

Gallagher_{LLP}

December 5, 2025

VIA EMAIL & FEDERAL EXPRESS MAIL

Ms. Deanna Dunn
deanna.dunn4@maryland.gov
Program Manager
Maryland Health Care Commission
4160 Patterson Avenue
Baltimore, Maryland 21215

Re: Shore Health System, Inc.
Request for Post-Approval Project Change
CON Granted: January 18, 2024
Docket No. 23-20-2463

Dear Ms. Dunn:

On behalf of the applicant Shore Health System, Inc., we are submitting an electronic version of the Request for Post-Approval Project Change to increase the project budget. By separate email, we will provide a WORD version of this request as well as all related Excel files, including the updated MHCC Tables.

We hereby certify that a copy of this submission has also been forwarded to the appropriate local health planning agency as noted below.

If you have questions about the information provided above, please contact us at your convenience.

Sincerely yours,



Mallory Regenbogen



Alison B. Lutich

cc: Douglas Jacobs, MD, Executive Director, MHCC
Wynee Hawk, Director, Center for Health Care Planning & Development, MHCC
Ewurama Shaw-Taylor, Chief, Certificate of Need, MHCC

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Ms. Deanna Dunn

December 5, 2025

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IN THE MATTER OF *
 *
 CERTIFICATE OF NEED TO REPLACE AND *
 * BEFORE THE
 RELOCATE UNIVERSITY OF MARYLAND *
 * MARYLAND HEALTH
 SHORE MEDICAL CENTER AT EASTON *
 * CARE COMMISSION
 Matter No. 23-20-2463 *
 *
 CON Granted January 18, 2024 *
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REQUEST FOR POST-APPROVAL PROJECT CHANGE

Shore Health System, Inc. (“SHS”) respectfully requests that the Maryland Health Care Commission (the “Commission”) approve a post-approval project change to the Certificate of Need (“CON”) issued on January 18, 2024, as described herein.

I. BACKGROUND OF APPROVED PROJECT

On January 6, 2023, SHS filed its CON application to relocate and replace University of Maryland Shore Medical Center at Easton (“UM SMC at Easton”), a general acute care hospital, to an undeveloped 200-acre site located at 10000 Longwoods Road in Easton, approximately three miles from the existing campus. On January 18, 2024, the Commission approved SHS’s CON.

The proposed replacement hospital will include 110 acute care beds, 12 special hospital rehabilitation beds, and 25 observation beds. The hospital will also include an emergency department (ED) with 27 treatment spaces and three behavioral health holding rooms, regulated outpatient clinics, a full-service laboratory, and space for administrative and education functions. The total approved project budget is \$539,558,871.

II. OVERVIEW AND RATIONALE FOR REQUESTED PROJECT CHANGES

A. Target Value Design Process and Prior Project Modifications

As previously discussed with Commission staff, SHS is engaged in the collaborative project delivery (CPD) process, which is a construction project management approach under which all key stakeholders, including the owner, designers, and contractors, work closely together throughout the entire project design process. Some of the key features of this process are: early involvement of stakeholders to help inform decisions; shared responsibility for risks and rewards; and a unified goal of helping control the budget and project timeline. As part of this process, SHS is using the target value design (TVD) model, which focuses on using a proactive approach to design the project to budget by focusing on value and speed of the project. Over the past year, SHS has been obtaining bids and entering into four separate guaranteed

maximum price (GMP) contracts relating to different aspects of the project. SHS has finally received firm pricing for all four GMP contracts and has executed three of the four GMP contracts.

SHS and its stakeholders have evaluated over 475 design components to determine the most cost-efficient means to keep the design in line with the budget and retain the approved programming. Through this process, SHS has avoided over \$76M in potential project costs, which includes \$30M in estimated savings by moving from a pre-fabricated to a site-built central utility plant (CUP). SHS submitted two prior project change filings to the Commission in 2025 to reduce the overall costs of the project, which included the changes to the CUP, eliminating reliance on fossil fuels and moving to a mixture of geothermal and electric power, and reducing the number of cardiac catheterization labs and operating rooms at the new facility. SHS has now exhausted all design-related cost-saving opportunities. SHS is not proposing any further changes to the scope of the project or approved programming and services, as the approved programming and services are essential to serve the needs of the hospital's service area.

B. Requested Increase in Capital Expenditures

SHS seeks a modification of the project costs to increase its capital costs, including financing costs, by \$124,903,000, bringing the total project budget to \$664,461,871. The requested project budget increase represents a 23% increase over the current approved budget of \$539.6M.

A revised project budget is attached as **Exhibit 1**, Table E. **Exhibit 2** provides a side-by-side comparison of the most recent budget that was submitted to MHCC with SHS's August 8, 2025 project change request and the revised budget.

SHS's original budget incorporated a five-year escalation trajectory to reflect expected market inflation from design through project completion. The estimated budget was developed with SHS and UMMS's construction and construction management partners consistent with then-current market indices.

Since the project's approval in January 2024, budget variances have emerged due to recent market conditions that have placed exceptional pressure, particularly in the Mid-Atlantic region, on construction pricing. Inflation and market prices have escalated faster and higher than national forecasts predicted. The greatest factors driving cost increases in the budget include:

- **Mechanical/Electric/Plumbing (MEP) Market Gap:** Intense competition from data centers and AI infrastructure projects has constrained the availability of skilled MEP labor, inflating costs 20-30%¹ above 2024 indices.
- **Single-Source MEP Pricing:** A limited pool of qualified MEP subcontractors further reduced any competitive leverage, driving single-source pricing for several critical bid packages for this project.

¹ The cost increase data cited in this section comes from industry analysis from SHS's construction partners.

- **Increased Material Costs:** Material costs for imported mechanical/electrical components and metals have increased by roughly 10%. Recent federal policies may be driving some of the increased material costs for imported materials, but increases have also been observed for domestic materials as well. Inflation continues to affect steel, conduit, and commodity pricing, which remains approximately 14% above pre-pandemic baseline costs.
- **Increased Labor Costs:** High demand for qualified health care construction labor, particularly in rural and remote markets like Easton, are resulting in an approximate 8% regional wage premium.

SHS estimates that approximately 83% or \$104M of the \$124.9M budget increase is attributable to increased construction costs driven by the factors described above. The other increased costs are from minor cost increases in equipment, IT, furniture/fixtures, and design and permitting. One additional change to note in the revised budget is that the New Construction Subtotal line has increased while the Subtotal for Other Capital Costs has decreased. The reason for this is that the CUP costs are now classified as Construction Building Costs since it will be stick-built, whereas in the original budget the majority of the CUP costs (\$40M) were classified as equipment since it was a prefabricated CUP.

The original budget carried a project contingency of \$19.5M to address design maturity, procurement timing, and market volatility. With most of the project design and construction costs now committed, SHS is adding an additional \$2.7M in contingency for a total of \$22.1M, given the current phase in the project and declining cost exposures.

While SHS is requesting a significant increase to its original budget, the cost increase percentage is in line with (and in fact, slightly below) the other CON project budget increase percentages that have been approved in the last several years.² This trend is indicative of the market conditions described above, which have persisted and accelerated since the SHS budget was originally formulated.

C. Additional Sources of Funds

SHS intends to fund the additional \$124.9M in project costs with a combination of:

- **Increased Philanthropy:** SHS has increased its philanthropy goal for the project from \$50M to \$100M. As of November 2025, University of Maryland Shore Regional Health has received pledges for financial contributions to the new regional medical center totaling \$65M. The fundraising target for the project has been increased to \$100M in financial contributions from the donor community.

² See *In re Adventist Health Care Shady Grove Medical Center*, Docket No. 20-15-2443 (May 18, 2023) (The Commission approves a 38% increase in the original project budget); *In re University of Maryland Medical Center*, Docket No. 19-24-2438 (Oct. 19, 2023) (The Commission approves a 37% increase in the original project budget for the UM Greenebaum Comprehensive Cancer Center); *In re Chesapeake Eye Surgery Center*, Docket No. 22-02-2461 (Sept. 19, 2024) (The Commission approves an 85% increase in the original project budget).

In the event SHS were to fall short of this fundraising goal, the default plan would be to increase the debt or use cash from University of Maryland Medical System (UMMS) to fund the balance.

- **Additional Debt:** SHS plans to fund the remainder of the project through additional debt issued by UMMS. The additional debt required for this project change is estimated to be \$68.7M and additional interest income on bond proceeds is estimated to be \$6.2M. UMMS intends to issue additional debt for this project in the fourth quarter of calendar year 2026 (FY 2027).

Table 1 below shows the sources of funds by category from the original budget and the proposed changes to the sources of funds.

Table 1
Sources of Funds Variance by Category

Sources of Funds	Original Budget	Proposed Budget	Variance
Cash	\$38.6M	\$38.6M	--
Philanthropy	\$50M	\$100M	+\$50M
Authorized Bonds	\$333.3M	\$402.0M	+68.7M
Interest Income on Bonds	\$17.7M	\$23.9M	+\$6.2M
State Grants	\$100M	\$100M	--
Total Sources of Funds	\$539.6M	\$664.4M	+\$124.9M

UMMS’s bond ratings remain stable, with the most recent assessments in December 2024 confirming an A2 rating from Moody’s and an A rating from S&P. The audited FY 2025 financial statements are provided in **Exhibit 3**. UMMS maintains strong debt capacity and does not anticipate any challenges in securing financing for the additional amounts required to support this project change.

To date, the State of Maryland has provided \$50M of the \$100M in State support for this project. The remaining \$50M disbursement from the State is expected to be received from FY 2027 through FY 2029.

D. Updated Financial Projections

SHS has updated its financial projections from the original CON application to account for the additional depreciation and interest that will result from the budget increase. See **Exhibit 1**, Tables G and H and updated assumptions. As shown in Table H, SHS is expected to generate excess revenue over expenses in FY 2029 of \$20.8M, the year in which it initiates operations at the new hospital and is projected to maintain a positive operating margin throughout the projection period.

E. Updated Marshall Valuation Service (MVS) Analysis

SHS has updated its MVS analysis in light of the proposed project budget increase. As a preliminary step, SHS reviewed and updated Tables B (Departmental Gross Square Feet) and C (Construction Characteristics) of the MHCC Table set to reflect design changes that have occurred through the design process.

At the time of CON submission in January 2023, the design of the hospital utilized a 28 foot by 28 foot structural grid on the east side of the building. Through the design progress following CON submission, the structural grid was increased to 30 foot by 30 foot, a typical grid size for community hospitals and the grid size already in use on the west side of the building. This resulted in a net add of approximately 16,619 square feet across all six levels of the hospital without changing the proposed program or physical bed count in any department. This decision was key in creating ICU/CCU rooms that meet FGI clearance requirements on Level 4 while maintaining private toilets in every room as well as critical equipment maneuvering space. Due to the design of the inpatient floors, with two rooms fitting within one structural bay to allow for minimal column impedance in clinical space, this creates an additional foot of width in every patient room. This allowed SHS to create industry-aligned patient and family resources, such as lay-flat sleeping surfaces and patient recliners to encourage early mobility, within every room. SHS’s change from a prefabricated CUP to a stick-built CUP also resulted in an addition of 3,727 square feet. Together, these two changes add 20,346 SF to the building gross square footage from the January 2023 CON submission. See **Exhibit 1**, Tables B and C.

SHS’s updated MVS analysis is included as **Exhibit 4**. Below is a summary of the updated MVS analysis with the hospital project’s cost per square foot (after adjustment for extraordinary costs) in comparison to the MVS benchmark.

**Table 2
Updated MVS Benchmark and Project Cost**

Adjusted Hospital Cost per SF	\$844.17
MVS Benchmark per SF	\$646.81
Difference	\$197.36

F. Other Recent Regional Construction Cost Benchmarks

Although the updated adjusted project cost per square foot of \$844.17 is above the MVS Benchmark of \$646.81, recent data from SHS’s architect and construction partners shows that other ongoing and recent hospital construction projects have had a similar cost per square foot. Given the extreme escalations in construction pricing in the last several years, the MVS benchmark may not fully reflect the current costs hospitals are facing for construction in the current market, particularly in the Mid-Atlantic region. Table 3 below provides costs per square foot data from SHS’s architect and construction partner of new construction for hospital bed towers or community hospitals for projects served out of the architect and construction partner’s

Mid-Atlantic offices from 2020 to 2025.³ While the number of projects completed in the 2020 to 2022 time frame is more limited, the data shows a precipitous increase in costs per square foot for large, hospital construction projects completed in 2023 to expected completion in 2025, compared with those projects that were completed in the 2020 to 2022 time frame. The average cost per square foot for the 2020 to 2022 projects is approximately \$575, while the average cost per square foot for the 2023 to 2025 projects is \$947, a difference of \$372 per square foot or a 65% increase from the 2020 to 2022 average.⁴ SHS’s adjusted project cost per square foot of \$844.17 is slightly below the average cost per square foot of \$947 of other recent projects in the Mid-Atlantic region.

**Table 3
Data on Other Recent Hospital Projects’ Cost Per Square Foot**

Project ID	Year Complete / Current Estimate	Cost / SF¹
1	2025 current estimate	\$807.22
2	2025 current estimate	\$786.93
3	2025 current estimate	\$1,309.79
4	2025 current estimate	\$970.31
5	2025 current estimate	\$875.18
6	2024	\$880.28
7	2023	\$995.81
8	2022	\$556.85
9	2021	\$517.83
10	2020	\$649.01

Source: HKS and Whiting-Turner internal data.

1. The cost per SF data excludes sitework costs to create an apples-to-apples comparison since SHS’s site preparation costs are largely excluded as extraordinary costs in the MVS analysis.

³ Two of the hospital projects in Table 2 are located in the Midwest and the remainder are in the Mid-Atlantic region.

⁴ Even by removing Project 3 (which has the highest cost per square foot of \$1,309.79), the average cost per square foot for projects completed within the 2023 to 2025 time frame is approximately \$886, which is a variance of \$311 per square foot or a 54% increase from the 2020 to 2022 time frame average.

III. PROJECT TIMELINE

SHS initiated building sitework for this project during summer of 2024 and construction has been underway since spring of 2025. The project delivery team recently delayed commitment of funds for the fourth and final GMP construction package to investigate opportunities to mitigate the unexpected market factors impacting the project's costs. The fourth GMP contract must be awarded by February 2026 to maintain the project's schedule. If construction remains on schedule, construction is expected to be completed during summer of 2028 with building occupancy occurring in fall of 2028.

Time is of the essence for the Commission's review and approval of this project change request. SHS urgently needs approval to authorize obligation of funds to award the final GMP construction contract and other fit-out packages for construction of the new regional medical center. Timely approval by the Commission is necessary to preserve the present pricing for the final GMP contract and to avoid any further cost escalations that have already been astronomical in 2025. Further, to keep the project on schedule, a significant amount of work needs to occur early in 2026 that will first require approval of this project change to authorize additional spending for various fit-out-packages related to this work. Due to these time constraints – which, if not met, could further increase the project's costs – SHS respectfully requests that the Commission review and approve this project change request by no later than February 2026.

IV. THE REQUESTED PROJECT CHANGES ARE APPROVABLE

Commission regulation COMAR § 10.24.01.17A requires notification by a CON holder of any proposed project changes. Only certain types of project changes identified at COMAR § 10.24.01.17C are impermissible, including fundamental changes in the nature of the facility or services that were approved, increases in total licensed bed capacity or operating room inventory, or changes in the medical services provided or approved. The proposed capital cost increase is a permissible project change that requires review by the Commission. COMAR § 10.24.01.17B.

CONCLUSION

For the reasons set forth above, SHS respectfully requests that the Commission approve the project change described above.

Respectfully submitted,



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Attorney for Shore Health System, Inc.

Date: December 5, 2025

Attachment

INDEX OF EXHIBITS

<u>Exhibits</u>	<u>Description</u>
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- | | |
|----|--|
| 1. | Updated MHCC Tables |
| 2. | Comparison of Project Budgets |
| 3. | UMMS Financial Statements |
| 4. | Shore Health System's Updated MVS Analysis |

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I hereby declare and affirm under penalties of perjury that the facts stated in this Request for Post Approval Project Change dated December 5, 2025 and its attachments are true and correct to the best of my knowledge, information, and belief.

12/2/2025

Date

Signed by:

LuAnn Brady

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LuAnn Brady

Senior Vice President

Chief Operating Officer

University of Maryland Shore Regional Health

I hereby declare and affirm under penalties of perjury that the facts stated in this Request for Post Approval Project Change dated December 5, 2025 and its attachments are true and correct to the best of my knowledge, information, and belief.

12/2/2025

Date

DocuSigned by:

paul nicholson

F83515529A254CC...

Paul Nicholson, MBA, FHFMA
Senior Vice President for Finance
University of Maryland Shore Regional Health

I hereby declare and affirm under penalties of perjury that the facts stated in this Request for Post Approval Project Change dated December 5, 2025 and its attachments are true and correct to the best of my knowledge, information, and belief.

12/2/2025

Date

DocuSigned by:

Richie Stever

97A8762E51904F5...

Richie Stever, MHA, SASHE
Vice President of Real Estate and Construction
University of Maryland Medical System

I hereby declare and affirm under penalties of perjury that the facts stated in this Request for Post Approval Project Change dated December 5, 2025 and its attachments are true and correct to the best of my knowledge, information, and belief.

12/2/2025

Date

DocuSigned by:

Brian Sturm

74AA54F674C0491...

Brian Sturm

Vice President, Corporate Decision
Support & Capital Planning

University of Maryland Medical System

I hereby declare and affirm under penalties of perjury that the facts stated in this Request for Post Approval Project Change dated December 5, 2025 and its attachments are true and correct to the best of my knowledge, information, and belief.

12/2/2025

Date

Signed by:

Emily Dickinson

CFEA1156B00B49C...

Emily Dickinson
Vice President
HKS, Inc.

EXHIBIT 1

TABLE A. PHYSICAL BED CAPACITY BEFORE AND AFTER PROJECT

INSTRUCTIONS: Identify the location of each nursing unit (add or delete rows if necessary) and specify the room and bed count before and after the project in accordance with the definition of physical capacity noted below. Applicants should add columns and recalculate formulas to address rooms with 3 and 4 bed capacity. NOTE: Physical capacity is the total number of beds that could be physically set up in space without significant renovations. This should be the maximum operating capacity under normal, non-emergency circumstances and is a physical count of bed capacity, rather than a measure of staffing capacity. A room with two headwalls and two sets of gasses should be counted as having capacity for two beds, even if it is typically set up and operated with only one bed. A room with one headwall and one set of gasses is counted as a private room, even if it is large enough from a square footage perspective to be used as a semi-private room, since renovation/construction would be required to convert it to semi-private use. If the hospital operates patient rooms that contain no headwalls or a single headwall, but are normally used to accommodate one or more than one patient (e.g., for psychiatric patients), the physical capacity of such rooms should be counted as they are currently used.

Before the Project							After Project Completion					
Hospital Service	Location (Floor/Wing)*	Licensed Beds: 7/1/2022	Based on Physical Capacity				Hospital Service	Location (Floor/Wing)*	Based on Physical Capacity			
			Room Count			Bed Count			Room Count			Bed Count
			Private	Semi-Private	Total Rooms	Physical Capacity			Private	Semi-Private	Total Rooms	Physical Capacity
ACUTE CARE							ACUTE CARE					
General Medical/ Surgical*		62					General Medical/ Surgical*		74			
MedSurg	2 East		19	6	25	31	MedSurg	3	26	0	26	26
Surgical/Medical	3 East		10	10	20	30	MedSurg	4	24	0	24	24
Neuro	4 East		6	2	8	10	MedSurg	5	24	0	24	24
Joint	4 East		5	3	8	11					0	0
Telemetry	4 South		20	4	24	28					0	0
SUBTOTAL Gen. Med/Surg*		62	60	25	85	110	SUBTOTAL Gen. Med/Surg*		74	0	74	74
ICU/CCU		10	10	0	10	10	ICU/CCU	4	12	0	12	12
<i>Other (Specify/add rows as needed)</i>					0	0					0	0
TOTAL MSGA		72	70	25	95	120	TOTAL MSGA		86	0	86	86
Obstetrics Total		13			0	13	Obstetrics Total		11		11	11
5 East (LDRP)	Birthing Center 5E		10	0	10	10	LDRP	3	1	0	1	1
Antepartum	Birthing Center 5E		3	0	3	3	Postpartum	3	8	0	8	8
OR 5 East	Birthing Center 5E		1	0	1	1	Antepartum	3	2	0	2	2
PACU 5 East	Birthing Center 5E		1	0	1	1					0	0
Triage 5 East	Birthing Center 5E		3	0	3	3					0	0
Pediatrics		3	1	2	3	5	Pediatrics	3	1	0	1	1
Psychiatric	3 South	10	4	4	8	12	Psychiatric	6	12	0	12	12
TOTAL ACUTE		98	75	31	106	150	TOTAL ACUTE		110	0	110	110
NON-ACUTE CARE							NON-ACUTE CARE					
Dedicated Observation**					0	0	Dedicated Observation**	1	25	0	25	25
Rehabilitation	5 South	20	3	6	9	15	Rehabilitation	5	12	0	12	12
Comprehensive Care					0	0	Comprehensive Care				0	0
<i>Other (Specify/add rows as needed)</i>					0	0	<i>Other (Specify/add rows as needed)</i>				0	0
TOTAL NON-ACUTE		20	3	6	9	15	TOTAL NON-ACUTE		37	0	37	37
HOSPITAL TOTAL		118	78	37	115	165	HOSPITAL TOTAL		147	0	147	147

* Include beds dedicated to gynecology and addictions, if unit(s) is separate for acute psychiatric unit

TABLE B. DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT

REVISED

INSTRUCTION: Add or delete rows if necessary. See additional instruction in the column to the right of the table.

DEPARTMENT/FUNCTIONAL AREA	DEPARTMENTAL GROSS SQUARE FEET				
	Current	To be Added Thru New Construction	To Be Renovated	To Remain As Is	Total After Project Completion
Inpatient Nursing Units					
Intensive Care	6,090	11,700	0	0	11,700
Med / Surg (Telemetry / Neuro)	16,317	incl in M/S Unit	0	0	0
Rehab (Requard Center)	8,700	14,624	0	0	14,624
Med / Surg (General)	29,738	48,334	0	0	48,334
Pediatric Unit	2,300	incl in M/S Unit	0	0	0
Med / Surg (Joint, Med/Surg)	6,810	incl in M/S Unit	0	0	0
Obstetrics incl. nursery	15,623	21,803	0	0	21,803
Behavioral Health Unit	9,775	13,067			13,067
Subtotal	95,353	109,528	0	0	109,528
Diagnostic & Treatment					
Clinical Lab / Pathology	7,451	10,987	0	0	10,987
Emergency Department	17,570	24,170	0	0	24,170
Inpatient Dialysis	2,298	2,814	0	0	2,814
Imaging Department	16,680	16,259	0	0	16,259
Interventional Suite (incl O.R.'s, Cath, EP, PACU)	23,040	36,198	0	0	36,198
Prep / Stage 2 Recovery	3,889	10,466	0	0	10,466
Pre-Anesthesia Testing	400	286	0	0	286
Observation Unit	0	11,632	0	0	11,632
Respiratory Therapy	1,927	1,906	0	0	1,906
Subtotal	73,255	114,718	0	0	114,718
Administrative / Public Services					
Auxiliary	126	411	0	0	411
Admitting / Registration	3,845	1,974	0	0	1,974
Chapel	170	459	0	0	459
Education Center / Med Library	6,289	4,333	0	0	4,333
Gift Shop	1,106	694	0	0	694
Hospitalist Suite	1,259	0	0	0	0
On-Call	1,034	1,806	0	0	1,806
Executive Admin	6,252	Included in Nursing Admin	0	0	0
Medical Records	7,933	114	0	0	114

TABLE B. DEPARTMENTAL GROSS SQUARE FEET AFFECTED BY PROPOSED PROJECT

REVISED

Quality Team	1,055	Included in Nursing Admin	0	0	0
Human Resources / Employee Health	1,900	Included in Nursing Admin	0	0	0
Nursing Administration / Staff offices	1,835	17,726	0	0	17,726
Information Technology	1,900	1,648	0	0	1,648
Lobby Services	1,255	3,038	0	0	3,038
Subtotal	35,959	32,203	0	0	32,203
Support Services					
EVS / Linen / Facilities / Mat. Mgmt	9,389	13,277	0	0	13,277
Biomed	600	1,149			1,149
Maryland Express Care Suite	795	Included in Nursing Admin	0	0	0
Sterile Processing	4,658	7,343	0	0	7,343
Pharmacy	4,181	4,916	0	0	4,916
Security	420	1,037	0	0	1,037
Morgue	500	424			424
Food & Nutrition	9,176	13,824	0	0	13,824
Subtotal	29,719	41,970	0	0	41,970
Clinics					
Cardiopulmonary / Vascular	2,502	6,151	0	0	6,151
Education Center	983	incl in Education above			
Behavioral Health Outpatient Clinic	1,077	2,907	0	0	2,907
Cardio Rehab	2,700	3,698	0	0	3,698
Diabetes Clinic	3,487	2,804	0	0	2,804
Infusion Center	1,760	2,078	0	0	2,078
Pain Management Clinic	2,402	2,804	0	0	2,804
Sleep Lab	1,078	0	0	0	0
Multi-Specialty Clinic	1,645	5,541	0	0	5,541
Outpatient Lab Draw	556	746	0	0	746
Subtotal	18,190	26,729	0	0	26,729
Total Department Gross SF					
	252,476	325,148			325,148
Building Grossing Factor	113,590	73,154	0	0	73,154
Penthouse	5,550	3,804	0	0	3,804
Central Plant	16,917	26,112	0	0	26,112
Total Building Gross SF	366,066	428,218			428,218

TABLE C. CONSTRUCTION CHARACTERISTICS

REVISED

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table C for each structure.

	NEW CONSTRUCTION		RENOVATION
	Hospital	Central Utility Plant	
BASE BUILDING CHARACTERISTICS	Check if applicable		
Class of Construction (for renovations the class of the building being renovated)*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Class A	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Class B	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Class C	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Class D	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Type of Construction/Renovation*			
Low	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Average	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Good	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Excellent	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of Stories	6 plus penthouse		1

*As defined by Marshall Valuation Service

PROJECT SPACE	List Number of Feet, if applicable	
Total Square Footage	402,106	26,112
Basement	n/a	
First Floor	141,697	26,112
Second Floor	112,306	
Third Floor	47,237	
Fourth Floor	38,820	
Fifth Floor	37,521	
Sixth Floor	20,721	
Penthouse	3,804	
Average Square Feet	57,444	26,112
Perimeter in Linear Feet	Linear Feet	
Basement	n/a	
First Floor	2,146	688
Second Floor	2,114	
Third Floor	1,229	
Fourth Floor	1,165	
Fifth Floor	1,125	
Sixth Floor	706	
Penthouse	250	
Total Linear Feet	8,734	688
Average Linear Feet	1,248	688
Wall Height (floor to eaves)	Feet	
Basement	n/a	
First Floor	17.33	25
Second Floor	17.33	
Third Floor	14.67	
Fourth Floor	14.67	
Fifth Floor	14.67	
Sixth Floor	14.67	
Penthouse	21.83	
Average Wall Height	16.45	
OTHER COMPONENTS		
Elevators	List Number	
Passenger	3	0
Freight	3	0
Trauma	1	0
Sprinklers	Square Feet Covered	
Wet System	402,106	26,112
Dry System		
Other	Describe Type	
Type of HVAC System for proposed project	Excellent Grade - Forced Air: VAV / Constant Volume, Digitally Controlled	
Type of Exterior Walls for proposed project	Glass Curtain Wall, Brick Veneer, Metal Panels, Cultured Stone	

TABLE D. ONSITE AND OFFSITE COSTS INCLUDED AND EXCLUDED IN MARSHALL VALUATION COSTS

REVISED

INSTRUCTION: If project includes non-hospital space structures (e.g., parking garages, medical office buildings, or energy plants), complete an additional Table D for each structure.

	NEW CONSTRUCTION COSTS	RENOVATION COSTS
SITE PREPARATION COSTS		
Normal Site Preparation	\$649,215	
Utilities from Structure to Lot Line	In Offsite Costs	
Subtotal included in Marshall Valuation Costs	\$649,215	
Paving and Roads	\$6,091,611	
Demolition	\$412,500	
Storm Drains	\$3,282,000	
Rough Grading	\$2,455,794	
Landscaping	\$4,239,791	
Sediment Control & Stabilization	\$375,000	
Helipad	\$55,000	
Water	\$91,350	
Sewer	\$146,160	
Premium for Labor Shortages on Eastern Shore Projects	\$2,664,598	
Premium for Prevailing Wage	\$2,664,598	
Premium for Minority Business Enterprise Requirement	\$1,090,430	
Subtotal On-Site excluded from Marshall Valuation Costs	\$23,568,831	
OFFSITE COSTS		
Roads	\$6,653,000	
Pump Station	\$1,118,520	
8" to 12" Force Main	\$1,560,000	
Misc.	\$780,000	
EASTON ELECTRICAL SERVICE	\$704,369	
EASTON GAS SERVICE TO PROPERTY	\$254,196	
Verizon	\$1,170,497	
MD Broad Band (Fiber)	\$1,592,448	
Chop Tank (Electric)	\$2,826,004	
Cable TV	\$3,532,880	
Other (Specify/add rows if needed)		
Subtotal Off-Site excluded from Marshall Valuation Costs	\$20,191,914	
TOTAL Estimated On-Site and Off-Site Costs <u>not</u> included in Marshall Valuation Costs	\$43,760,745	\$0
TOTAL Site and Off-Site Costs included and excluded from Marshall Valuation Service*	\$44,409,960	\$0
BUILDING COSTS		
Normal Building Costs	\$288,623,150	
Subtotal included in Marshall Valuation Costs	\$288,623,150	
Canopy	\$2,150,269	
Premium for Labor Shortages on Eastern Shore Projects	\$21,916,020	
LEED Silver Premium	\$14,610,680	
Pneumatic Tube System	\$1,285,875	
Signs	\$154,305	
Premium for Prevailing Wage	\$21,916,020	
Premium for Minority Business Enterprise Requirement	\$14,610,680	
Subtotal Building Costs excluded from Marshall Valuation Costs	\$76,643,849	
TOTAL Building Costs included and excluded from Marshall Valuation Service*	\$365,266,998	\$0
A&E COSTS		
Normal A&E Costs	\$20,475,877	
Subtotal included in Marshall Valuation Costs	\$20,475,877	
Subtotal A&E Costs excluded from Marshall Valuation Costs	\$0	
TOTAL A&E Costs included and excluded from Marshall Valuation Service*	\$20,475,877	\$0
PERMIT COSTS		
Normal Permit Costs	\$5,547,665	
Subtotal included in Marshall Valuation Costs	\$5,547,665	
Subtotal Permit Costs excluded from Marshall Valuation Costs	\$0	
TOTAL Permit Costs included and excluded from Marshall Valuation Service*	\$5,547,665	\$0

TABLE E. PROJECT BUDGET

REVISED

INSTRUCTION: Estimates for Capital Costs (1.a-e), Financing Costs and Other Cash Requirements (2.a-g), and Working Capital Startup Costs (3) must reflect current costs as of the date of application and include all costs for construction and renovation. Explain the basis for construction cost estimates, renovation cost estimates, contingencies, interest during construction period, and inflation in an attachment to the application. See additional instruction in the column to the right of the table.

NOTE: Inflation should only be included in the Inflation allowance line A.1.e. The value of donated land for the project should be included on Line A.1.a as a use of funds and on line B.8 as a source of funds

	Hospital Building	CUP	Total
A. USE OF FUNDS			
1. CAPITAL COSTS			
a. Land Purchase	\$2,464,658		\$2,464,658
b. New Construction			
(1) Building	\$294,021,750	\$71,245,248	\$365,266,998
(2) Fixed Equipment	In Building	In Building	In Building
(3) Site and Infrastructure	\$36,933,315	\$7,476,645	\$44,409,960
(4) Architect/Engineering Fees	\$20,100,877	\$375,000	\$20,475,877
(5) Permits (Building, Utilities, Etc.)	\$5,547,665	\$0	\$5,547,665
SUBTOTAL	\$356,603,607	\$79,096,893	\$435,700,501
c. Renovations			
(1) Building			\$0
(2) Fixed Equipment (not included in construction)			\$0
(3) Architect/Engineering Fees			\$0
(4) Permits (Building, Utilities, Etc.)			\$0
SUBTOTAL	\$0	\$0	\$0
d. Other Capital Costs			
(1) Movable Equipment	\$87,960,731		\$87,960,731
(2) Contingency Allowance	\$19,650,943	\$2,478,023	\$22,128,966
(3) Gross interest during construction period	\$46,609,270	\$8,160,730	\$54,770,000
(4) Other (Specify/add rows if needed)			\$0
Easton Utility Fees	\$9,000,000		\$9,000,000
EDU'S			\$0
Impact Fee (Town) / County	\$1,545,968		\$1,545,968
Forest Conservation			\$0
Builder's Risk Insurance	\$500,000		\$500,000
HOSPITAL MOVE	\$550,000		\$550,000
UMMS/OVHO	\$1,500,000		\$1,500,000
Previous Expenditures (Design/Planning/etc)	\$7,771,990		\$7,771,990
SUBTOTAL	\$175,088,902	\$10,638,753	\$185,727,655
TOTAL CURRENT CAPITAL COSTS	\$534,157,167	\$89,735,646	\$623,892,814
e. Inflation Allowance	\$25,435,020	\$3,305,038	\$28,740,058
TOTAL CAPITAL COSTS	\$559,592,187	\$93,040,684	\$652,632,871
2. Financing Cost and Other Cash Requirements			
a. Loan Placement Fees	\$3,145,468	\$546,532	\$3,692,000
b. Bond Discount	\$0		\$0
c. CON Application Assistance			\$0
c1. Legal Fees	\$150,000		\$150,000
c2. Other (Specify/add rows if needed)			\$0
Accounting, Architectural, Planning	\$850,000		\$850,000
d. Non-CON Consulting Fees			
d1. Legal Fees			\$0
d2. Other (Specify/add rows if needed)			
IT Design	\$75,000		\$75,000
SHA Study	\$300,000		\$300,000
Geo-tech consult (if needed)	\$75,000		\$75,000
Project Development Consultant	\$4,500,000		\$4,500,000
CM Preconstruction Fees	\$200,000		\$200,000
Exterior Wall Mock Up & Testing	\$500,000		\$500,000
Scheduling	\$200,000		\$200,000

TABLE E. PROJECT BUDGET

REVISED

Third Party Inspections	\$750,000		\$750,000
Third Party Building Permit Review	\$400,000		\$400,000
Curtainwall Testing	\$137,000		\$137,000
e. Debt Service Reserve Fund	\$0		\$0
f Other (Specify/add rows if needed)			\$0
			\$0
e. Liquidation of Existing Debt			\$0
f. Debt Service Reserve Fund	\$0		\$0
g. Other (Specify/add rows if needed)			\$0
SUBTOTAL	\$11,282,468	\$546,532	\$11,829,000
3. Working Capital Startup Costs			\$0
# TOTAL USES OF FUNDS	\$570,874,655	\$93,587,216	\$664,461,871
B. Sources of Funds			
1. Cash	\$38,588,871	\$0	\$38,588,871
2. Philanthropy (to date and expected)	\$100,000,000	\$0	\$100,000,000
3. Authorized Bonds	\$313,911,274	\$88,098,726	\$402,010,000
4. Interest Income from bond proceeds listed in #3	\$18,374,510	\$5,488,490	\$23,863,000
5. Mortgage			\$0
6. Working Capital Loans			\$0
7. Grants or Appropriations			
a. Federal			\$0
b. State	\$100,000,000		\$100,000,000
c. Local			\$0
8. Other (Specify/add rows if needed)			\$0
TOTAL SOURCES OF FUNDS	\$570,874,655	\$93,587,216	\$664,461,871
Annual Lease Costs (if applicable)			
1. Land			\$0
2. Building			\$0
3. Major Movable Equipment			\$0
4. Minor Movable Equipment			\$0
5. Other (Specify/add rows if needed)			\$0
Describe the terms of the lease(s) below, including information on the fair market value of the item(s), and the number of years, annual cost, and the interest rate for the lease.			

TABLE F. STATISTICAL PROJECTIONS - Shore Health System

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1. DISCHARGES												
a. MSGA	4,245	3,885	3,944	4,004	4,065	4,129	4,194	4,260	4,329	4,400	4,472	4,547
Total MSGA	4,245	3,885	3,944	4,004	4,065	4,129	4,194	4,260	4,329	4,400	4,472	4,547
b. Pediatrics	8	27	27	27	27	27	27	27	27	27	27	27
c. Obstetrics	1,030	999	1,004	1,012	1,020	1,028	1,036	1,044	1,052	1,060	1,069	1,077
e. Psych	432	349	350	351	352	353	355	356	478	480	481	483
f. Rehabilitation	312	191	198	206	214	222	231	239	249	259	269	279
Total Acute	6,027	5,451	5,523	5,599	5,678	5,759	5,842	5,927	6,135	6,225	6,318	6,413
g. Other (Specify/add rows of needed)												
TOTAL DISCHARGES	6,027	5,451	5,523	5,599	5,678	5,759	5,842	5,927	6,135	6,225	6,318	6,413
2. PATIENT DAYS												
a. MSGA	20,454	21,888	22,224	22,469	22,720	22,978	23,242	23,619	24,006	24,403	24,812	25,231
Total MSGA	20,454	21,888	22,224	22,469	22,720	22,978	23,242	23,619	24,006	24,403	24,812	25,231
b. Pediatrics	20	72	72	72	72	72	72	72	72	72	72	72
c. Obstetrics	1,865	1,892	1,901	1,916	1,931	1,946	1,962	1,977	1,993	2,008	2,024	2,040
e. Psych	3,648	1,996	2,014	2,033	2,052	2,071	2,091	2,111	2,854	2,882	2,910	2,938
f. Rehabilitation	3,040	2,197	2,280	2,367	2,457	2,550	2,648	2,750	2,857	2,967	3,083	3,203
Total Acute	29,027	28,045	28,492	28,857	29,232	29,618	30,015	30,529	31,781	32,333	32,900	33,485
g. Other (Specify/add rows of needed)												
TOTAL PATIENT DAYS	29,027	28,045	28,492	28,857	29,232	29,618	30,015	30,529	31,781	32,333	32,900	33,485

TABLE F. STATISTICAL PROJECTIONS - Shore Health System

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
3. AVERAGE LENGTH OF STAY (patient days divided by discharges)												
a. MSGA	4.8	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5
Total MSGA	4.8	5.6	5.6	5.6	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.5
b. Pediatrics	2.5	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
c. Obstetrics	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
e. Psych	8.4	5.7	5.8	5.8	5.8	5.9	5.9	5.9	6.0	6.0	6.0	6.1
f. Rehabilitation	9.7	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5
Total Acute	4.8	5.1	5.2	5.2	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.2
g. Other (Specify/add rows of needed)												
TOTAL AVERAGE LENGTH OF STAY	4.8	5.1	5.2	5.2	5.1	5.1	5.1	5.2	5.2	5.2	5.2	5.2
4. NUMBER OF LICENSED BEDS												
a. MSGA	70	75	76	77	78	79	80	81	82	84	85	86
Total MSGA	70	75	76	77	78	79	80	81	82	84	85	86
b. Pediatrics	1	1	1	1	1	1	1	1	1	1	1	1
c. Obstetrics	11	10	10	11	11	11	11	11	11	11	11	11
e. Psych	14	8	8	8	8	8	8	8	11	11	11	12
f. Rehabilitation	11	8	8	9	9	9	10	10	10	11	11	12
Total Acute	107	102	103	106	107	108	110	111	115	118	119	122
g. Other (Specify/add rows of needed)												
TOTAL LICENSED BEDS	107	102	103	106	107	108	110	111	115	118	119	122

TABLE F. STATISTICAL PROJECTIONS - Shore Health System

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
5. OCCUPANCY PERCENTAGE *IMPORTANT NOTE: Leap year formulas should be changed by applicant to reflect 366 days per year.												
a. MSGA	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%
Total MSGA	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%	80.0%	80.0%	80.0%	79.8%
b. Pediatrics	5.5%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%	19.7%
c. Obstetrics	46.5%	51.8%	52.1%	47.6%	48.1%	48.5%	48.9%	49.1%	49.6%	50.0%	50.4%	50.7%
e. Psych	71.4%	68.4%	69.0%	69.4%	70.3%	70.9%	71.6%	72.1%	71.1%	71.8%	72.5%	66.9%
f. Rehabilitation	75.7%	75.2%	78.1%	71.8%	74.8%	77.6%	72.6%	75.1%	78.3%	73.9%	76.8%	72.9%
Total Acute	74.3%	75.4%	75.7%	74.4%	75.0%	75.4%	75.0%	75.2%	75.6%	75.3%	75.8%	74.7%
i. Other (Specify/add rows of needed)												
TOTAL OCCUPANCY %	74.3%	75.4%	75.7%	74.4%	75.0%	75.4%	75.0%	75.2%	75.6%	75.3%	75.8%	74.7%
6. OUTPATIENT VISITS (RVU's)												
a. Emergency Department - Easton	25,354	24,931	25,144	25,363	25,588	25,819	26,056	26,300	26,551	26,809	27,074	27,347
b. Emergency Department - Dorchester/Cambridge (OP Only)	12,027	14,539	14,663	14,791	14,922	15,057	15,195	15,338	15,484	15,634	15,789	15,948
c. Emergency Department - Queen Anne's (OP Only)	13,716	18,035	18,189	18,347	18,510	18,677	18,849	19,026	19,207	19,394	19,586	19,783
d. Same Day Surgery (OP Only)	4,609	4,500	4,538	4,578	4,619	4,660	4,703	4,747	4,792	4,839	4,887	4,936
e. Laboratory RVUs (OP Only)	4,988,179	5,941,602	5,992,382	6,044,543	6,098,133	6,153,198	6,209,787	6,267,950	6,327,740	6,389,212	6,452,420	6,517,424
f. Imaging RVUs (OP Only)	1,163,618	1,224,633	1,235,099	1,245,850	1,256,896	1,268,245	1,279,909	1,291,897	1,304,221	1,316,891	1,329,919	1,343,317
g. MRI RVUs (OP Only)	107,394	83,904	84,621	85,358	86,114	86,892	87,691	88,513	89,357	90,225	91,117	92,035
TOTAL OUTPATIENT VISITS (RVU's)	6,314,897	7,312,144	7,374,637	7,438,831	7,504,782	7,572,548	7,642,190	7,713,770	7,787,352	7,863,003	7,940,792	8,020,790

TABLE F. STATISTICAL PROJECTIONS - Shore Health System

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). For sections 4 & 5, the number of beds and occupancy percentage should be reported on the basis of licensed beds. In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Include additional years, if needed in order to be consistent with Tables G and H.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
7. OBSERVATIONS**												
a. Number of Patients - Easton	3,581	3,602	3,633	3,664	3,697	3,730	3,765	3,800	3,836	3,873	3,912	3,951
b. Hours - Easton	93,658	150,523	150,291	150,084	149,900	149,741	149,607	149,498	149,415	149,358	149,327	149,323
c. Number of Patients - Dorchester/Cambridge	486	134	134	135	137	138	139	140	142	143	144	146
d. Hours - Dorchester/Cambridge	17,730	2,646	2,277	2,297	2,317	2,338	2,360	2,382	2,405	2,428	2,452	2,477

* Include beds dedicated to gynecology and addictions, if separate for acute psychiatric unit.

** Services included in the reporting of the "Observation Center", direct expenses incurred in providing bedside care to observation patients; furnished by the hospital on the hospital's premises, including use of a bed and periodic monitoring by the hospital's nursing or other staff, in order to determine the need for a possible admission to the hospitals as an inpatient. Such services must be ordered and documented in writing, given by a medical practitioner; may or may not be provided in a distinct area of the hospital.

TABLE G. REVENUES & EXPENSES, UNINFLATED - Shore Health System

REVISED

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1. REVENUE												
a. Inpatient Services	\$124,234	\$129,265	\$122,858	\$122,675	\$123,276	\$123,732	\$124,173	\$124,090	\$131,531	\$131,439	\$131,363	\$131,287
b. Outpatient Services	\$204,536	\$233,541	\$216,296	\$217,014	\$217,346	\$217,441	\$217,527	\$217,382	\$230,417	\$230,256	\$230,123	\$229,989
Gross Patient Service Revenues	\$328,770	\$362,806	\$339,154	\$339,689	\$340,622	\$341,172	\$341,699	\$341,472	\$361,948	\$361,694	\$361,485	\$361,276
c. Deductions	\$61,770	\$70,527	\$63,036	\$63,136	\$63,309	\$63,412	\$63,509	\$63,467	\$67,273	\$67,226	\$67,187	\$67,148
Net Patient Services Revenue	\$267,000	\$292,279	\$276,117	\$276,553	\$277,312	\$277,761	\$278,190	\$278,005	\$294,675	\$294,469	\$294,298	\$294,128
d. Grants	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
e. Other Operating Revenue	\$12,462	\$11,145	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405	\$7,405
NET OPERATING REVENUE	\$279,462	\$303,424	\$283,523	\$283,959	\$284,718	\$285,166	\$285,595	\$285,410	\$302,080	\$301,874	\$301,704	\$301,533
2. EXPENSES												
a. Salaries & Wages (including benefits)	\$109,453	\$116,928	\$115,870	\$113,988	\$112,179	\$110,509	\$108,902	\$109,362	\$110,013	\$110,622	\$111,235	\$111,854
b. Contractual Services	\$47,970	\$55,769	\$56,418	\$56,418	\$56,322	\$56,229	\$56,141	\$56,141	\$55,856	\$55,856	\$55,856	\$55,856
c. Interest on Current Debt	\$2,346	\$3,044	\$4,993	\$4,893	\$4,795	\$4,699	\$4,605	\$4,513	\$4,423	\$4,335	\$4,248	\$4,163
d. Interest on Project Debt	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$19,860	\$19,475	\$19,071	\$18,647
e. Current Depreciation and Amortization	\$16,972	\$17,243	\$20,336	\$17,914	\$17,028	\$17,231	\$16,483	\$16,566	\$14,232	\$14,791	\$15,446	\$16,102
f. Project Depreciation and Amortization	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$31,777	\$31,777	\$31,777	\$31,777
g. Supplies	\$36,197	\$35,922	\$34,741	\$30,878	\$30,380	\$29,931	\$29,530	\$29,737	\$30,005	\$30,189	\$30,375	\$30,563
h. Professional Fees	\$15,530	\$15,147	\$18,382	\$18,491	\$18,570	\$18,649	\$18,729	\$18,810	\$18,928	\$19,049	\$19,171	\$19,293
i. Insurance & Other	\$3,337	\$4,214	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718	\$4,718
j. Fixed Cost Additions	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
TOTAL OPERATING EXPENSES	\$231,805	\$248,267	\$255,457	\$247,301	\$243,992	\$241,967	\$239,109	\$239,847	\$289,812	\$290,811	\$291,896	\$292,974
3. INCOME												
a. Income From Operation	\$47,657	\$55,157	\$28,065	\$36,658	\$40,726	\$43,199	\$46,486	\$45,563	\$12,268	\$11,063	\$9,807	\$8,560
b. Non-Operating Income	\$28,052	\$(20,369)	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187	\$15,187
SUBTOTAL	\$75,709	\$34,788	\$43,253	\$51,845	\$55,913	\$58,386	\$61,674	\$60,751	\$27,455	\$26,250	\$24,995	\$23,747
c. Income Taxes												
NET INCOME (LOSS)	\$75,709	\$34,788	\$43,253	\$51,845	\$55,913	\$58,386	\$61,674	\$60,751	\$27,455	\$26,250	\$24,995	\$23,747

TABLE G. REVENUES & EXPENSES, UNINFLATED - Shore Health System

REVISED

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table G should reflect current dollars (no inflation). Projected revenues and expenses should be consistent with the projections in Table F and with the costs of Manpower listed in Table L. Manpower. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable. Specify the sources of non-operating income.

	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.									
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	
Indicate CY or FY													
4. PATIENT MIX													
a. Percent of Total Revenue													
1) Medicare	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%
2) Medicaid	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%
3) Blue Cross	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days													
1) Medicare	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%
2) Medicaid	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
3) Blue Cross	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
4) Commercial Insurance	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

Table G – Key Financial Projection Assumptions for Shore Health System (Uninflated) REVISED

Projection is based on the UM Shore Health System FY2023 budgeted revenues and expenses with assumptions identified below

Projection period reflects FY2024 – FY2032

Volumes	— See Table F of the application for volume projections
Patient Revenue	
<ul style="list-style-type: none"> • FY2024 <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 0.00% ○ Quality Adjustments — -0.12% ○ Other Rates — 0.40% ○ Volume — 0.05% — Total 0.33% • FY2025 <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 0.00% ○ Quality Adjustments — 0.00% ○ Other Rates — 0.03% ○ Volume — 0.05% — Total 0.08% • FY2026+ <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 0.00% ○ Quality Adjustments — 0.00% ○ Other Rates — -0.10% ○ Volume — 0.05% — Total -0.05% • Deductions from Gross Revenue — 18.6% • Revenue Enhancements — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project (No change with Revised D&I) — Includes an HSCRC Markup factor of 1.1 	
Other Revenue	
<ul style="list-style-type: none"> • Other Operating Revenue Inflation — 2.0% 	
Expenses	
<ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries & Benefits — 0.0% ○ Professional Fees — 0.0% ○ Supplies — 0.0% ○ Purchased Services — 0.0% ○ Insurance & Other — 0.0% • Volume Variability <ul style="list-style-type: none"> ○ Salaries & Benefits — 45.0% ○ Professional Fees — 80.0% ○ Supplies — 50.0% ○ Purchased Services — 50.0% ○ Insurance & Other — 0.0% • Interest Expense <ul style="list-style-type: none"> ○ Project Debt — Interest expense on \$401M proceeds from a 30-year issuance of debt at an interest rate of 5% • Depreciation and Amortization — Reflects depreciation on a \$664.4M project with a weighted average useful life of 20.9 years • Shore Medical Group Physician Loss Allocations — SHS allocations of Shore Medical Group physician losses, totaling \$22.57M in FY2021 and \$19.92M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements • Performance Improvements <ul style="list-style-type: none"> ○ Identified PI: <ul style="list-style-type: none"> — Agency Reductions — \$6.0M by FY2027 — FTE Savings — \$2.5M by FY2027 — 340B Savings — \$4.0M in drug savings & \$1.0M in other savings by FY2027 — Inventory Management — \$2.0M by FY2027 — Other PI — \$0.5M by FY2027 ○ Total Identified PI: — \$15.0M by FY2027 (cumulative) ○ Unidentified PI: — No unidentified PI included in the projection 	

TABLE H. REVENUES & EXPENSES, INFLATED - Shore Health System

REVISED

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
1. REVENUE												
a. Inpatient Services	\$ 124,234	\$ 129,265	\$ 122,858	\$ 125,719	\$ 129,538	\$ 133,288	\$ 137,134	\$ 140,501	\$ 152,691	\$ 156,448	\$ 160,297	\$ 164,240
b. Outpatient Services	\$ 204,536	\$ 233,541	\$ 216,296	\$ 222,398	\$ 228,386	\$ 234,235	\$ 240,232	\$ 246,132	\$ 267,486	\$ 274,066	\$ 280,809	\$ 287,717
Gross Patient Service Revenues	\$ 328,770	\$ 362,806	\$ 339,154	\$ 348,117	\$ 357,924	\$ 367,523	\$ 377,366	\$ 386,633	\$ 420,177	\$ 430,514	\$ 441,105	\$ 451,958
c. Deductions	\$ 61,770	\$ 70,527	\$ 63,036	\$ 64,702	\$ 66,525	\$ 68,309	\$ 70,139	\$ 71,861	\$ 78,096	\$ 80,017	\$ 81,985	\$ 84,002
Net Patient Services Revenue	\$ 267,000	\$ 292,279	\$ 276,117	\$ 283,415	\$ 291,399	\$ 299,214	\$ 307,227	\$ 314,772	\$ 342,081	\$ 350,497	\$ 359,120	\$ 367,955
d. Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
e. Other Operating Revenue	\$ 12,462	\$ 11,145	\$ 7,405	\$ 7,553	\$ 7,704	\$ 7,859	\$ 8,016	\$ 8,176	\$ 8,340	\$ 8,506	\$ 8,676	\$ 8,850
NET OPERATING REVENUE	\$ 279,462	\$ 303,424	\$ 283,523	\$ 290,968	\$ 299,104	\$ 307,072	\$ 315,243	\$ 322,948	\$ 350,421	\$ 359,003	\$ 367,796	\$ 376,805
2. EXPENSES												
a. Salaries & Wages (including benefits)	\$ 109,453	\$ 116,928	\$ 115,870	\$ 117,408	\$ 119,011	\$ 120,757	\$ 122,571	\$ 126,781	\$ 131,361	\$ 136,051	\$ 140,910	\$ 145,944
b. Contractual Services	\$ 47,970	\$ 55,769	\$ 56,418	\$ 57,546	\$ 58,597	\$ 59,671	\$ 60,769	\$ 61,984	\$ 62,903	\$ 64,161	\$ 65,444	\$ 66,753
c. Interest on Current Debt	\$ 2,346	\$ 3,044	\$ 4,993	\$ 4,893	\$ 4,795	\$ 4,699	\$ 4,605	\$ 4,513	\$ 4,423	\$ 4,335	\$ 4,248	\$ 4,163
d. Interest on Project Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,860	\$ 19,475	\$ 19,071	\$ 18,647
e. Current Depreciation and Amortization	\$ 16,972	\$ 17,243	\$ 20,336	\$ 17,914	\$ 17,028	\$ 17,231	\$ 16,483	\$ 16,566	\$ 14,232	\$ 14,791	\$ 15,446	\$ 16,102
f. Project Depreciation and Amortization	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,777	\$ 31,777	\$ 31,777	\$ 31,777
g. Supplies	\$ 36,197	\$ 35,922	\$ 34,741	\$ 31,990	\$ 32,606	\$ 33,281	\$ 34,018	\$ 35,489	\$ 37,099	\$ 38,669	\$ 40,308	\$ 42,018
h. Professional Fees	\$ 15,530	\$ 15,147	\$ 18,382	\$ 19,046	\$ 19,700	\$ 20,378	\$ 21,080	\$ 21,806	\$ 22,601	\$ 23,428	\$ 24,285	\$ 25,173
i. Insurance and Other	\$ 3,337	\$ 4,214	\$ 4,718	\$ 4,812	\$ 4,908	\$ 5,007	\$ 5,107	\$ 5,209	\$ 5,313	\$ 5,419	\$ 5,528	\$ 5,638
TOTAL OPERATING EXPENSES	\$231,805	\$248,267	\$255,457	\$253,610	\$256,647	\$261,024	\$264,632	\$272,348	\$329,569	\$338,106	\$347,016	\$356,216
3. INCOME												
a. Income From Operation	\$ 47,657	\$ 55,157	\$ 28,065	\$ 37,358	\$ 42,457	\$ 46,048	\$ 50,611	\$ 50,600	\$ 20,852	\$ 20,898	\$ 20,780	\$ 20,589
b. Non-Operating Income	\$ 28,052	\$ (20,369)	\$ 15,187	\$ 15,491	\$ 15,801	\$ 16,117	\$ 16,439	\$ 16,768	\$ 14,303	\$ 17,445	\$ 17,794	\$ 18,150
SUBTOTAL	\$ 75,709	\$ 34,788	\$ 43,253	\$ 52,849	\$ 58,258	\$ 62,165	\$ 67,050	\$ 67,368	\$ 35,155	\$ 38,343	\$ 38,575	\$ 38,739
c. Income Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET INCOME (LOSS)	\$ 75,709	\$ 34,788	\$ 43,253	\$ 52,849	\$ 58,258	\$ 62,165	\$ 67,050	\$ 67,368	\$ 35,155	\$ 38,343	\$ 38,575	\$ 38,739

TABLE H. REVENUES & EXPENSES, INFLATED - Shore Health System

REVISED

INSTRUCTION: Complete this table for the entire facility, including the proposed project. Table H should reflect inflation. Projected revenues and expenses should be consistent with the projections in Table F. Indicate on the table if the reporting period is Calendar Year (CY) or Fiscal Year (FY). In an attachment to the application, provide an explanation or basis for the projections and specify all assumptions used. Applicants must explain why the assumptions are reasonable.

Indicate CY or FY	Two Most Recent Years (Actual)		Current Year Budgeted	Projected Years (ending at least two years after project completion and full occupancy) Add columns if needed in order to document that the hospital will generate excess revenues over total expenses consistent with the Financial Feasibility standard.								
	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
4. PATIENT MIX												
a. Percent of Total Revenue												
1) Medicare	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%	53.4%
2) Medicaid	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%	20.4%
3) Blue Cross	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
4) Commercial Insurance	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%	6.7%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%	10.8%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
b. Percent of Equivalent Inpatient Days												
Total MSGA												
1) Medicare	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%	57.5%
2) Medicaid	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%	24.0%
3) Blue Cross	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%
4) Commercial Insurance	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
5) Self-pay	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
6) Other	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%	7.7%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Values presented do not include SHS allocations of Shore Medical Group losses, which totaled \$22.57M in FY2021 and \$19.92M in FY2022. These amounts will need to be added back in order to reconcile to the audited financial statements

Table H – Key Financial Projection Assumptions for Shore Health System (Includes HSCRC Annual Update Factors & Expense Inflation) REVISED

Projection is based on the UM Shore Health System FY2023 budgeted revenues and expenses with assumptions identified below	
Projection period reflects FY2024 – FY2032	
Volumes	— See Table F of the application for volume projections
Patient Revenue	
<ul style="list-style-type: none"> • FY2024 <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 2.48% ○ Quality Adjustments — -0.12% ○ Other Rates — 0.40% ○ Volume — <u>0.05%</u> — Total 2.81% • FY2025 <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 2.50% ○ Quality Adjustments — 0.00% ○ Other Rates — 0.03% ○ Volume — <u>0.05%</u> — Total 2.58% • FY2026+ <ul style="list-style-type: none"> ○ HSCRC Inflation Factor — 2.50% ○ Quality Adjustments — 0.00% ○ Other Rates — -0.10% ○ Volume — <u>0.05%</u> — Total 2.45% • Deductions from Gross Revenue — 18.6% • Revenue Enhancements — In FY2029, Shore Health System will request a full rate adjustment of \$24.0M, equal to 50% of depreciation and interest related to the project (No change with Revised D&I) <ul style="list-style-type: none"> — Includes an HSCRC Markup factor of 1.1 	
Other Revenue	
<ul style="list-style-type: none"> • Other Operating Revenue Inflation — 2% 	
Expenses	
<ul style="list-style-type: none"> • Inflation <ul style="list-style-type: none"> ○ Salaries & Benefits — 3.0% ○ Professional Fees — 3.6% ○ Supplies — 3.0% ○ Purchased Services — 2.0% ○ Insurance & Other — 2.0% • Volume Variability <ul style="list-style-type: none"> ○ Salaries & Benefits — 45% ○ Professional Fees — 80% ○ Supplies — 50% ○ Purchased Services — 50% ○ Insurance & Other — 0% • Interest Expense <ul style="list-style-type: none"> ○ Project Debt — Interest expense on \$401M proceeds from a 30-year issuance of debt at an interest rate of 5% • Depreciation and Amortization — Reflects depreciation on a \$664.4M project with a weighted average useful life of 20.9 years • Shore Medical Group Physician Loss Allocations — SHS allocations of Shore Medical Group physician losses, totaling \$22.57M in FY2021 and \$19.92M in FY2022 are not included in this projection. This will need to be added back in order to reconcile to the audited financial statements • Performance Improvements <ul style="list-style-type: none"> ○ Identified PI: <ul style="list-style-type: none"> — Agency Reductions — \$6.0M by FY2027 — FTE Savings — \$2.5M by FY2027 — 340B Savings — \$4.0M in drug savings & \$1.0M in other savings by FY2027 — Inventory Management — \$2.0M by FY2027 — Other PI — <u>\$0.5M by FY2027</u> ○ Total Identified PI: — \$15.0M by FY2027 (cumulative) ○ Unidentified PI: — No unidentified PI included in the projection 	

TABLE L. WORKFORCE INFORMATION - SHS

INSTRUCTION: List the facility's existing staffing and changes required by this project. Include all major job categories under each heading provided in the table. The number of Full Time Equivalents (FTEs) should be calculated on the basis of 2,080 paid hours per year equals one FTE. In an attachment to the application, explain any factor used in converting paid hours to worked hours. Please ensure that the projections in this table are consistent with expenses provided in uninflated projections in Tables F and G.

Job Category	CURRENT ENTIRE FACILITY			PROJECTED CHANGES AS A RESULT OF THE PROPOSED PROJECT THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			OTHER EXPECTED CHANGES IN OPERATIONS THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS)			PROJECTED ENTIRE FACILITY THROUGH THE LAST YEAR OF PROJECTION (CURRENT DOLLARS) *	
	Current Year FTEs	Average Salary per FTE	Current Year Total Cost	FTEs	Average Salary per FTE	Total Cost (should be consistent with projections in Table G, if submitted).	FTEs	Average Salary per FTE	Total Cost	FTEs	Total Cost (should be consistent with projections in Table G)
1. Regular Employees											
Administration (List general categories, add rows if needed)											
Total Administration	218.5	\$ 66,260	\$ 14,477,936			\$ -			\$ 4,411,660	218.5	\$ 18,889,596
Direct Care Staff (List general categories, add rows if needed)											
Med/Surg Acute	195.1	\$ 77,437	\$ 15,110,442	(4.4)	\$ 77,437	\$ (343,515)	(11.6)	\$ (309,787)	\$ 3,606,835	179.1	\$ 18,373,762
Pediatrics	9.6	74,226	712,577				-	-	216,930	9.6	929,507
Obstetrics	43.1	98,711	4,252,496				(3.7)	(241,815)	900,247	39.4	5,152,743
Operating Room	87.2	83,993	7,325,329				(9.1)	(146,895)	1,341,606	78.1	8,666,935
Psych	23.8	77,541	1,845,478				1.5	543,275	791,307	25.3	2,636,785
Rehab	42.0	82,923	3,482,791				7.0	258,857	1,815,100	49.0	5,297,891
Emergency Department	122.6	98,200	12,038,972				(8.6)	(328,762)	2,822,469	114.0	14,861,442
Lab	79.7	69,125	5,512,095				(5.2)	(257,920)	1,335,058	74.6	6,847,153
Pharmacy	32.7	91,911	3,005,495				(2.1)	(342,940)	727,946	30.6	3,733,441
Radiology	74.3	90,200	6,706,249				(4.8)	(336,558)	1,624,288	69.5	8,330,537
Other Ancillary Services	187.4	68,273	12,797,255				(14.2)	(218,178)	3,100,666	173.2	15,897,921
Total Direct Care	897.7	\$ 81,088	\$ 72,789,180	(4.4)	\$ 77,437	\$ (343,515)	(51.0)	\$ (358,815)	\$ 18,282,452	842.3	\$ 90,728,116
Support Staff (List general categories, add rows if needed)											
Security	25.6	\$ 45,896	\$ 1,174,938				-	-	358,090	25.6	1,533,028
Environmental Services	51.6	34,251	1,767,347				-	-	538,640	51.6	2,305,988
Other Support Staff	52.7	74,400	3,921,675				0.3	3,828,440	1,216,971	53.0	5,138,646
Total Support	129.9	\$ 52,836	\$ 6,863,961				0.3	\$ 6,649,439	\$ 2,113,701	130.2	\$ 8,977,662
REGULAR EMPLOYEES TOTAL	1,246.1	\$ 75,542	\$ 94,131,076	-4.4	\$ 77,437	\$ (343,515)	(50.6)	\$ (489,940)	\$ 24,807,813	1,191.0	\$ 118,595,374
2. Contractual Employees											
Administration (List general categories, add rows if needed)											
Total Administration											
Direct Care Staff (List general categories, add rows if needed)											
Total Direct Care Staff											
Support Staff (List general categories, add rows if needed)											
Total Support Staff											
CONTRACTUAL EMPLOYEES TOTAL											
Benefits (State method of calculating benefits below):			\$ 21,738,646						\$ 5,610,297		\$ 27,348,944
23.1% of Salaries											
TOTAL COST	1,246.1		115,869,723	(4.4)		\$ (343,515)	(50.6)		\$ 30,418,111		\$ 145,944,318

EXHIBIT 2

Comparison of Project Budgets

Use of Funds	8/8/2025			Revised			Variance		
	Hospital Building	CUP	Total	Hospital Building	CUP	Total	Hospital Building	CUP	Total
1. CAPITAL COSTS									
a. Land Purchase	\$2,464,658		\$2,464,658	\$2,464,658		\$2,464,658	\$0	\$0	\$0
b. New Construction									
(1) Building	\$213,328,602	\$6,110,000	\$219,438,602	\$294,021,750	\$71,245,248	\$365,266,998	\$80,693,148	\$65,135,248	\$145,828,396
(2) Fixed Equipment	In Building	In Building	In Building	In Building	In Building	In Building	In Building	In Building	In Building
(3) Site and Infrastructure	\$36,933,315	\$7,476,645	\$44,409,960	\$36,933,315	\$7,476,645	\$44,409,960	\$0	\$0	\$0
(4) Architect/Engineering Fees	\$9,013,929	\$1,986,071	\$11,000,000	\$20,100,877	\$375,000	\$20,475,877	\$11,086,948	-\$1,611,071	\$9,475,877
(5) Permits (Building, Utilities, Etc.)	\$5,027,314	\$1,107,686	\$6,135,000	\$5,547,665	\$0	\$5,547,665	\$520,351	-\$1,107,686	-\$587,335
SUBTOTAL	\$264,303,160	\$16,680,402	\$280,983,562	\$356,603,607	\$79,096,893	\$435,700,501	\$92,300,447	\$62,416,492	\$154,716,939
c. Renovations									
(1) Building			\$0			\$0	\$0	\$0	\$0
(2) Fixed Equipment (not included in construction)			\$0			\$0	\$0	\$0	\$0
(3) Architect/Engineering Fees			\$0			\$0	\$0	\$0	\$0
(4) Permits (Building, Utilities, Etc.)			\$0			\$0	\$0	\$0	\$0
SUBTOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Other Capital Costs									
(1) Movable Equipment	\$82,260,730	\$40,000,000	\$122,260,730	\$87,960,731		\$87,960,731	\$5,700,001	-\$40,000,000	-\$34,299,999
(2) Contingency Allowance	\$16,974,712	\$2,478,023	\$19,452,735	\$19,650,943	\$2,478,023	\$22,128,966	\$2,676,231	\$0	\$2,676,231
(3) Gross interest during construction period	\$44,210,733	\$5,788,267	\$49,999,000	\$46,609,270	\$8,160,730	\$54,770,000	\$2,398,537	\$2,372,463	\$4,771,000
(4) Other (Specify/add rows if needed)			\$0			\$0	\$0	\$0	\$0
Easton Utility Fees	\$9,000,000		\$9,000,000	\$9,000,000		\$9,000,000	\$0	\$0	\$0
EDU'S			\$0			\$0	\$0	\$0	\$0
Impact Fee (Town) / County	\$1,500,000		\$1,500,000	\$1,545,968		\$1,545,968	\$45,968	\$0	\$45,968
Forest Conservation			\$0			\$0	\$0	\$0	\$0
Builder's Risk Insurance	\$500,000		\$500,000	\$500,000		\$500,000	\$0	\$0	\$0
HOSPITAL MOVE	\$2,000,000		\$2,000,000	\$550,000		\$550,000	-\$1,450,000	\$0	-\$1,450,000
UMMS/OVHO	\$1,500,000		\$1,500,000	\$1,500,000		\$1,500,000	\$0	\$0	\$0
Previous Expenditures (Design/Planning/etc)	\$10,078,129		\$10,078,129	\$7,771,990		\$7,771,990	-\$2,306,139	\$0	-\$2,306,139
SUBTOTAL	\$168,024,304	\$48,266,290	\$216,290,594	\$175,088,902	\$10,638,753	\$185,727,655	\$7,064,598	-\$37,627,537	-\$30,562,939
TOTAL CURRENT CAPITAL COSTS	\$434,792,122	\$64,946,691	\$499,738,814	\$534,157,167	\$89,735,646	\$623,892,814	\$99,365,045	\$24,788,955	\$124,154,000
e. Inflation Allowance	\$25,435,020	\$3,305,038	\$28,740,058	\$25,435,020	\$3,305,038	\$28,740,058	\$0	\$0	\$0
TOTAL CAPITAL COSTS	\$460,227,142	\$68,251,729	\$528,478,871	\$559,592,187	\$93,040,684	\$652,632,871	\$99,365,045	\$24,788,955	\$124,154,000
2. Financing Cost and Other Cash Requirements									
a. Loan Placement Fees	\$2,635,012	\$344,988	\$2,980,000	\$3,145,468	\$546,532	\$3,692,000	\$510,456	\$201,544	\$712,000
b. Bond Discount	\$0		\$0	\$0		\$0	\$0	\$0	\$0
c. CON Application Assistance			\$0			\$0	\$0	\$0	\$0
c1. Legal Fees	\$150,000		\$150,000	\$150,000		\$150,000	\$0	\$0	\$0
c2. Other (Specify/add rows if needed)			\$0			\$0	\$0	\$0	\$0
Accounting, Architectural, Planning	\$850,000		\$850,000	\$850,000		\$850,000	\$0	\$0	\$0
d. Non-CON Consulting Fees									
d1. Legal Fees			\$0			\$0	\$0	\$0	\$0
d2. Other (Specify/add rows if needed)							\$0	\$0	\$0
IT Design	\$75,000		\$75,000	\$75,000		\$75,000	\$0	\$0	\$0
SHA Study	\$300,000		\$300,000	\$300,000		\$300,000	\$0	\$0	\$0
Geo-tech consult (if needed)	\$75,000		\$75,000	\$75,000		\$75,000	\$0	\$0	\$0
Project Development Consultant	\$4,500,000		\$4,500,000	\$4,500,000		\$4,500,000	\$0	\$0	\$0
CM Preconstruction Fees	\$200,000		\$200,000	\$200,000		\$200,000	\$0	\$0	\$0
Exterior Wall Mock Up & Testing	\$500,000		\$500,000	\$500,000		\$500,000	\$0	\$0	\$0
Scheduling	\$200,000		\$200,000	\$200,000		\$200,000	\$0	\$0	\$0
Third Party Inspections	\$750,000		\$750,000	\$750,000		\$750,000	\$0	\$0	\$0
Third Party Building Permit Review	\$400,000		\$400,000	\$400,000		\$400,000	\$0	\$0	\$0
Curtainwall Testing	\$100,000		\$100,000	\$137,000		\$137,000	\$37,000	\$0	\$37,000
e. Debt Service Reserve Fund	\$0		\$0	\$0		\$0	\$0	\$0	\$0
f. Other (Specify/add rows if needed)			\$0			\$0	\$0	\$0	\$0
e. Liquidation of Existing Debt			\$0			\$0	\$0	\$0	\$0
f. Debt Service Reserve Fund	\$0		\$0	\$0		\$0	\$0	\$0	\$0
g. Other (Specify/add rows if needed)			\$0			\$0	\$0	\$0	\$0
SUBTOTAL	\$10,735,012	\$344,988	\$11,080,000	\$11,282,468	\$546,532	\$11,829,000	\$547,456	\$201,544	\$749,000
3. Working Capital Startup Costs			\$0			\$0			\$0
TOTAL USES OF FUNDS	\$470,962,155	\$68,596,717	\$539,558,871	\$570,874,655	\$93,587,216	\$664,461,871	\$99,912,500	\$24,990,499	\$124,903,000

EXHIBIT 3



CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

University of Maryland Medical System Corporation and
Subsidiaries Years Ended June 30, 2025 and 2024
With Report of Independent Auditors



The better the question.
The better the answer.
The better the world works.



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University of Maryland Medical System Corporation and Subsidiaries

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2025 and 2024

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Report of Independent Auditors

Management and the Board of Directors
University of Maryland Medical System Corporation

Opinion

We have audited the consolidated financial statements of University of Maryland Medical System Corporation and Subsidiaries (the Corporation), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation at June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



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Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary consolidating/combining balance sheets and statements of operations are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

October 22, 2025

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Balance Sheets (In Thousands)

	June 30	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 207,738	\$ 165,649
Assets limited as to use, current portion	171,105	150,074
Accounts receivable:		
Patient accounts receivable, net	853,487	839,158
Other	169,792	127,346
Inventories	101,365	98,409
Prepaid expenses and other current assets	58,165	84,440
Total current assets	1,561,652	1,465,076
Investments	1,827,164	1,612,389
Assets limited as to use, less current portion	813,222	666,572
Property and equipment, net	3,064,419	2,949,564
Investments in joint ventures	157,822	145,096
Other assets	706,553	577,985
Total assets	\$ 8,130,832	\$ 7,416,682
Liabilities and net assets		
Current liabilities:		
Trade accounts payable	\$ 359,008	\$ 372,943
Accrued payroll and benefits	384,424	359,083
Advances from third-party payors	192,176	181,919
Other current liabilities	198,642	201,160
Long-term debt subject to short-term refinancing agreements	–	91,390
Current portion of long-term debt	35,729	34,059
Total current liabilities	1,169,979	1,240,554
Long-term debt, less current portion	2,092,015	1,736,659
Other long-term liabilities	620,558	583,405
Interest rate swap liabilities	60,407	55,170
Total liabilities	3,942,959	3,615,788
Net assets:		
Without donor restrictions	3,742,233	3,445,024
With donor restrictions	445,640	355,870
Total net assets	4,187,873	3,800,894
Total liabilities and net assets	\$ 8,130,832	\$ 7,416,682

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets
(In Thousands)

	Year Ended June 30	
	2025	2024
Operating revenue, gains, and other support:		
Net patient service revenue	\$ 5,137,312	\$ 4,863,479
State and county support	48,612	20,922
Other revenue	401,680	359,556
Total operating revenue, gains, and other support	<u>5,587,604</u>	<u>5,243,957</u>
Operating expenses:		
Salaries, wages, and benefits	2,872,642	2,736,955
Expendable supplies	1,105,547	1,001,582
Purchased services	848,993	791,085
Contracted services	375,509	365,713
Depreciation and amortization	281,204	275,808
Interest expense	68,457	65,803
Total operating expenses	<u>5,552,352</u>	<u>5,236,946</u>
Operating income	35,252	7,011
Nonoperating income and expenses, net:		
Unrestricted contributions	4,902	2,122
Equity in net income of joint ventures	10,614	7,194
Investment income, net	126,526	61,348
Change in fair value of investments	68,654	119,536
Change in fair value of undesignated interest rate swaps	(5,237)	13,916
Gain on early extinguishment of debt	10,650	-
Other nonoperating losses, net	(17,965)	(38,894)
Excess of revenues over expenses	<u>\$ 233,396</u>	<u>\$ 172,233</u>

Continued on page 6

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Balance at June 30, 2023	\$ 3,226,247	\$ 240,538	\$ 3,466,785
Excess of revenues over expenses	172,233	–	172,233
Investment gains, net	–	17,646	17,646
State support for capital	27,000	75,795	102,795
Contributions, net	–	31,423	31,423
Net assets released from restrictions used for operations and nonoperating activities	–	(8,435)	(8,435)
Net assets released from restrictions used for purchase of property and equipment	10,265	(10,265)	–
Change in the net assets of related organizations	114	7,355	7,469
Change in funded status of defined benefit pension plans	6,065	–	6,065
Other	3,100	1,813	4,913
Increase in net assets	<u>218,777</u>	<u>115,332</u>	<u>334,109</u>
Balance at June 30, 2024	3,445,024	355,870	3,800,894
Excess of revenues over expenses	233,396	–	233,396
Investment gains, net	–	6,709	6,709
State support for capital	40,500	19,500	60,000
Contributions, net	1,056	72,928	73,984
Net assets released from restrictions used for operations and nonoperating activities	–	(8,088)	(8,088)
Net assets released from restrictions used for purchase of property and equipment	3,062	(3,062)	–
Change in the net assets of related organizations	502	6,535	7,037
Change in funded status of defined benefit pension plans	7,563	–	7,563
Other	11,130	(4,752)	6,378
Increase in net assets	<u>297,209</u>	<u>89,770</u>	<u>386,979</u>
Balance at June 30, 2025	<u>\$ 3,742,233</u>	<u>\$ 445,640</u>	<u>\$ 4,187,873</u>

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

	Year Ended June 30	
	2025	2024
Operating activities		
Increase in net assets	\$ 386,979	\$ 334,109
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	281,204	275,808
Amortization of bond premium and deferred financing costs	(2,320)	(2,226)
Net realized and changes in unrealized gains on investments	(165,321)	(180,884)
Equity in net income of joint ventures	(10,614)	(7,194)
Gain on early extinguishment of debt	(10,650)	–
Change in the net assets of related organizations	(7,037)	(5,873)
Change in fair value of interest rate swaps	5,237	(13,916)
Change in funded status of defined benefit pension plans	(7,563)	(6,065)
Restricted contributions, grants, and other support, net	(133,984)	(151,864)
Changes in operating assets and liabilities:		
Patient accounts receivable	(14,329)	(204,699)
Inventories, other receivables, prepaid expenses, other current assets, and other assets	(127,974)	(102,091)
Trade accounts payable, accrued payroll and benefits, other current liabilities, and other long-term liabilities	86,238	155,368
Advances from third-party payors	10,257	(5,065)
Net cash provided by operating activities	<u>290,123</u>	<u>85,408</u>
Investing activities		
Purchases and sales of investments and assets limited as to use, net	(214,290)	286,377
Purchases of alternative investments	(272,988)	(144,855)
Sales of alternative investments	191,979	58,312
Purchases of property and equipment	(392,256)	(357,117)
Contributions to joint ventures, net	(20,168)	(1,054)
Net cash used in investing activities	<u>(707,723)</u>	<u>(158,337)</u>

Continued on page 8

University of Maryland Medical System Corporation and Subsidiaries

Consolidated Statements of Cash Flows (continued)

(In Thousands)

	Year Ended June 30	
	2025	2024
Financing activities		
Proceeds from long-term debt	\$ 577,305	\$ –
Payment of debt issuance costs	(4,036)	–
Repayment of long-term debt and finance leases	(294,663)	(31,975)
Repayments of lines of credit, net	–	(80,000)
Restricted contributions, grants, and other support	133,984	151,864
Funds administered for others, net	(36,437)	57,397
Net cash provided by financing activities	<u>376,153</u>	<u>97,286</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(41,447)	24,357
Cash, cash equivalents, and restricted cash, beginning of year	394,152	369,795
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 352,705</u>	<u>\$ 394,152</u>
Cash and cash equivalents	\$ 207,738	\$ 165,649
Restricted cash included in assets limited as to use	144,967	228,503
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 352,705</u>	<u>\$ 394,152</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for interest, net of amounts capitalized	<u>\$ 72,920</u>	<u>\$ 67,107</u>
Amount included in accounts payable for construction-in-progress	<u>\$ 44,359</u>	<u>\$ 40,556</u>

See accompanying notes to consolidated financial statements.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (In Thousands)

June 30, 2025

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Maryland Medical System Corporation (the Corporation or UMMS) is a private, not-for-profit corporation, providing comprehensive healthcare services through an integrated regional network of hospitals and related clinical enterprises. UMMS was created in 1984 when its founding public hospital was privatized by the state of Maryland. Prior to that time, the founding hospital was state owned, operated, and financed as part of the University of Maryland Baltimore, which is a part of the public University System of Maryland. As part of the privatization process, the Maryland General Assembly and the University of Maryland's Board of Regents adopted legislation (the Governance Legislation) separating the major healthcare delivery components from the public University System of Maryland to UMMS. This Governance Legislation provides for a certain level of continuing oversight by the state of Maryland to ensure UMMS's founding purposes are consistently set forth in its functions and operating practices.

Over its history, UMMS evolved into a private, nonprofit, multihospital system with academic, community, and specialty service missions reaching across Maryland. In accordance with the Governance Legislation and in continuing partnership with the public University System and, specifically, the University of Maryland School of Medicine, the private, nonprofit UMMS operates healthcare programs that improve the physical and mental health of thousands of people each day.

The accompanying consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, and entities controlled by the Corporation. In addition, the Corporation maintains equity interests in various unconsolidated joint ventures, which are described in Note 4.

The significant operating divisions of the Corporation are described in further detail below.

All material intercompany balances and transactions have been eliminated in consolidation.

University of Maryland Medical Center (Medical Center)

The Medical Center, which is a major component of UMMS, is a 741-bed academic medical center located in Baltimore. The Medical Center has served as the teaching hospital of the School of Medicine of the University System of Maryland, Baltimore since 1823. As part of the privatization in 1984, only clinical faculty members of the School of Medicine may serve as medical staff of the Medical Center.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The Medical Center comprises of two operating divisions: University Hospital, which includes the Greenebaum Cancer Center, and Shock Trauma Center. University Hospital, which generates approximately 85% of the Medical Center's admissions and patient days, is a tertiary teaching hospital providing more than 70 clinical services and programs. The Greenebaum Cancer Center specializes in the treatment of cancer patients and is a site for clinical cancer research. The Shock Trauma Center, which specializes in emergency treatment of patients suffering severe trauma, generates approximately 15% of admissions and patient days. The Medical Center also operates 36 South Paca Street, LLC, a wholly owned subsidiary that operates a residential apartment building.

The Corporation has certain agreements with various departments of the University of Maryland School of Medicine concerning the provision of professional and administrative services to the Corporation and its patients. Total expense under these agreements in the years ended June 30, 2025 and 2024, was approximately \$228,081 and \$212,707, respectively, included in contracted services.

University of Maryland Rehabilitation and Orthopaedic Institute (ROI)

ROI comprises of a medical/surgical and rehabilitation hospital in Baltimore with 138 beds, which includes rehabilitation beds, chronic care beds, medical/surgical beds, and off-site physical therapy facilities.

A related corporation, The James Lawrence Kernan Endowment Fund, Inc. (Kernan Endowment), is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of ROI. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the Kernan Endowment.

University of Maryland Medical Center Midtown Campus (Midtown)

Midtown is located in Baltimore city and comprises of University of Maryland Midtown Hospital (UM Midtown), with 134 beds, including 112 acute care beds and 22 chronic care beds, and a wholly owned subsidiary providing primary care.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Baltimore Washington Medical System (Baltimore Washington)

Baltimore Washington is located in Anne Arundel County, a suburb of Baltimore city, and is a health system comprised of University of Maryland Baltimore Washington Medical Center (UM Baltimore Washington), a 324-bed acute care hospital providing a broad range of services, and several wholly owned subsidiaries providing emergency physician and other services.

Baltimore Washington Medical Center Foundation, Inc. (BWMC Foundation) is governed by a separate, independent board of directors and is required to hold investments and income derived therefrom for the exclusive benefit of UM Baltimore Washington. Accordingly, the accompanying consolidated financial statements reflect an economic interest in the net assets of the BWMC Foundation.

University of Maryland Shore Regional Health (Shore Regional)

Shore Regional is a health system located on the Eastern Shore of Maryland. Shore Regional owns and operates University of Maryland Shore Medical Center at Easton (UM Easton), a 131-bed acute care hospital providing inpatient and outpatient services in Easton, Maryland; University of Maryland Shore Medical Center at Cambridge (UM Cambridge), a freestanding medical facility, providing outpatient services in Cambridge, Maryland; University of Maryland Shore Medical Center at Chestertown (UM Chester River), a five-bed acute care hospital providing inpatient and outpatient services to the residents of Kent and Queen Anne's counties; Shore Emergency Center at Queenstown (Shore Emergency Center), a freestanding emergency center; and several other subsidiaries providing various outpatient and home care services.

Dorchester General Hospital Foundation, Inc. (Dorchester Foundation) is governed by a separate, independent board of directors to raise funds to support certain Shore Regional facilities. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation and, accordingly, the accompanying consolidated financial statements reflect a beneficial interest in the net assets of the Dorchester Foundation.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

University of Maryland Charles Regional Health (Charles Regional)

Charles Regional owns and operates University of Maryland Charles Regional Medical Center (UM Charles Regional), which is comprised of a 114-bed acute care hospital and other community healthcare resources providing inpatient and outpatient services to the residents of Charles County in southern Maryland.

University of Maryland St. Joseph Health System (St. Joseph)

St. Joseph owns and operates University of Maryland St. Joseph Medical Center (UM St. Joseph), a 255-bed, Catholic acute care hospital located in Towson, Maryland, as well as other subsidiaries providing inpatient and outpatient services to the residents of Baltimore County.

University of Maryland Upper Chesapeake Health System (Upper Chesapeake)

Upper Chesapeake is a health system located in Harford County, Maryland. Upper Chesapeake's healthcare delivery system includes University of Maryland Upper Chesapeake Medical Center (UM Upper Chesapeake), a 243-bed acute care hospital; a freestanding emergency and medical facility that also provides mental and behavioral health services; a physician practice; and a land holding company.

University of Maryland Capital Region Health (Capital Region)

Capital Region is a health system located in Prince George's County. Capital Region owns and operates UM Capital Region Medical Center (UM Capital Region), a 270-bed acute care teaching hospital and Level II Trauma Center; UM Laurel Medical Center (UM Laurel), a freestanding medical facility providing emergency medicine, outpatient surgery; and UM Bowie Health Center (UM Bowie), a freestanding medical facility providing emergency medicine and diagnostic imaging and lab services.

University of Maryland Medical System Foundation (UM Medicine Foundation)

The UM Medicine Foundation, a not-for-profit foundation, was established for the purpose of soliciting contributions on behalf of the Medical Center and certain other subsidiaries of UMMS.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

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 (U.S. GAAP).

Cash and Cash Equivalents

Cash and cash equivalents, excluding amounts shown within investments and assets limited as to use, consist of cash and interest-bearing deposits with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Corporation has not experienced such losses on these funds.

Investments and Assets Limited as to Use

The Corporation's investment portfolios, except alternative investments, are classified as trading and are reported on the consolidated balance sheets as long-term assets at June 30, 2025 and 2024. Investment income earnings on cash and short-term investments associated with business operations are recorded in other operating revenues. Unrealized holding gains and losses on trading securities with readily determinable market values, as well as alternative investments, are included in nonoperating income. Investment income related to long-term investments, including realized gains and losses, is included in nonoperating income on the accompanying consolidated statements of operations and changes in net assets.

Assets limited as to use include investments set aside for the replacement or acquisition of property and equipment, investments held by trustees under bond indenture agreements and self-insurance trust arrangements, and assets whose use is restricted by donors. Restricted investments are recorded in net assets with donor restrictions unless otherwise required by the donor or state law. UMMS serves as the Paymaster for the Maryland Health Services Cost Review Commission (HSCRC)'s Episode Quality Improvement Program (the Program) whereby UMMS receives and disburses awards earned under the Program. At June 30, 2025 and 2024, the Corporation held \$61,867 and \$81,024, respectively, of funds that are pending disbursement to the Program beneficiaries, an amount that is included in current portion of assets limited as to use (Note 2) with an equal and offsetting liability recorded in other current liabilities. Assets limited as to use also includes the Corporation's economic interests in financially interrelated organizations (Note 10).

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term and these changes could materially differ from the amounts reported in the accompanying consolidated financial statements.

Fair Value Measurements

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

Cash and cash equivalents, accounts receivable, assets limited as to use, investments, trade accounts payable, accrued payroll and benefits, other accrued expenses, and advances from third-party payors – The carrying amounts reported on the consolidated balance sheets approximate the related fair values. Assets limited as to use and investments include managed funds, which include hedge funds, multi-strategy commingled funds, private investments, and other investments (collectively, alternative investments) that do not have readily ascertainable fair values and may be subject to withdrawal restrictions. The Corporation applies Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)*, to its alternative investments and pension plan assets. The guidance permits, as a practical expedient, fair value of investments within its scope to be estimated using the net asset value (NAV) or its equivalent. The alternative investments classified within the fair value hierarchy have been recorded using the NAV. These amounts are not required to be categorized in the fair value hierarchy. Fair value is based on the proportionate share of the NAV based on the most recent statements received from the investment fund managers.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

The Corporation discloses its financial assets, financial liabilities, and fair value measurements of nonfinancial items according to the fair value hierarchy required by U.S. GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurement) and the 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 are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices including within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 inputs are unobservable inputs for the asset or liability when little or no market data is available.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. The Corporation uses techniques consistent with the market approach and the income approach for measuring fair value of its Level 2 and Level 3 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level of input that is significant to the fair value measurement in its entirety.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

As of June 30, 2025 and 2024, the Level 2 assets and liabilities listed in the fair value hierarchy tables presented in Notes 2 and 10 utilize the following valuation techniques and inputs:

U.S. government and agency securities

The fair value of investments in U.S. government, state, and municipal obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark constant maturity curves and spreads. U.S. government and agency securities also include treasury notes that are based on quoted market prices in active markets.

Corporate obligations

The fair value of investments in U.S. and international corporate bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker dealer quotes, issuer spreads, and security-specific characteristics, such as early redemption options. The fair value of collateralized corporate obligations is primarily determined using techniques consistent with the income approach, such as a discounted cash flow model. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and quotes. Corporate obligations also include commercial paper that is based on quoted market prices in active markets.

Derivative liabilities

The fair value of derivative contracts is primarily determined by using techniques consistent with the market approach. Derivative contracts include interest rate, credit default, and total return swaps. Significant observable inputs to valuation models include interest rates, treasury yields, volatilities, credit spreads, maturity, and recovery rates.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue and Patient Accounts Receivable

In accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, net patient service revenue, which includes hospital inpatient services, hospital outpatient services, physician services, and other patient services revenue, is recorded at the transaction price estimated by the Corporation to reflect the total consideration due from patients and third-party payors (including commercial payors and government programs) and others. Revenue is recognized over time as performance obligations are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The services provided to a patient during an inpatient stay or outpatient visit represent a bundle of goods and services that are distinct and accounted for as a single performance obligation.

The Corporation's estimate of the transaction price includes the Corporation's standard charges for the goods and services provided, with a reduction recorded related to explicit price concessions for such items as contractual allowances, charity care, adjustments that may arise from payment and other reviews, and implicit price concessions, such as uncollectible amounts. The price concessions are determined using the portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. Based on historical experience, a significant portion of the self-pay population will be unable or unwilling to pay for services and only the amount anticipated to be collected is recognized in the transactions price. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. Subsequent changes that are determined to be the result of an adverse change in the payor's or patient's ability to pay are considered bad debt expense and recorded within operating expenses on the consolidated statements of operations and changes in net assets and were not material for the years ended June 30, 2025 or 2024. Estimates for uncollectible amounts are based on the historical collections experience for similar payors and patients, current market conditions, and other relevant factors.

The standard charges for goods and services for the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region reflect actual charges to patients based on rates regulated by the HSCRC in effect during the period in which the services are rendered. See Note 16 for further discussion on the HSCRC and regulated rates.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Patient accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies, and patients and are recorded at the net realizable value based on certain assumptions determined by each payor. The Corporation reports patient accounts receivable at an amount equal to the consideration it expects to receive in exchange for providing healthcare services to its patients, which is estimated using contractual provisions associated with specific payors, historical reimbursement rates, and analysis of past experience to estimate potential adjustments.

The Corporation has elected to apply the optional exemption in ASC 606-10-50-14a as all performance obligations relate to contracts with a duration of less than one year. Under this exemption, the Corporation was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

Net patient service revenue by line of business is as follows:

	Year Ended June 30	
	2025	2024
Hospital inpatient and outpatient services	\$ 4,740,072	\$ 4,520,934
Physician services	373,940	326,722
Other	23,300	15,823
Net patient service revenue	<u>\$ 5,137,312</u>	<u>\$ 4,863,479</u>

Other Accounts Receivable

Other accounts receivable primarily include receivables related to the hospital outpatient pharmacies, pharmacy rebate accruals, grants, and third-party contracts.

Inventories

Inventories, consisting primarily of drugs and medical/surgical supplies, are carried at the lower of cost (determined on an average cost method) or net realizable value.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Economic Interests in Financially Interrelated Organizations

The Corporation recognizes its rights to assets held by recipient organizations, which accept cash or other financial assets from a donor and agree to use those assets on behalf of or transfer those assets, the return on investment of those assets, or both to the Corporation. Changes in the Corporation's economic interests in these financially interrelated organizations are recognized on the accompanying consolidated statements of operations and changes in net assets.

Property and Equipment

Property and equipment are stated at cost or estimated fair value at date of contribution, less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets. The estimated useful lives of the assets are as follows:

Buildings	20 to 40 years
Building and leasehold improvements	5 to 15 years
Equipment	3 to 15 years

Interest costs incurred on borrowed funds less interest income earned on the unexpended bond proceeds during the period of construction are 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 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.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and purchased intangibles subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset with estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented on the consolidated balance sheets and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Investments in Joint Ventures

When the Corporation does not have controlling interest over the operating and financial policies of the investee but has significant influence over an entity, the Corporation applies the equity method of accounting, and operating results flow through equity in net income of joint ventures in the nonoperating income and expenses, net section of the consolidated statements of operations and changes in net assets. Dividends received are recorded as a reduction in the carrying amount of the investment. Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

Other Assets

Other assets primarily include reinsurance receivables (Note 14), operating lease right of use (ROU) assets (Note 5), prepaid expenses, retirement plan assets, and intangible assets, net of accumulated amortization.

Advances From Third-Party Payors

The Corporation receives advances from some of its third-party payors so that those payors can receive the stated prompt pay discount allowed for hospitals in the state of Maryland. Advances are recorded as a current liability on the consolidated balance sheets.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Deferred Financing Costs

Costs incurred related to the issuance of long-term debt, which are included in long-term debt, are deferred and are amortized over the life of the related debt agreements or the related letter of credit agreements using the effective-interest method.

Derivative Financial Instruments

The Corporation records derivative and hedging activities on the consolidated balance sheets at their respective fair values.

The Corporation utilizes derivative financial instruments to manage its interest rate risks associated with long-term debt. The Corporation does not hold or issue derivative financial instruments for trading purposes. The Corporation's specific goals for its derivative financial instruments are to (a) manage interest rate sensitivity by modifying the repricing or maturity characteristics of some of its debt and (b) lower unrealized appreciation or depreciation in the market value of the Corporation's fixed-rate debt when that market value is compared with the cost of the borrowed funds. The effect of this unrealized appreciation or depreciation in market value, however, will generally be offset by the income or loss on the derivative instruments that are linked to the debt.

All derivative instruments are reported as interest rate swap liabilities or other assets on the consolidated balance sheets and measured at fair value. Currently, the Corporation is accounting for its interest rate swaps as economic hedges at fair value, with changes in the fair value recognized in other nonoperating income and expenses.

Self-Insurance

Under the Corporation's self-insurance programs (general and professional liability, workers' compensation, and employee health and long-term disability benefits), incurred claims are estimated primarily based upon actuarial methods that include incurred but not reported claims analysis and reported claims of the severity of incidents and the expected timing of claim payments. These estimates are continually reviewed and adjusted as necessary based on experience. These adjustments are recorded within the current period.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets

The Corporation classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must or will be met either by satisfying a specific purpose and/or the passage of time. Generally, the donors of these assets permit the use of all or part of the income earned on related investments for specific purposes. The restrictions associated with these net assets generally pertain to patient care, specific capital projects, and funding of specific hospital operations and community outreach programs.

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 the promise becomes unconditional. Contributions 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 is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue or transfers and additions to property and equipment. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions on the accompanying consolidated statements of operations and changes in net assets. Contributed nonfinancial assets received from donors are subsequently monetized. Net assets also include endowments which are subject to donor-imposed restrictions that are to be maintained permanently by the Corporation.

Contributions to be received after one year are discounted at a fixed discount rate commensurate with the risks involved. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contributions, and nature of fundraising activity.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Charity Care

The Corporation is committed to providing quality healthcare to all, regardless of one's ability to pay. Patients who meet the criteria of the Corporation's charity care policy receive services without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. The Corporation maintains records to identify and monitor the level of charity care it furnished under its charity care policy. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The amounts reported as charity care represent the cost of rendering such services. Costs incurred are estimated based on the cost to charge ratio for each hospital and applied to charity care charges. The Corporation estimates the total direct and indirect costs to provide charity care were approximately \$53,400 and \$52,818 for the years ended June 30, 2025 and 2024, respectively.

Other Revenue

Other revenue consists of pharmacy prescription sales, cafeteria sales, grant revenues, net assets released from restriction, and other non-patient service revenue.

Nonoperating Income and Expenses, Net

Other activities that are only indirectly related to the Corporation's primary business of delivering healthcare services are recorded as nonoperating income and expenses, net and include income earned on long-term investments, equity in the net income of joint ventures, general donations and fundraising activities, changes in fair value of investments, changes in fair value of undesignated interest rate swaps, and settlement payments on interest rate swaps that do not qualify for hedge accounting treatment.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Excess of Revenue Over Expenses

The accompanying consolidated statements of operations and changes in net assets include a performance indicator, excess of revenues over expenses. Changes in net assets without donor restrictions that are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions, which, by donor restrictions, were to be used for the purpose of acquiring such assets), changes in the funded status of defined benefit pension plans, state support for capital, and other items that are required by U.S. GAAP to be reported separately.

Income Taxes

The Corporation and most of its subsidiaries are not-for-profit corporations formed under the laws of the state of Maryland, organized for charitable purposes and recognized by the Internal Revenue Service as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code), pursuant to Section 501(a) of the Code. The effect of the taxable status of its for-profit subsidiaries is not material to the consolidated financial statements.

The Corporation follows a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management does not believe that there are any unrecognized tax liabilities or benefits that should be recognized.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Going Concern

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

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Reclassifications

Certain prior year amounts in the footnotes to the consolidated financial statements have been reclassified to conform to the current year presentation.

2. Investments and Assets Limited as to Use

The carrying values of assets limited as to use were as follows:

	June 30	
	2025	2024
Investments held for collateral	\$ 4,168	\$ 4,419
Debt service and reserve funds	74,454	55,845
Construction funds – held by trustee	245,200	91,906
Construction funds – held by the Corporation	–	52,262
Self-insurance trust funds	344,899	289,634
Funds restricted by donors	189,164	182,353
Economic and beneficial interests in the net assets of related organizations (<i>Note 10</i>)	64,575	59,203
Other assets limited as to use	61,867	81,024
Total assets limited as to use	984,327	816,646
Less amounts available for current liabilities	(171,105)	(150,074)
Total assets limited as to use, less current portion	\$ 813,222	\$ 666,572

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Assets limited as to use (short and long term) consisted of the following:

	June 30	
	2025	2024
Cash and cash equivalents	\$ 144,967	\$ 267,578
Corporate obligations	71,998	15,336
Fixed income funds	10,796	21,904
U.S. government and agency securities	231,671	48,950
Common stocks, including mutual funds	63,324	67,483
Alternative investments	55,650	49,894
Economic interest	64,575	59,203
Assets held by other organizations	341,346	286,298
Total assets limited as to use	<u>\$ 984,327</u>	<u>\$ 816,646</u>

Self-insurance trust funds include amounts held by the Maryland Medicine Comprehensive Insurance Program (MMCIP) for payment of malpractice claims. MMCIP is a funding mechanism for the Corporation's malpractice insurance program. As MMCIP is not an insurance provider, transactions with MMCIP are recorded under the deposit method of accounting. Accordingly, the Corporation accounts for its participation in MMCIP by carrying limited use assets representing the amount of funds contributed to MMCIP and recording a liability for claims, which is included in other current and other long-term liabilities on the accompanying consolidated balance sheets. These assets include the Corporation's portion of the investment pool shared with University of Maryland Faculty Physicians, Inc., which is part of the University of Maryland School of Medicine.

The related restricted cash and cash equivalents included in investments held for collateral, debt service and reserve funds, construction funds (held by trustee), funds restricted by donors, and other restricted use funds are included on the accompanying consolidated statements of cash flows for the years ended June 30, 2025 and 2024.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The carrying values of investments were as follows:

	June 30	
	2025	2024
Cash and cash equivalents	\$ 141,541	\$ 99,805
Corporate obligations	60,761	35,604
Fixed income funds	105,308	114,145
U.S. government and agency securities	144,377	123,270
Common stocks	486,025	488,734
Alternative investments	889,152	750,831
	\$ 1,827,164	\$ 1,612,389

Alternative investments include hedge funds, private investments, and commingled investment funds, which are valued using NAV as a practical expedient. As of June 30, 2025, approximately \$425,144 of the alternative investments are subject to 30-day-or-less notice requirements and are available to be redeemed on at least a monthly basis. As of June 30, 2024, the majority of these alternative investments were subject to 30-day-or-less notice requirements and are available to be redeemed on at least a monthly basis. Approximately \$257,788 and \$229,795 of the alternative investments were subject to 31- to 60-day notice requirements and can only be redeemed monthly, quarterly, or annually as of June 30, 2025 and 2024, respectively. Other funds as of June 30, 2025 and 2024, totaling approximately \$183,830 and \$88,985, respectively, are subject to over-60-day notice requirements and can only be redeemed quarterly or annually. There is approximately \$156,579 and \$38,455 of the funds subject to over-60-day notice requirements that are subject to lockup restrictions and are not available to be redeemed until certain time restrictions are met, which range from three to ten years as of June 30, 2025 and 2024, respectively. The Corporation had approximately \$109,410 and \$76,928 of unfunded commitments in alternative investments as of June 30, 2025 and 2024, respectively. The Corporation had approximately \$78,040 and \$0 of contributions made in advance comprised of purchases of investments held at NAV as of June 30, 2025 and 2024, respectively.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2025:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	\$ 141,541	\$ –	\$ –	\$ 141,541
Corporate obligations	17,597	43,164	–	60,761
Fixed income funds	105,308	–	–	105,308
U.S. government and agency securities	101,132	43,245	–	144,377
Common stocks, including mutual funds	486,025	–	–	486,025
	<u>\$ 851,603</u>	<u>\$ 86,409</u>	<u>\$ –</u>	<u>\$ 938,012</u>
Alternative investments, reported using NAV:				
Hedge funds/private investments				94,013
Commingled funds				737,385
Contributions made in advance				57,754
Total investments				<u>\$ 1,827,164</u>
Assets limited as to use:				
Cash and cash equivalents	\$ 144,967	\$ –	\$ –	\$ 144,967
Corporate obligations	56,817	15,181	–	71,998
Fixed income funds	10,796	–	–	10,796
U.S. government and agency securities	228,555	3,116	–	231,671
Common stocks, including mutual funds	63,324	–	–	63,324
Economic and beneficial interests	–	–	64,575	64,575
	<u>\$ 504,459</u>	<u>\$ 18,297</u>	<u>\$ 64,575</u>	<u>\$ 587,331</u>
Alternative investments, reported using NAV:				
Assets held by other organizations*				341,346
Hedge funds/private investments				4,118
Commingled funds				31,246
Contributions made in advance				20,286
Total assets limited as to use				<u>\$ 984,327</u>

* “Assets held by other organizations” recorded using the NAV as a practical expedient include assets of the MMCIP Self-Insurance Trust.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Investments and Assets Limited as to Use (continued)

The following table presents investments and assets limited as to use that are measured at fair value on a recurring basis at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Investments:				
Cash and cash equivalents	\$ 99,805	\$ –	\$ –	\$ 99,805
Corporate obligations	–	35,604	–	35,604
Fixed income funds	114,145	–	–	114,145
U.S. government and agency securities	79,441	43,829	–	123,270
Common stocks, including mutual funds	488,734	–	–	488,734
	<u>\$ 782,125</u>	<u>\$ 79,433</u>	<u>\$ –</u>	<u>\$ 861,558</u>
Alternative investments, reported using NAV:				
Hedge funds/private investments				62,674
Commingled funds				688,157
Total investments				<u>\$ 1,612,389</u>
Assets limited as to use:				
Cash and cash equivalents	\$ 267,578	\$ –	\$ –	\$ 267,578
Corporate obligations	2,027	13,309	–	15,336
Fixed income funds	21,904	–	–	21,904
U.S. government and agency securities	47,898	1,052	–	48,950
Common stocks, including mutual funds	67,483	–	–	67,483
Economic and beneficial interests	–	–	59,203	59,203
	<u>\$ 406,890</u>	<u>\$ 14,361</u>	<u>\$ 59,203</u>	<u>\$ 480,454</u>
Alternative investments, reported using NAV:				
Assets held by other organizations*				286,298
Hedge funds/private investments				13,121
Commingled funds				36,773
Total assets limited as to use				<u>\$ 816,646</u>

* “Assets held by other organizations” recorded using the NAV as a practical expedient include assets of the MMCIP Self-Insurance Trust.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

2. Investments and Assets Limited as to Use (continued)

Changes to Level 1 and Level 2 securities between June 30, 2025 and 2024, were the result of strategic investments and reinvestments, interest income earnings, and changes in the fair value of investments.

The Corporation's total return on its investments and assets limited as to use was as follows:

	Year Ended June 30	
	2025	2024
Dividends and interest, net of fees	\$ 37,557	\$ 44,180
Net realized gains	96,457	37,846
Change in fair value of trading securities and alternative investments	68,864	120,665
Total investment return	<u>\$ 202,878</u>	<u>\$ 202,691</u>

Total investment return is classified on the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended June 30	
	2025	2024
Other operating revenue	\$ 989	\$ 4,161
Nonoperating investment income, net	126,526	61,348
Change in fair value of unrestricted investments	68,654	119,536
Investment gains on net assets with donor restrictions	6,709	17,646
Total investment return	<u>\$ 202,878</u>	<u>\$ 202,691</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

3. Property and Equipment

The following is a summary of property and equipment:

	June 30	
	2025	2024
Land	\$ 208,932	\$ 206,705
Buildings	2,394,850	2,377,325
Building and leasehold improvements	1,149,253	1,085,106
Equipment	2,028,615	1,892,095
Construction-in-progress	459,114	283,363
	<u>6,240,764</u>	<u>5,844,594</u>
Less accumulated depreciation and amortization	(3,176,345)	(2,895,030)
	<u><u>\$ 3,064,419</u></u>	<u><u>\$ 2,949,564</u></u>

Interest cost capitalized was \$7,430 and \$8,782 for the years ended June 30, 2025 and 2024, respectively. Remaining contractual commitments on construction projects were approximately \$317,775 at June 30, 2025. The majority of these commitments relate to the construction of the new regional medical center for UM Easton and the new Medical Center Stoler Center for Advanced Medicine.

Construction-in-progress includes building and renovation costs for assets that have not yet been placed into service. These costs relate to major construction projects as well as routine renovations underway at the Corporation's facilities.

4. Investments in Joint Ventures

Investments recorded under the equity method that the Corporation does not consolidate as of June 30 consisted of the following:

	Ownership %	2025	2024
Mt. Washington Pediatric Hospital, Inc. (Mt. Washington)	50%	\$ 86,054	\$ 79,581
Terrapin Insurance (Terrapin)	50%	975	975
Other investments	Various	70,793	64,540
		<u>\$ 157,822</u>	<u>\$ 145,096</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Investments in Joint Ventures (continued)

The following is a summary of the Corporation's joint ventures' combined unaudited condensed financial information as of and for the years ended June 30:

	2025			
	Mt. Washington	Terrapin	Others	Total
Current assets	\$ 22,670	\$ –	\$ 59,538	\$ 82,208
Noncurrent assets	155,401	464,294	134,410	754,105
Total assets	<u>\$ 178,071</u>	<u>\$ 464,294</u>	<u>\$ 193,948</u>	<u>\$ 836,313</u>
Current liabilities	\$ 15,593	\$ –	\$ 12,714	\$ 28,307
Noncurrent liabilities	6,891	462,344	22,988	492,223
Net assets	155,587	1,950	158,246	315,783
Total liabilities and net assets	<u>\$ 178,071</u>	<u>\$ 464,294</u>	<u>\$ 193,948</u>	<u>\$ 836,313</u>
Total operating revenue	\$ 73,588	\$ 52,947	\$ 155,581	\$ 282,116
Total operating expenses	(74,630)	(81,681)	(136,823)	(293,134)
Total nonoperating gains, net	11,637	28,734	479	40,850
Contributions from owners	–	–	4,370	4,370
Other changes in net assets, net	2,351	–	(1,445)	906
Increase in net assets	<u>\$ 12,946</u>	<u>\$ –</u>	<u>\$ 22,162</u>	<u>\$ 35,108</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

4. Investments in Joint Ventures (continued)

	2024			
	Mt. Washington	Terrapin	Others	Total
Current assets	\$ 18,051	\$ –	\$ 57,141	\$ 75,192
Noncurrent assets	146,477	459,871	112,556	718,904
Total assets	<u>\$ 164,528</u>	<u>\$ 459,871</u>	<u>\$ 169,697</u>	<u>\$ 794,096</u>
Current liabilities	\$ 19,077	\$ –	\$ 13,111	\$ 32,188
Noncurrent liabilities	2,810	457,921	26,915	487,646
Net assets	142,641	1,950	129,671	274,262
Total liabilities and net assets	<u>\$ 164,528</u>	<u>\$ 459,871</u>	<u>\$ 169,697</u>	<u>\$ 794,096</u>
Total operating revenue	\$ 66,412	\$ 37,342	\$ 143,632	\$ 247,386
Total operating expenses	(70,798)	(63,193)	(120,775)	(254,766)
Total nonoperating gains (losses), net	8,647	25,851	(3,225)	31,273
Contributions from owners	–	–	43,484	43,484
Other changes in net assets, net	1,833	–	(3,721)	(1,888)
Increase in net assets	<u>\$ 6,094</u>	<u>\$ –</u>	<u>\$ 59,395</u>	<u>\$ 65,489</u>

5. Leases

The Corporation determines whether an arrangement is a lease at inception of the contract. Operating leases are included in other assets, other current liabilities, and other long-term liabilities on the consolidated balance sheets. Finance leases are included in property, plant, and equipment; other current liabilities; and other long-term liabilities on the accompanying consolidated balance sheets. The Corporation's leases primarily consist of real estate leases for medical and administrative office buildings.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Leases (continued)

Lease liabilities are recognized based on its present value, net of the future minimum lease payments over the lease term using the Corporation's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses, and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in purchased services, net, but are not included in the ROU asset or liability balances. Lease agreements may include one or more renewal options that are at the Corporation's sole discretion. The Corporation does not consider the renewal options to be reasonably likely to be exercised; therefore, they are not included in ROU assets or lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases.

In accordance with ASC 842, *Leases*, the Corporation has elected not to recognize ROU assets or lease liabilities for short-term leases with a lease term of 12 months or less. The Corporation recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

The following table summarizes the components of operating and finance lease assets and liabilities classified as current and noncurrent on the accompanying consolidated balance sheets:

	Consolidated Balance Sheet Classification	June 30	
		2025	2024
Operating leases			
Operating lease ROU assets	Other assets	\$ 160,519	\$ 108,621
Operating lease obligation current	Other current liabilities	(19,329)	(16,550)
Operating lease obligation long term	Other long-term liabilities	(136,647)	(94,054)
Finance leases			
Finance lease ROU assets	Property and equipment, net	\$ 37,796	\$ 36,581
Current finance lease liabilities	Other current liabilities	(1,009)	(1,083)
Long-term finance lease liabilities	Other long-term liabilities	(42,479)	(43,489)

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Leases (continued)

The components of lease expense were as follows:

	Year Ended June 30	
	2025	2024
Finance lease expense:		
Amortization of ROU assets	\$ 1,279	\$ 1,279
Interest on lease liabilities	1,542	1,570
Total finance lease expense	<u>2,821</u>	2,849
Operating lease expense	22,156	19,928
Short-term/variable lease expense	13,263	12,909
Total lease expense	<u>\$ 38,240</u>	<u>\$ 35,686</u>

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2025, are as follows:

	Operating	Finance
2026	\$ 26,153	\$ 2,522
2027	22,089	2,006
2028	19,330	2,006
2029	17,353	2,006
2030	16,149	2,006
Thereafter	103,103	41,030
Total	<u>204,177</u>	51,576
Less present value discount	(48,201)	(8,088)
Lease liabilities	<u>\$ 155,976</u>	<u>\$ 43,488</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

5. Leases (continued)

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	Year Ended June 30	
	2025	2024
Operating leases	\$ 33,153	\$ 19,837
Financing leases	2,625	2,625
Total cash paid	<u>\$ 35,778</u>	<u>\$ 22,462</u>

Other information is as follows:

	Year Ended June 30	
	2025	2024
Weighted average remaining lease terms (in years):		
Finance leases	5.46	6.40
Operating leases	10.43	8.51
Weighted average discount rate:		
Finance leases	3.51%	3.50%
Operating leases	4.79	3.52

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

6. Long-Term Debt and Other Borrowings

Long-term debt consists of the following:

	Interest Rate	Payable in Fiscal Year(s)	June 30	
			2025	2024
MHHEFA project revenue bonds:				
Corporation issue, payments due annually:				
Series 2025A Bonds	5.00%–5.25%	2026–2055	\$ 234,725	\$ –
Series 2025B Bonds	5.00%	2041–2045 ⁽¹⁾	72,630	–
Series 2025C1-2 Bonds	Variable rate	2053–2055	150,000	–
Series 2021A Bonds	Variable rate	2023–2043 ⁽¹⁾	154,550	156,670
Series 2021B Bonds	Variable rate	2023–2043	–	97,670
Series 2020B/D Bonds	3.05%–5.00%	2041–2051 ⁽¹⁾	674,420	752,680
Series 2017D/E Bonds	4.00%–4.17%	2045–2049	189,965	189,965
Series 2017B/C Bonds	1.98%–5.00%	2018–2040	185,995	202,845
Series 2016B–F Bonds	Variable rate	2017–2042 ⁽¹⁾	182,190	186,180
Series 2015 Bonds	3.00%–5.00%	2016–2042	65,480	67,265
Series 2013 Bonds	4.00%–5.00%	2014–2044	113,900	115,055
Series 2008D Bonds	Variable rate	2026–2042	50,000	50,000
MHHEFA Pooled Loan Program	Variable rate	2017–2035	11,400	12,350
Other long-term debt:				
Other loans, mortgages, and notes payable	3.25%–6.50%	Monthly, 2001–2035	9,624	6,892
Total debt			2,094,879	1,837,572
Less current portion of long-term debt			(35,729)	(34,059)
Less long-term debt subject to short-term refinancing, due to mandatory tender in next 12 months			–	(91,390)
			2,059,150	1,712,123
Plus unamortized premiums			45,244	34,842
Less unamortized deferred financing costs			(12,379)	(10,306)
Long-term debt, less current portion and amount subject to short-term refinancing			\$ 2,092,015	\$ 1,736,659

⁽¹⁾ Mandatory bond tender is scheduled to occur in the following fiscal years, unless extended or refinanced: 2016B (2027), 2016C (2029), 2016E (2027), 2016F (2029), 2020B-2 (2028), 2021A (2028), and 2025B (2032).

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

6. Long-Term Debt and Other Borrowings (continued)

Pursuant to an Amended and Restated Master Loan Agreement, dated August 1, 2022 (Master Loan Agreement), an Obligated Group comprised of the Corporation and certain of its subsidiaries (Obligated Group) have issued debt through the Maryland Health and Higher Educational Facilities Authority (MHHEFA or the Authority). As security for the performance of the bond obligations under the Master Loan Agreement, the Obligated Group has pledged an interest in its gross revenues and receivables, and each member of the Obligated Group is jointly and severally liable for the repayment of the obligations under the Master Loan Agreement.

On February 12, 2025, MHHEFA issued the tax-exempt Series 2025A, 2025B, and 2025C1-2 Bonds on behalf of the Obligated Group in the amounts of \$234,725, \$72,630, and \$150,000, respectively. The proceeds were used for the purpose of refinancing existing debt, including the redemption of the Series 2020B-1 and Series 2021B Bonds. The remaining proceeds are to be used for the purpose of financing certain capital projects related to Medical Center and Shore Regional.

The aggregate annual future maturities of long-term debt, including mandatory bond tender, according to the original terms of the Master Loan Agreement and all other loan agreements, are as follows for the years ending June 30:

2026	\$ 35,729
2027	175,165
2028	327,600
2029	115,940
2030	103,005
Thereafter	1,337,440
	<u>\$ 2,094,879</u>

The Corporation's Series 2008D, 2025C-1, and 2025C-2 Bonds are variable rate demand bonds requiring a remarketing agent to purchase and remarket any bonds tendered before the stated maturity date. The reimbursement obligations with respect to the letters of credit are evidenced and secured by the bonds. To provide liquidity support for the timely payment of any bonds that are not successfully remarketed, the Corporation has entered into a letter of credit agreement with a banking institution. The agreements have a term that expires in fiscal years 2027 (2008D), 2030 (2025C-1), and 2028 (2025C-2).

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

6. Long-Term Debt and Other Borrowings (continued)

If the bonds are not successfully remarketed, the Corporation is required to pay an interest rate specified in the letter of credit agreement, and the principal repayment of bonds may be accelerated to require repayment. The Corporation has reflected the amount of its long-term debt that is subject to these short-term remarketing arrangements within the consolidated balance sheets according to the maturity of the bond's related letter of credit agreements. In the event that bonds are not remarketed, the Corporation maintains available letters of credit and has the ability to access other sources to obtain the necessary liquidity to comply with accelerated repayment terms. All variable rate demand bonds were successfully remarketed as of June 30, 2025 and 2024.

The approximate interest rates on outstanding debt bearing interest at variable rates were as follows:

	June 30	
	2025	2024
Series 2008D Bonds	3.95%	4.95%
Series 2016B Bonds	3.98	4.79
Series 2016C Bonds	4.04	4.78
Series 2016E Bonds	4.22	5.02
Series 2016F Bonds	4.04	4.78
Series 2021A Bonds	2.46	4.42
Series 2021B Bonds	–	4.16
Series 2025C-1 Bonds	3.95	–
Series 2025C-2 Bonds	1.80	–
MHHEFA Pooled Loan Program	2.50	3.75

For the years ended June 30, 2025 and 2024, the Corporation had a \$250,000 revolving line of credit facility (the Revolving Facility) in place with a syndicate of banking partners, which had an expiration date of August 23, 2025. The Revolving Facility is used to manage cash flow needs during the year and is secured by the gross revenues of the Obligated Group under the Master Loan Agreement. At the option of UMMS, advances under the Revolving Facility bear interest on the basis of the prime rate, the federal funds rate, or the secured overnight financing rate (SOFR) plus any applicable credit spread. As of June 30, 2025 and 2024, there were no amounts outstanding on the line of credit.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

6. Long-Term Debt and Other Borrowings (continued)

Subsequent to year-end (Note 18), on July 9, 2025, the Corporation entered into a new agreement and terminated its existing agreement prior to its stated expiration date. The terms and characteristics of the new Revolving Facility are materially the same as those of the previous agreement, in particular with respect to its capacity of \$250,000 and the borrowing rate options available to the Corporation. The new Revolving Facility has a stated expiration date of July 7, 2028.

7. Interest Rate Risk Management

The Corporation uses a combination of fixed and variable rate debt to finance capital needs. The Corporation maintains an interest rate risk-management strategy that uses interest rate swaps to minimize significant, unanticipated earnings fluctuations that may arise from volatility in interest rates. The interest rate swap agreements are secured under the Master Loan Agreement.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

7. Interest Rate Risk Management (continued)

At June 30, the Corporation's notional values of outstanding interest rate swaps and the corresponding mark-to-market values are as follows:

	Notional Amount	Pay Rate	Receive Rate	Maturity Date	Mark to Market
2025					
Swap #1	\$ 47,921	3.59%	70% of SOFR	7/1/2031	\$ (1,294)
Swap #2	84,000	3.93	68% of SOFR	7/1/2041	(10,144)
Swap #3	21,000	4.24	68% of SOFR	7/1/2041	(3,192)
Swap #4	23,275	3.99	67% of SOFR	7/1/2034	(1,639)
Swap #5	14,930	3.54	70% of SOFR	7/1/2031	(386)
Swap #6	196,000	3.93	68% of SOFR	7/1/2041	(14,448)
Swap #7	49,000	4.24	68% of SOFR	7/1/2041	(4,589)
Swap #8	54,300	3.99	67% of SOFR	7/1/2034	(1,562)
Swap #9	925	3.63	67% of SOFR	7/1/2032	(19)
Swap #10	78,900	3.92	67% of SOFR	1/1/2043	(4,347)
Swap #11	196,000	4.02	68% of SOFR	10/1/2028	(9,661)
Swap #12	49,000	4.33	68% of SOFR	10/1/2028	(2,969)
Swap #13	54,300	4.09	67% of SOFR	10/1/2028	(2,398)
Swap #14	78,900	3.99	67% of SOFR	11/3/2028	(3,822)
					<u>(60,470)</u>
Valuation adjustments					63
Total					<u>\$ (60,407)</u>
2024					
Swap #1	\$ 59,423	3.59%	70% of SOFR	7/1/2031	\$ (914)
Swap #2	84,000	3.93	68% of SOFR	7/1/2041	(9,502)
Swap #3	21,000	4.24	68% of SOFR	7/1/2041	(3,043)
Swap #4	25,275	3.99	67% of SOFR	7/1/2034	(1,477)
Swap #5	18,470	3.54	70% of SOFR	7/1/2031	(260)
Swap #6	196,000	3.93	68% of SOFR	7/1/2041	(14,327)
Swap #7	49,000	4.24	68% of SOFR	7/1/2041	(4,486)
Swap #8	58,950	4.00	67% of SOFR	7/1/2034	(1,395)
Swap #9	1,245	3.63	67% of SOFR	7/1/2032	(17)
Swap #10	82,500	3.92	67% of SOFR	1/1/2043	(4,267)
Swap #11	196,000	4.02	68% of SOFR	10/1/2028	(8,495)
Swap #12	49,000	4.33	68% of SOFR	10/1/2028	(2,781)
Swap #13	58,950	4.09	67% of SOFR	10/1/2028	(2,235)
Swap #14	82,500	3.99	67% of SOFR	11/3/2028	(3,420)
					<u>(56,619)</u>
Valuation adjustments					1,449
Total					<u>\$ (55,170)</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

7. Interest Rate Risk Management (continued)

Swaps #6, #7, #8, and #10 are forward starting swaps, whereas cash settlements do not commence until their effective dates in October and November 2028.

The interest rate swap does not qualify for hedge accounting treatment under accounting standards for derivative instruments and hedging activities. The derivative mark-to-market values of the Corporation's interest rate swaps include a valuation adjustment representing the creditworthiness of the counterparties to the swaps. The swap agreements are included on the consolidated balance sheets at their fair value of \$60,407 and \$55,170 as of June 30, 2025 and 2024, respectively, an amount that is based on observable inputs other than quoted market prices in active markets for identical liabilities (Level 2 in the fair value hierarchy). The fair value of the swaps is based on the forward SOFR swap curve, with a weighted average duration of 1 to 18 years depending on the maturity date of each swap.

The Corporation recorded a net nonoperating (loss) gain on changes in the fair value of nonqualifying interest rate swaps of \$(5,237) and \$13,916 for the years ended June 30, 2025 and 2024, respectively.

The Corporation is subject to a collateral posting requirement with two of its swap counterparties. Collateral posting requirements are based on the Corporation's long-term debt credit ratings, as well as the net liability position of total interest rate swap agreements outstanding with that counterparty. The amount of such posted collateral was \$4,168 and \$4,419 at June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, the Corporation met its collateral posting requirement through the use of collateralized investments and cash equivalents, which were selected and purchased by the Corporation and subsequently transferred to the custody of the swap counterparty. The amount of posted investments that is required to meet the collateral requirement is computed daily and is accounted for as a component of the Corporation's assets limited as to use on the accompanying consolidated balance sheets as of that date. Any excess investment value is considered a component of the Corporation's unrestricted investment portfolio and is included in investments on the accompanying consolidated balance sheets as of that date.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Retirement Plans

Employees of the Corporation are included in various retirement plans established by the Corporation, the Medical Center, ROI, Midtown, Baltimore Washington, Shore Regional, Charles Regional, St. Joseph, Upper Chesapeake, and Capital Region. Participation by employees in their specific plan(s) has evolved based upon the organization by which they were first employed and the elections that they made at the times when their original employers became part of the Corporation. The following is a brief description of each of the retirement plans in which employees of the Corporation participate:

Defined Benefit Plans

The Corporation's defined benefit plans include the following:

University of Maryland Medical Center Midtown Campus Retirement Plan for Non-Union Employees (Midtown Plan) – A noncontributory defined benefit plan that covered substantially all non-union employees; frozen in fiscal year 2006.

Civista Health Inc. Retirement Plan and Trust (Charles Regional Plan) – A noncontributory defined benefit pension plan that covered employees who worked at least 1,000 hours per year during three or more plan years; frozen in 2023 (non-union) and 2024 (union).

Baltimore Washington Medical Center Pension Plan (Baltimore Washington Plan) – A noncontributory defined benefit pension plan covering full-time employees employed for at least one year who have reached 21 years of age; closed to new participants in 2019 and frozen in 2023.

In 2015, the Corporation amended the Baltimore Washington Plan and merged the Midtown Plan and Charles Regional Plan into that plan. The consolidated plan was renamed the University of Maryland Medical System Corporate Pension Plan (the Corporate Plan). All provisions of the respective previous plans apply to the respective applicable participants. All of the assets of the three plans are available to pay benefits for all participants under the Corporate Plan.

In fiscal year 2025, UMMS initiated the plan termination process for the Corporate Plan. It is anticipated the termination will be completed by the end of calendar year 2026.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Retirement Plans (continued)

Dimensions Health Corporation Pension Plan (Capital Region Pension Plan) – A noncontributory defined benefit pension plan covering substantially all employees; frozen in fiscal year 2008. For non-union participants, the plan operated as a cash balance plan. All non-union Capital Region Pension Plan participants were spun off into a separate plan in 2023 and the plan terminated in 2024. The plan incurred an \$11,100 settlement charge recorded in other nonoperating losses on the consolidated statements of operations and changes in net assets in 2024. Union participants remain in the Capital Region Pension Plan frozen plan.

Subsequent to year-end, the frozen Capital Region Pension Plan was approved for termination by both the Corporation and the union participants. It is anticipated the termination will be completed by the end of calendar year 2026.

The Corporation recognizes the funded status (i.e., the difference between the fair value of plan assets and projected benefit obligations) of its defined benefit pension plans as an asset or a liability on its consolidated balance sheets. The Corporation recognizes changes in the funded status in the year in which the changes occur as changes in unrestricted net assets. All defined benefit pension plans use a June 30 measurement date.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Retirement Plans (continued)

The following tables set forth the combined benefit obligations and assets of the defined benefit plans:

	June 30	
	2025	2024
Change in projected benefit obligations		
Benefit obligations at beginning of year	\$ 146,696	\$ 331,858
Settlements and curtailments	(533)	(182,243)
Service cost	333	331
Interest cost	8,127	14,407
Actuarial gain	(2,859)	(240)
Benefit payments	(9,099)	(17,417)
Projected benefit obligations at end of year	<u>\$ 142,665</u>	<u>\$ 146,696</u>
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 164,293	\$ 355,759
Actual return on plan assets	8,347	6,440
Settlements	-	(184,797)
Employer (distributions) contributions, net	(14,055)	4,308
Benefit payments	(9,099)	(17,417)
Fair value of plan assets at end of year	<u>\$ 149,486</u>	<u>\$ 164,293</u>

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Retirement Plans (continued)

The funded status of the plans and amounts recognized as other current assets, other current liabilities, and other long-term liabilities on the accompanying consolidated balance sheets are as follows:

	June 30	
	2025	2024
Funded status, end of period:		
Fair value of plan assets	\$ 149,486	\$ 164,293
Projected benefit obligations	142,665	146,696
Net funded status	<u>\$ 6,821</u>	<u>\$ 17,597</u>
Accumulated benefit obligation at end of year	<u>\$ 142,458</u>	<u>\$ 146,538</u>
Amounts recognized on the consolidated balance sheets at June 30:		
Accrued pension asset – current	\$ 7,936	\$ 17,597
Accrued pension liability – current	(162)	–
Accrued pension liability – long term	(953)	–
	<u>\$ 6,821</u>	<u>\$ 17,597</u>
Amounts unrecognized in net assets without donor restrictions at June 30:		
Net actuarial loss	\$ (30,820)	\$ (36,190)

The estimated net actuarial loss that will be amortized from net assets without donor restrictions into net periodic pension cost in fiscal year 2026 is \$2,176.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Retirement Plans (continued)

The components of net periodic benefit cost are as follows:

	Year Ended June 30	
	2025	2024
Service cost	\$ 333	\$ 331
Interest cost	8,128	14,407
Expected return on plan assets	(7,499)	(11,661)
Recognized losses	3,064	13,601
Net periodic benefit cost	<u>\$ 4,026</u>	<u>\$ 16,678</u>

Components of net benefit cost, excluding service cost, are recorded in other nonoperating losses, net on the accompanying consolidated statements of operations and changes in net assets.

The following table presents the weighted average assumptions used to determine benefit obligations for the plans:

	June 30	
	2025	2024
Discount rate	5.68%–5.97%	5.49%–5.78%
Interest crediting rate	4.00%–5.20%	3.00%–5.05%

The following table presents the weighted average assumptions used to determine net periodic benefit cost for the plans:

	Year Ended June 30	
	2025	2024
Discount rate	5.49%–5.78%	5.53%–5.67%
Rate of compensation increase	–	0.00%–3.00%
Expected long-term return on plan assets	4.00%–5.20%	4.00%–4.50%

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Retirement Plans (continued)

The investment policies of the Corporation's pension plans incorporate asset allocation and investment strategies designed to earn superior returns on plan assets consistent with reasonable and prudent levels of risk. Investments are diversified across classes, sectors, and manager style to minimize the risk of loss. The Corporation uses investment managers specializing in each asset category and regularly monitors performance and compliance with investment guidelines. In developing the expected long-term rate of return on assets assumption, the Corporation considers the current level of expected returns on risk-free investments, the historical level of the risk premium associated with the other asset classes in which the portfolio is invested, and the expectations for future returns of each asset class. The expected return for each asset class is then weighted based on the target allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The Corporation's pension plans' target allocation and weighted average asset allocations, by asset category, are as follows:

Asset Category	Target Allocations as of June 30		Percentage of Plan Assets as of June 30	
	2025	2024	2025	2024
Cash and fixed	0%–85%	0%–20%	44.09%	14.59%
Fixed income securities	0%–85%	75%–90%	55.90	80.13
Equity securities	0%–15%	0%–10%	–	5.27
Hedge funds/private equity	0%–3%	0%–20%	0.01	0.01
			100.00%	100.00%

The target allocations for equity and fixed income securities include investments in commingled funds that are categorized in accordance with each fund's respective investment holdings.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

8. Retirement Plans (continued)

The table below presents the Corporation's combined investable assets of the defined benefit pension plans aggregated by the fair value hierarchy as described in Note 1:

	Level 1	Level 2	Level 3	NAV*	Total
June 30, 2025					
Cash and cash equivalents	\$ 65,746	\$ —	\$ —	\$ —	\$ 65,746
Fixed income funds	21,228	—	—	—	21,228
Alternative investments:					
Hedge funds/private equity	—	—	—	17	17
Commingled funds	—	—	—	62,495	62,495
	<u>\$ 86,974</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 62,512</u>	<u>\$ 149,486</u>
June 30, 2024					
Cash and cash equivalents	\$ 24,945	\$ —	\$ —	\$ —	\$ 24,945
Fixed income funds	5,570	—	—	—	5,570
Common stocks, including mutual funds	7,691	—	—	—	7,691
Alternative investments:					
Hedge funds/private equity	—	—	—	22	22
Commingled funds	—	—	—	126,065	126,065
	<u>\$ 38,206</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 126,087</u>	<u>\$ 164,293</u>

*Fund investments reported at NAV as practical expedient.

Alternative investments include hedge funds, private equity, and commingled investment funds. The majority of these alternative investments held as of June 30, 2025, are subject to daily notice requirements. The Corporation had no unfunded commitments as of June 30, 2025 or 2024.

The Corporation does not expect to contribute to its defined benefit pension plans for the fiscal year ending June 30, 2026, due to the termination in process.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

8. Retirement Plans (continued)

The following benefit payments, which reflect expected future employee service, as appropriate, are expected to be paid from plan assets in the following years ending June 30:

2026	\$	12,069
2027		11,930
2028		12,080
2029		11,796
2030		11,794
2031–2035		50,939

The expected benefits to be paid are based on the same assumptions used to measure the Corporation's benefit obligation at June 30, 2025.

Defined Contribution and Deferred Compensation Plans

The Corporation offers a number of defined contribution benefits through 403(b) and 401(k) programs that were established by its affiliate hospitals. These plans allow for deferral of compensation or employer matching of compensation, subject to vesting requirements. The Corporation also offers a number of deferred compensation programs (457) options to qualifying highly compensated employees.

Total annual retirement costs incurred by the Corporation for these defined contribution and deferred compensation plans previously discussed were \$62,574 and \$60,810 for the years ended June 30, 2025 and 2024, respectively. Such amounts are included in salaries, wages, and benefits on the accompanying consolidated statements of operations and changes in net assets.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

9. Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 are restricted to the following:

	<u>2025</u>	<u>2024</u>
Subject to expenditures for a specified purpose:		
Facility construction and renovations, research, education, and other	\$ 325,706	\$ 241,308
Economic and beneficial interests in the net assets of related organizations	<u>64,575</u>	<u>59,203</u>
Total subject to expenditure for a specified purpose	<u>390,281</u>	<u>300,511</u>
Funds, cash and securities held in perpetuity:		
Healthcare services	<u>55,359</u>	<u>55,359</u>
Total held into perpetuity	<u>55,359</u>	<u>55,359</u>
Total net assets with donor restrictions	<u>\$ 445,640</u>	<u>\$ 355,870</u>

Net assets were released from donor restrictions by expending funds satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>Year Ended June 30</u>	
	<u>2025</u>	<u>2024</u>
Purchases of equipment and construction costs	\$ 3,062	\$ 10,265
Research, education, uncompensated care, and other	<u>8,088</u>	<u>8,435</u>
	<u>\$ 11,150</u>	<u>\$ 18,700</u>

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

9. Net Assets With Donor Restrictions (continued)

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

10. Economic and Beneficial Interests in the Net Assets of Related Organizations

The Corporation is supported by several related organizations that were formed to raise funds on behalf of the Corporation and certain of its subsidiaries. These interests are accounted for as either economic or beneficial interests in the net assets of such organizations.

The following is a summary of economic and beneficial interests in the net assets of financially interrelated organizations:

	June 30	
	2025	2024
Economic interests in:		
The James Lawrence Kernan Hospital Endowment Fund, Incorporated	\$ 47,509	\$ 43,028
Baltimore Washington Medical Center Foundation, Inc.	10,640	10,491
Total economic interests	58,149	53,519
Beneficial interest in the net assets of:		
Dorchester General Hospital Foundation, Inc.	4,695	4,355
University of Maryland Capital Region Health Foundation, Inc.	1,669	1,267
Laurel Regional Hospital Auxiliary, Inc.	62	62
	\$ 64,575	\$ 59,203

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

**10. Economic and Beneficial Interests in the Net Assets of Related Organizations
(continued)**

At the discretion of its board of trustees, the Kernan Endowment Fund may pledge securities to satisfy various collateral requirements on behalf of ROI and may provide funding to ROI to support various clinical programs or capital needs.

BWMC Foundation was formed in July 2000 and supports the activities of UM Baltimore Washington by soliciting charitable contributions on its behalf. UM Baltimore Washington does not have control over the policies or decisions of the BWMC Foundation.

Shore Regional maintains a beneficial interest in the net assets of Dorchester Foundation, a nonprofit corporation organized to raise funds on behalf of Dorchester Hospital. Shore Regional does not have control over the policies or decisions of the Dorchester Foundation.

University of Maryland Capital Region Health Foundation, Inc. and the Laurel Regional Hospital Auxiliary, Inc. were established to solicit contributions from the general public solely for the funding of capital acquisitions and operations of the associated Capital Region hospitals. Capital Region does not have control over the policies or decisions of these entities.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

**10. Economic and Beneficial Interests in the Net Assets of Related Organizations
(continued)**

A summary of the combined unaudited condensed financial information of the financially interrelated organizations in which the Corporation holds an economic or a beneficial interest is as follows:

	June 30	
	2025	2024
Current assets	\$ 2,036	\$ 5,032
Noncurrent assets	62,564	54,186
Total assets	\$ 64,600	\$ 59,218
Current liabilities	\$ 25	\$ 15
Net assets	64,575	59,203
Total liabilities and net assets	\$ 64,600	\$ 59,218
Total operating revenue	\$ 6,731	\$ 8,993
Total operating expense	(376)	(3,306)
Other changes in net assets	(984)	187
Total increase in net assets	\$ 5,371	\$ 5,874

11. State and County Support

The Corporation received \$38,612 and \$9,910 in support for the Shock Trauma Center operations from the state of Maryland for the years ended June 30, 2025 and 2024, respectively.

The Corporation received \$10,000 and \$11,012 in support for Capital Region operations from the state of Maryland for the years ended June 30, 2025 and 2024, respectively.

The state of Maryland appropriates funds for construction costs incurred, equipment purchases made, and other capital support. The Corporation recorded \$60,000 and \$102,795 during the years ended June 30, 2025 and 2024, respectively, within state support for capital on the consolidated statements of operations and changes in net assets.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

12. Functional Expenses

The Corporation provides healthcare services to residents within its geographic location. Expenses related to providing these services, based on management's estimates of expense allocations, are as follows:

	Healthcare Services			Shared Services and Other	Eliminations	Total
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices			
Year ended June 30, 2025						
Operating expenses:						
Salaries, wages, and benefits	\$ 2,060,074	\$ 10,615	\$ 389,723	\$ 672,537	\$ (260,307)	\$ 2,872,642
Expendable supplies	802,171	210,185	86,367	19,412	(12,588)	1,105,547
Purchased services:						
Purchased services	1,101,537	20,841	82,380	399,458	(755,223)	848,993
Contracted services	422,161	–	36,494	66	(83,212)	375,509
Depreciation and amortization	272,444	–	1,852	6,908	–	281,204
Interest expense	66,339	–	–	2,118	–	68,457
Total operating expenses	<u>\$ 4,724,726</u>	<u>\$ 241,641</u>	<u>\$ 596,816</u>	<u>\$ 1,100,499</u>	<u>\$ (1,111,330)</u>	<u>\$ 5,552,352</u>

	Healthcare Services			Shared Services and Other	Eliminations	Total
	Hospital & Ambulatory	Retail Pharmacy	Physician Practices			
Year ended June 30, 2024						
Operating expenses:						
Salaries, wages, and benefits	\$ 2,005,243	\$ 9,714	\$ 351,770	\$ 599,426	\$ (229,198)	\$ 2,736,955
Expendable supplies	756,100	171,555	67,695	13,667	(7,435)	1,001,582
Purchased services:						
Purchased services	1,083,383	18,209	74,861	339,353	(724,721)	791,085
Contracted services	392,175	–	35,650	66	(62,178)	365,713
Depreciation and amortization	267,634	–	2,057	6,117	–	275,808
Interest expense	65,803	–	–	–	–	65,803
Total operating expenses	<u>\$ 4,570,338</u>	<u>\$ 199,478</u>	<u>\$ 532,033</u>	<u>\$ 958,629</u>	<u>\$ (1,023,532)</u>	<u>\$ 5,236,946</u>

Corporate services are allocated primarily using percentage of net patient service revenue.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

13. Liquidity and Availability of Resources

The Corporation had financial assets available to management for general expenditure within one year of the financial reporting date, or June 30, as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 207,738	\$ 165,649
Receivables, net	1,023,279	966,504
Investments	<u>1,827,164</u>	<u>1,612,389</u>
Total financial assets available within one year	3,058,181	2,744,542
Liquidity resource: line of credit	250,000	250,000
Less:		
Amounts unavailable for general expenditures within one year due to:		
Alternative investments subject to lockup restrictions	<u>156,579</u>	<u>38,455</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,151,602</u>	<u>\$ 2,956,087</u>

The Corporation has long-term investments with no liquidity restrictions that are available for general expenditures within one year in the normal course of operations. Accordingly, these assets have been included in the table above for financial assets available to meet general expenditures within one year.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

14. Insurance

The Corporation maintains self-insurance programs for professional and general liability risks, employee health, employee long-term disability, and workers' compensation with accrued liabilities included in other liabilities on the accompanying consolidated balance sheets. The accrued liabilities for these programs were as follows:

	June 30	
	2025	2024
Professional and general liabilities	\$ 481,390	\$ 451,024
Employee health	29,108	23,870
Employee long-term disability	1,144	1,645
Workers' compensation	21,517	24,576
Total self-insured liabilities	<u>533,159</u>	501,115
Less current portion	<u>(103,761)</u>	<u>(63,335)</u>
	<u>\$ 429,398</u>	<u>\$ 437,780</u>

The Corporation provides for and funds the present value of the costs for professional and general liability claims and insurance coverage related to the projected liability from asserted and unasserted incidents, which the Corporation believes may ultimately result in a loss. In management's opinion, these accruals provide an adequate and appropriate loss reserve. The professional and general malpractice liabilities presented above include \$333,266 and \$321,739 as of June 30, 2025 and 2024, respectively, for which related insurance receivables have been recorded within other assets on the accompanying consolidated balance sheets.

The Corporation and each of its affiliates are self-insured for professional and general liability claims up to the limits of \$1,000 on professional liability claims and \$3,000 on general liability claims with no aggregate limit. For general liability claims, the risk of loss in excess of the self-insured limit has been transferred to commercial reinsurance up to \$150,000 per claim and in the aggregate. For professional liability claims, the risk of loss in excess of the self-insured limit has been transferred to Terrapin, an unconsolidated joint venture, for professional liability. Terrapin provides additional insurance per claim in a range from \$9,000 up to \$19,000, depending on the affiliate and claim, with no aggregate limit. For professional liability claims in excess of the Terrapin insurance limit, the risk of loss is transferred to commercial reinsurance up to \$150,000 per claim and in the aggregate. For claims in excess of commercial reinsurance limits, if any, the Corporation retains the risk of loss.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

14. Insurance (continued)

As discussed in Note 4, Terrapin is a joint venture corporation in which a 50% interest is owned by the Corporation and a 50% interest is owned by University of Maryland Faculty Physicians, Inc.

Total malpractice insurance expense, net of investment return on self-insurance trust funds, for the Corporation during the years ended June 30, 2025 and 2024, was approximately \$38,156 and \$44,492, respectively.

15. Business and Credit Concentrations

The Corporation provides healthcare services through its inpatient and outpatient care facilities, located in the state of Maryland. The Corporation generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits receivable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, workers' compensation, health maintenance organizations (HMOs), and commercial insurance policies).

The Corporation maintains cash accounts with highly rated financial institutions, which generally exceed federally insured limits. The Corporation has not experienced any losses from maintaining cash accounts in excess of federally insured limits and, as such, management does not believe the Corporation is subject to any significant credit risks related to this practice.

The Corporation had receivables from patients and third-party payors as follows:

	June 30	
	2025	2024
Medicare	31%	32%
Medicaid	26	26
Commercial insurance and HMOs	33	32
Self-pay and others	10	10
	100%	100%

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)
(In Thousands)

15. Business and Credit Concentrations (continued)

The Corporation recorded net patient service revenues from patients and third-party payors as follows:

	Year Ended June 30	
	2025	2024
Medicare	43%	42%
Medicaid	22	23
Commercial insurance and HMOs	30	31
Self-pay and others	5	4
	100%	100%

16. Certain Significant Risks and Uncertainties

The Corporation provides general acute healthcare services in the state of Maryland. 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 HSCRC
- Government regulation, government budgetary constraints, and proposed legislative and regulatory changes
- 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.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

16. Certain Significant Risks and Uncertainties (continued)

The Medicare and state Medicaid reimbursement 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 healthcare industry is subject to numerous laws and regulations from 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, none of which, in the opinion of management, are expected to result in losses in excess of insurance limits or have a materially adverse effect on the Corporation's financial position.

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

The Corporation recognizes the increasing importance of cybersecurity in today's digital landscape. As a result, the Corporation has implemented various measures to mitigate the risk of cyber threats and protect its systems and data as well as monitor the risks that its vendors have. However, the Corporation understands that no system is completely immune to cyberattacks, and there is a possibility that unauthorized access, a data breach, or other cybersecurity incidents may occur at either one of its systems or at one of its vendors' systems. In the event of a significant cyber incident, there could be a significant impact to the Corporation's future operating results, financial condition, or liquidity. However, to mitigate the potential impact to the Corporation if

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued) (In Thousands)

16. Certain Significant Risks and Uncertainties (continued)

such an event were to occur, the Corporation maintains cyber insurance coverage. While the Corporation believes its cybersecurity measures and its vendors' measures are robust, there can be no assurance that they will prevent all cyber threats or that there will not be a cyber incident in the future that may not have a significant adverse effect on its financial condition, liquidity, or results of operations.

This disclosure does not account for any potential future developments, such as fines, claims, or other unforeseen issues related to this event.

17. Maryland Health Services Cost Review Commission

Effective July 1, 2013, the Health System and the HSCRC agreed to implement the Global Budget Revenue (GBR) methodology for the following hospitals: Medical Center, ROI, UM Midtown, UM Baltimore Washington, UM Charles Regional, UM St. Joseph, UM Easton, UM Cambridge, UM Chester River, Shore Emergency Center, UM Upper Chesapeake, UM Upper Chesapeake Medical Center Aberdeen, UM Behavioral Health Pavilion, UM Capital Region, UM Laurel, and UM Bowie. The agreements will continue each year and on July 1 of each year thereafter; the agreements will renew for a one-year period unless they are canceled by the HSCRC or by the Corporation. The agreements were in place for the years ended June 30, 2025 and 2024. 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 to slow the rate of increase in healthcare costs and improve healthcare delivery processes and outcomes. The GBR model is consistent with the Corporation's mission to provide the highest quality of care possible to its patients and the communities it serves.

The GBR agreements establish a prospective, fixed revenue base "GBR cap" for the upcoming year. This includes both inpatient and outpatient regulated services. Under GBR, a hospital's revenue for all HSCRC regulated services is predetermined for the upcoming year, and includes updates for inflation changes in volume, service mix intensity, uncompensated care, and various other payment methodologies that occurred during the prior year. The GBR agreement allows the Corporation to adjust unit rates, within certain limits, to achieve the overall approved GBR for the Corporation at year-end. Any overcharge or undercharge vs. the GBR cap is prospectively subtracted from the subsequent year's GBR cap. The HSCRC also may impose various other revenue adjustments.

University of Maryland Medical System Corporation and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(In Thousands)

17. Maryland Health Services Cost Review Commission (continued)

The current Maryland Total Cost of Care Model for the hospitals is in effect until December 31, 2025. Effective January 1, 2026, the state will transition to the Achieving Healthcare Efficiency through Accountable Design (AHEAD) Model, which builds upon the successes of the current Model. The goals of the AHEAD Model continue to be curbing healthcare cost growth, improving population health, and promoting healthier living. The Corporation is still evaluating the impact of the transition to the AHEAD Model.

18. Subsequent Events

The Corporation evaluated all events and transactions that occurred after June 30, 2025 and through October 22, 2025, the date the accompanying consolidated financial statements were issued. Other than the matter described in Note 6, the Corporation did not have any material subsequent events during the period.

Supplementary Information

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Balance Sheet by Division
(In Thousands)

June 30, 2025

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 18,699	\$ 6,905	\$ 1,739	\$ 47,407	\$ 9,227	\$ 19,331	\$ 11,003	\$ 4,579	\$ 88,848	\$	\$ 207,738
Assets limited as to use, current portion	44,821	–	–	–	–	–	–	–	126,284	–	171,105
Accounts receivable:											
Patient accounts receivable, net	458,728	22,216	74,320	47,829	67,625	24,885	64,914	87,064	5,906	–	853,487
Other	73,398	206	4,110	24,857	4,428	746	2,502	44,939	290,697	(276,091)	169,792
Inventories	62,530	1,961	6,966	4,018	5,365	1,569	7,704	9,708	1,544	–	101,365
Prepaid expenses and other current assets	4,419	336	6,429	1,505	1,379	1,357	587	3,149	39,004	–	58,165
Total current assets	662,595	31,624	93,564	125,616	88,024	47,888	86,710	149,439	552,283	(276,091)	1,561,652
Investments	614,112	68,942	248,656	263,169	23,615	36,776	429,445	3,850	138,599	–	1,827,164
Assets limited as to use, less current portion	112,562	48,943	10,640	275,697	27,710	1,618	20,304	1,732	315,452	(1,436)	813,222
Property and equipment, net	913,706	34,613	252,390	221,060	232,328	111,761	449,465	594,904	254,192	–	3,064,419
Investments in joint ventures	80	19,067	–	993	13,131	4,611	6,534	20,649	92,757	–	157,822
Other assets	166,902	9,447	2,862	63,514	60,011	4,903	73,073	6,121	488,813	(169,093)	706,553
Total assets	\$ 2,469,957	\$ 212,636	\$ 608,112	\$ 950,049	\$ 444,819	\$ 207,557	\$ 1,065,531	\$ 776,695	\$ 1,842,096	\$ (446,620)	\$ 8,130,832
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	\$ 92,965	\$ 4,322	\$ 9,190	\$ 13,933	\$ 12,983	\$ 6,417	\$ 13,638	\$ 19,311	\$ 186,249	\$	\$ 359,008
Accrued payroll and benefits	24,039	888	8,738	8,468	14,131	2,831	12,625	6,985	305,719	–	384,424
Advances from third-party payors	108,434	6,863	17,403	9,948	13,966	4,963	12,147	18,452	–	–	192,176
Lines of credit	–	–	–	–	–	–	–	–	–	–	–
Other current liabilities	191,106	929	2,995	5,014	44,264	8,217	6,028	115,130	93,487	(268,528)	198,642
Long-term debt subject to short-term refinancing agreements	–	–	–	–	–	–	–	–	–	–	–
Current portion of long-term debt	13,537	347	3,975	7,087	4,728	867	8,521	4,230	–	(7,563)	35,729
Total current liabilities	430,081	13,349	42,301	44,450	90,072	23,295	52,959	164,108	585,455	(276,091)	1,169,979
Long-term debt, less current portion	630,170	16,153	185,127	330,158	187,279	39,344	399,710	190,086	113,988	–	2,092,015
Other long-term liabilities	13,920	39	8,594	30,382	120,963	3,059	7,050	65,099	540,545	(169,093)	620,558
Interest rate swap liabilities	–	–	–	–	–	–	–	–	60,407	–	60,407
Total liabilities	1,074,171	29,541	236,022	404,990	398,314	65,698	459,719	419,293	1,300,395	(445,184)	3,942,959
Net assets:											
Without donor restrictions	1,222,396	134,125	359,050	423,577	4,842	140,223	575,950	351,896	530,174	–	3,742,233
With donor restrictions	173,390	48,970	13,040	121,482	41,663	1,636	29,862	5,506	11,527	(1,436)	445,640
Total net assets	1,395,786	183,095	372,090	545,059	46,505	141,859	605,812	357,402	541,701	(1,436)	4,187,873
Total liabilities and net assets	\$ 2,469,957	\$ 212,636	\$ 608,112	\$ 950,049	\$ 444,819	\$ 207,557	\$ 1,065,531	\$ 776,695	\$ 1,842,096	\$ (446,620)	\$ 8,130,832

University of Maryland Medical System Corporation and Subsidiaries

Consolidating Statement of Operations by Division
(In Thousands)

Year Ended June 30, 2025

	Medical Center & Affiliates	Rehabilitation & Orthopaedic Institute	Baltimore Washington	Shore Regional	St. Joseph	Charles Regional	Upper Chesapeake	Capital Region	Shared Services and Other	Eliminations	Consolidated Total
Operating revenue, gains and other support:											
Net patient service revenue	\$ 2,207,736	\$ 130,787	\$ 586,516	\$ 418,272	\$ 548,055	\$ 193,875	\$ 531,977	\$ 485,795	\$ 39,772	\$ (5,473)	\$ 5,137,312
State support	38,612	–	–	–	–	–	–	10,000	–	–	48,612
Other revenue	340,464	1,662	5,344	5,116	10,942	1,388	11,227	13,183	999,247	(986,893)	401,680
Total operating revenue, gains, and other support	2,586,812	132,449	591,860	423,388	558,997	195,263	543,204	508,978	1,039,019	(992,366)	5,587,604
Operating expenses:											
Salaries, wages and fringe benefits	941,122	73,240	315,737	222,662	308,956	88,946	273,093	240,823	667,476	(259,413)	2,872,642
Expendable supplies	677,702	13,928	94,971	45,000	85,610	19,749	96,593	61,857	22,725	(12,588)	1,105,547
Purchased services	591,403	25,716	113,963	102,377	124,736	47,714	94,462	108,273	356,035	(715,686)	848,993
Contracted services	228,164	9,499	23,404	24,375	4,575	17,991	22,823	49,357	–	(4,679)	375,509
Depreciation and amortization	103,367	7,100	29,771	20,794	27,661	10,729	31,785	48,039	1,958	–	281,204
Interest expense	17,616	436	7,163	4,533	8,432	1,565	16,177	9,155	3,380	–	68,457
Total operating expenses	2,559,374	129,919	585,009	419,741	559,970	186,694	534,933	517,504	1,051,574	(992,366)	5,552,352
Operating income (loss)	27,438	2,530	6,851	3,647	(973)	8,569	8,271	(8,526)	(12,555)	–	35,252
Nonoperating income and expenses, net:											
Unrestricted contributions	3,118	–	–	(148)	1,438	41	453	–	–	–	4,902
Equity in net income of joint ventures	602	2,090	–	533	803	51	688	186	5,661	–	10,614
Investment income, net	42,817	4,258	15,745	22,500	2,375	2,843	27,070	390	8,528	–	126,526
Change in fair value of investments	20,640	2,298	9,344	6,326	890	1,649	16,608	145	10,754	–	68,654
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	(5,237)	–	(5,237)
Gain on early extinguishment of debt	–	–	–	–	–	–	–	–	10,650	–	10,650
Other nonoperating gains and losses, net	(5,912)	(41)	(2,815)	(1,229)	(1,077)	(1,612)	(4,524)	(597)	(158)	–	(17,965)
Excess (deficiency) of revenues over expenses	\$ 88,703	\$ 11,135	\$ 29,125	\$ 31,629	\$ 3,456	\$ 11,541	\$ 48,566	\$ (8,402)	\$ 17,643	\$ –	\$ 233,396

University of Maryland Medical System Corporation and Subsidiaries

Combining Balance Sheet – Obligated Group
(In Thousands)

June 30, 2025

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	UM Upper Chesapeake	UM Capital Region	Shared Services***	Eliminations	Obligated Group Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 12,272	\$ 6,905	\$ 3,700	\$ 42,285	\$ 2	\$ 17,710	\$ 6,809	\$ 70	\$ 86,979	\$ –	\$ 176,732
Assets limited as to use, current portion	44,821	–	–	–	–	–	–	–	126,284	–	171,105
Accounts receivable:											
Patient accounts receivable, net	458,072	22,216	67,308	46,195	59,845	24,457	61,716	86,117	655	–	826,581
Other	72,967	206	31,348	47,870	463	646	8,457	42,317	362,812	(220,505)	346,581
Inventories	62,530	1,961	6,938	4,018	5,295	1,569	6,879	9,708	931	–	99,829
Prepaid expenses and other current assets	4,274	336	5,900	1,393	954	1,263	297	1,461	38,884	–	54,762
Total current assets	654,936	31,624	115,194	141,761	66,559	45,645	84,158	139,673	616,545	(220,505)	1,675,590
Investments	614,107	68,942	248,656	196,914	22,466	34,883	400,969	3,850	138,598	–	1,729,385
Assets limited as to use, less current portion	112,562	48,943	10,640	387,063	44,256	6,446	57,698	1,732	315,452	(1,436)	983,356
Property and equipment, net	905,551	34,613	231,796	218,162	219,277	84,910	390,037	592,962	249,819	–	2,927,127
Investments in joint ventures	4,081	19,067	–	993	33,974	4,854	–	17,596	86,054	–	166,619
Other assets	163,624	9,447	2,322	31,195	21,813	3,607	73,315	6,121	486,587	(169,092)	628,939
Total assets	\$ 2,454,861	\$ 212,636	\$ 608,608	\$ 976,088	\$ 408,345	\$ 180,345	\$ 1,006,177	\$ 761,934	\$ 1,893,055	\$ (391,033)	\$ 8,111,016
Liabilities and net assets											
Current liabilities:											
Trade accounts payable	\$ 92,811	\$ 4,322	\$ 8,011	\$ 12,388	\$ 10,684	\$ 6,069	\$ 12,096	\$ 17,104	\$ 185,246	\$ –	\$ 348,731
Accrued payroll and benefits	24,039	888	4,874	3,411	6,324	2,226	9,752	6,576	305,490	–	363,580
Advances from third-party payors	108,434	6,863	17,403	9,948	13,966	4,963	12,147	18,452	–	–	192,176
Other current liabilities	187,262	929	2,322	5,007	42,885	8,483	5,453	113,558	44,692	(212,942)	197,649
Current portion of long-term debt	13,537	347	3,975	7,087	3,895	842	8,521	4,085	–	(7,563)	34,726
Total current liabilities	426,083	13,349	36,585	37,841	77,754	22,583	47,969	159,775	535,428	(220,505)	1,136,862
Long-term debt, less current portion	630,170	16,153	185,127	330,158	181,409	39,344	396,816	190,231	113,988	–	2,083,396
Other long-term liabilities	13,920	39	1,854	30,382	120,962	3,051	7,049	65,098	534,523	(169,092)	607,786
Interest rate swap liabilities	–	–	–	–	–	–	–	–	60,407	–	60,407
Total liabilities	1,070,173	29,541	223,566	398,381	380,125	64,978	451,834	415,104	1,244,346	(389,597)	3,888,451
Net assets:											
Without donor restrictions	1,211,298	134,125	372,002	455,977	(14,892)	114,455	496,644	341,336	637,183	–	3,748,128
With donor restrictions	173,390	48,970	13,040	121,730	43,112	912	57,699	5,494	11,526	(1,436)	474,437
Total net assets	1,384,688	183,095	385,042	577,707	28,220	115,367	554,343	346,830	648,709	(1,436)	4,222,565
Total liabilities and net assets	\$ 2,454,861	\$ 212,636	\$ 608,608	\$ 976,088	\$ 408,345	\$ 180,345	\$ 1,006,177	\$ 761,934	\$ 1,893,055	\$ (391,033)	\$ 8,111,016

* Includes Medical Center, UM Midtown, and UM Medicine Foundation.

** Includes Shore Health System and UM Chester River.

*** Includes University of Maryland Medical System Corporation (Parent).

University of Maryland Medical System Corporation and Subsidiaries

Combining Statements of Operations and Changes in Net Assets Without Donor Restrictions – Obligated Group
(In Thousands)

June 30, 2025

	Medical Center & Affiliates*	Rehabilitation & Orthopaedic Institute	UM Baltimore Washington	Shore Regional Hospitals**	UM St. Joseph	UM Charles Regional	Upper Chesapeake Hospitals***	UM Capital Region	Shared Services****	Eliminations	Obligated Group Total
Operating revenue, gains, and other support:											
Net patient service revenue	\$ 2,201,155	\$ 130,787	\$ 481,469	\$ 354,982	\$ 430,994	\$ 180,444	\$ 441,475	\$ 471,483	\$ –	\$ (5,473)	\$ 4,687,316
State and county support	38,612	–	–	–	–	–	–	–	–	–	38,612
Other revenue	338,342	1,662	2,238	6,488	4,007	1,103	11,136	12,305	981,915	(961,115)	398,081
Total operating revenue, gains, and other support	2,578,109	132,449	483,707	361,470	435,001	181,547	452,611	483,788	981,915	(966,588)	5,124,009
Operating expenses:											
Salaries, wages, and benefits	936,496	73,240	221,308	145,321	175,912	74,798	194,152	222,730	638,582	(259,413)	2,423,126
Expendable supplies	677,283	13,928	60,255	36,752	77,779	18,899	57,285	61,177	4,626	–	1,007,984
Purchased services	587,341	25,715	105,187	92,423	87,127	44,355	94,901	103,604	339,210	(707,175)	772,688
Contracted services	222,957	9,500	32,515	31,095	37,732	18,863	25,533	43,293	–	–	421,488
Depreciation and amortization	102,846	7,100	27,925	20,472	26,022	10,381	27,675	47,837	894	–	271,152
Interest expense	17,465	436	7,163	4,533	8,161	1,560	14,713	9,143	3,379	–	66,553
Total operating expenses	2,544,388	129,919	454,353	330,596	412,733	168,856	414,259	487,784	986,691	(966,588)	4,962,991
Operating income (loss)	33,721	2,530	29,354	30,874	22,268	12,691	38,352	(3,996)	(4,776)	–	161,018
Nonoperating income and expenses, net:											
Unrestricted contributions	3,118	–	–	–	–	–	–	–	–	–	3,118
Equity in net income of joint ventures	602	2,090	–	533	3,787	(6)	–	920	5,298	–	13,224
Investment income, net	42,817	4,258	15,745	15,178	1,423	2,830	21,889	244	8,529	–	112,913
Change in fair value of investments	20,640	2,298	9,344	4,942	844	1,311	11,317	145	10,755	–	61,596
Change in fair value of undesignated interest rate swaps	–	–	–	–	–	–	–	–	(5,237)	–	(5,237)
Gain on early extinguishment of debt	–	–	–	–	–	–	–	–	10,650	–	10,650
Other nonoperating (losses) gains, net	(5,913)	(41)	(2,209)	(192)	1,354	(1,135)	(1,679)	(596)	(288)	–	(10,699)
Excess (deficiency) of revenues over expenses	94,985	11,135	52,234	51,335	29,676	15,691	69,879	(3,283)	24,931	–	346,583
State support for capital	–	–	–	–	–	–	–	40,500	–	–	40,500
Contributions, net	–	–	805	–	79	165	–	–	–	–	1,049
Net assets released from restrictions used											
for purchase of property and equipment	3,062	–	–	–	–	–	–	–	–	–	3,062
Change in the net assets of related organizations	–	–	–	7,709	–	–	–	–	12	–	7,721
Capital transfers (to) from member organization	(1,136)	(1,016)	(30,501)	(17,475)	(26,029)	(8,142)	109,330	(1,164)	(3,467)	–	20,400
Change in funded status of defined benefit pension plans	1,918	–	4,307	–	–	1,279	–	59	–	–	7,563
Other	(10)	–	–	–	–	–	–	–	–	–	(10)
Increase in net assets without donor restrictions	\$ 98,819	\$ 10,119	\$ 26,845	\$ 41,569	\$ 3,726	\$ 8,993	\$ 179,209	\$ 36,112	\$ 21,476	\$ –	\$ 426,868

* Includes Medical Center, UM Midtown, and UM Medicine Foundation.

** Includes Shore Health System and UM Chester River.

*** Includes UM Upper Chesapeake and UM Harford Memorial.

**** Includes University of Maryland Medical System Corporation (Parent).

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EXHIBIT 4

The calculation of the Marshall Valuation Service (“MVS”) benchmark to compare to the new hospital construction cost is shown below with breakouts for the Tower, Central Utility Plant (“CUP”), and Mechanical Penthouse.

***Marshall Valuation Service Building Cost per Square Foot
New Construction – Tower***

Type	Hospital
Construction Quality/Class	Good/A
Stories	6
Total Square Footage	398,302
Average Perimeter	1,414
Average Floor to Floor Height	16.4
Average Floor Area	66.384
Base Cost	\$595.00
Adjustment for Departmental Differential Cost Factors	1.1102
Gross Base Cost	\$660.60
Perimeter Multiplier	0.9016
Story Height Multiplier	1.1004
Multi-Story Multiplier	1.0150
Refined Square Foot Cost	\$665.23
Elevator Add-on	\$0.00
Sprinkler Add-on	\$3.59
Adjusted Refined Square Foot Cost	\$668.82
Current Cost Modified	1.0200
Local Multiplier	0.9700
MVS Building Cost per Square Foot	\$661.73

The MVS estimate for the Tower project is impacted by the Adjustment for Departmental Differential Cost Factor. In Section 87 on page 8 of the Valuation Service, MVS provides the cost differential by department compared to the average cost for an entire hospital. The calculation of the average factor is shown below.

Tower Department Differential Cost Factor

Department / Function	BGSF	MVS Department Name	MVS Differential Cost Factor	Cost Factor X SF
Inpatient Nursing Units				
Intensive Care	11,700	Inpatient Units	1.06	12,402
Rehab (Requard Center)	14,264	Inpatient Units	1.06	15,501
Med / Surg (General)	48,334	Inpatient Units	1.06	51,234
Obstetrics incl. nursery	21,803	Obstetrical Suite Only	1.44	31,396
Behavioral Health Unit	13,067	Inpatient Units	1.06	13,851
Diagnostic & Treatment				
Clinical Lab / Pathology	10,987	Laboratories	1.15	12,635
Emergency Department / Express Care	24,170	Emergency Suite	1.18	28,521
Inpatient Dialysis	2,814	Inpatient Units	1.06	2,983
Imaging Department	16,259	Radiology	1.22	19,836
Interventional Suite (incl O.R.'s, Cath, EP, PACU)	38,198	Operating Suite, Total	1.59	57,555
Prep / Stage 2 Recovery	10,466	Operating Suite, Total	1.59	16,641
Pre-Anesthesia Testing	286	Laboratories	1.15	329
Observation Unit	11,632	Inpatient Units	1.06	12,330
Respiratory Therapy	1,906	Adjunct Facilities	1.18	2,249
Administrative / Public Services				
Auxiliary	411	Offices	0.96	395
Admitting / Registration	1,974	Offices	0.96	1,895
Chapel	459	Public Space	0.80	367
Education Center / Med Library	4,333	Offices	0.96	4,160
Gift Shop	694	Public Space	0.80	555
On-Call	1,806	Offices	0.96	1,734
Medical Records	114	Medical Records	0.98	112
Nursing Administration / Staff offices	17,726	Offices	0.96	17,017
Information Technology	1,648	Offices	0.96	1,582

Lobby Services	3,038	Public Space	0.80	2,430
Support Services				
EVS / Linen / Facilities / Mat. Mgmt	13,277	Laundry	1.68	22,305
Biomed	1,149	Offices	0.96	1,103
Sterile Processing	7,343	Central Sterile Supply	1.54	11,308
Pharmacy	4,916	Pharmacy	1.33	6,538
Security	1,037	Offices	0.96	996
Morgue	424	Storage and Refrigeration	1.60	676
Food & Nutrition	13,824	Dietary	1.52	21,012
Clinics				
Cardiopulmonary / Vascular	6,151	Outpatient Department	0.99	6,089
Behavioral Health Outpatient Clinic	2,907	Outpatient Department	0.99	2,878
Cardio Rehab	3,698	Outpatient Department	0.99	3,661
Diabetes Clinic	2,804	Outpatient Department	0.99	2,776
Infusion Center	2,078	Physical Medicine	1.09	2,265
Pain Management Clinic	2,804	Outpatient Department	0.99	2,776
Multi-Specialty Clinic	5,541	Outpatient Department	0.99	5,485
Outpatient Lab Draw	746	Outpatient Department	0.99	739
Building Grossing Factor	73,154	Internal Circulation and Corridors	0.60	43,892
Total	398,302		1.11	442,213

The MVS does not have a separate benchmark for the CUP. UM SMC at Easton utilized the hospital Base Cost but applied the Departmental Cost Differential Factor of 0.7 for Mechanical Equipment and Shops.

**Marshall Valuation Service Building Cost per Square Foot
New Construction – Central Utility Plant (“CUP”)**

Type	Hospital
Construction Quality/Class	Good/A
Stories	1

Total Square Footage	26,112
Average Perimeter	688
Average Floor to Floor Height	25.0
Average Floor Area	26,112
Base Cost	\$595.00
Adjustment for Departmental Differential Cost Factors	0.7000
Gross Base Cost	\$416.50
Perimeter Multiplier	0.9142
Story Height Multiplier	1.2988
Multi-Story Multiplier	1.000
Refined Square Foot Cost	\$494.49
Elevator Add-on	(\$8.70)
Sprinkler Add-on	\$5.69
Adjusted Refined Square Foot Cost	\$491.49
Current Cost Modified	1.0200
Local Multiplier	0.9700
MVS Building Cost per Square Foot	\$486.28

The MVS does have a separate benchmark for Mechanical Penthouses which is presented in the following calculation.

***Marshall Valuation Service Building Cost per Square Foot
New Construction – Mechanical Penthouse***

Type	Hospital
Construction Quality/Class	Good/A
Stories	1
Total Square Footage	3,804
Average Perimeter	250
Average Floor to Floor Height	21.8
Average Floor Area	3,804

Base Cost	\$141.00
Adjustment for Departmental Differential Cost Factors	1.0000
Gross Base Cost	\$141.00
Perimeter Multiplier	1.0004
Story Height Multiplier	1.2262
Multi-Story Multiplier	1.0000
Refined Square Foot Cost	\$172.96
Elevator Add-on	\$7.26
Sprinkler Add-on	\$7.92
Adjusted Refined Square Foot Cost	\$188.13
Current Cost Modified	1.0200
Local Multiplier	0.9700
MVS Building Cost per Square Foot	\$186.14

Combining the Tower, CUP, and Mechanical Penthouse results in a weighted average MVS benchmark cost per square foot of \$646.81.

Consolidated MVS Benchmark

Project Component	MVS Benchmark	Square Feet
Tower	\$661.73	398,302
CUP	\$486.28	26,112
Mechanical Penthouse	\$186.14	3,804
Consolidated	\$646.81	428,218

With a total of 428,218 square feet, the calculation of the new hospital construction cost per square foot to compare to the Marshall Valuation Service (“MVS”) benchmark is shown below.

Cost of New Construction and Related Financing Costs

Building Component	Actual	Per Sq. Foot
Building	\$365,266,998	\$852.99
Fixed Equipment	In Building	\$0.00
Site Preparation	\$44,409,960	\$103.71
Architectural Fees	\$20,475,877	\$47.82
Permits	\$5,547,665	\$12.96
Subtotal	\$435,700,501	\$1,017.47
Loan Placement Fees	\$3,692,000	\$8.62
Gross Interest During Construction Period	54,770,000	\$127.91
Total	\$494,162,501	\$1,154.00

This project includes expenditure on items that are necessary for the construction of the hospital but are not included in the MVS average benchmark. Building and site related items that are not included in the MVS average benchmark have been identified. In addition, there are costs both in areas called “Inside the Loop” and “Outside the Loop.” the entire real estate parcel is not allocated to the hospital. Only the portion of the site called “Inside the Loop” is related to the hospital. Outside the Loop is considered off-site. However, there are enabling infrastructure costs required for the hospital that are Outside the Loop. According to Section 1, Page 3 of the MVS book, “Off-site costs, including roads, utilities, park fees, jurisdictional hookup, tap-in, impact or entitlement fees and assessments, etc.” are not included in the MVS benchmark. Consequently, these extraordinary costs that are not in the MVS benchmark are being subtracted from the comparison.

Extraordinary Cost Adjustments

Project Cost Item	Project Component	Project Cost Adjustments	Associated Gross Interest	Associated Loan Placement Fees
Inside the Loop				
Canopy (1)	Building	\$2,150,269	\$322,422,	21,734
Premium for Labor Shortages on Eastern Shore Projects (2)	Building	\$21,916,020	\$3,286,200	\$221,520
LEED Silver Premium (3)	Building	\$14,610,680	\$2,190,800	\$147,680
Pneumatic Tube System (1)	Building	\$1,285,875	\$192,811	\$12,997
Signs (1)	Building	\$154,305	\$23,137	\$1,560
Premium for Prevailing Wage (2)	Building	\$21,916,020	\$3,286,200	\$221,520
Premium for Minority Business Enterprise Requirement (3)	Building	\$14,610,680	\$2,190,800	\$147,680
Paving and Roads	Site	\$6,091,611		
Demolition	Site	\$412,500		
Storm Drains	Site	\$3,282,000		
Rough Grading	Site	\$2,455,794		

Landscaping	Site	\$4,239,791		
Sediment Control & Stabilization	Site	\$375,000		
Helipad	Site	\$55,000		
Water	Site	\$91,350		
Sewer	Site	\$146,160		
Premium for Labor Shortages on Eastern Shore Projects	Site	\$2,664,598		
Premium for Prevailing Wage	Site	\$2,664,598		
Premium for Minority Business Enterprise Requirement	Site	\$1,090,430		
Outside the Loop				
Roads	Site	\$6,653,000		
Pump Station	Site	\$1,118,520		
8" to 12" Force Main	Site	\$1,560,000		
Misc.	Site	\$780,000		
EASTON ELECTRICAL SERVICE	Site	\$704,369		
EASTON GAS SERVICE TO PROPERTY	Site	\$254,196		
Verizon	Site	\$1,170,497		
MD Broad Band (Fiber)	Site	\$1,592,448		
Chop Tank (Electric)	Site	\$2,826,004		
Cable TV	Site	\$3,532,880		
Total Cost Adjustments		\$120,404,594	\$11,492,370	\$774,691

Note (1): Includes Whiting Turner 14.3% material escalation of costs over their estimates made in 2022

Note (2): Assumed to equal 6% of Building costs

Note (3): Assumed to equal 4% of Building costs

Explanation of Extraordinary Costs

- Canopy, Signs, Jurisdictional Hook-up Fees, Impact Fees, Paving and Roads, Storm Drains, Rough Grading, Landscaping, and Sediment Control & Stabilization – These costs are specifically excluded from the Marshall & Swift Valuation base square foot cost for a Class A – Good General Hospital per Section 1, page 3 of the MVS.
- Premium for Labor Shortages/Remote Location on Eastern Shore Projects – UM SMC at Easton has included a premium (based on Building Costs) due to labor shortages and costs of transporting equipment and construction materials based on advice of cost estimators and previous experience that they have had on the Eastern Shore. In Section 99, Page 1, MVS recognizes the potential for a 2%-10% premium for Abnormal Shortages and for a 5%-15% for Remote Areas.
- LEED Silver Premium – UM SMC at Easton has included a 4% premium (based on Building Costs only) due to constructing this building to LEED Silver standards. The potential for a 0%-7% premium is recognized by MVS in Section 99, Page 1.
- Premium for Paying Prevailing Wage – Because State funds are being used to construct the replacement hospital, UM SMC at Easton’s contractors will have to pay “prevailing” wages, rather than “scale.” UM SMC at Easton’s consultant, Andrew Solberg, telephoned Marshall and Swift’s Technical Assistance staff on 9/27/13 and asked John Thompson whether this would constitute a premium over the average cost per square foot presented in the MVS, even

when adjusted for update and local multipliers. Mr. Thompson stated that paying prevailing wage would definitely be a premium over the average. He stated that he had previously been an electrician and, on buildings on which he was paid scale, the pay was approximately \$11/hour. However, on projects on which he was paid prevailing wage, he was paid approximately \$32/hour. UM SMC at Easton has searched for an average premium that it should use as the basis for its assumption. The Associated Builders and Contractors cited a study by the Minnesota Taxpayers Association (MTA) that found that the prevailing wage rates on public construction increased project costs between 7 and 10 percent. (<http://www.abc.org/EducationTraining/AcademyPages/tabid/340/entryid/820/Default.aspx>) UM SMC at Easton has assumed that the premium will be 6%, below the lower end of the range. Because prevailing wage will have to be paid for both site preparation and construction, UM SMC at Easton has applied it to both.

- Premium for Minority Business Enterprise Requirement – This construction will be subject to the Minority Business Enterprise Requirement (“MBE”). UM SMC at Easton estimates that the premium will be 4%, based on input from contractors.
- Demolition - The project requires a small amount of demolition. These costs are specifically excluded from the Marshall & Swift Valuation base square foot cost for a Class A - Good General Hospital per Section 1, page 3 of the MVS.
- Helipad - Land improvement costs, such as helipads, are specifically excluded from the Marshall & Swift Valuation base square foot cost for a Class A – Good General Hospital per Section 1, page 3 of the MVS. (While helipads are not specifically mentioned, UM SMC at Easton considers it a land improvement cost.)
- Water and Sewer– This project requires the extension of utilities to the perimeter of the hospital-related portion of the site (i.e., to the outer boundary of the “Inner Loop”). These costs are specifically excluded from the Marshall & Swift Valuation base square foot cost for a Class A – Good General Hospital per Section 1, page 3 of the MVS.
- All Outer Loop Costs – These are considered off-site costs, as they relate to a portion of the parcel that is not hospital-related. Off-site costs are specifically excluded from the Marshall & Swift Valuation base square foot cost for a Class A – Good General Hospital per Section 1, page 3 of the MVS.
- Gross Interest During Construction and Loan Placement Fees on Extraordinary Costs – The Gross Interest During Construction and Loan Placement Fees shown on the project budget table are related specifically to the new hospital Building construction. The costs associated with these line items also apply to the extraordinary costs. The Gross Interest During Construction and Loan Placement Fees associated with Extraordinary Building costs should not be included in the comparison, since the item they pertain to is not included. They were calculated by dividing each Extraordinary Building cost by the total Building cost shown above to obtain the percent that the Extraordinary Building cost represents of the total Building cost. This was then multiplied by the Gross Interest During Construction and Loan Placement Fees to obtain the related Extraordinary costs that should not be included.

Excluding the extraordinary cost adjustments results in an adjusted new hospital construction cost per square foot of \$844.17.

***Cost of New Construction and Related Financing Costs
Less Extraordinary Cost Adjustments***

Building Component	Actual	Per Sq. Foot
Building	\$288,623,150	\$674.01
Fixed Equipment	In Building	\$0.00
Site Preparation	\$649,215	\$1.52
Architectural Fees	\$20,475,877	\$47.82
Permits	\$5,547,665	\$12.96
Adjusted Subtotal	\$315,295,907	\$736.30
Loan Placement Fees	\$2,917,309	\$6.81
Gross Interest During Construction Period	\$43,277,630	\$101.06
Adjusted Total	\$361,490,845	\$844.17

The adjusted new hospital construction cost per square foot of \$844.17 is \$197.31 over the MVS benchmark per square foot of \$646.81.

***Comparison of Adjusted Hospital Cost per Square Foot
To The MVS Benchmark***

Adjusted Hospital Cost per SF	\$844.17
MVS Benchmark per SF	\$646.81
Difference	\$197.36