
Distributions from unconsolidated affiliates	6,536	3,532
Distributions to noncontrolling interest owners	1,381	9,722
Fair value of noncontrolling interests in acquisitions	—	(1,107)
Amortization of deferred financing costs and discounts	1,604	1,494
Inherent contribution	(6,716)	—
Loss on refinancing of debt	2,954	—
Change in operating assets and liabilities:		
Decrease (increase) in patient service receivables, net	19,538	(20,503)
Decrease (increase) in other receivables	10,963	(2,413)
Increase in pledges receivable	(659)	(4,181)
Increase in inventory	(6,045)	(1,226)
Increase in prepaid expenses	(446)	(2,957)
Decrease in reinsurance recovery receivable	10,263	4,853
Increase in other assets	(9,375)	(5,639)
Increase (decrease) in accounts payable and accrued liabilities, and accrued salaries, wages, and benefits	23,550	(8,375)
Increase (decrease) in advances from third-party payors	196,092	(6,034)
Increase in other current and long-term liabilities	25,636	3,057
Net cash provided by operating activities	418,708	108,270
Cash flows from investing activities:		
Change in investments and assets limited as to use	(262,203)	(3,588)
Investment in unconsolidated affiliates	(396)	(155)
Purchases of property and equipment	(98,439)	(92,176)
Purchases of alternative investments	(28,893)	(16,405)
Proceeds from sales of alternative investments	8,426	783
Proceeds (loss) from sales of business	—	15,113
Cash paid for acquisitions	—	(1,459)
Net cash used in investing activities	(381,505)	(97,887)
Cash flows from financing activities:		
Payment on debt and capital lease obligations	(99,423)	(17,043)
Proceeds from issuance of debt	133,789	7,504
Distributions to noncontrolling interest owners	(1,381)	(9,722)
Restricted gifts and bequests	7,384	6,826
Net cash provided by (used in) financing activities	40,369	(12,435)
Net increase (decrease) in cash and cash equivalents and restricted cash	77,572	(2,052)
Cash and cash equivalents and restricted cash:		
Beginning of year	189,781	191,833
End of year	$ 267,353	189,781

(Continued)

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Supplemental cash flow disclosures:			
Cash paid during the year for interest	$	24,819	24,659
Cash paid during the year for income taxes		300	874
Accounts payable related to purchase of property and equipment		5,867	5,476
Adjustment to goodwill and property and equipment, net		—	2,566
Acquisition of Grace Medical Center		see footnote 3	—
Reconciliation of ending cash and cash equivalents and restricted cash to consolidated balance sheets:			
Cash and cash equivalents	$	251,832	167,802
Investments		8,898	13,291
Long-term investments		6,623	8,688
Cash and cash equivalents and restricted cash	$	267,353	189,781

See accompanying notes to consolidated financial statements.

(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); Baltimore Child Abuse Center (BCAC); 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 November 1, 2019, Grace Medical Center (Grace) became a subsidiary of LifeBridge. The acquisition of Grace 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*
- *Sinai Eldersburg Real Estate, LLC*
- *General Surgery Specialists, LLC*
- *BW Primary Care, LLC*
- *LifeBridge Community Practices, LLC*
- *The Center for Urologic Specialties, LLC*
- *LifeBridge Community Physicians, Inc. (Community Physicians)*

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.

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.

The Corporation has investments in alternative investments, primarily funds of hedge funds, totaling \$163,030 and \$146,995 at June 30, 2020 and 2019, 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 cost or equity method of accounting as appropriate and are included in other assets or investment in unconsolidated affiliates, respectively, in the consolidated balance sheets. 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.

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, 2020 or 2019.

(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.

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, 2020 and 2019, 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, 2020 and 2019 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.

(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 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 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 inpatient 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.

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 is updated annually, was in place during the years ended June 30, 2020 and 2019, 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 their patients and the communities they serve.

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. 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. During the year ended June 30, 2020, the HSCRC issued regulations due to the impact of COVID-19 (note 4) on all hospitals in Maryland that allow hospitals to carry over any undercharge less amount recouped from other federal programs, including funds received from programs under the CARES Act as described in note 4, to the following fiscal year GBR cap. The HSCRC may also impose various other revenue adjustments that could be significant in the future.

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 2020 or 2019.

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

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.

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.

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. During the year ended June 30, 2019, the Corporation sold its lab business for approximately $15,100 and recognized a gain on sale of approximately $15,100, which is included in other operating revenue.

(Continued)

(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 year ended June 30, 2020, the Corporation received grants from the programs under the CARES Act. See note 4 for further information.

(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, 2020 and 2019, based on patient charges forgone, was $10,529 and $8,702, respectively. The total direct and indirect costs to provide the care amounted to approximately $8,889 and $7,156 for the years ended June 30, 2020 and 2019, 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.

(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 of Revenues over Expenses

The accompanying consolidated statements of operations include a performance indicator, excess 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 22, 2021.

(x) New Accounting Pronouncements

The FASB issued ASU No. 2016-02, *Leases* (ASU 2016-02), which will require lessees to recognize most leases on balance sheet, increasing their reported assets and liabilities—sometimes very significantly. This update was developed to provide financial statement users with more information about an entity's leasing activities and will require changes in processes and internal controls. The FASB issued ASU No. 2020-05, *Leases – Effective Dates for Certain Entities*, which deferred the effective date for ASU 2016-02 for one year, which the Corporation has elected to utilize the deferral. The adoption of ASU 2016-02 is effective for fiscal year 2021. Companies can either apply this standard by either retrospectively applying the new guidance at the beginning of the earliest comparable period presented, or they can use a transition method to adopt the new lease requirements by allowing entities to initially apply the requirements recognizing a cumulative effect adjustment to the opening balance of unrestricted net assets in the period of adoption.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract.* This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU is effective for the Corporation for annual reporting periods beginning after December 15, 2020 and interim periods beginning after December 15, 2021 with early adoption permitted. The Corporation is currently assessing the impact that ASU No. 2018-15 will have on its consolidated financial statements and will adopt the provisions upon the effective date.

Effective July 1, 2019, the Corporation adopted ASU No. 2016-18, *Restricted Cash* (Topic 20), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, the amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The retrospective adoption of ASU No. 2016-18 did not have a material impact on the Corporation's consolidated financial statements.

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

The Corporation became the sole corporate member of Grace Medical Center on November 1, 2019. Beginning on that date, the financial position and results of operations of Grace were consolidated into the Corporation. As part of the transaction, LifeBridge agreed to pay $25,000, which is being paid over six years through 2026 and is included in long-term liabilities in the table below. The affiliation was accounted for under the guidance of ASC Topic 805, *Business Combinations*. As a result, the Corporation recorded an inherent contribution related to the transaction of $6,716, which is included within other nonoperating income during the year ended June 30, 2020 in the accompanying consolidated statement of operations.

(Dollars in thousands)

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at November 1, 2019:

Assets:		
Current assets	$	3,695
Property and equipment		32,631
Other long-term assets		—
Total assets	$	36,326
Liabilities:		
Current liabilities	$	—
Long-term liabilities		29,610
Total liabilities		29,610
Net assets:		
Unrestricted		6,716
Total net assets		6,716
Total liabilities and net assets	$	36,326

The following table summarizes the Corporation's pro forma consolidated results as though the acquisition date occurred at July 1, 2018:

		2020	2019
Operating revenues	$	1,698,186	1,720,498
Operating expenses		1,656,224	1,657,300
Net operating income		41,962	63,198
Nonoperating income		41,562	42,589
Excess of revenues over expenses	$	83,524	105,787
Changes in net assets:			
Net assets without donor restrictions	$	56,922	71,597
Net assets with donor restrictions		2,120	(763)
Total changes in net assets	$	59,042	70,834

(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. The Corporation received approximately $55,800 in payments from the initial PHSSEF payments of which $48,400 were recognized as revenue and included within other operating revenue for the year ended June 30, 2020 in the accompanying consolidated statement of operations.

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 will now begin 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. In April 2020, the Corporation received approximately $196,100 of accelerated payments, which have been accrued on the consolidated balance sheet as of June 30, 2020 as a contract liability, in accordance with ASC Topic 606 and are included within advances from third-party payors on the accompanying consolidated balance sheets. This contract liability will be reduced over time as revenue is recognized for claims submitted for services provided.

Lastly, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. The Corporation began deferring the employer portion of social security taxes in mid-April 2020. As of June 30, 2020, the Corporation deferred approximately $7,000 in social security taxes.

(Dollars in thousands)

Due to the recent enactment of the CARES Act and the PPPHCE Act, there is still a high degree of uncertainty surrounding their implementation, and the public health emergency continues to evolve. In September and October 2020, HHS issued reporting requirements that provided information on how the Corporation should report how it used the funds received under these programs. The requirements changed the calculations to be based on unreimbursed healthcare-related expenses attributable to the coronavirus and the year-over-year change in net patient care revenues. The Corporation believes that such new guidance is a nonrecognized subsequent event as of June 30, 2020, and any changes will be accounted for during the year ending June 30, 2021. 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.

In July 2020, an additional $38,100 was received by the Corporation related to a targeted allocation under PHSSEF. This funding is considered to be a nonrecognized subsequent event as of June 30, 2020, and the Corporation will evaluate the accounting for these funds during the year ended June 30, 2021.

(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, 2020 and 2019 and consist of the following:

	2020	2019
Assets limited as to use:		
Self-insurance fund:		
Mutual funds	$ 45,047	39,195
Equity securities	20,634	17,829
Alternative investments	3,062	2,931
Self-insurance fund	68,743	59,955
Debt service fund:		
Cash and cash equivalents	16,210	14,197
Government securities	723	3,036
Debt service fund	16,933	17,233

(Dollars in thousands)

		2020	2019
Construction funds:			
Cash and cash equivalents	$	64,413	17,535
Government securities		—	4,965
		64,413	22,500
Total assets limited as to use		150,089	99,688
Less current portion		(81,346)	(39,733)
Assets limited as to use, net of current portion	$	68,743	59,955
Beneficial interest in split-interest agreement	$	4,792	4,997

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, 2020 and 2019. As of June 30, 2020 and 2019 current, long-term, donor-restricted, and board-designated investments are as follows:

		2020	2019
Current, long-term, donor-restricted, and board-designated investments:			
Cash and cash equivalents	$	35,063	29,226
Mutual funds		279,392	317,019
Equity securities		195,582	178,504
Government securities		193,281	9,458
Fixed-income securities		255,358	194,613
Alternative investments		159,968	144,064
Current, long-term, donor-restricted, and board-designated investments		1,118,644	872,884
Less current portion		(470,176)	(219,672)
Long-term, donor-restricted, and board-designated investments	$	648,468	653,212

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, 2020 and 2019:

		2020	2019
Investment income:			
Interest income and dividends	$	18,175	20,340
Unrealized (losses) gains on trading securities		(334)	3,181
Realized gains on sale of securities		19,974	18,498
Investment income		37,815	42,019
Other changes in net assets:			
Changes in unrealized gains on net assets with donor restrictions		476	303
Total investment return	$	38,291	42,322

(6) Liquidity and Availability

Financial assets available for general expenditure within one year of June 30, 2020 and 2019 include the following (in thousands):

		2020	2019
Cash and cash equivalents	$	251,832	167,802
Short-term investments		470,176	219,672
Patient receivables		151,707	171,245
Other receivables		10,253	21,216
Pledges receivables, current		3,386	2,841
Long-term investments (excluding alternatives investments)		238,362	238,784
	$	1,125,716	821,560

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 $191,964 and $213,856 as of June 30, 2020 and 2019, 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.

(Continued)

(Dollars in thousands)

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 million revolving credit facility as discussed in note 12. As of June 30, 2020 and 2019, $5 million 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 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, 2020 and 2019 as follows:

		2020	2019
Gross pledges receivable	$	13,327	12,879
Less:			
Discount for time value of money		(569)	(656)
Allowance for uncollectible accounts		(1,691)	(1,815)
	$	11,067	10,408

The pledges are due as follows:

Less than one year	$	4,054
One to five years		9,273
Five years and thereafter		—
	$	13,327

(Continued)

(Dollars in thousands)

(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:

	Estimated useful life		2020	2019
Land		$	23,736	22,250
Land improvements	8–20 years		40,683	37,234
Building and improvements	10–40 years		1,073,286	991,732
Fixed equipment	8–20 years		113,444	97,740
Movable equipment	3–15 years		642,463	587,592
			1,893,612	1,736,548
Less accumulated depreciation			(1,241,183)	(1,091,865)
			652,429	644,683
Construction in progress			61,581	27,808
Property and equipment, net		$	714,010	672,491

Depreciation and amortization were $89,160 and $86,949 for the years ended June 30, 2020 and 2019, respectively. Of this, depreciation expense was $89,002 and $83,053 for the years ended June 30, 2020 and 2019, respectively.

Included in property and equipment is building and equipment, net of accumulated amortization, of $10,828 and $12,662 for the years ended June 30, 2020 and 2019, respectively, financed with capital lease obligations. Accumulated amortization related to the building and equipment under capital leases was $18,126 and $16,174 at June 30, 2020 and 2019, respectively.

(Dollars in thousands)

(9) Investments in Joint Ventures

Investments in joint ventures and partnerships, accounted for under either the equity or cost method as appropriate, consist of the following at June 30, 2020 and 2019:

Joint Venture	Business purpose	2020 Percentage ownership	2020 Balance	2019 Percentage ownership	2019 Balance
MNR Industries, LLC	Urgent Care Centers	40 % $	19,390	40 % $	21,662
Baltimore County Radiology, LLC	Outpatient Radiology	25	7,365	25	7,905
Mt. Airy Med-Services, LLC	Real Estate	50	3,849	50	4,129
Future Care Old Court, LLC	Nursing Home	40	2,658	40	2,944
Lochearn Nursing Home, LLC	Nursing Home	10	2,000	10	2,000
Mt. Airy Plaza, LLC	Real Estate	50	48	50	1,326
LifeBridge Sports Medicine & Rehabilitation, LLC	Physical Therapy	50	2,114	50	2,158
Advanced Health Collaborative, LLC	Medicare Advantage Plan	25	210	25	210
Carroll Care Pharmacies, LLC	Pharmacies	—	—	49	1,054
Other Joint Ventures	Miscellaneous	5-50	3,816	5-50	4,313
Total		$	41,450	$	47,701

For those joint ventures and partnerships accounted for using the equity method, 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.

(10) Other Assets

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

	2020	2019
Goodwill	$ 38,061	34,924
Investment in Premier	22,469	21,073
Notes receivable	3,410	3,270
Other intangible assets	9,499	10,170
Pension asset (note 14(b))	—	102
Deferred compensation assets	7,846	6,823
Other	1,531	1,099
Other assets	$ 82,816	77,461

(Dollars in thousands)

(11) Long-Term Debt and Capital Lease Obligations

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

	2020	2019
Maryland Health and Higher Educational Facilities Authority (MHHEFA):		
Revenue Bonds Series 2011	$ 2,145	3,140
Revenue Bonds Series 2012A	5,420	51,045
Revenue Bonds Series 2015	158,220	159,621
Revenue Bonds Series 2016	119,435	119,670
Revenue Bonds Series 2017	111,350	114,620
Springwell Senior Living Issue Series 2019	35,439	—
Other debt:		
M&T Bank taxable loan	27,084	31,946
Bank of America note payable	50,000	—
BB&T promissory note	48,350	—
Capital leases	11,365	13,021
Other	25,128	33,922
	593,936	526,985
Less current portion	(24,501)	(14,957)
Plus unamortized premium	26,615	29,628
Less deferred financing costs	(3,839)	(3,825)
Long-term debt, net	$ 592,211	537,831

A single obligated group (the Obligated Group), consisting of LifeBridge, Sinai, Northwest, Grace, Levindale, BJHF, CHSF, CCHS, Carroll, CCMS, CHG, CH, and CRCCP, 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 March 2011, MHHEFA loaned $50,695 from the proceeds of bonds (Series 2011 Bonds) to LifeBridge and certain of its subsidiaries. Portions of the Series 2011 Bonds are payable on July 1 of each year through 2041. The Series 2011 Bonds bear interest at a weighted fixed rate of 5.99%. Approximately $46,040 of the Series 2011 Bonds were repaid as part of the Series 2016 Bond offering, which is further discussed below.

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: $26,995 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 as part of the $48,335 promissory note in 2020, which is discussed below. As a result of the refinancing, there was a loss of $2,557, which is included within nonoperating income on the accompanying statement of operations.

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.

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 2.715% 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.

The Series 2011, 2012A, 2015, 2016, and 2017 Bonds are governed by a Master Loan Agreement. Under the Master Loan Agreement, MHHEFA maintains a security interest in the revenue 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.

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%. A bond can be issued by MHHEFA at the request of Grace and will be issued for the outstanding principal amount of the note payable on that day.

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, and the outstanding principal was $25,000 at June 30, 2020.

In 2017, the Corporation acquired Springwell Partners, LLC (Springwell). Upon acquisition, the Corporation assumed the debt of Springwell. The debt consisted of two term notes that were amended in February 2017. The first term note of $9,000 bore monthly interest of one-month LIBOR plus 1.6% which approximated 4.0% as of June 30, 2019. The second term note of $6,000 bore monthly interest of 4.75%. Both term notes had maturity dates of February 5, 2022 and were secured by certain property and equipment. The outstanding principal of the two notes as of June 30, 2019 was $13,007. The notes were paid off and the loan agreement terminated in July 2019, using proceeds from the bond issuance (see above). Additionally, there was a construction loan that had been drawn on in the amount of $19,404 as of June 30, 2019. This loan had an interest rate of one-month LIBOR plus 1.6%, which approximated 4.0% as of June 30, 2019. The term loan was to mature in February 2022, but was terminated and paid off in July 2019 using proceeds from the bond issuance (see above). As a result of the refinancing, there was a loss of $397, which is included within nonoperating income on the accompanying consolidated statements of operations.

(Dollars in thousands)

Deferred financing costs are amortized using the effective-interest method over the term of the related debt. Amortization expense was $52 and $73 for the years ended June 30, 2020 and 2019, respectively. Such amortization is included in interest expense in the accompanying consolidated statements of operations.

Deferred bond issuance costs are amortized using the effective-interest method over the term of the related debt. Amortization expense was $10 for the years ended June 30, 2020. Such amortization is included in interest expense in the consolidated financial statements.

The Corporation is obligated under several noncancelable capital leases for hospital equipment and office building space.

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

	MHHEFA and other debt	Capital lease obligations
Years ending June 30:		
2021	$ 22,145	2,356
2022	23,118	2,403
2023	28,333	2,451
2024	26,934	2,499
2025	27,915	2,522
Thereafter	454,126	630
	$ 582,571	12,861
Less interest portion		(1,496)
		$ 11,365

(12) M&T Bank Line of Credit

Sinai maintains a $5,000 line of credit with M&T Bank. As of June 30, 2020 and 2019, there were no balances outstanding on this line of credit.

(Dollars in thousands)

(13) Net Assets With Donor Restrictions

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

		2020	2019
Without donor restrictions:			
Designated by the board	$	191,964	213,856
Undesignated		1,051,033	976,767
With donor restrictions:			
Perpetual in nature		18,877	18,248
Purpose restricted – capital		23,527	23,303
Purpose restricted – operations		16,258	14,957
Time restricted		15,371	15,405
Net assets	$	1,317,030	1,262,536

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.

(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, 2020 and 2019:

	2020	2019
Measurement date	June 30, 2020	June 30, 2019
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 253,922	225,136
Service cost	8,993	7,704
Interest cost	9,054	9,372
Actuarial loss	22,982	22,595
Benefits paid	(11,973)	(10,030)
Expenses paid from assets	(905)	(855)
Benefit obligation at end of year	282,073	253,922
Change in plan assets:		
Fair value of plan assets at beginning of year	214,679	209,368
Actual return on plan assets	10,385	11,167
Company contributions	8,239	5,029
Benefits paid	(11,973)	(10,030)
Expenses paid from assets	(905)	(855)
Fair value of plan assets at end of year	220,425	214,679
Funded status	$ (61,648)	(39,243)

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

	2020	2019
Amounts recognized in the consolidated balance sheets:		
Other long-term liabilities	$ 61,648	39,243
Amounts recognized in net assets without donor restrictions:		
Net actuarial loss	$ 88,871	66,466
	$ 88,871	66,466

The Corporation has estimated $8,239 for its defined-benefit contributions to the Sinai/Levindale Plans for the fiscal year ended June 30, 2020. The accumulated benefit obligation for the Sinai/Levindale Plans is $254,034 and $228,163 at June 30, 2020 and 2019, respectively.

(Dollars in thousands)

Net periodic pension expense for the years ended June 30, 2020 and 2019 was as follows:

		2020	2019
Pension costs:			
Service cost	$	8,993	7,704
Interest cost		9,054	9,372
Expected return on plan assets		(14,665)	(14,312)
Amortization of net loss		4,857	4,352
Net periodic benefit cost	$	8,239	7,116

The estimated net actuarial loss and prior service cost to be amortized from unrestricted net assets into net periodic pension benefit cost over the next fiscal year are $7,281 and $4,858, respectively. The Corporation recorded $8,993 and $7,704 of the net periodic benefit cost in salary and employee benefit expense during the years ended June 30, 2020 and 2019, respectively, and recorded $(754) and $(588) in other income, net during the years ended June 30, 2020 and 2019, respectively.

Actuarial assumptions used were as follows:

	2020	2019
Assumptions used to determine annual pension expense:		
Discount rate	3.67 %	4.28 %
Expected return on plan assets	7.00	7.00
Rate of compensation increase	2.50	2.50
Assumptions used to determine end-of-year liabilities:		
Discount rate	3.06 %	3.67 %
Expected return on plan assets	7.00	7.00
Rate of compensation increase	2.50	2.50
Plan asset allocation:		
Asset category:		
Fixed-income/debt securities	25.00 %	25.00 %
Equity securities/mutual funds	54.00	54.00
Alternative investments	21.00	21.00
Total	100.00 %	100.00 %

(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:

	Target
Target allocation on assets:	
Equity securities	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:		
2021	$	14,472
2022		14,752
2023		15,620
2024		15,593
2025		15,328
2026–2030		79,282

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2020 were as follows:

	Pension benefits – Plan assets			
	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 7,235	—	—	7,235
Mutual funds and equity securities	120,790	—	—	120,790
Fixed-income mutual funds	54,399	—	—	54,399
Alternative investments	—	—	38,001	38,001
Total assets	$ 182,424	—	38,001	220,425

(Dollars in thousands)

The fair values of assets of the Sinai/Levindale Plans held by PNC Institutional Investments by level at June 30, 2019 were as follows:

	Pension benefits – Plan assets			
	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 7,359	—	—	7,359
Mutual funds and equity securities	125,323	—	—	125,323
Fixed-income mutual funds	52,842	—	—	52,842
Alternative investments	—	—	29,155	29,155
Total assets	$ 185,524	—	29,155	214,679

For the year ended June 30, 2020 or 2019, 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:

	Total
Balance as of June 30, 2019	$ 29,155
Additions:	
Contributions/purchases	7,728
Disbursements:	
Withdrawals/sales	(1,060)
Net change in value	2,178
Balance as of June 30, 2020	$ 38,001

The following table summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2020:

	Fund 1	Fund 2	Fund 3	Fund 4
Redemption timing:				
Redemption frequency	Monthly	Annually	Quarterly	Quarterly
Required notice	30 days	90 days	30 days	60 days
Audit reserve:				
Percentage held back for audit reserve	-%	5%	-%	-%

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, 2020 and 2019, management believes that all investments were being managed in a manner consistent with the IPS.

Sinai and Levindale expect to contribute $11,101 to the Sinai/Levindale Plan during the year ending June 30, 2021.

(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, 2020 and 2019.

(Dollars in thousands)

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, 2020 and 2019:

		2020	2019
Measurement date		June 30, 2020	June 30, 2019
Change in projected benefit obligation:			
Projected benefit obligation at beginning of year	$	74,342	69,047
Interest cost		2,670	2,890
Actuarial gain		5,220	5,416
Expenses paid		(420)	—
Benefits paid		(3,033)	(3,011)
Benefit obligation at end of year		78,779	74,342
Change in plan assets:			
Fair value of plan assets at beginning of year		74,444	78,870
Actual return on plan assets		4,010	(1,415)
Employer contribution		500	—
Expenses paid		(420)	—
Benefits paid		(3,033)	(3,011)
Fair value of plan assets at end of year		75,501	74,444
Funded status	$	(3,278)	102

The accumulated benefit obligation for the Carroll Plan was $78,779 and $74,342 at June 30, 2020 and 2019, respectively. The pension liability of $(3,278) and the pension asset of $102 as of June 30, 2020 and 2019, respectively, are included in other long-term liabilities and other assets, respectively, in the consolidated balance sheets.

Net periodic pension expense for the years ended June 30, 2020 and 2019 was as follows:

		2020	2019
Pension expense:			
Components of net periodic pension expense:			
Interest cost	$	2,670	2,890
Expected return on plan assets		(5,128)	(5,414)
Amortization of actuarial loss		2,318	802
Net periodic pension expense	$	(140)	(1,722)

(Dollars in thousands)

The estimated net actuarial loss to be amortized from unrestricted net assets into net periodic pension benefit cost over the next fiscal year is $2,883 and $2,318, respectively. The Corporation recorded $(140) and $(1,722) of the net periodic pension expense in other income, net during the years ended June 30, 2020 and 2019, respectively.

Assumptions to determine the benefit obligation as of June 30, 2020 and 2019 were as follows:

	2020	2019
Discount rate	3.06 %	3.67 %

Assumptions used in the determination of net periodic pension expense for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Discount rate	3.67 %	4.28 %
Expected long-term rate of return on plan assets	7.00	7.00

Deferred pension costs, which have not yet been recognized in periodic pension expense but are accrued in net assets without donor restrictions, are $30,913 and $26,892 at June 30, 2020 and 2019, 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.

CCHS's weighted average asset allocations for the plan assets for the years ended June 30, 2020 and 2019 were as follows:

	2020	2019
Cash and cash equivalents	2.0 %	3.0 %
Fixed-income/debt securities	29.0	28.0
Mutual funds and equity securities	56.0	58.0
Alternative investments	13.0	11.0
	100.0 %	100.0 %

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.

(Dollars in thousands)

The following table presents the Carroll Plan's assets measured at fair value at June 30, 2020:

	Pension benefits – Plan assets			
	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 1,589	—	—	1,589
Mutual funds/equities	42,535	—	—	42,535
Fixed-income mutual funds	21,652	—	—	21,652
Alternative investments	—	—	9,725	9,725
Total assets	$ 65,776	—	9,725	75,501

The following table presents the Carroll Plan's assets measured at fair value at June 30, 2019:

	Pension benefits – Plan assets			
	Level 1	Level 2	NAV	Total
Assets:				
Cash and cash equivalents	$ 2,086	—	—	2,086
Mutual funds/equities	42,831	—	—	42,831
Fixed-income mutual funds	20,769	—	—	20,769
Alternative investments	—	—	8,758	8,758
Total assets	$ 65,686	—	8,758	74,444

For the year ended June 30, 2020 or 2019, 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:

	Total
Balance as of June 30, 2019	$ 8,758
Additions:	
Contributions/purchases	2,422
Disbursements:	
Withdrawals/sales	(3,209)
Net change in value	1,754
Balance as of June 30, 2020	$ 9,725

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

(Dollars in thousands)

The following table summarizes redemption terms for the hedge fund-of-funds vehicles held as of June 30, 2020:

	Fund 1	Fund 2	Fund 3	Fund 4
Redemption timing:				
Redemption frequency	Monthly	Annually	Quarterly	Quarterly
Required notice	30 days	90 days	30 days	60 days
Audit reserve:				
Percentage held back for audit reserve	-%	5%	-%	-%

CCHS expects to contribute $360 to the Carroll Plan during the year ending June 30, 2021.

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:

2021	$ 3,406
2022	3,655
2023	3,771
2024	3,888
2025	4,041
2026–2029	21,969
	$ 40,730

(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 $2,700 and $2,200 for the years ended June 30, 2020 and 2019, 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 $6,900 and $6,500 for the years ended June 30, 2020 and 2019, respectively, and is included in salaries and employee benefits in the accompanying consolidated statements of operations.

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 $1,900 and $1,800 for the years ended June 30, 2020 and 2019, 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 $5,400 and $2,600 for the years ended June 30, 2020 and 2019, 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, 2020 and 2019, Carroll has accrued a liability of $949 and $640 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.

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. Most notably, Maryland will be required to generate annual Medicare total-cost-of-care savings of $300 million per year by the end of 2023, with all Maryland hospitals demonstrating total-cost-of-care savings through care redesign initiatives. 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, 2020, Investments has approximately $58,456 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 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 carry forward indefinitely.

(Dollars in thousands)

The net operating loss carryforwards created a federal net deferred tax asset of approximately $12,276 and $11,811 as of June 30, 2020 and 2019, respectively, and a state deferred tax asset of approximately $4,588 and $4,602 as of June 30, 2020 and 2019, 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, 2020 and 2019.

At June 30, 2020, Carroll has approximately $107,902 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 carry forward indefinitely.

The net operating loss carryforwards created a federal net deferred tax asset of approximately $22,659 and $20,593 as of June 30, 2020 and 2019, respectively, and a state deferred tax asset of approximately $6,995 and $6,354 as of June 30, 2020 and 2019, 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, 2020 and 2019.

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 nondeductible expenses and changes in valuation allowance.

(18) Other Long-Term Liabilities

Other long-term liabilities at June 30, 2020 and 2019 are as follows:

		2020	2019
Professional/general liability (note 19(a))	$	70,588	59,839
Pension liability		65,875	39,883
Medical office building		28,222	29,488
Asset retirement obligation		860	3,260
Deferred compensation		7,557	6,473
Other		5,005	2,505
	$	178,107	141,448

At June 30, 2020 and 2019, there was $26,556 and $24,322 included in other current liabilities related to professional liabilities, 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, 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 has accrued a liability for known and incurred but not reported claims of $7,026 and $7,422 at June 30, 2020 and 2019, 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, 2020.

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, 2020 or 2019.

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 $5,656 and $6,332 at June 30, 2020 and 2019, respectively, 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.

(Dollars in thousands)

(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, 2020 and 2019 is as follows:

	2020	2019
Medicare	28 %	31 %
Medicaid	12	9
BlueCross	9	10
Commercial and other	44	42
Self-pay	7	8
	100 %	100 %

The mix of net patient service revenue for the Corporation for the years ended June 30, 2020 and 2019 is as follows:

	2020	2019
Medicare	44 %	44 %
Medicaid	8	5
BlueCross	12	12
Commercial and other	33	35
Self-pay	3	4
	100 %	100 %

(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.

(Dollars in thousands)

(b) Letters of Credit

M&T Bank has established an open letter of credit for Sinai of $211 (which has not been drawn upon) to guarantee Sinai's obligation for liabilities assumed as a member of a risk retention group during the period 1988 to 1994. Additionally, M&T Bank has established a standby letter of credit of $2,662 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 $441 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 Bank has established a standby letter of credit of $84 to serve as collateral as required by the City of Baltimore for the completion of certain construction work at Sinai. 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 $102 for the LifeBridge Health AC as required by the Centers for Medicare and Medicaid Services (CMS).

(c) Operating Leases

The Corporation has entered into operating lease agreements for hospital equipment and office space, which expire on various dates through year 2030. Total rental expense for the years ended June 30, 2020 and 2019 for all operating leases was approximately $30,548 and $31,205, respectively. Future minimum lease payments under all noncancelable operating leases are as follows:

Years ending June 30:		
2021	$	13,758
2022		12,092
2023		10,426
2024		9,728
2025		8,880
Thereafter		23,178
	$	78,062

(Dollars in thousands)

(22) Noncontrolling Interest

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

		LifeBridge Health, Inc.	Noncontrolling interest	Unrestricted net assets
Balance at June 30, 2018	$	1,106,696	18,396	1,125,092
Operating income		47,111	10,021	57,132
Nonoperating income		44,056	—	44,056
Excess of revenues over expenses		91,167	10,021	101,188
Change in funded status of pension plan		(32,548)	—	(32,548)
Net assets released for purchase of property and equipment		3,533	—	3,533
Other		1,990	(8,632)	(6,642)
Change in net assets		64,142	1,389	65,531
Balance at June 30, 2019		1,170,838	19,785	1,190,623
Operating income		36,922	509	37,431
Nonoperating income		41,545	—	41,545
Excess of revenues over expenses		78,467	509	78,976
Change in funded status of pension plan		(26,795)	—	(26,795)
Net assets released for purchase of property and equipment		1,647	—	1,647
Other		(1,361)	(93)	(1,454)
Change in net assets		51,958	416	52,374
Balance at June 30, 2020	$	1,222,796	20,201	1,242,997

(Continued)

(Dollars in thousands)

(23) Functional Expenses

The Corporation provides general healthcare services to patients. Expenses for the years ended June 30, 2020 and 2019 related to providing these services are as follows:

	2020			
	Healthcare services	Other services	General and administrative	Total
Salaries and benefits	$ 656,603	2,777	268,995	928,375
Supplies	186,773	304	76,376	263,453
Purchased services	202,072	1,618	83,006	286,696
Depreciation, amortization, and gain/loss on sale of assets	61,612	1,847	25,701	89,160
Repairs and maintenance	22,013	509	9,138	31,660
Interest	18,055	—	7,375	25,430
	$ 1,147,128	7,055	470,591	1,624,774

	2019			
	Healthcare services	Other services	General and administrative	Total
Salaries and benefits	$ 623,266	2,081	243,190	868,537
Supplies	192,397	332	74,950	267,679
Purchased services	197,305	1,658	77,375	276,338
Depreciation, amortization, and gain/loss on sale of assets	61,789	814	24,346	86,949
Repairs and maintenance	19,247	516	7,685	27,448
Interest	18,945	—	7,367	26,312
	$ 1,112,949	5,401	434,913	1,553,263

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.

(Dollars in thousands)

(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.

(b) Fair Value Hierarchy

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2020:

		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$	115,686	—	—	115,686
Equity securities and mutual funds		540,655	—	—	540,655
Government securities		—	194,004	—	194,004
Fixed-income securities		—	255,358	—	255,358
Beneficial interest in split-interest agreement		—	4,792	—	4,792
Total assets	$	656,341	454,154	—	1,110,495

(Dollars in thousands)

The following table presents assets that are measured at fair value on a recurring basis as of June 30, 2019:

		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$	60,958	—	—	60,958
Equity securities and mutual funds		552,547	—	—	552,547
Government securities		—	17,458	—	17,458
Fixed-income securities		—	194,614	—	194,614
Beneficial interest in split-interest agreement		—	4,997	—	4,997
Total assets	$	613,505	217,069	—	830,574

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, 2020 or 2019, 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, 2020 and through October 22, 2020, the date the consolidated financial statements were issued. Other than described in note 4, the Corporation did not have any material recognizable subsequent events during the period.

Schedule 1

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2020

(Dollars in thousands)

Assets		Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Grace Medical Center	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Current assets:									
Cash and cash equivalents	$	60,220	60,667	42,564	15,617	18,146	54,618	—	251,832
Investments		14,491	3,437	—	276	—	451,972	—	470,176
Assets limited as to use, current portion		14,301	4,867	2,331	215	49,791	9,841	—	81,346
Patient service receivables		80,688	23,337	21,207	8,060	4,917	13,498	—	151,707
Other receivables		111,372	75,930	67,171	25,007	8,939	30,456	(308,622)	10,253
Inventory		29,558	7,651	5,003	348	1,227	233	—	44,020
Prepaid expenses		7,293	1,454	1,598	104	241	11,993	—	22,683
Pledges receivable, current portion		1,915	264	1,034	43	—	130	—	3,386
Total current assets		319,838	177,607	140,908	49,670	83,261	572,741	(308,622)	1,035,403
Board-designated investments		—	—	—	—	—	191,964	—	191,964
Long-term investments		64,120	574	83,196	—	—	250,440	—	398,330
Donor-restricted investments		14,491	—	4,188	—	—	39,495	—	58,174
Reinsurance recovery receivable		—	—	—	—	—	11,138	—	11,138
Assets limited as to use, net of current portion		—	—	—	—	—	68,743	—	68,743
Pledges receivable, net of current portion		3,143	57	4,142	78	—	261	—	7,681
Property and equipment, net		208,864	97,025	142,790	40,404	30,623	194,304	—	714,010
Beneficial interest in split-interest agreement		4,792	—	—	—	—	—	—	4,792
Investment in unconsolidated affiliates		—	—	864	—	—	195,523	(154,937)	41,450
Other assets, net of accumulated amortization		19,148	3,793	16,045	68	360	43,402	—	82,816
Total assets	$	634,396	279,056	392,133	90,220	114,244	1,568,011	(463,559)	2,614,501

(Continued)

Schedule 1

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Balance Sheet Information

June 30, 2020

(Dollars in thousands)

Liabilities and Net Assets		Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr & Hospital	Grace Medical Center	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Current liabilities:									
Accounts payable and accrued liabilities	$	63,878	21,215	15,064	6,266	21,269	296,011	(308,621)	115,082
Accrued salaries, wages, and benefits		41,510	8,404	13,237	3,551	4,243	39,908	—	110,853
Advances from third-party payors		95,242	53,819	48,608	24,719	11,312	1,888	—	235,588
Current portion of long-term debt and capital lease obligations, net		3,836	1,238	1,188	206	9,643	8,390	—	24,501
Other current liabilities		2,205	644	266	—	8,006	30,008	—	41,129
Total current liabilities		206,671	85,320	78,363	34,742	54,473	376,205	(308,621)	527,153
Other long-term liabilities		74,622	9,635	19,109	6,891	2,000	65,850	—	178,107
Long-term debt and capital lease obligations, net		244,329	79,865	128,109	9,474	65,158	65,276	—	592,211
Total liabilities		525,622	174,820	225,581	51,107	121,631	507,331	(308,621)	1,297,471
Net assets:									
Net assets without donor restrictions		59,979	96,101	102,437	38,602	(7,426)	1,043,677	(110,574)	1,222,796
Noncontrolling interest in consolidated subsidiaries		—	—	5,032	—	—	9,533	5,636	20,201
Total net assets without donor restrictions		59,979	96,101	107,469	38,602	(7,426)	1,053,210	(104,938)	1,242,997
Net assets with donor restrictions		48,795	8,135	59,083	511	39	7,470	(50,000)	74,033
Total net assets		108,774	104,236	166,552	39,113	(7,387)	1,060,680	(154,938)	1,317,030
Total liabilities and net assets	$	634,396	279,056	392,133	90,220	114,244	1,568,011	(463,559)	2,614,501

See accompanying independent auditors' report.

Schedule 2

LIFEBRIDGE HEALTH, INC. AND SUBSIDIARIES

Consolidating Statement of Operations Information

Year ended June 30, 2020

(Dollars in thousands)

	Sinai Hospital Consolidated	Northwest Hospital	Carroll Hospital	Levindale Hebrew Geriatric Ctr. & Hospital	Grace Medical Center	Other LifeBridge Entities	Eliminations	LifeBridge Health Consolidated
Unrestricted revenues, gains, and other support:								
Patient service revenue	$ 773,091	249,417	231,624	78,286	31,512	168,678	—	1,532,608
Net assets released from restrictions used for operations	3,508	—	48	69	—	330	—	3,955
Other operating revenue	50,415	10,674	18,745	5,704	5,534	68,271	(33,701)	125,642
Total operating revenues	827,014	260,091	250,417	84,059	37,046	237,279	(33,701)	1,662,205
Expenses:								
Salaries and employee benefits	430,137	135,903	128,190	51,860	28,753	153,131	401	928,375
Supplies	163,810	48,062	20,940	5,995	3,746	20,900	—	263,453
Purchased services	149,124	46,346	58,283	17,740	15,235	34,070	(34,102)	286,696
Depreciation and amortization	30,619	12,707	42,555	3,159	2,153	27,967	—	89,160
Repairs and maintenance	16,850	5,871	4,959	1,427	998	1,755	—	31,660
Interest	1,028	984	4,588	16	187	18,627	—	25,430
Total expenses	791,568	249,673	229,515	80,197	51,072	256,450	(33,701)	1,624,774
Operating income (loss)	35,446	10,418	20,902	3,862	(14,026)	(19,171)	—	37,431
Other income (loss), net:								
Investment income	18,826	4,581	9,026	1,209	—	4,173	—	37,815
Other	991	(30)	(2,062)	(238)	6,602	1,421	—	6,684
Loss on refinancing of debt	—	—	(2,557)	—	—	(397)	—	(2,954)
Total other income, net	19,817	4,551	4,407	971	6,602	5,197	—	41,545
Excess (deficit) of revenues over expenses	$ 55,263	14,969	25,309	4,833	(7,424)	(13,974)	—	78,976

See accompanying independent auditors' report.