

# **The Johns Hopkins Health System Corporation and Affiliates**

**Reports on Federal and Florida State Awards in  
Accordance with Uniform Guidance; Section 215.97,  
Florida Statutes; and Chapter 10.650, Rules of the  
Florida Auditor General**

**June 30, 2024**

**Federal Entity Identification Number 52-1465301**

# The Johns Hopkins Health System Corporation and Affiliates

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June 30, 2024

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**Part I**

**Financial Statements and  
Schedules of Expenditures of Federal Awards and  
Florida State Financial Assistance**

**Year Ended June 30, 2024**



## Report of Independent Auditors

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

### Report on the Audit of the Consolidated Financial Statements

#### **Opinion**

We have audited the accompanying consolidated financial statements of the Johns Hopkins Health System Corporation and its affiliates (“JHHS”), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of JHHS as of June 30, 2024 and 2023, and the results of its operations and changes in its net assets 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of JHHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from 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 JHHS’ ability to continue as a going concern for one year after the date the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards*, 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 US GAAS and *Government Auditing Standards*, we:

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

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedules of expenditures of federal awards and Florida state financial assistance for the year ended June 30, 2024 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and *Section 215.97, Florida Statutes*, and *Chapter 10.650 Rules of the Florida Auditor General*, respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of expenditures of federal awards and Florida state financial assistance are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2024 on our consideration of JHHS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2024. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JHHS' internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

Baltimore, Maryland  
September 27, 2024

**The Johns Hopkins Health System Corporation and Affiliates**  
**Consolidated Balance Sheets**  
**June 30, 2024 and 2023**

<i>(in thousands)</i>	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,048,795	\$ 1,005,397
Short-term investments	132,774	141,958
Assets whose use is limited - used for current liabilities	280	246
Patient accounts receivable, net	900,450	767,616
Due from others	438,388	237,745
Due from affiliates	21,531	10,596
Supplies	185,424	178,775
Estimated insurance recoveries	65,383	53,801
Prepaid expenses and other current assets	59,102	52,545
Total current assets	<u>2,852,127</u>	<u>2,448,679</u>
Assets whose use is limited		
By donors or grantors for		
Pledges receivable	24,466	25,739
Other	186,632	172,563
By Board of Trustees	689,989	684,838
Other	29,743	26,815
Total assets whose use is limited	<u>930,830</u>	<u>909,955</u>
Investments	3,786,163	3,455,313
Property, plant and equipment, net	2,667,548	2,662,352
Finance lease right-of-use assets	59,299	71,368
Operating lease right-of-use assets	104,105	118,364
Due from affiliates, net of current portion	46,399	50,597
Estimated insurance recoveries, net of current portion	62,819	57,359
Swap counterparty deposit	5,920	17,494
Other assets	28,930	24,530
Total assets	<u>\$ 10,544,140</u>	<u>\$ 9,816,011</u>

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

**The Johns Hopkins Health System Corporation and Affiliates**  
**Consolidated Balance Sheets**  
**June 30, 2024 and 2023**

<i>(in thousands)</i>	<b>2024</b>	<b>2023</b>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 142,117	\$ 203,423
Finance lease liabilities	13,719	14,548
Operating lease liabilities	21,032	21,709
Accounts payable and accrued liabilities	1,146,973	879,880
Medical claims reserve	99,014	161,264
Deferred revenue	152,094	186,213
Due to affiliates	6,363	15,549
Advances from third-party payors	232,689	135,200
Current portion of estimated liability claims costs	68,113	56,461
Total current liabilities	1,882,114	1,674,247
Long-term debt, net of current portion	1,513,135	1,483,601
Finance lease liabilities, net of current portion	61,632	75,307
Operating lease liabilities, net of current portion	96,428	111,896
Estimated liability claims costs, net of current portion	184,124	187,674
Net pension liability	214,368	316,102
Other long-term liabilities	198,550	223,950
Total liabilities	4,150,351	4,072,777
Net assets		
Without donor restrictions controlled by JHHS	6,006,667	5,406,752
Without donor restrictions attributable to noncontrolling interests	169,648	132,412
Total net assets without donor restrictions	6,176,315	5,539,164
Net assets with donor restrictions	217,474	204,070
Total net assets	6,393,789	5,743,234
Total liabilities and net assets	\$ 10,544,140	\$ 9,816,011

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

**The Johns Hopkins Health System Corporation and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**For the Years Ended June 30, 2024 and 2023**

<i>(in thousands)</i>	<b>2024</b>	<b>2023</b>
<b>Operating revenues and other support</b>		
Net patient service revenue	\$ 5,290,236	\$ 4,829,963
Insurance premium revenue	2,522,035	2,562,252
Other revenue	1,214,774	1,162,787
Net assets released from restrictions used for operations	20,812	17,730
Total operating revenues and other support	<u>9,047,857</u>	<u>8,572,732</u>
<b>Operating expenses</b>		
Salaries, wages and benefits	3,237,669	2,900,754
Purchased services	3,464,539	3,519,574
Supplies and other	1,841,464	1,614,831
Interest	70,372	69,699
Depreciation and amortization	299,219	291,047
Total operating expenses	<u>8,913,263</u>	<u>8,395,905</u>
Income from operations	134,594	176,827
<b>Nonoperating revenues and expenses</b>		
Interest expense on swap agreements	(1,680)	(8,032)
Changes in fair value of interest rate swap agreements	21,157	42,374
Investment return, net	538,011	395,075
Other components of net periodic pension cost	18,681	31,353
Academic mission support and other	(143,480)	(152,794)
Excess of revenues over expenses	<u>567,283</u>	<u>484,803</u>
Contributions from affiliates	71	455
Changes in funded status of defined benefit plans	69,022	16,930
Net assets released from restrictions used for purchases of property, plant and equipment	6,867	5,044
Other	(6,092)	(17,249)
Increase in net assets without donor restrictions	<u>637,151</u>	<u>489,983</u>
<b>Changes in net assets with donor restrictions</b>		
Gifts, grants and bequests	41,188	31,986
Net assets released from restrictions used for purchases of property, plant and equipment	(6,867)	(5,044)
Net assets released from restrictions used for operations	(20,812)	(17,730)
Other	(105)	981
Increase in net assets with donor restrictions	<u>13,404</u>	<u>10,193</u>
Increase in net assets	650,555	500,176
<b>Net assets</b>		
Beginning of year	<u>5,743,234</u>	<u>5,243,058</u>
End of year	<u>\$ 6,393,789</u>	<u>\$ 5,743,234</u>

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

**The Johns Hopkins Health System Corporation and Affiliates**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2024 and 2023**

<i>(in thousands)</i>	<b>2024</b>	<b>2023</b>
<b>Operating activities</b>		
Changes in net assets	\$ 650,555	\$ 500,176
Adjustments to reconcile change in net assets to net cash, cash equivalents and restricted cash provided by operating activities		
Depreciation and amortization	299,219	291,047
Net realized and changes in unrealized gains on investments	(434,399)	(325,640)
Changes in fair value of interest rate swap agreements	(21,157)	(42,374)
Changes in funded status of defined benefit plans	(69,022)	(16,930)
Restricted contributions and investment income received	(15,143)	(10,850)
Return on equity method investments	(4,009)	4,120
Other operating activities	9,988	5,326
Changes in assets and liabilities		
Patient accounts receivable	(132,834)	34,127
Supplies, prepaid expenses and other current assets	(214,121)	(64,092)
Due from affiliates, net	(19,487)	(2,144)
Pledges receivable	2,305	6,411
Other assets and other long-term liabilities, net	(3,214)	5,824
Accounts payable and accrued liabilities	265,413	(30,163)
Medical claims reserve	(62,250)	25,063
Deferred revenue	(34,119)	166,208
Advances from third-party payors	97,489	2,210
Accrued pension benefit costs	(39,717)	(76,465)
Estimated liability claims costs	(8,940)	(11,137)
Cash provided by operating activities	<u>266,557</u>	<u>460,717</u>
<b>Investing activities</b>		
Purchases of property, plant and equipment	(307,896)	(251,529)
Investment in joint ventures	(17,000)	(11,681)
Purchases of investment securities	(2,386,699)	(1,635,898)
Sales of investment securities	2,534,789	1,650,305
Payments received on affiliate notes	3,552	15,941
Advances on affiliate notes	-	(3,000)
Payments for other capital expenditures	(72,270)	(62,598)
Reimbursement of other capital expenditures	72,270	62,598
Swap counterparty deposit	11,574	5,670
Cash used in investing activities	<u>(161,680)</u>	<u>(230,192)</u>
<b>Financing activities</b>		
Restricted contributions and investment income received	15,143	10,850
Proceeds from long-term borrowings	78,500	246,165
Repayments of long-term debt	(108,723)	(399,476)
Proceeds from lines of credit	-	30,000
Repayments of lines of credit	-	(30,000)
Repayments of obligations under a financing lease	(13,812)	(13,534)
Other financing activities	(6,979)	(17,246)
Cash used in financing activities	<u>(35,871)</u>	<u>(173,241)</u>
Change in cash, cash equivalents and restricted cash	69,006	57,284
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of year	<u>1,052,129</u>	<u>994,845</u>
End of year	<u>\$ 1,121,135</u>	<u>\$ 1,052,129</u>
<b>Supplemental disclosure of cash flow information</b>		
Purchases of property, plant and equipment in accounts payable	\$ 32,694	\$ 38,496
Assets acquired under operating leases	8,002	35,037
Interest paid	72,052	77,731

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

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### 1. Organization and Summary of Significant Accounting Policies

##### Organization

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

JHHSC is the sole member of The Johns Hopkins Hospital (“JHH”), an academic medical center, Johns Hopkins Bayview Medical Center, Inc. (“JHBMC”), a community based teaching hospital, Johns Hopkins Howard County Medical Center (“JHHCMC”), a community based hospital, Suburban Hospital, Inc. (“SHI”), a community based hospital, Sibley Memorial Hospital (“SMH”), a community based hospital, Johns Hopkins All Children’s Hospital, Inc. (“JHACH”), an academic children’s hospital, Suburban Hospital Healthcare System, Inc. (“SHHS”), a diverse healthcare system, All Children’s Health System (“ACHS”), a diverse healthcare system, Johns Hopkins Community Physicians (“JHCP”), a community based physician practice group, The Johns Hopkins Medical Services Corporation (“JHMSC”), the contracting entity for the Uniformed Services Family Health Plan (“USFHP”) contract, Potomac Home Health Care, Inc. (“PHHC”), a full service Medicare certified home health agency, Potomac Home Support, Inc. (“PHS”), a private pay services company, and the HCGH OB/GYN Associates Series, LLC (“HCOB”), a taxable community based obstetrics and gynecology practice. JHHSC is also the sole shareholder of Howard County Health Services, Inc. (“HCSI”), a taxable entity organized to hold interests in various health care enterprises, Johns Hopkins Medical Management Corp. (“JHMMC”), a taxable entity that provides temporary nursing and clerical staffing, promotes ambulatory care arrangements in support of JHHS, and houses commercial supply chain business units, Johns Hopkins Employer Health Programs, Inc. (“EHP”), a taxable third-party administrator for employee health benefit plans self-funded by the constituent employee sponsors, Johns Hopkins Consolidated Services Center (“JHCSC”), a taxable distribution center providing commodity supplies to JHHS affiliates, Johns Hopkins Clinical Alliance, LLC (“JHCA”), a clinically integrated network that seeks to improve patient experience and support independent physicians in value-based care, and JHHS Innovation LLC (“Innovation”), a Maryland based LLC formed to hold stock, membership interests or other assets which result from the commercialization of JHHS’ intellectual property. JHHSC and the Johns Hopkins University (the “University”) each own a 50% membership interest in Johns Hopkins Health Plans (“JHHP”), a taxable managed care entity supporting JHHS and the University in cooperative strategies by which patient care, education, and research may be advanced. JHHSC consolidates JHHP due to having control of JHHP through majority voting rights. These entities are collectively known as the “Affiliates.”

The University is a privately endowed institution that provides education and related services to students and others, research and related services to sponsoring organizations, and professional medical services to patients. The University is a separate legal entity from JHHSC with its own Board of Trustees. The University does not assume any responsibility or liability for the financial obligations of JHHS and JHHS does not assume any responsibility or liability for the financial obligations of the University. The University owns membership interests in some of the affiliates of JHHS. Professional clinical services are also provided by members of the University’s faculty to patients at JHHS hospitals. See Note 15 for further details.

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### **Use of Estimates**

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

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

#### **Basis of Presentation**

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

#### **Principles of Consolidation**

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

#### **Cash and Cash Equivalents**

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

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

#### **Restricted Cash**

The Consolidated Statements of Cash Flows explain the change during the period in the total of cash, cash equivalents and restricted cash.

JHHS holds cash that is restricted by bond agreements, to comply with hospital and/or foundation donor restrictions, to be used for campus development and other strategic investments, and to comply with contractual agreements. Restricted cash balances were \$72.3 million and \$46.7 million as of June 30, 2024 and 2023, respectively, and are classified within assets whose use is limited in the Consolidated Balance Sheets. See Note 5 for further details.

#### **Patient Accounts Receivable**

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

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### **Due From Others**

Due from others primarily includes receivables related to the hospital outpatient pharmacies, pharmacy rebate accruals, grants, third-party contracts, JHHP working capital advances, third-party settlements, the Directed Payment Program (“DPP”) supplemental revenue program and Employee Retention Credit (“ERC”) receivables.

#### **Due From Affiliates**

Due from affiliates primarily includes loans and other receivable balances from certain affiliates that do not consolidate within JHHS. See Note 14 for further details.

#### **Supplies**

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

#### **Assets Whose Use is Limited**

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

Assets whose use is limited include assets held by trustees under debt agreements, assets restricted by the Board of Trustees for future capital improvements and other strategic investments, pledges receivable, beneficial interest remainder trusts, and net assets set aside pursuant to their donor restricted nature. The carrying amounts reported in the Consolidated Balance Sheets represent fair value.

#### **Investments and Investment Income**

Debt and equity securities traded on a national securities and international exchange are valued as of the last reported sales price on the last business day of the fiscal year; investments traded on the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and ask prices.

Investments include managed funds, which include hedge funds, private partnerships and other investments (collectively “alternative investments”) which do not have readily ascertainable fair values and may be subject to withdrawal restrictions.

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

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

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### **Participation in Joint Ventures**

JHHS participates in several joint ventures (“JVs”) which JHHS has determined are central to its operations and mission. These investments are recorded within investments on the Consolidated Balance Sheets. Investments in companies in which JHHS does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method of accounting, and operating results flow through other revenue on the Consolidated Statements of Operations and Changes in Net Assets. Dividends received are recorded as a reduction of the carrying amount of the investment. JHHS has elected the cumulative earnings approach per ASC Topic 230 for determining cash flow presentation of distributions from its equity method investments. Distributions received are included in the Consolidated Statements of Cash Flows as operating activities, unless the cumulative distributions exceed JHHS’ portion of the cumulative equity in the net earnings of the joint venture, in which case the excess distributions are deemed to be returns of the investment and are classified as investing activities in the Consolidated Statements of Cash Flows. See Note 5 for further details.

Investments in companies in which JHHS does not have control, nor has the ability to exercise significant influence over operating and financial policies, are measured at cost with adjustments for observable changes in price or impairments (referred to as the measurement alternative). These investments do not have a readily determinable fair value and do not qualify for use of Net Asset Value (“NAV”). JHHS performs a qualitative assessment on an annual basis and recognizes an impairment if there are sufficient indicators that the fair value of the investment is less than its carrying value. No impairment was recognized for the years ended June 30, 2024 and 2023.

#### **Property, Plant and Equipment**

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

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

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### **Leases**

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

#### **Lessee**

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

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

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

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

#### **Lessor**

JHHS is also a lessor and sub-lessor of real estate under operating leases. JHHS records revenue associated with leases within other revenue in the Consolidated Statements of Operations and Changes in Net Assets on a straight-line basis over the term of the lease. Lease payments include fixed payments but are reduced for any lease incentives. Variable payments relating to the lease

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are recognized within other revenue in the Consolidated Statements of Operations and Changes in Net Assets. JHHS as a practical expedient has elected to combine all lease and nonlease components as a single combined component of the same contract. Assets subject to operating leases are carried at cost within property, plant and equipment, net in the Consolidated Balance Sheets and are depreciated over their estimated useful lives.

#### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment when events and circumstances indicate that the carrying amount of an asset may not be recoverable. JHHS' policy is to record an impairment loss when it is determined that the carrying amount of the asset exceeds the sum of the expected undiscounted future cash flows resulting from use of the asset and its eventual disposition. Impairment losses are measured as the amount by which the carrying amount of the asset exceeds its fair value. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less cost to sell.

#### **Medical Claims Reserve**

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

#### **Deferred Revenue**

Deferred revenue includes JHHP's capitated receipts received in advance for future services to be provided and JHHS grant funding received where the conditions have not been met.

#### **Accrued Vacation**

JHHS' employees earn vacation days at varying rates depending on years of service. Vacation time accumulates up to certain limits, at which time no additional vacation hours can be earned. Certain employees receive a fixed amount of vacation time that does not carry over at the end of the calendar year. JHHS records a liability within accounts payable and accrued liabilities in the Consolidated Balance Sheets for amounts due to employees for future absences which are attributable to services performed in the current and prior periods.

#### **Advances From Third-Party Payors**

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

#### **Estimated Workers' Compensation, Employee Health Claims and Malpractice Costs**

The provision for estimated workers' compensation, employee health claims and medical malpractice claims include estimates of the ultimate gross costs for both reported claims and claims incurred but not reported. For malpractice an insurance recovery has been recorded representing the amount expected to be recovered from the self-insured captive insurance company. See Note 13 for further details.

#### **Swap Agreements**

JHHS follows accounting guidance on derivative financial instruments that are based on whether the derivative instrument meets the criteria for designation as cash flow or fair value hedges. All of JHHS' derivative financial instruments are interest rate swap agreements without hedge accounting designation. JHHS does not hold derivative instruments for the purpose of managing credit risk

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and limits the amount of credit exposure to any one counterparty and enters into derivative transactions with high quality counterparties. JHHS recognizes interest expense on swap agreements as a nonoperating expense within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets.

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

Each swap agreement has certain collateral thresholds whereby, on a daily basis, if the fair value of the swap agreement declines such that its devaluation exceeds the threshold, cash must be deposited by JHHS with the swap counterparty for the difference between the threshold amount and the fair value, which is held as a non-current asset on the Consolidated Balance Sheets.

#### **Noncontrolling Interests**

JHHP is owned by JHHSC and the University, each member having a 50% interest. JHHP's profits are divided between the members based on product line. Based on control via majority voting interest, JHHSC consolidates JHHP and records noncontrolling interests for the profits attributable to the University. Additionally, JHHP owns a 50% interest in Priority Partners Managed Care Organization, Inc. ("Priority Partners"), a for-profit joint venture approved by the State of Maryland to operate as an authorized Medicaid managed care organization. Based on controlling financial interest, JHHP consolidates Priority Partners and records noncontrolling interests for 50% of the profits. See Note 5 for further details.

#### **Other Long-Term Liabilities**

Derivative financial instruments are recorded at fair value and are included in other long-term liabilities on the Consolidated Balance Sheets. See Note 10 for further details. Also included in other long-term liabilities are amounts owed to The Johns Hopkins University School of Medicine ("JHUSOM") for the restricted purpose of supporting JHUSOM's recruitment, employment and start-up costs of new clinically-focused physician providers, and deferred income from JHUSOM payments for future use of common space in the medical research building. See Note 15 for further details.

#### **Pension Benefit Plans**

JHHS' defined benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, expected investment returns on plan assets, salary increases, expected retirement, mortality and employee turnover. The discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) is determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match expected benefit payments in future years. The expected rate of return is a judgmental matter that is reviewed annually, and was developed based on historical returns for the major asset classes, and considered both current market conditions and projected future conditions. JHHS recognizes the funded status of defined benefit postretirement plans as a liability on JHHS' Consolidated Balance Sheets, and changes in the funded status are reflected as a change in net assets without donor restrictions in the Consolidated Statements of Operations and Changes in Net

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Assets. JHHS uses mark-to-market accounting as it relates to net assets and immediately recognizes changes in the fair value of plan assets and actuarial gains or losses in net assets annually. The components of pension expense, including service and interest costs, amortization of actuarial gains or losses, and the expected return on plan assets, are included within excess of revenues over expenses on the Consolidated Statements of Operations and Changes in Net Assets. See Note 12 for further details.

#### **Net Assets**

Net assets without donor restrictions include undesignated amounts as well as amounts designated by the Board of Trustees for a specific purpose. Net assets with donor restrictions are those whose use has been limited by donors or law to a specific time period or purpose. JHHS also has net assets with donor restrictions that have been restricted by donors to be maintained in perpetuity. Income generated from these assets is available as restricted by the donor or for general program support.

#### **Donor Restricted Gifts**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Unconditional promises to give cash to JHHS greater than one year are discounted using a rate of return that a market participant would expect to receive at the date the pledge is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is satisfied. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. Donor restricted contributions whose restrictions are met within the same year as received are reported as other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

#### **Grants**

JHHS receives various grants from private entities and agencies of the Federal and State Governments for the purpose of furthering its mission of providing patient care. JHHS and its affiliates receive contributions in the form of conditional government grants and other conditional donor contributions. These grants are carried out for research activities that benefit the general public, and not for the government's own use. Therefore, JHHS has determined that there is not an exchange back to the granting authority and accounts for these grants under the contribution model (ASC 958-605), which is outside the scope of ASC 606. The grants are considered conditional due to the requirement of spending the awarded funds on qualifying expenses and the right of return for unexpended funds. Once the condition is met, grant receivables are included in due from others in the Consolidated Balance Sheets and grant income is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Unspent conditional contributions where cash has been received from grants totaled \$9.7 million and \$7.1 million as of June 30, 2024 and 2023, and are recorded in deferred revenue on the Consolidated Balance Sheets. As of June 30, 2024 and 2023, JHHS and its affiliates had \$51.0 million and \$68.8 million of conditional contributions for which the conditions have not been met and the funding has not been received, and therefore they have not been recorded on the Consolidated Balance Sheets.

#### **Nonoperating Revenues and Expenses**

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating revenues and expenses. Nonoperating revenues and expenses are composed primarily of interest paid and changes in market value on

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interest rate swap agreements, investment return, net, other nonservice cost components of net periodic pension cost, funding for research and education activities conducted by JHUSOM, which are deemed to be outside the normal operations of JHHS' clinical setting, and other nonoperating services.

#### **Excess of Revenues Over Expenses**

The Consolidated Statements of Operations and Changes in Net Assets include excess of revenues over expenses. Changes in net assets without donor restriction which are excluded from excess of revenues over expenses include, among other items, change in funded status of defined benefit plans, permanent transfers of assets to and from affiliates for other than goods or services, and contributions of long-lived assets (including assets acquired using donor restricted contributions which were to be used for the purposes of acquiring such assets).

#### **Income Taxes**

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

JHHP is classified as a partnership for Federal and State income tax purposes and accordingly, there is no provision for income taxes in the accompanying consolidated financial statements. Taxable income or loss passes through to and is reported by the members in their respective tax returns. Taxable subsidiaries of Affiliates account for income taxes in accordance with FASB's guidance on accounting for income taxes. Deferred income taxes are recognized for the tax consequences in future years for differences between the tax basis of assets and liabilities and their financial reporting amounts at each year end. Affiliate subsidiaries otherwise exempt from Federal and State taxation are nonetheless subject to taxation at corporate tax rates at both the Federal and State levels on their unrelated business income. Total taxes paid to Federal and State tax authorities during the years ended June 30, 2024 and 2023 amounted to \$46.5 million and \$48.1 million, respectively.

FASB's guidance on accounting for uncertainty in income taxes clarifies the accounting for uncertainty of income tax positions. This guidance defines the threshold for recognizing tax return positions in the financial statements as "more likely than not" that the position is sustainable, based on its technical merits. The standard also provides guidance on the measurement, classification and disclosure of tax return positions in the financial statements. There was no significant impact on JHHS' consolidated financial statements during the years ended June 30, 2024 and 2023.

#### **New and Recently Adopted Accounting Standards**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The previous standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. The new standard removes the requirement that a credit loss be probable of occurring for it to be recognized, and requires entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The standard is required to be applied using the modified retrospective approach with a cumulative-effect adjustment to net assets, if any, upon adoption. ASU 2016-13 was effective for JHHS July 1, 2023. There was no significant impact on JHHS' consolidated financial statements during the year ended June 30, 2024.

In March 2020, the FASB issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications, hedging relationships, and other transactions affected by reference rate reform to ease the financial burdens related to the

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expected market transition from London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. During fiscal year 2023 JHHS transitioned the reference rate on its debt relationships to Secured Overnight Financing Rate ("SOFR"). Effective July 1, 2023 JHHS transitioned the reference rate on its derivative relationships to SOFR.

In August 2023, the FASB issued ASU 2023-05, "Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement." ASU 2023-05 requires a joint venture, upon formation, to apply a new basis of accounting. As a result, a newly formed joint venture should initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance). The new guidance is effective for both public and private JV entities with a formation date on or after January 1, 2025. Entities should apply the new guidance on a prospective basis to all JVs formed on or after the effective date. Early adoption is permitted. JHHS is currently evaluating the impact of this update on the consolidated financial statements.

#### **Reclassifications**

Certain prior year balances within net assets without donor restrictions have been reclassified to be consistent with the current year presentation.

## **2. Revenue Recognition and Accounts Receivable**

#### **Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration to which JHHS expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and are net of variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, JHHS bills its patients and third-party payors several days after the services are performed or when the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by JHHS. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. JHHS believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in JHHS hospitals receiving inpatient acute care services or patients receiving services in outpatient centers. JHHS measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients or customers in a retail setting (for example, pharmaceuticals and medical equipment) where JHHS does not believe it is required to provide additional goods or services to the patient.

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

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

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. No significant amounts of revenues were recognized in the current year due to changes in the estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Amounts recorded as net patient revenue that are subsequently determined to be uncollectible due to an adverse change in the patient's or third-party payor's ability to pay are recorded as bad debt expense. Bad debt expense is reported as a component of supplies and other in the Consolidated Statements of Operations and Changes in Net Assets and was not material for the years ended June 30, 2024 and 2023. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows.

Adjustments mandated by the Health Services Cost Review Commission ("Commission" or "HSCRC") for hospitals in the State of Maryland are included in contractual adjustments, a portion of which are also included in established rates. See Note 16 for further discussion on the HSCRC and regulated rates. SMH and JHACH operate outside of the State of Maryland, and are paid prospectively based upon negotiated rates for commercial insurance carriers, and predetermined rates per discharge for Medicaid and Medicare program beneficiaries.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge JHHS' compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon JHHS and its Affiliates. In addition, the contracts JHHS and its Affiliates have with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are considered in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and JHHS'

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historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

As of June 30, 2024, SMH did not receive any final cost report settlements from Medicare. As of June 30, 2024, SMH has cost report years 2010, 2011, 2012, 2013, 2021, 2022 and 2023 open. As of June 30, 2023, SMH received final audits for Medicare cost report years 2015, 2016, 2017 and 2018. As of June 30, 2023, SMH has Medicare cost report years 2010, 2011, 2012, 2013, 2021 and 2022 open.

Consistent with JHHS' mission, care is provided to all patients regardless of their ability to pay. Therefore, JHHS has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts JHHS expects to collect based on its collection history with those patients.

Patients who meet JHHS' criteria for charity care are provided care without charge or at amounts less than its established rates. Such patients are identified based on information obtained from the patient and subsequent analysis. Because JHHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to \$110.7 million and \$111.3 million for the years ended June 30, 2024 and 2023, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on JHHS' total expenses divided by gross patient service revenue.

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

	2024		2023	
Medicare	\$ 1,459,073	27.6%	\$ 1,378,490	28.5%
Medicaid/Medicaid MCO	889,057	16.8%	698,146	14.5%
Blue Cross	979,712	18.5%	981,765	20.3%
HMO	1,132,702	21.4%	1,027,037	21.3%
Commercial	435,708	8.2%	367,825	7.6%
Other payors	283,365	5.4%	271,672	5.6%
Self pay	110,619	2.1%	105,028	2.2%
Net patient service revenue	\$ 5,290,236	100.0%	\$ 4,829,963	100.0%

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

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

Florida is one of the states that participates in DPP. DPP is a supplemental revenue program that provides hospitals that care for Medicaid patients with additional funding as Medicaid historically reimburses less than the actual cost of providing care. DPP payments are treated as add-on payments to the Medicaid base rates reimbursed for patient care, and therefore are considered net patient service revenue. The funding for DPP includes a combination of public and private hospital assessments that constitute the state share, with Federal matching funds. The payments received are tied directly to the utilization and delivery of services to Medicaid patients, and is constrained until the annual approvals from the Centers for Medicare & Medicaid Services ("CMS") and the Florida state legislature are obtained. The DPP program has a September 30 fiscal year. The DPP is paid based on Medicaid geographic regions, and all hospitals within a region must agree to participate. JHACH entered the DPP in its third year of existence, which was the twelve month period ended September 30, 2023. During fiscal year 2024, JHACH's region received approval from CMS and State legislature to participate in DPP, and JHACH recorded \$141.9 million within net patient service revenue in the Consolidated Statements of Operations and Changes in Net Assets, of which \$139.4 million remained uncollected at June 30, 2024 and is included within Due from others on the Consolidated Balance Sheet. Additionally, JHACH recorded an assessment of \$22.8 million to fund its portion of the DPP program. This assessment was recorded within Supplies and other expense in the Consolidated Statements of Operations and Changes in Net Assets.

**Insurance Premium Revenue**

Insurance premium revenue contracts are within the scope of Topic 944, Financial Services—Insurance. For the years ended June 30, 2024 and 2023, insurance premium revenue recognized was \$2.522 billion and \$2.562 billion, respectively. The related expenses associated with the insurance premium revenue were \$2.391 billion and \$2.468 billion for the years ended June 30, 2024 and 2023, respectively.

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All of Priority Partners insurance premium revenue is received from the State of Maryland and is recognized as revenue during the period in which Priority Partners is obligated to provide services to its enrollees. The HealthChoice contract with Priority Partners is for a one-year term and is renewable annually on January 1 at the mutual discretion of both the State of Maryland and Priority Partners. Insurance premium revenues generated under the contract were \$1.841 billion and \$1.877 billion for the years ended June 30, 2024 and 2023, respectively. The current contract extends through December 31, 2024.

JHMSC entered into a contract with the Department of Defense to provide the TRICARE Prime benefit to eligible beneficiaries enrolled in the USFHP. Under the USFHP contract, JHMSC provides services covered under the TRICARE Designated Provider Contract to enrollees for a monthly capitation fee. Insurance premium revenues generated under the contract were \$470.2 million and \$476.5 million for the years ended June 30, 2024 and 2023, respectively. The current sole source commercial contract was awarded for the period commencing October 1, 2013 through September 30, 2024, with a Base Year and nine one-year Option Periods exercised at the U.S. Government's discretion.

A significant portion of Hopkins Health Advantage insurance premium revenue is received from the CMS and is recognized as revenue during the period in which Hopkins Health Advantage is obligated to provide services to its enrollees. The CMS contract with Hopkins Health Advantage is for a one-year term and is renewable annually on January 1 at the mutual discretion of both CMS and Hopkins Health Advantage. Insurance premium revenues generated under the contract were \$211.2 million and \$209.1 million for the years ended June 30, 2024 and 2023, respectively. The current contract extends through December 31, 2024.

#### Other Revenue

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

	2024		2023	
Outpatient pharmacy revenues	\$ 655,660	54.0%	\$ 577,003	49.6%
Management fees	110,434	9.1%	91,717	7.9%
Compensated services	93,618	7.7%	107,637	9.3%
Grants and contribution revenue	73,753	6.1%	80,276	6.9%
Lab revenue	36,655	3.0%	31,887	2.7%
Lease income and Common Area Maintenance ("CAM") fees	27,735	2.3%	27,844	2.4%
Employee Retention Credit ("ERC")	4,363	0.4%	18,193	1.6%
Other	212,556	17.4%	228,230	19.6%
Other revenue	\$ 1,214,774	100.0%	\$ 1,162,787	100.0%

JHHS outpatient pharmacies offer a full inventory of standard, specialty and over-the-counter medications. Outpatient pharmacy revenue is recognized at the point in time when prescriptions are filled. Management fees represent payments for management services provided to the University, primarily for operations of imaging facilities, as well as other external parties. Compensated services include fees for centralized administrative services provided to nonconsolidated affiliates. JHH provides lab services for testing samples provided by patients at outreach draw stations. Revenue for management services, compensated services, and lab testing are recorded in the period in which the performance obligation is satisfied. JHHS records revenue associated with leases on a straight-line basis over the term of the lease. Lease payments include fixed payments but are reduced for any lease incentives. Variable lease payments relating to the lease, including fees for common area maintenance, are recognized in the period in which the performance obligation is satisfied.

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**ERC**

In response to COVID-19, the CARES Act, was signed into law on March 27, 2020. The CARES Act created the ERC program designed to encourage employers to retain employees during the COVID-19 pandemic. In fiscal year 2024, JHHS filed for an additional \$4.4 million in ERC credits based on the qualified wages paid to employees between July 1, 2020 and December 31, 2020. In fiscal year 2023, JHHS filed for \$18.1 million in ERC credits based on qualified wages paid to employees between March 12, 2020 and June 30, 2020. JHHS' policy is to account for the ERC as a contribution using guidance analogous to a conditional contribution found in ASC Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition. In accordance with ASC Subtopic 958-605, the ERC is recognized and recorded as income in the Consolidated Statements of Operations and Changes in Net Assets when the conditions required for the ERC are substantially met. In fiscal year 2024 and 2023, JHHS recorded \$4.4 million and \$18.1 million, respectively, within other revenue in the Consolidated Statements of Operations and Changes in Net Assets and an associated receivable as of June 30, 2024 and 2023 within due from others in the Consolidated Balance Sheets.

**3. Pledges Receivable**

As of June 30, 2024 and 2023, the value of pledges receivable before discounts was \$26.2 million and \$28.0 million, respectively. Pledges receivable have been discounted at rates ranging from 0.07% to 5.50% to arrive at the following (in thousands):

<b>As of June 30, 2024</b>	<b>1 Year</b>	<b>2 –5 Years</b>	<b>5 Years or Greater</b>	<b>Totals</b>
Departmental campaigns	\$ 14,780	\$ 4,139	\$ 1,558	\$ 20,477
Future campus development	541	3,444	4	3,989
	<u>\$ 15,321</u>	<u>\$ 7,583</u>	<u>\$ 1,562</u>	<u>\$ 24,466</u>

  

<b>As of June 30, 2023</b>	<b>1 Year</b>	<b>2 –5 Years</b>	<b>5 Years or Greater</b>	<b>Totals</b>
Departmental campaigns	\$ 7,504	\$ 12,927	\$ 1,359	\$ 21,790
Future campus development	2,745	996	208	3,949
	<u>\$ 10,249</u>	<u>\$ 13,923</u>	<u>\$ 1,567</u>	<u>\$ 25,739</u>

Pledges are deemed to be fully collectible and therefore, no significant allowance for uncollectible pledges has been recorded as of June 30, 2024 and 2023.

**4. Fair Value Measurements**

JHHS follows the guidance on fair value measurements, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This guidance discusses valuation techniques such as the market approach, cost approach and income approach. The guidance establishes a three-tier level hierarchy for fair value measurements based upon the transparency of inputs used to value an asset or liability as of the measurement date. The three-tier hierarchy prioritizes the inputs used in measuring fair value as follows:

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- Level 1      Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2      Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3      Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions. There are no instruments requiring Level 3 classification.

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

The following table presents the financial instruments carried at fair value as of June 30, 2024 grouped by hierarchy level:

	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Assets</b>			
Cash and cash equivalents (1)	\$ 1,121,135	\$ 1,121,135	\$ -
Commercial paper (1)	101,101	-	101,101
Certificates of deposit (1)	1,104	-	1,104
U.S. Treasuries (2)	132,444	-	132,444
Corporate bonds (2)	188,087	-	188,087
Asset backed securities (2)	205,174	-	205,174
Equities and equity funds (3)	2,284,167	2,284,167	-
Fixed income funds (4)	348,915	348,915	-
Totals	<u>\$ 4,382,127</u>	<u>\$ 3,754,217</u>	<u>\$ 627,910</u>
<b>Liabilities</b>			
Interest rate swap agreements (5)	<u>\$ 67,067</u>	<u>\$ -</u>	<u>\$ 67,067</u>

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The following table presents the financial instruments carried at fair value as of June 30, 2023 grouped by hierarchy level:

	<b>Total Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
<b>Assets</b>			
Cash and cash equivalents (1)	\$ 1,052,129	\$ 1,052,129	\$ -
Commercial paper (1)	100,014	-	100,014
Certificates of deposit (1)	1,074	-	1,074
U.S. Treasuries (2)	205,195	-	205,195
Corporate bonds (2)	220,208	-	220,208
Asset backed securities (2)	214,450	-	214,450
Equities and equity funds (3)	2,034,147	2,034,147	-
Fixed income funds (4)	335,850	335,850	-
Totals	<u>\$ 4,163,067</u>	<u>\$ 3,422,126</u>	<u>\$ 740,941</u>
<b>Liabilities</b>			
Interest rate swap agreements (5)	<u>\$ 88,226</u>	<u>\$ -</u>	<u>\$ 88,226</u>

The amounts presented for equities and equity funds and total investments measured at NAV as a practical expedient have been adjusted by (\$188.8) million and \$188.8 million, respectively, as of June 30, 2023 due to redetermination in the current year.

- (1) Cash and cash equivalents and commercial paper include investments with original maturities of three months or less. Certificates of deposit and commercial paper are carried at amortized cost, which approximates fair market value. Certificates of deposit and commercial paper that have original maturities greater than three months, but less than one year are considered short-term investments. Cash and cash equivalents are rendered Level 1 due to their frequent pricing and ease of converting to cash. Computed prices and frequent evaluation versus fair value render commercial paper and the certificates of deposit Level 2.
- (2) For investments in U.S. Treasuries (notes, bonds, and bills), corporate bonds, and asset backed securities, fair value is based on quotes for similar securities; therefore these investments are rendered Level 2. These investments fluctuate in value based upon changes in interest rates.
- (3) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.
- (4) Fixed income funds are investments in mutual funds. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage-backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered Level 1. Equity index and fixed income futures contracts are utilized to manage equity price and interest rate risk. A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange. Upon entering into a futures contract, JHHS is required to deposit either cash or securities in an amount equal to a certain percentage of nominal value of the contract ("initial

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margin”). This collateral is classified as restricted funds within the table above. Pursuant to the futures contract, JHHS agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as “variation margin” which are settled daily. The value on the statement of net assets available is the related unsettled variation margin. As of June 30, 2024, JHHS had 498 open contracts in futures with a gross notional value of \$74.6 million and a net notional value of (\$19.1) million. As of June 30, 2023, JHHS had 513 open contracts in futures with a gross notional value of \$94.3 million and a net notional value of (\$55.3) million.

- (5) The interest rate swap agreements, discussed further in Note 10, are valued using a swap valuation model that utilizes an income approach using observable market inputs including long-term interest rates, LIBOR swap rates, and credit default swap rates and are rendered Level 2.

While JHHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value as of the reporting date.

JHHS holds investments that are not traded on national exchanges or over-the-counter markets. JHHS has elected the fair value option by individual alternative investment and therefore these investments are valued utilizing the NAV provided by the underlying investment companies unless management determines some other valuation is more appropriate.

The following table displays information by strategy for investments measured using NAV as a practical expedient as of June 30, 2024 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	\$ 391,902	Monthly to semi-annually or N/A	30 to 90 days or N/A
Fixed income funds (2)	37,934	Quarterly	20 to 60 days
Commingled equity funds (3)	376,978	Daily to 2 years	1 to 123 days
Private equity (4)	<u>295,648</u>	Quarterly to 2 years or N/A	90 to 96 days or N/A
Total investments measured at NAV as a practical expedient	<u>\$ 1,102,462</u>		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2023 (in thousands):

	Fair Value	Redemption Frequency	Notice Period
Hedge funds (1)	\$ 426,550	Daily to less than annually	30 to 95 days
Commingled equity funds (3)	341,920	Daily to less than annually	3 to 123 days
Private equity (4)	<u>190,851</u>	Quarterly or N/A	90 days
Total investments measured at NAV as a practical expedient	<u>\$ 959,321</u>		

The amounts presented for hedge funds and total investments measured at NAV as a practical expedient have been adjusted by \$188.8 million and \$188.8 million, respectively, as of June 30, 2023 due to redetermination in the current year.

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

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- (1) Hedge fund investments include the following strategies:
  - a. Equity long/short - managers generally take long positions in stocks they view as undervalued and short positions in stocks they view as overvalued. These strategies seek to mitigate market volatility by capitalizing on market upswings with the long allocation, and mitigating losses on market drawdowns with the short allocation.
  - b. Multi-strategy - managers employ a variety of different investment strategies with the goal of delivering a positive, diversified return stream uncorrelated to the markets. Different strategies might include equity market neutral, trend following, fixed income relative value, credit, or derivatives trading.
  - c. Event-driven - managers seek to capitalize on stocks that are mispriced because of a corporate event. They target companies currently or potentially involved in corporate transactions of a wide variety including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments.
  - d. Distressed credit - managers purchase inefficiently priced bonds from distressed companies, anticipating that the value of the bonds will increase. They typically target firms in or near bankruptcy, or under financial stress, and believe that the firm will emerge from bankruptcy or the distressed situation as a viable company.
  - e. Structured credit - managers securitize debt instruments, seeking to capitalize on inefficiencies in loan or derivative pricing. Underlying assets could include a variety of instruments, such as residential mortgage-backed securities or corporate loans.
- (2) Fixed income funds: Managers primarily invests in fixed income securities, such as bonds, treasury bills, and other debt instruments. The objective of a fixed income fund is to provide investors with regular income through interest payments while preserving the principal amount of the investment.
- (3) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.
- (4) Private equity: Funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV. Distributions to investors are made only after the liquidation of the underlying investments. It is expected to take up to 10 years to fully distribute these assets. Unfunded commitments totaled \$397.3 million and \$323.4 million as of June 30, 2024 and 2023, respectively.

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

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

	<b>2024 Carrying Amount</b>	<b>2023 Carrying Amount</b>
Cash and cash equivalents measured at fair value	\$ 1,121,135	\$ 1,052,129
Less: Cash and cash equivalents included in AWUIL	<u>(72,340)</u>	<u>(46,732)</u>
Total cash and cash equivalents	<u>\$ 1,048,795</u>	<u>\$ 1,005,397</u>
U.S. Treasuries	\$ 95,804	\$ 144,995
Commercial paper	101,101	100,014
Certificates of deposit	1,104	1,074
Corporate bonds	131,443	153,401
Asset backed securities	141,561	146,862
Fixed income funds	282,745	277,900
Equities and equity funds	<u>1,700,798</u>	<u>1,475,453</u>
Short and long-term investments measured at fair value	2,454,556	2,299,699
Investments in affiliates	363,017	338,379
Investments measured at NAV as a practical expedient	<u>1,101,364</u>	<u>959,193</u>
Total short and long-term investments	<u>\$ 3,918,937</u>	<u>\$ 3,597,271</u>

Certain prior year amounts in the table above have been reclassified due to redetermination in the current year, including U.S. treasuries, corporate bonds, asset backed securities, fixed income funds, equities and equity funds, which have been adjusted by (\$188.8) million, and investments measured at NAV as a practical expedient which has been adjusted by \$188.8 million.

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Assets whose use is limited (short and long-term) as of June 30 consisted of the following (in thousands):

	<b>2024</b>	<b>2023</b>
	<b>Carrying</b>	<b>Carrying</b>
	<b>Amount</b>	<b>Amount</b>
U.S. Treasuries	\$ 36,640	\$ 60,200
Corporate bonds	56,644	66,807
Asset backed securities	63,613	67,588
Fixed income funds	66,170	57,950
Equities and equity funds	583,369	558,694
Assets whose use is limited measured at fair value	<u>806,436</u>	<u>811,239</u>
Cash in AWUIL reported as cash and cash equivalents on leveling table	72,340	46,732
Investments measured at NAV as a practical expedient	1,098	128
Pledges receivable	24,466	25,739
Other	26,770	26,363
Total short and long-term assets whose use is limited	<u>\$ 931,110</u>	<u>\$ 910,201</u>

Certain prior year amounts in the table above have been reclassified due to redetermination in the current year, including U.S. treasuries, corporate bonds, asset backed securities, fixed income funds, which have been adjusted by \$12.6 million, and equities and equity funds which has been adjusted by (\$12.6) million.

The investment and assets whose use is limited balances noted above include amounts held by three pooled investment accounts shared by the affiliates of JHHS. All investments held within the pooled accounts are owned by JHHS and its affiliates. The amounts held within the liquid, intermediate and other investment pools were \$423.0 million, \$195.1 million, and \$2.0 billion, respectively, as of June 30, 2024. The amounts held within the liquid, intermediate and other investment pools were \$341.9 million, \$302.8 million, and \$1.9 billion, respectively, as of June 30, 2023.

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

	<b>2024</b>	<b>2023</b>
Investment income	\$ 111,864	\$ 77,934
Investment management fees	(8,252)	(8,499)
Realized gains (losses) on investments, net	109,467	(22,449)
Changes in unrealized gains on investments	324,932	348,089
Total investment return, net	<u>\$ 538,011</u>	<u>\$ 395,075</u>

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## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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

Investment	Method	%	2024	2023
Johns Hopkins Medicine International, LLC ("JHMI")	Equity	50.00 %	\$ 47,747	\$ 49,300
Johns Hopkins Home Care Group, Inc. ("JHHCG")	Equity	50.00 %	21,817	20,501
FSK Land Corporation	Equity	50.00 %	22,094	20,337
Mt. Washington Pediatric Hospital and Foundation	Equity	50.00 %	69,098	66,065
JHMI Utilities, LLC	Equity	50.00 %	45,381	38,989
Dome Corporation and Subsidiaries	Equity	50.00 %	10,660	10,861
West County, LLC	Equity	50.00 %	5,901	6,131
Johns Hopkins Health Care and Surgery Centers, LLC	Equity	50.00 %	18,793	21,201
MCIC Vermont	Measurement alternative	10.00 %	97,569	86,531
Other investments			23,957	18,463
Total			<u>\$ 363,017</u>	<u>\$ 338,379</u>

Investments using the measurement alternative under Topic 321 in the table above include investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments. As of June 30, 2024 and 2023, investments without readily determinable fair values measured at cost with adjustments for observable changes in price or impairments were \$98.3 million and \$87.3 million, respectively. There were no adjustments to these investments' cost for changes in price or impairments for the years ended June 30, 2024 and 2023.

Summarized below are the aggregate assets, liabilities, revenues and expenses for JHMI, Mt. Washington Pediatric Hospital and Foundation, and JHMI Utilities, LLC as of and for the year ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Assets	\$ 589,037	\$ 593,771
Liabilities	257,250	278,273
Revenues	321,526	322,943
Expenses	295,203	295,240

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

	2024	2023
<b>Net assets without donor restrictions attributable to noncontrolling interests at beginning of period</b>	\$ 132,412	\$ 99,562
Excess of revenues over expenses attributable to noncontrolling interests	44,215	49,307
Distributions attributable to noncontrolling interests	(6,979)	(16,457)
<b>Net assets without donor restrictions attributable to noncontrolling interests at end of period</b>	<u>\$ 169,648</u>	<u>\$ 132,412</u>

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

	2024	2023
Cash and cash equivalents	\$ 1,048,795	\$ 1,005,397
Restricted cash included in assets whose use is limited:		
By donors or grantors	12,675	8,631
By Board of Trustees	59,172	37,592
Other	493	509
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	<u>\$ 1,121,135</u>	<u>\$ 1,052,129</u>

**6. Property, Plant and Equipment**

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

	2024		2023	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Land and land improvements	\$ 228,964	\$ 40,431	\$ 202,476	\$ 37,490
Buildings and improvements	2,673,127	1,452,062	2,688,829	1,402,433
Fixed and moveable equipment	2,714,371	1,733,416	2,607,727	1,635,023
Capitalized software	159,103	141,256	159,041	142,499
Construction in progress	259,148	-	221,724	-
	<u>\$ 6,034,713</u>	<u>\$ 3,367,165</u>	<u>\$ 5,879,797</u>	<u>\$ 3,217,445</u>

During the year ended June 30, 2024 and 2023, JHHS retired long-lived assets determined to have no future value. During 2024, the original cost and corresponding accumulated depreciation of these long-lived assets was \$138.3 million and \$136.9 million, respectively. During 2023, the original cost and corresponding accumulated depreciation of these long-lived assets was \$108.4 million and \$103.3 million, respectively. No proceeds from retirement were received in 2024 or 2023. During fiscal year 2024, capital projects totaling \$12.0 million were identified by management as no longer moving forward and thus, the amounts were reclassified to expense from the construction in progress account. For the year ended June 30, 2024, \$3.7 million of impairment expense was recognized. No material impairment expense was recognized for the year ended June 30, 2023.

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## Notes to Consolidated Financial Statements

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#### 7. Medical Claims Reserves

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

	2024	2023
<b>Balance, July 1</b>	<u>\$ 210,596</u>	<u>\$ 176,156</u>
Incurred related to		
Current year	1,929,776	1,880,899
Prior year	<u>(45,311)</u>	<u>(21,086)</u>
Total incurred	<u>1,884,465</u>	<u>1,859,813</u>
Paid related to		
Current year	1,737,770	1,670,303
Prior year	<u>165,285</u>	<u>155,070</u>
Total paid	<u>1,903,055</u>	<u>1,825,373</u>
<b>Balance, June 30</b>	<u>\$ 192,006</u>	<u>\$ 210,596</u>

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

#### 8. Debt

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

	Interest Rate(s)	Final Maturity	Renewal Date	Issued Amount	2024	2023
Tax Exempt Maryland Health and Higher Education Facilities Authority ("MHHEFA") Bonds and Notes:						
1985 Series A and B – Pooled Loan Program Issue (JHHSC)	3.75%	2035	4/30/2027	\$ -	\$ 829	\$ 1,068
2004 – Commercial Paper Revenue Notes Series B (JHBMC)	3.75%	2025	N/A	101,990	15,355	22,460
2015 Series A - Revenue Bonds (JHHSC)	4.59%	2040	N/A	134,735	114,000	116,700
2016 Series B - Revenue Bonds (JHHSC)	4.84%	2042	5/1/2030	48,245	48,245	48,245
2017 Series B - Revenue Bonds (JHHSC)	4.88%	2038	6/1/2030	165,825	140,530	146,165
2018 Series A - Revenue Bonds (JHHSC)	4.84%	2048	5/1/2028	48,245	48,245	48,245
2018 Series B - Revenue Bonds (JHHSC)	4.84%	2046	5/1/2030	88,250	88,250	88,250
2023 Series A - Revenue Refunding Bonds (JHHSC)	4.76%	2034	10/8/2027	78,500	73,200	-
Tax Exempt City of St. Petersburg Health Facilities Authority Revenue Bonds						
2012 Series A – Revenue Refunding Bonds (JHACH)	4.55%	2034	6/1/2024	102,400	-	78,500
Taxable Revenue Bonds						
2016 Series – Taxable Bonds (JHHSC)	3.84%	2046	N/A	690,910	690,910	690,910
2017 Series A - Taxable Revenue Bonds (JHHSC)	6.28%	2027	1/25/2027	165,200	159,723	160,473
2018 Series - Taxable Revenue Bonds (JHHSC)	6.10%	2029	6/1/2029	50,320	27,305	32,000
2019 Series - Taxable Revenue Bonds (JHHSC)	2.29%	2026	N/A	39,470	24,760	27,510
2020 Series - Taxable Revenue Bonds (JHHSC)	2.42%	2030	N/A	100,000	100,000	100,000
2022 Series Commercial Paper - Taxable Revenue Bonds (JHHSC)	5.35%	2039	N/A	100,000	100,000	100,000
Other debt						
Note Payable (JHHP)	2.62%	2024	N/A	5,000	177	1,226
					1,631,529	1,661,752
Unamortized premiums and discounts, net					28,741	30,546
Unamortized debt issuance costs					<u>(5,018)</u>	<u>(5,274)</u>
					1,655,252	1,687,024
Current maturities of long-term debt					<u>(142,117)</u>	<u>(203,423)</u>
Total long-term debt, net of current portion					<u>\$ 1,513,135</u>	<u>\$ 1,483,601</u>

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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#### **Financing Expenses**

Financing expenses incurred in connection with the issuance of debt are presented in the Consolidated Balance Sheets as a direct deduction from the carrying value of the associated debt. The expenses are being amortized over the terms of the related debt issues using the effective interest method. The total amount expensed for each of the periods ended June 30, 2024 and 2023 was \$0.4 million and \$0.6 million, respectively.

#### **Obligated Group**

The Johns Hopkins Health System Obligated Group (“JHHS Obligated Group”) consists of JHH, JHBMC, JHHCMC, SHI, SHHS, SMH, JHACH and JHHSC (the “Obligated Group Members”). All of the debt of the JHHS Obligated Group is parity debt, and as such is jointly and severally liable through a claim on and a security interest in all of the receipts as defined in the Master Loan Agreement with MHHEFA of the Obligated Group Members. The Obligated Group Members are required to achieve a defined minimum debt service coverage ratio each year. The outstanding JHHS Obligated Group parity debt was \$1.7 billion as of June 30, 2024 and 2023.

#### **2023 Series Tax-Exempt Revenue Bonds – JHHS**

In October 2023, JHHS closed on the Series 2023 tax-exempt revenue bond for \$78.5 million, with the proceeds being used to refinance the \$102.4 million Series 2012A bond of which \$78.5 million was outstanding. The Series 2023 bond carries a floating rate of interest based on a percentage of one-month SOFR plus a spread, and pays interest monthly. The mandatory purchase date is October 8, 2027.

#### **2012A Series Tax-Exempt Revenue Bonds – JHACH**

In October 2023, the 2023 revenue bond with PNC Bank was used to pay off the 2012A debt to Wells Fargo Bank. This transaction was considered a debt extinguishment under ASC Subtopic 470-50. As such, JHACH derecognized \$78.5 million from the current portion of long-term debt in the accompanying Consolidated Balance Sheet as of June 30, 2024. A loss on extinguishment of debt of \$0.2 million was recorded within interest expense in the accompanying Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2024.

In May 2023, JHACH amended the \$102.4 million Series 2012A tax-exempt revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended.

#### **2017A Series Taxable Revenue Bonds – JHHS**

In May 2023, JHHS amended the \$165.2 million Series 2017A taxable revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended.

#### **2018 Series Taxable Revenue Bonds – JHHS**

In May 2023, JHHS amended the \$50.3 million Series 2018 taxable revenue bond to change the variable-rate benchmark from one-month LIBOR to SOFR. The mandatory purchase date for this bond was not extended.

#### **2016B Series Tax-Exempt Revenue Bonds – JHHS**

In May 2023, JHHS amended the \$48.2 million Series 2016B tax-exempt revenue bond to extend the mandatory purchase date from May 31, 2023 to May 1, 2030. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR. The bond pays interest monthly based on a spread over the floating

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benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

#### **2017B Series Tax-Exempt Revenue Bonds – JHHS**

In June 2023, JHHS closed the simultaneous tender of the \$146.2 million Series 2017B tax-exempt revenue bond from the original purchaser and delivery of a new bond to the new lender for the total principal amount of \$146.2 million. The new bond changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR, and extended the mandatory purchase date from October 1, 2024 to June 1, 2030. The bond pays interest monthly based on a spread over the floating benchmark rate.

#### **2018A Series Tax-Exempt Revenue Bonds – JHHS**

In May 2023, JHHS amended the \$48.2 million Series 2018A tax-exempt revenue bond to extend the mandatory purchase date from June 1, 2023 to May 1, 2028. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Term SOFR. The bond pays interest monthly based on a spread over the floating benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

#### **2018B Series Tax-Exempt Revenue Bonds – JHHS**

In May 2023, JHHS amended the \$88.3 million Series 2018B tax-exempt revenue bond to extend the mandatory purchase date from June 1, 2023 to May 1, 2030. The amendment also changed the variable-rate benchmark from a percentage of one-month LIBOR to a percentage of Daily Compounded SOFR. The bond pays interest monthly based on a spread over the floating benchmark rate. Upon closing the amendment, the bond was reclassified from current portion of long-term debt to long-term debt, net of current portion in the accompanying Consolidated Balance Sheet as of June 30, 2023.

#### **2022 Series Taxable Commercial Paper – JHHS**

In October 2022, JHHS closed on the Series 2022 taxable commercial paper program, which is authorized up to \$200.0 million. JHHS issued \$100.0 million at closing, with the proceeds being used to refinance the \$100.0 million revolving Series 2012E/2017C bonds of which \$91.5 million was outstanding. The commercial paper can be issued for terms of 1 to 270 days, at variable rates of interest. The remaining \$100.0 million of capacity within the 2022 taxable commercial paper program will be held as an additional source of liquidity. The outstanding balance of \$100 million was recorded within current portion of long-term debt, in the accompanying Consolidated Balance Sheet as of June 30, 2023.

#### **2012E/2017C Series Tax-Exempt Revenue Bonds – JHHS**

In October 2022, the 2022 taxable commercial paper arrangement with US Bank was used to pay off the 2012E/2017C debt to PNC Bank. This transaction was considered a debt extinguishment under ASC Subtopic 470-50. As such, JHHS derecognized \$91.5 million from the current portion of long-term debt in the accompanying Consolidated Balance Sheet as of June 30, 2023. A loss on extinguishment of debt of \$0.2 million was recorded within interest expense in the accompanying Consolidated Statement of Operations and Changes in Net Assets for the year ended June 30, 2023.

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#### Letters of Credit and Intermediate Financing Vehicles

In connection with the 2004 MHHEFA Commercial Paper Revenue Notes, JHBMC has a \$15.4 million line of credit agreement with Wells Fargo to provide for payment of such commercial paper at maturity, subject to certain conditions described therein. This agreement expires on July 1, 2025 subject to extension or earlier termination. No amounts were outstanding as of June 30, 2024 or 2023.

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

As of June 30, 2024 there are no current liabilities as a result of the mandatory purchase dates being less than 12 months. As of June 30, 2023, \$73.2 million of public floating rate notes and bank direct purchase facilities have been recorded as current liabilities as a result of mandatory purchase dates of these financing vehicles coming due within the next 12 months. This debt will be recorded within current liabilities until such time that these notes are refunded.

For the debt of JHHS and Affiliates, total maturities of debt and sinking fund requirements during the next five fiscal years and thereafter are as follows as of June 30, 2024 (in thousands):

2025	142,117
2026	43,475
2027	186,357
2028	123,635
2029	23,220
Thereafter	<u>1,112,725</u>
	<u>\$ 1,631,529</u>

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

	2024	2023
Net interest costs		
Capitalized	\$ 6,413	\$ 3,433
Expensed	<u>72,052</u>	<u>77,731</u>
	<u>\$ 78,465</u>	<u>\$ 81,164</u>
Interest costs paid	<u>\$ 72,052</u>	<u>\$ 77,731</u>

#### Lines of Credit

JHHSC, JHH, and the other JHHS Obligated Group members maintain multiple short-term revolving line of credit facilities (each a "Facility" and collectively the "Facilities") as of June 30, 2024 and 2023. If drawn upon, the Facilities constitute short-term indebtedness as defined under the Master Loan Agreement. The total aggregate principal amount of the Facilities is \$300.0 million

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as of June 30, 2024 and 2023. The obligations of the JHHS Obligated Group with respect to their payment obligations for each Facility have been certified as Parity Obligations. The loans made under each Facility bear interest at rates measured against SOFR plus a variable rate adjustment plus a margin. Each Facility requires repayment of the principal drawn thereunder plus accrued interest thereon on or before the expiration of the Facility. There is no outstanding balance of these Facilities as they remain undrawn as of June 30, 2024 and 2023.

**9. Leases**

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

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

	<b>2024</b>	<b>2023</b>
Operating lease cost <sup>(1)</sup>	\$ 25,803	\$ 27,916
Finance lease cost		
Amortization of right-of-use assets <sup>(2)</sup>	11,517	12,085
Interest on lease liabilities <sup>(3)</sup>	3,421	4,062
Short-term lease cost <sup>(1)</sup>	2,610	3,308
Variable lease cost <sup>(1)</sup>	<u>22,663</u>	<u>18,976</u>
 Total lease cost	 <u>\$ 66,014</u>	 <u>\$ 66,347</u>

(1) Expenses are included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets.

(2) Expenses are included in depreciation and amortization in the Consolidated Statements of Operations and Changes in Net Assets

(3) Expenses are included in interest in the Consolidated Statements of Operations and Changes in Net Assets.

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

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

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	<b>2024</b>		<b>2023</b>
Cash paid for amounts included in the measurement of lease liabilities			
Operating cash flows from operating leases	\$ 26,193	\$	28,979
Operating cash flows from finance leases	3,443		4,046
Financing cash flows from finance leases	13,812		13,534

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

	<b>2024</b>	<b>2023</b>
Weighted average remaining lease term		
Operating leases	7.3 years	7.7 years
Finance leases	7.7 years	8.1 years
Weighted average discount rate		
Operating leases	3.7 %	3.5 %
Finance leases	4.2 %	4.3 %

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

	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Total</b>
Year Ending June 30,			
2025	\$ 23,805	\$ 16,553	\$ 40,358
2026	22,936	15,793	38,729
2027	19,450	13,365	32,815
2028	15,397	10,359	25,756
2029	13,509	8,991	22,500
Thereafter	40,875	21,078	61,953
Total lease payments	135,972	86,139	222,111
Less: Imputed interest	(18,512)	(10,788)	(29,300)
Total lease obligations	117,460	75,351	192,811
Less: Current obligations	(21,032)	(13,719)	(34,751)
Long-term lease obligations	\$ 96,428	\$ 61,632	\$ 158,060

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

JHHS is also a lessor and sub-lessor of real estate under operating leases. Lease income for the years ended June 30, 2024 and 2023 was \$27.7 million and \$27.8 million, respectively, which is included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets. Most of JHHS' leases include operating expenses such as utilities and maintenance costs in rent charges. However, variable lease income is not material.

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At June 30, 2024 and 2023, land and buildings with a net book value of \$36.8 million and \$37.3 million, respectively, were leased to various unrelated organizations with terms ranging from one month to 38 years. These assets are included in property, plant, and equipment, net on the Consolidated Balance Sheets.

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

**10. Derivative Financial Instruments**

JHHS' primary objective for holding derivative financial instruments is to manage interest rate risk. Derivative financial instruments are recorded at fair value and are included in other long-term liabilities on the Consolidated Balance Sheets.

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

Swap Type	Expiration Date	Counterparty	JHHS Pays	JHHS Receives	Notional Amount at June 30	
					2024	2023
Fixed	2023	J.P. Morgan	3.3290 %	N/A	\$ -	\$ 11,795
Fixed	2025	Bank of America	3.3265 %	67% of (SOFR + 0.1145%)	15,355	22,460
Fixed	2026	PNC	4.1220 %	67% of (SOFR + 0.1145%)	150,000	150,000
Fixed	2026	PNC	4.1330 %	67% of (SOFR + 0.1145%)	150,000	150,000
Fixed	2027	Goldman Sachs Capital Markets, L.P.	3.6910 %	67% of (SOFR + 0.1145%)	2,640	3,455
Fixed	2034	Royal Bank of Canada	3.6235 %	62.2% of (SOFR + 0.1145%) + 0.27%	13,570	14,130
Fixed	2034	Citibank, N.A.	3.6235 %	62.2% of (SOFR + 0.1145%) + 0.27%	22,630	23,570
Fixed	2038	Goldman Sachs Capital Markets, L.P.	3.8190 %	67% of (SOFR + 0.1145%)	69,300	72,125
Fixed	2038	Merrill Lynch Capital Services	3.8091 %	67% of (SOFR + 0.1145%)	69,550	72,400
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9110 %	67% of (SOFR + 0.1145%)	150,000	150,000
Fixed	2039	Goldman Sachs Capital Markets, L.P.	3.9460 %	67% of (SOFR + 0.1145%)	40,000	40,000
Fixed	2040	Goldman Sachs Capital Markets, L.P.	3.9220 %	67% of (SOFR + 0.1145%)	150,000	150,000
Fixed	2047	Citibank, N.A.	3.8505 %	61.8% of (SOFR + 0.1145%) + 0.25%	60,000	60,000
					<u>\$ 893,045</u>	<u>\$ 919,935</u>

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

	Derivatives Reported as Assets and Liabilities			
	2024		2023	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps	Other assets	<u>\$ 14</u>	Other assets	<u>\$ 16</u>
Interest rate swaps	Other long-term liabilities	<u>\$ 67,067</u>	Other long-term liabilities	<u>\$ 88,226</u>

Derivatives as of June 30 (in thousands):

Classification of derivative gain in the Consolidated Statements of Operations and Changes in Net Assets	Amount of Gain Recognized in Change in Net assets without donor restrictions	
	2024	2023
	Interest rate swaps Nonoperating revenue	<u>\$ 21,157</u>

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**11. Net Assets with Donor Restrictions**

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

	2024	2023
Subject to expenditure for a specified purpose		
Purchase of property, plant and equipment	\$ 16,975	\$ 15,543
Health care services	77,981	69,128
Health education and counseling	9,136	8,677
Indigent care	6,045	5,605
Restricted pledge fund	13,604	17,135
Total subject to expenditure for a specified purpose	<u>123,741</u>	<u>116,088</u>
Funds, cash and securities held into perpetuity		
Health care services	82,335	76,914
Health education and counseling	11,398	11,068
Total funds, cash and securities held in perpetuity	<u>93,733</u>	<u>87,982</u>
Total net assets with donor restrictions	<u>\$ 217,474</u>	<u>\$ 204,070</u>

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

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

**12. Pension Plans**

The Affiliates sponsor a variety of defined benefit pension plans (the “Plans”) covering most of their employees. The retirement income benefits are based on a combination of years of service and compensation at various points of service.

The funding policy of all Affiliates is to make sufficient contributions to meet the Internal Revenue Service minimum funding requirements. Assets in the Plans as of June 30, 2024 and 2023 consisted of cash and cash equivalents, equities and equity funds, fixed income funds, and alternative investments. All assets are managed by external investment managers, consistent with the Plans’ investment policy.

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Actuarial gains affecting the benefit obligation in 2024 were principally due to an increase in the discount rate. Actuarial gains affecting the benefit obligation in 2023 were principally due to an increase in the discount rate, offset by an increase of the projected salary scale.

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

<b>Change in benefit obligation</b>	<b>2024</b>	<b>2023</b>
<b>Benefit obligation as of beginning of year</b>	\$ 2,689,323	\$ 2,652,749
Service cost	61,972	64,597
Interest cost	142,121	125,047
Actuarial gain	(77,040)	(61,363)
Benefits paid	(222,139)	(91,707)
<b>Benefit obligation as of June 30</b>	<u>\$ 2,594,237</u>	<u>\$ 2,689,323</u>
 <b>Change in plan assets</b>	 <b>2024</b>	 <b>2023</b>
<b>Fair value of plan assets as of beginning of year</b>	\$ 2,373,221	\$ 2,243,252
Actual return on plan assets	152,461	112,490
Employer contribution	83,331	109,186
Benefits paid	(222,139)	(91,707)
<b>Fair value of plan assets as of June 30</b>	<u>\$ 2,386,874</u>	<u>\$ 2,373,221</u>
 <b>Funded Status as of June 30</b>	 <b>2024</b>	 <b>2023</b>
Fair value of plan assets	\$ 2,386,874	\$ 2,373,221
Projected benefit obligation	(2,594,237)	(2,689,323)
Unfunded status	<u>\$ (207,363)</u>	<u>\$ (316,102)</u>

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

	<b>2024</b>	<b>2023</b>
Net pension asset	\$ 7,005	\$ -
Net pension liability	(214,368)	(316,102)
Net amount recognized	<u>\$ (207,363)</u>	<u>\$ (316,102)</u>

The net pension asset in 2024 is recorded within other assets on the Consolidated Balance Sheets.

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

	<b>2024</b>	<b>2023</b>
Actuarial net loss	\$ 342,669	\$ 418,327
Prior service credit	<u>(33,115)</u>	<u>(39,751)</u>
Net amount not yet recognized	<u>\$ 309,554</u>	<u>\$ 378,576</u>

The following table summarizes the accumulated benefit obligation (ABO) for all plans, the ABO and fair value of plan assets for defined benefit pension plans with ABO in excess of plan assets, and the projected benefit obligation (PBO) and fair value of plan assets for defined benefit plans with PBO in excess of plan assets (in thousands):

<b>ABO - all plans</b>	\$ 2,319,783	\$ 2,391,609
<b>Plans with ABO in excess of plan assets:</b>		
ABO	\$ 1,049,547	\$ 993,545
Fair value of plan assets	\$ 986,806	\$ 920,161
<b>Plans with PBO in excess of plan assets:</b>		
PBO	\$ 2,407,176	\$ 2,689,323
Fair value of plan assets	\$ 2,192,808	\$ 2,373,221

**Net Periodic Pension Cost**

Components of net periodic pension cost (in thousands):

	<b>2024</b>	<b>2023</b>
Service cost	\$ 61,972	\$ 64,597
Interest cost	142,121	125,047
Expected return on plan assets	(177,685)	(171,621)
Amortization of prior service cost	(6,636)	(6,636)
Recognized net actuarial loss	<u>23,519</u>	<u>21,782</u>
Net periodic pension cost	<u>\$ 43,291</u>	<u>\$ 33,169</u>

The components of net periodic pension cost other than the service cost component are included in other components of net periodic pension cost in the Consolidated Statements of Operations and Changes in Net Assets.

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

	<b>2024</b>	<b>2023</b>
Net gain	\$ (52,139)	\$ (1,784)
Amortization of net loss	(23,519)	(21,782)
Amortization of prior service cost	<u>6,636</u>	<u>6,636</u>
Change in funded status of defined benefit plans	<u>(69,022)</u>	<u>(16,930)</u>
Total recognized in net assets without donor restrictions	<u>\$ (69,022)</u>	<u>\$ (16,930)</u>
Total amounts recognized in net periodic pension cost and net assets without donor restrictions	<u>\$ (25,731)</u>	<u>\$ 16,239</u>

The assumptions used in determining net periodic pension cost for all plans are as follows for the years ended June 30:

	<b>2024</b>	<b>2023</b>
Discount rate - benefit obligation	5.40 %	4.81 %
Expected return on plan assets	7.00 %	7.00 %
Rate of compensation increase - ultimate	3.50 %	3.00 %

The assumptions used in determining the benefit obligations for all plans are as follows as of June 30:

	<b>2024</b>	<b>2023</b>
Discount rate	5.66 %	5.40 %
Rate of compensation increase - ultimate	3.50 %	3.50 %
Cash balance plans interest credit rate	4.00% - 4.80%	3.25% - 4.50%

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

The discount rate is set as the yield on a hypothetical bond portfolio where the amount and timing of the PBO benefit payments for all of JHHS' qualified pension plans in aggregate are matched up with the cash payments from coupons and maturities of that portfolio.

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**Plan Assets**

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

<b>Asset Class</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	2.94 %	2.83 %
Equities and equity funds	2.61	3.23
Fixed income funds	19.17	14.28
Investments measured at NAV as a practical expedient	75.28	79.66
	<u>100.00 %</u>	<u>100.00 %</u>

The Plans assets are invested among and within various asset classes in order to achieve sufficient diversification in accordance with JHHS' risk tolerance. This is achieved through the utilization of asset managers and systematic allocation to investment management style(s), providing a broad exposure to different segments of the fixed income and equity markets. The Plans strive to allocate assets between equity securities (including global asset allocation) and debt securities at a target rate of approximately 55% and 45%, respectively.

**Fair Value of Plan Assets**

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

- Level 1      Observable inputs such as quoted market prices for identical assets or liabilities in active markets;
- Level 2      Observable inputs for similar assets or liabilities in an active market, or other than quoted prices in an active market that are observable either directly or indirectly; and
- Level 3      Unobservable inputs in which there is little or no market data that require the reporting entity to develop its own assumptions.

The following table presents the Plan assets carried at fair value as of June 30, 2024 grouped by hierarchy level (in thousands):

<b>Assets</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Cash and cash equivalents (1)	\$ 70,077	\$ 70,077	\$ -
Equities and equity funds (2)	62,239	62,239	-
Fixed income and restricted funds (3)	457,598	48,518	409,080
	589,914	<u>\$ 180,834</u>	<u>\$ 409,080</u>
Investments measured at NAV as a practical expedient	1,791,960		
Distributions after measurement date (4)	5,000		
Total plan assets	<u>\$ 2,386,874</u>		

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The following table presents the Plan assets carried at fair value as of June 30, 2023 grouped by hierarchy level (in thousands):

<b>Assets</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>
Cash and cash equivalents (1)	\$ 67,237	\$ 67,237	\$ -
Equities and equity funds (2)	76,668	76,668	-
Fixed income and restricted funds (3)	338,892	55,438	283,454
	482,797	\$ 199,343	\$ 283,454
Investments measured at NAV as a practical expedient	1,818,424		
Distributions after measurement date (4)	72,000		
Total plan assets	\$ 2,373,221		

- (1) Cash and cash equivalents include investments with original maturities of three months or less, and are rendered Level 1 due to their frequent pricing and ease of converting to cash.
- (2) Equities include individual equities and investments in mutual funds. The individual equities and mutual funds are valued based on the closing price on the primary market and are rendered Level 1.
- (3) Fixed income funds are investments in mutual funds and fixed income instruments. The underlying fixed investments are principally U.S. Treasuries, corporate bonds, commercial paper, and mortgage backed securities. The mutual funds are valued based on the closing price on the primary market and are rendered Level 1. For the fixed income instruments, fair value is based on quotes for similar securities; therefore, these investments are rendered Level 2. Equity index and fixed income futures contracts are utilized to manage equity price and interest rate risk. A futures contract is a contractual agreement to make or take delivery of a standardized quantity of a specified grade or type of commodity or financial instrument at a specified future date in accordance with terms specified by a regulated future exchange. Upon entering into a futures contract, JHHS is required to deposit either cash or securities in an amount equal to a certain percentage of nominal value of the contract ("initial margin"). This collateral is classified as restricted funds within the table above. Pursuant to the futures contract, JHHS agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as "variation margin" which are settled daily. The value on the statement of net assets available is the related unsettled variation margin. As of June 30, 2024, JHHS had 2,958 open contracts in futures with a notional value of \$351.8 million. As of June 30, 2023, JHHS had 3,300 open contracts in futures with a notional value of \$389.8 million.
- (4) Distributions after measurement date are comprised of redemptions of investments held at NAV.

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The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2024 (in thousands):

	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Notice Period</b>
Hedge funds (1)	\$ 349,060	Quarterly	65 to 90 days
Commingled equity funds (2)	771,653	Daily to Quarterly	1 to 90 days
Commingled fixed income (3)	378,702	Daily to Semi Annually	1 to 90 days
Private equity (4)	177,419	N/A	N/A
Real estate (5)	85,917	Quarterly or N/A	90 days or N/A
Fixed income/ direct lending (6)	29,209	N/A	N/A
	<u>\$ 1,791,960</u>		

The following table displays information by strategy for investments measured at NAV as a practical expedient as of June 30, 2023 (in thousands):

	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Notice Period</b>
Hedge funds (1)	\$ 351,030	Quarterly	65 to 90 days
Commingled equity funds (2)	833,954	Daily to Quarterly	1 to 90 days
Commingled fixed income (3)	381,161	Daily to Quarterly	1 to 90 days
Private equity (4)	162,490	N/A	N/A
Real estate (5)	89,789	Quarterly	45 to 90 days
	<u>\$ 1,818,424</u>		

(1) Hedge fund investments include the following strategies:

- a. Equity market-neutral - managers seek to exploit temporary pricing anomalies. An inexpensive stock is purchased while a related expensive stock is simultaneously sold short. Many managers in this category look at fundamental variables, using quantitative techniques and try to avoid style, industry, capitalization, and other nonstock specific exposures.
- b. Fixed income arbitrage (fixed income relative value) - managers purchase one fixed income security and simultaneously sell a similar fixed income security. The sale of the second security is done to hedge the underlying market risk contained in the first security. Typically, the two securities are related either mathematically or economically such that they move similarly with respect to market developments. Generally, the difference in pricing between the two securities is small, and this is what the fixed income arbitrageur hopes to gain.
- c. Multi-strategy - managers employ a variety of different investment strategies with the goal of delivering a positive, diversified return stream uncorrelated to the markets. Different strategies might include equity market neutral, trend following, fixed income relative value, credit, or derivatives trading.

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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- d. Equity long/short - managers generally take long positions in stocks they view as undervalued and short positions in stocks they view as overvalued. These strategies seek to mitigate market volatility by capitalizing on market upswings with the long allocation, and mitigating losses on market drawdowns with the short allocation.
  - e. Credit/distressed (credit long/short) - managers invest in securities of companies that are experiencing a liquidity crisis, have defaulted on their debt obligations, have filed for Chapter 11 bankruptcy protection, or are otherwise financially distressed. A variety of strategies may be employed, including long credit, short selling and capital structure arbitrage investing.
  - f. Global macro - managers speculate on the direction of currencies, commodities, equities, and/or bonds. They generally rely on both fundamental and technical analysis and combine long and/or short positions with leverage to optimize returns. Correlation with typical benchmarks is low except during exceptional volatility periods, when the manager might hold a directional bet in a particularly affected market (e.g., a long bet on Russian bonds when Russia defaulted).
- (2) Commingled equity funds: Long-only equity strategies that invest exclusively in publicly traded companies, though the funds are not traded on a public exchange.
- (3) Commingled fixed income: The underlying fixed income investments are principally corporation bonds, bank loans and mortgage-backed securities. Fixed income strategies that invest in publicly-issued debt instruments, though the funds are not traded on a public exchange.
- (4) Private equity: Investments in private equity are in the form of close-ended private funds and not available for redemption. The fund managers primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV. Distributions to investors are made only after the liquidation of the underlying investments. It is expected to take up to 10 years to fully distribute these assets. As of June 30, 2024 and 2023, unfunded commitments totaled \$232.1 million and \$253.0 million, respectively.
- (5) Real estate: Closed and Open-ended real estate funds. Close-ended funds invest in all property types, and add value. Open-ended real estate investment vehicles primarily invest in high-quality income-producing properties within major U.S. markets.
- (6) Fixed income/ direct lending: Direct lending strategy consists of commingled funds that primarily invest in senior debt loans, residential mortgage-related opportunities, distressed corporate credit assets and highly structure debt loans in North America and Europe.

#### **Contributions and Estimated Future Benefit Payments**

JHHS expects to contribute \$55.3 million to its pension plans in the fiscal year ending June 30, 2025.

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the following fiscal years as of June 30, 2024 (in thousands):

2025	\$	110,102
2026		118,054
2027		128,296
2028		138,681
2029		148,466
Next five years		864,206

#### Defined Contribution Plans

The Affiliates sponsor a variety of defined contribution benefit plans covering employees that are not covered by the defined benefit pension plans. The plans provide a variety of employer funding policies including contributory matching funds up to certain percentage limits based on employee's compensation and noncontributory contribution percentage made based on the employee's compensation. Employer contributions are subject to certain vesting percentages based on the employee's years of service. Employer defined contribution expense was \$68.8 million and \$40.0 million for the years ended June 30, 2024 and 2023, respectively.

#### 13. Professional and General Liability Insurance

The University and JHHS participate in an agreement with four other medical institutions to provide a program of professional and general liability insurance for each member institution. As part of this program, the participating medical institutions have formed Medical Center Insurance Company, Ltd. ("MCIC") to provide self-insurance for a portion of their risk.

JHH and the University each have a 10% ownership interest in MCIC, which is included in investments on the Consolidated Balance Sheets. The medical institutions obtain primary and excess liability insurance coverage from commercial insurers and MCIC. The primary coverage is written by MCIC, and a portion of the risk is reinsured with the commercial carriers. Commercial excess insurance and reinsurance is purchased under a claims-made policy by the participating institutions for claims in excess of primary coverage retained by MCIC. Primary retentions were \$15.0 million per incident for both calendar year 2024 and calendar year 2023. Primary coverage is insured under a retrospectively rated claims-made policy; premiums are accrued based upon an estimate of the ultimate cost of the experience to date of each participating member institution. The basis for loss accruals for unreported claims under the primary policy is an actuarial estimate of asserted and unasserted claims including reported and unreported incidents and includes costs associated with settling claims. Projected losses were discounted using 3.52% and 2.26% as of June 30, 2024 and 2023, respectively.

**The Johns Hopkins Health System Corporation and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

JHHS' insurance recoveries and claims costs liabilities are presented gross in the accompanying Consolidated Balance Sheets as of June 30, 2024 and 2023 as follows:

**Caption on Consolidated Balance Sheet**

	<b>2024</b>	<b>2023</b>
Estimated insurance recoveries	\$ 65,383	\$ 53,801
Estimated insurance recoveries, net of current portion	62,819	57,359
Total assets	<u>\$ 128,202</u>	<u>\$ 111,160</u>
Current portion of estimated liability claims costs	\$ 65,383	\$ 53,801
Estimated liability claims costs, net of current portion	62,819	57,359
Total liabilities	<u>\$ 128,202</u>	<u>\$ 111,160</u>

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

Professional and general liability insurance expense incurred by JHHS was \$60.2 million and \$65.3 million for the years ended June 30, 2024 and 2023, respectively. Reserves were \$252.2 million and \$244.1 million as of June 30, 2024 and 2023, respectively. These reserves included \$124.0 million and \$132.9 million of accrued malpractice claims above reinsurance levels.

**14. Related Party Transactions**

During the years ended June 30, 2024 and 2023, JHHS and its Affiliates engaged in various related party transactions. These transactions were not eliminated because these entities are not consolidated. The following is a summary of the significant related party transactions and balances for the year ended June 30:

Expense transactions (in thousands):

	<b>2024</b>	<b>2023</b>
Pharmacy management and patient discharge planning costs provided by JHHCG	\$ 78,994	\$ 78,563
Security and management of housekeeping and parking garage services provided by Broadway Services, Inc.	22,950	18,177
Utility, telecommunication and clinical application services provided by JHMI Utilities, LLC	134,919	137,682

**Affiliate Notes Receivable**

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

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

Affiliate notes receivable of June 30 are summarized as follows (in thousands):

	<u>Interest Rate(s)</u>	<u>Final Maturity</u>	<u>2024</u>	<u>2023</u>
Affiliate notes receivable - JHMI Utilities, LLC				
Co-generation loan with JHH	6.00%	2027	\$ 5,000	\$ 5,000
EPIC loan with JHH	5.00%	2028	632	762
North Power Plant Loans with JHH	5.35%	2042	24,480	25,288
2016 Series – Taxable Bonds with JHHSC	3.90%	2030	2,575	3,000
Affiliate notes receivable - Johns Hopkins Surgery Center Series ("JHSCS")				
Pavillion III ASC at Greenspring loan with JHHSC	5.35%	2029	5,183	6,650
Knoll North loan with JHHCMC	5.25%	2027	853	1,089
Affiliate notes receivable - FSK Land Corporation				
Keswick loans with JHHSC	5.00% - 5.35%	2023, 2035	11,337	12,076
Mason F Lord at JHBMC loan with JHHSC	4.00%	2026	538	738
Total affiliate notes receivable			50,598	54,603
Less: affiliate notes receivable, current portion			(4,199)	(4,006)
Total affiliate notes receivable, net of current portion			<u>\$ 46,399</u>	<u>\$ 50,597</u>

The EPIC and North Power Plant loans pay principal and interest quarterly. The remaining affiliate notes pay principal and interest monthly.

#### Affiliate Leases

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

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

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

	<b>2024</b>	<b>2023</b>
Expenses for operating leases with		
FSK Land Corporation	\$ 271	\$ 432
JHHC Surgery Center Development LLC	1,446	1,446
Expenses for financing leases with		
FSK Land Corporation	1,490	1,524

**The Johns Hopkins Health System Corporation and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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

	2024	2023
Operating lease right-of-use assets		
FSK Land Corporation	\$ 476	\$ 730
JHHC Surgery Center Development LLC	6,557	7,767
Finance lease right-of-use assets		
FSK Land Corporation	5,267	6,539
Operating lease liabilities		
FSK Land Corporation	181	294
JHHC Surgery Center Development LLC	1,262	1,195
Operating lease liabilities, net of current portion		
FSK Land Corporation	302	452
JHHC Surgery Center Development LLC	5,648	6,909
Finance lease liabilities		
FSK Land Corporation	791	1,254
Finance lease liabilities, net of current portion		
FSK Land Corporation	4,903	5,694

**15. Contracts, Commitments and Contingencies**

In the ordinary course of operations, JHHS is named as a defendant in various lawsuits, or events occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the consolidated financial statements.

**JHACH Litigation**

On November 9, 2023, a verdict was reached in the case of Kowalski, et al. v. Johns Hopkins All Children's Hospital, Inc., in Sarasota County, Florida. The current amount of the verdict is \$214.0 million, \$50.0 million of which are punitive damages. Except for the punitive damages, all costs are covered by insurance. JHACH has appealed the verdict and the ultimate loss value of the case will be determined after the appeal process. Management believes that the care provided was appropriate and within the standard of care in the treatment of the patient.

**JHMSC**

JHMSC, together with 5 other health plans, are defendants in a litigation with the U.S. Government regarding certain payments for services provided as part of the Uniformed Services Family Health Plan. JHMSC strongly refutes the allegations and will raise both factual and legal defenses to the government's claims.

**JHHS**

JHHS has agreements with the University, under which the University provides medical administration and educational services, conducts medical research programs, provides patient care medical services, provides resident physicians who furnish services at JHHS hospitals, and provides certain other administrative and technical support services through the physicians employed by JHUSOM. Compensation for providing medical administration and educational services is paid to the University by JHHS; funding for services in conducting medical research is paid from grant funds and by JHHS; compensation for patient care medical care services is derived

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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from billings to patients (or third-party payors) by the University; and compensation for other support services is paid to the University by JHHS. The aggregate amount of purchased services incurred by JHHS under these agreements was \$515.9 million and \$490.8 million for the years ended June 30, 2024 and 2023, respectively. In addition, JHHS has other agreements with the University recorded within nonoperating expenses related to the academic mission to support general education and research costs that are not tied to specific services provided by JHUSOM. The aggregate amount of nonoperating expenses incurred by JHHS under these agreements was \$81.9 million and \$77.7 million for the years ended June 30, 2024 and 2023, respectively.

Effective November 2022, JHHS entered into a conditional agreement with the University to provide additional contributions to JHUSOM to support their research and education mission. Contributions are subject to meeting various conditions and require approval by the JHHS' Board of Trustees. In June 2024, the JHHS Board of Trustees approved a contribution in the amount of \$62.5 million. JHHS recorded the full \$62.5 million in fiscal year 2024 within nonoperating expenses in the Consolidated Statements of Operations and Changes in Net Assets. In June 2023, the JHHS Board of Trustees approved a contribution in the amount of \$75.0 million. JHHS recorded the full \$75.0 million in fiscal year 2023 within nonoperating expenses in the Consolidated Statements of Operations and Changes in Net Assets.

Effective June 30, 2021, JHHS entered into an agreement with the University irrevocably pledging to pay \$66.0 million to JHUSOM for the restricted purpose of supporting JHUSOM's recruitment, employment, and start-up costs of new clinically-focused physician providers. Since no right of return and barriers exist with respect to this irrevocable promise to give, JHHS recorded the full \$66.0 million in fiscal year 2021 within purchased services on the Consolidated Statements of Operations and Changes in Net Assets. The related short-term liability recorded within accounts payable and accrued liabilities in the Consolidated Balance Sheets was \$19.8 million and \$13.3 million as of June 30, 2024 and 2023, respectively. The related long-term liability recorded within other long-term liabilities in the Consolidated Balance Sheets was \$26.1 million and \$45.8 million as of June 30, 2024 and 2023, respectively.

In fiscal year 2021, JHHS and the University entered into several agreements pertaining to the construction and use of a medical research building on JHH's campus. Construction is ongoing and the building is expected to open in phases between 2024 and 2026. The University agreed to fund 65% of the total construction costs, which was based on the square footage of the total building (all wings) expected to be dedicated to the University versus JHH. The University is paying for all of the construction costs for their dedicated space and therefore is considered the owner during construction of their dedicated space. The \$90.0 million and \$59.5 million of construction in progress costs associated with the University's portion of construction for their dedicated space is not recognized on JHHS' Consolidated Balance Sheets as of June 30, 2024 and 2023, respectively. The University is additionally paying for 65% of the common space in the building. These payments during construction are recorded as deferred income for access to the common space and the associated construction in progress costs will remain on JHHS' Consolidated Balance Sheet, resulting in a net zero impact to the consolidated net assets of JHHS as of June 30, 2024 and 2023. The deferred income and associated construction in progress was \$54.8 million and \$38.5 million as of June 30, 2024 and 2023, respectively. The deferred income will be recognized in income over the life of the building, beginning at the same time depreciation commences. Additionally, as of June 30, 2024 and 2023, JHH's construction in progress for their dedicated space and 35% share of common space was \$78.8 million and \$54.8 million, respectively.

**The Johns Hopkins Health System Corporation and Affiliates**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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Effective July 1, 2021, JHHS entered into an agreement with JHUSOM under which JHHS and the University have each committed to provide financial support for the start-up of operations of JHUSOM's occupied research space in a building to be located on the JHH campus. JHHS has agreed to pay JHUSOM up to \$70.0 million to be used solely and exclusively to support JHUSOM's research operations in the building during fiscal years 2025 through 2029 (or the first five years of building operation). JHHS will make fixed payments in accordance with an established funding schedule with the first payment being at the end of fiscal year 2025 (or the date in which the first project wing completion date occurs, whichever is later) and annually thereafter. Each payment will be contingent upon 1) the University making its share of the payment, 2) the occurrence of the first project wing completion date and 3) JHUSOM incurring expenses from the operation of the research space in excess of the applicable expense threshold in the annual funding schedule. The final payment will be made by June 30, 2029 or the end of the fiscal year following the fifth anniversary of the first project wing completion date.

**JHH**

In 2005, JHH and the University created JHMI Utilities, LLC to provide utility and telecommunication services for their East Baltimore Campus. Each member owns 50% of JHMI Utilities, LLC and shares equally in the governance of JHMI Utilities, LLC. The cost of acquiring and upgrading the existing utility facilities, the construction of a new power plant and an upgrade of the telecommunication system have been financed through the issuance of tax exempt bonds by MHHEFA and the proceeds of the Pooled Loan program sponsored by MHHEFA. JHH and the University have guaranteed the total debt issued by MHHEFA. As of June 30, 2024 and 2023, the amount of the debt guaranteed by JHH was \$91.7 million and \$106.6 million, respectively. JHH accounts for this investment under the equity method of accounting.

JHH has pledged investments, having an aggregate market value of \$39.5 million and \$37.9 million as of June 30, 2024 and 2023, respectively, for JHHS compliance with regulations of the Workers Compensation Commission and the Department of Economic and Employment Development's Unemployment Insurance Fund.

**16. Concentrations of Credit Risk**

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

The following table depicts the mix of accounts receivable, net from patients and third-party payors as of June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Medicare	15.3 %	16.9 %
Medicaid	9.2	8.7
Blue Cross and Blue Shield	16.1	19.2
Medicaid managed care organizations	11.1	10.0
Self pay	8.7	7.9
Other third-party payors	39.6	37.3
	<u>100.0 %</u>	<u>100.0 %</u>

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

The State of Maryland has been granted a waiver by the Federal government exempting the State from national Medicare and Medicaid reimbursement principles. JHH, JHBMC, JHHCMC and SHI charges for inpatient as well as outpatient and emergency services performed at the hospitals are regulated by the HSCRC. JHHS' management has made all submissions required by the HSCRC and believes JHHS is in compliance with HSCRC requirements. The waiver has been approved through calendar year 2027 by the CMS.

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

Under the HSCRC reimbursement methodology, amounts collected for services to patients under the Medicare and Medicaid programs are computed at approximately 91.3% of HSCRC approved charges. Other payors are eligible to receive up to a 2.25% discount on prompt payment of claims.

#### 17. Functional Expenses

JHHS provides general health care services to residents within its geographic location as well as to national and international patients. Expenses related to providing these services for the year ended June 30, 2024 consisted of the following (in thousands):

	2024			
	Health Care Services	General and Administrative Services	Academic Mission Support to JHUSOM	Total Expenses
<b>Operating expenses</b>				
Salaries, wages and benefits	\$ 2,287,198	\$ 950,471	\$ -	\$ 3,237,669
Purchased services	2,789,918	674,621	-	3,464,539
Supplies and other	1,664,464	177,000	-	1,841,464
Interest	70,372	-	-	70,372
Depreciation and amortization	237,218	62,001	-	299,219
Total operating expenses	7,049,170	1,864,093	-	8,913,263
<b>Nonoperating expenses</b>				
Interest expense on swap agreements	1,680	-	-	1,680
Other components of net periodic pension cost	(19,121)	440	-	(18,681)
Academic mission support and other	(902)	-	144,382	143,480
Total nonoperating expenses	(18,343)	440	144,382	126,479
Total expenses	\$ 7,030,827	\$ 1,864,533	\$ 144,382	\$ 9,039,742

**The Johns Hopkins Health System Corporation and Affiliates**  
**Notes to Consolidated Financial Statements**  
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Natural expenses attributable to more than one functional expense category are allocated using administrative allocations from annual CMS cost reports.

Expenses related to providing these services for the year ended June 30, 2023 consisted of the following (in thousands):

	2023			Total Expenses
	Health Care Services	General and Administrative Services	Academic Mission Support to JHUSOM	
<b>Operating expenses</b>				
Salaries, wages and benefits	\$ 2,076,218	\$ 824,536	\$ -	\$ 2,900,754
Purchased services	2,889,200	630,374	-	3,519,574
Supplies and other	1,473,576	141,255	-	1,614,831
Interest	69,699	-	-	69,699
Depreciation and amortization	232,653	58,394	-	291,047
Total operating expenses	<u>6,741,346</u>	<u>1,654,559</u>	<u>-</u>	<u>8,395,905</u>
<b>Nonoperating expenses</b>				
Interest expense on swap agreements	8,032	-	-	8,032
Other components of net periodic pension cost	(26,571)	(4,782)	-	(31,353)
Academic mission support and other	75	-	152,719	152,794
Total nonoperating expenses	<u>(18,464)</u>	<u>(4,782)</u>	<u>152,719</u>	<u>129,473</u>
Total expenses	<u>\$ 6,722,882</u>	<u>\$ 1,649,777</u>	<u>\$ 152,719</u>	<u>\$ 8,525,378</u>

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

**18. Liquidity and Availability**

The table below represents financial assets available for general expenditures within one year at June 30, 2024 and 2023 (in thousands):

	2024	2023
Cash and cash equivalents	\$ 1,048,795	\$ 1,005,397
Short-term investments	132,774	141,958
Patient accounts receivable, net	900,450	767,616
Due from others	438,388	237,745
Due from affiliates	21,531	10,596
Investments (less investments in affiliates and private equity)	3,127,498	2,926,211
	<u>\$ 5,669,436</u>	<u>\$ 5,089,523</u>

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

As part of JHHS' liquidity management plan, cash in excess of daily requirements is invested in short-term and long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Consolidated Financial Statements

### June 30, 2024 and 2023

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other obligations come due. Investments classified as long-term assets within the table above can be converted to cash within one year, if needed.

#### 19. The Johns Hopkins Hospital Endowment Fund, Incorporated

The Endowment Corporation was organized for the purpose of holding and managing the endowment and certain other funds transferred from and for the benefit of JHHS. The affairs of the Endowment Corporation are managed by a Board of Trustees, comprised of Trustees who are self-perpetuating. Neither JHHS nor any Affiliate holds legal title to any Endowment Corporation funds. The Board of Trustees may, in its discretion, award funds from the Endowment Corporation to organizations other than JHHS if the Board of Trustees determines that doing so is for the support, benefit of, or in furtherance of the mission of JHHS. Accordingly, these amounts are not presented in the consolidated financial statements of JHHS and its Affiliates until they are subsequently distributed to JHHS and its affiliates from the Endowment Corporation. The Endowment Corporation's net assets were \$848.5 million and \$799.2 million as of June 30, 2024 and 2023, respectively. The Endowment Corporation's distributions from net assets to JHHS and its affiliates were \$18.6 million and \$20.1 million for the years ended June 30, 2024 and 2023, respectively, and were recorded as other revenue.

#### 20. Subsequent Events

JHHS has performed an evaluation of subsequent events, including the event described below, through September 27, 2024, which is the date the consolidated financial statements were issued.

##### **JHHS Series 2024A, 2024B and 2024C Variable Rate Demand Bonds**

On August 15, 2024, JHHS closed on the issuance of three series of tax-exempt variable rate demand bonds (JHHS Series 2024A, JHHS Series 2024B and JHHS Series 2024C) issued by Maryland Health and Higher Educational Facilities Authority with a total aggregate par amount of \$186.1 million. The proceeds from the sale of the JHHS Series 2024A, JHHS Series 2024B and JHHS Series 2024C bonds were deposited into trustee-held escrow accounts in order to fully refund all principal and accrued interest due on the JHHS 2018A bond (par amount of \$48.2 million), JHHS 2018B bond (par amount of \$88.3 million) and JHHS 2016B bond (par amount of \$48.2 million) on September 27, 2024.

The payments of principal and interest on the JHHS Series 2024A Bonds (par amount of \$48.6 million) and the JHHS Series 2024B Bonds (par amount of \$88.9 million) are supported by direct-pay letters of credit with 5-year terms. Both series of bonds are currently remarketed in a daily-rate mode. The payments of principal and interest on the JHHS Series 2024C Bonds (par amount of \$48.6 million) are supported solely by JHHS. The Series 2024C bonds are currently remarketed in a weekly-rate mode.

**Schedules of Expenditures of Federal Awards and Florida State  
Financial Assistance**

**and**

**Notes to Schedules of Expenditures of Federal Awards and Florida  
State Financial Assistance**

**The Johns Hopkins Health System Corporation and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING #	PASS THROUGH ENTITY SPONSOR #	EXPENDITURES BY AFFILIATE								TOTAL FEDERAL EXPENDITURES	PASSED TO SUB-RECIPIENTS	
			JHH	JHBMC	SHI	SMH	JHACH	ACHS	JHCP	JHHCMC			
<i>UNITED STATES DEPARTMENT OF AGRICULTURE:</i>													
PASSED THROUGH THE MARYLAND STATE DEPARTMENT OF EDUCATION CHILD & ADULT CARE FOOD PROGRAM CHILD NUTRITION CLUSTER	10.558	280800		\$ 45,056								\$ 45,056	
PASSED THROUGH THE FLORIDA DEPARTMENT OF AGRICULTURE AND CONSUMER SERVICES SUMMER FOOD SERVICES PROGRAM FOR CHILDREN TOTAL CHILD NUTRITION CLUSTER	10.559	1484					\$ 7,371					7,371	
<i>TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE</i>				45,056			7,371					52,427	
<i>UNITED STATES DEPARTMENT OF THE TREASURY</i>													
PASSED THROUGH BALTIMORE CITY HEALTH DEPARTMENT COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	BCHD929	\$ 1,012,979									1,012,979	
PASSED THROUGH MAYOR AND CITY COUNCIL OF BALTIMORE COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS SUBTOTAL	21.027	KGSVNB1JEK3	250,000									250,000	
<i>TOTAL UNITED STATES DEPARTMENT OF THE TREASURY</i>			1,262,979									1,262,979	
<i>UNITED STATES DEPARTMENT OF EDUCATION:</i>													
PASSED THROUGH THE FLORIDA DEPARTMENT OF HEALTH SPECIAL EDUCATION GRANTS FOR INFANTS & FAMILIES	84.181	COQZM						2,229,730				2,229,730	
<i>TOTAL UNITED STATES DEPARTMENT OF EDUCATION</i>								2,229,730				2,229,730	
<i>UNITED STATES DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</i>													
CONSOLIDATED APPROPRIATIONS ACT PASSED THROUGH DISTRICT OF COLUMBIA HOSPITAL ASSOCIATION OPIOID STR	93.493		321,225									321,225	
PASSED THROUGH DISTRICT OF COLUMBIA HOSPITAL ASSOCIATION NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	93.788	Not Available				71,989						71,989	
PASSED THROUGH HEMOPHILIA OF GEORGIA INC BLOOD DISORDER PROGRAM: PREVENTION, SURVEILLANCE, AND RESEARCH	93.889	Not Available				32,629						32,629	
PASSED THROUGH HEMOPHILIA OF GEORGIA INC MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.080	1 NU 27 DD000020-03-00						30,000				30,000	
PASSED THROUGH CHILDRENS HOSPITAL OF LOS ANGELES MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	93.110	5H30MC24045-11-00						14,400				14,400	
PASSED THROUGH CHILDRENS HOSPITAL OF LOS ANGELES MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS SUBTOTAL	93.110	5H30MC24045						14,400	16,646			16,646	
COVID-19 HRSA CLAIMS REIMBURSEMENT FOR THE UNINSURED PROGRAM AND THE COVID-19 COVERAGE ASSISTANCE FUND	93.461		(231,506)				(3,305)					(147,006)	(52,562)
HOSPITAL PREPAREDNESS PROGRAM (HPP) EBOLA PREPAREDNESS AND RESPONSE ACTIVITIES	93.817		1,040,568										
HEALTHY START INITIATIVE PASSED THROUGH ANNE ARUNDEL COUNTY OF MARYLAND BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	93.926							1,034,756					
PASSED THROUGH THE CITY OF BALTIMORE (BEHAVIORAL HEALTH SYSTEM BALTIMORE) BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	93.958	MH 575 OTH		287,801									287,801
PASSED THROUGH JOHN HOPKINS UNIVERSITY PPHF GERIATRIC EDUCATION CENTERS	93.959	ABG-5415-12	49,243										49,243
PASSED THROUGH THE FLORIDA DEPARTMENT OF HEALTH MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANTS TO THE STATES	93.969	U1QHP2810-02-01								65,163			65,163
	93.994	COQVY						121,735					121,735

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

**The Johns Hopkins Health System Corporation and Affiliates**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2024**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING #	PASS THROUGH ENTITY SPONSOR #	EXPENDITURES BY AFFILIATE								TOTAL FEDERAL EXPENDITURES	PASSED TO SUB-RECIPIENTS			
			JHH	JHBMC	SHI	SMH	JHACH	ACHS	JHCP	JHHCMC					
RESEARCH & DEVELOPMENT CLUSTER															
PASSED THROUGH THE WASHINGTON UNIVERSITY															
RESEARCH ON HEALTHCARE COSTS, QUALITY, AND OUTCOMES	93.226	5R01HS026742								4,444		4,444			
PASSED THROUGH NATIONAL DISEASE RESEARCH INTERCHANGE															
TRANS-NIH RESEARCH SUPPORT	93.310	U24MH133204								104,069		104,069			
PASSED THROUGH PUBLIC HEALTH INSTITUTE ON BEHALF OF CHILDRENS ONCOLOGY GROUP															
CANCER TREATMENT RESEARCH	93.395	UM1CA228823-05 PEP-CTN								5,000		5,000			
CANCER TREATMENT RESEARCH	93.395	UM1CA228823-04 PEP-CTN								10,000		10,000			
CANCER TREATMENT RESEARCH	93.395	U10CA180886-09								103,975		103,975			
SUBTOTAL										118,975		118,975			
PASSED THROUGH NEW ENGLAND RESEARCH INSTITUTE															
CARDIOVASCULAR DISEASES RESEARCH	93.837	U24HL135691								225		225			
PASSED THROUGH THE JOHNS HOPKINS UNIVERSITY															
LUNG DISEASE RESEARCH	93.838	K23HL163331								23,686		23,686			
LUNG DISEASE RESEARCH	93.838	UH3HL151458								15,903		15,903			
SUBTOTAL										39,589		39,589			
PASSED THROUGH SOCIETY OF THORACIC SURGEONS															
BLOOD DISEASES AND RESOURCES RESEARCH	93.839	5U01HL130048								114,275		114,275	6,000		
PASSED THROUGH UNIVERSITY OF CALIFORNIA, SAN FRANCISCO															
ALLERGY AND INFECTIOUS DISEASES RESEARCH	93.855	not available								4,000		4,000			
CHILD THROUGH JOHNS HOPKINS UNIVERSITY															
CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH	93.865	5U24HD106537								193,807		193,807			
NATIONAL INSTITUTE OF NEUROLOGICAL DISORDERS & STROKE DIRECT AWARD	93.RD					513,131						513,131			
TOTAL RESEARCH & DEVELOPMENT CLUSTER						513,131				579,384		1,092,515	6,000		
TOTAL UNITED STATES DEPARTMENT OF HEALTH & HUMAN SERVICES						1,179,530	287,801	513,131	101,313	1,200,891	596,030	(81,843)	(52,562)	3,744,291	6,000
FEDERAL EMERGENCY MANAGEMENT AGENCY															
PASSED THROUGH STATE OF FLORIDA, FLORIDA DIVISION OF EMERGENCY MANAGEMENT (FDEM)															
TER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	97.036	Z3466								1,008,138		1,008,138			
TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY										1,008,138		1,008,138			
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>						<b>\$ 2,442,509</b>	<b>\$ 332,857</b>	<b>\$ 513,131</b>	<b>\$ 101,313</b>	<b>\$ 4,446,130</b>	<b>\$ 596,030</b>	<b>\$ (81,843)</b>	<b>\$ (52,562)</b>	<b>\$ 8,297,565</b>	<b>\$ 6,000</b>

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

**The Johns Hopkins Health System Corporation and Affiliates**  
**Schedule of Expenditures of Florida State Financial Assistance**  
**Year Ended June 30, 2024**

STATE GRANTOR/ PASS-THROUGH GRANTOR/PROGRAM TITLE	STATE CSFA NUMBER	PASS-THROUGH ENTITY OR AWARD IDENTIFICATION NUMBER	EXPENDITURES BY AFFILIATE		TOTAL STATE EXPENDITURES
			JHACH	ACHS	
<i>STATE OF FLORIDA:</i>					
DIRECT PROGRAM FROM THE STATE OF FLORIDA DEPARTMENT OF HEALTH CHILDREN'S SPECIAL HEALTHCARE - DEVELOPMENTAL EVALUATION PASSED THROUGH THE STATE OF FLORIDA DEPARTMENT OF HEALTH	64.022	COQVY	48,500	-	48,500
SPECIAL EDUCATION - GRANTS FOR INFANTS & FAMILIES WITH DISABILITIES DIRECT PROGRAM FROM THE STATE OF FLORIDA DEPARTMENT OF HEALTH	64.022	COQZM	3,894,102	-	3,894,102
TRAUMA CENTER FINANCIAL SUPPORT	64.075	TRA-01	7,278	-	7,278
NEWBORN SCREENING PROGRAM	64.076	COQAD	111,300	-	111,300
BANKHEAD-COLEY CANCER RESEARCH PROGRAM	64.078	20B01	-	17,696	17,696
<b>TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE</b>			<b>\$ 4,061,180</b>	<b>\$ 17,696</b>	<b>\$ 4,078,876</b>

The accompanying notes are an integral part of the Schedules of Expenditures of Federal Awards and Florida State Financial Assistance.

# The Johns Hopkins Health System Corporation and Affiliates

## Notes to Schedules of Expenditures of Federal Awards and Florida State Financial Assistance

### Year Ended June 30, 2024

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#### 1. Basis of Presentation

The accompanying schedules of expenditures of federal awards and Florida state financial assistance (the "Schedules") include the federal and state grant transactions of the Johns Hopkins Health System Corporation and its affiliates ("JHHS") under programs of the federal government and state of Florida for the year ended June 30, 2024. Because the Schedules present only a selected portion of the operations of JHHS, they are not intended to and do not present the financial position, results of operations and changes in net assets, or cash flows of JHHS.

For purposes of the Schedules, federal and state awards include all awards in the form of grants, contracts, and similar agreements entered into directly between JHHS and the agencies, the departments of the federal government, the non-federal pass-through entities, and the state of Florida. Federal Assistance Listing information, Catalog of State Financial Assistance ("CSFA"), and pass-through identification numbers are included when available.

#### 2. Summary of Significant Accounting Policies

The Schedules reflect federal and state award program expenditures recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. JHHS has not elected to use the 10% de minimis rate for indirect costs. Indirect costs are billed based upon negotiated and budgeted rates.

#### 3. HRSA COVID-19 Testing and Treatment for the Uninsured

JHHS conducted COVID-19 testing and/or provided treatment for uninsured individuals with a COVID-19 primary diagnosis on or after February 4, 2020 and as such requested claims reimbursement under Assistance Listing # 93.461 Health Resources and Services Administration's ("HRSA") COVID-19 Testing and Treatment for the Uninsured. JHHS recorded \$(434,379) on the Schedule consisting of refunds and adjustments reported in fiscal year 2024 relating to claims submitted and reported with service dates in fiscal years 2020, 2021, and 2022 for \$(13,081), \$(234,790), and \$(186,508), respectively. The Uninsured program stopped accepting claims due to a lack of sufficient funds. No claims submitted after March 22, 2022 for testing or treatment and claims for vaccine administration after April 5, 2022, will be processed for adjudication and payment.

#### 4. Federal Emergency Management Agency Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In fiscal year 2024, the affiliate Johns Hopkins All Children's Hospital ("JHACH") received approval of their project related to Federal Emergency Management Agency ("FEMA") Disaster Grants – Public Assistance (Presidentially Declared Disasters) funding passed thru from the Florida Division of Emergency Management. As required by the OMB Compliance Supplement, non-federal entities must record expenditures on the schedule of expenditures of federal awards when (1) FEMA has obligated the non-federal entity's project, and (2) the non-federal entity has incurred the eligible expenditures. JHACH, as such, recorded \$1,008,138 in expenditures on the Schedule, of which \$132,870 were incurred in fiscal year 2023, but not obligated by FEMA until fiscal year 2024. The remaining \$875,268 was obligated and incurred in fiscal year 2024. In addition, there is \$55,036 in expenditures that were incurred in fiscal year 2023 and 2024 but not obligated by FEMA until fiscal year 2025 and therefore will be reported on the fiscal year 2025 Schedule.

## **Part II**

### **Reports on Compliance and Internal Control**



**Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of the Johns Hopkins Health System Corporation and its affiliates (“JHHS”), which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statement of operations and changes in net assets and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”), and have issued our report thereon dated September 27, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered JHHS’ internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of JHHS’ internal control. Accordingly, we do not express an opinion on the effectiveness of JHHS’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JHHS' consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of JHHS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JHHS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

Baltimore, Maryland  
September 27, 2024



**Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Florida Auditor General**

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

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited the Johns Hopkins Health System Corporation and its affiliates' ("JHHS") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement*, in Section 215.97, Florida Statutes, and in Chapter 10.650, Rules of the Florida Auditor General that could have a direct and material effect on each of JHHS' major federal and state programs for the year ended June 30, 2024. JHHS' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, JHHS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2024.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Florida Auditor General. Our responsibilities under those standards, the Uniform Guidance, Section 215.97 and Chapter 10.650 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of JHHS and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of JHHS' compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to JHHS' federal and state programs.



### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on JHHS' compliance based on our audit. 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 US GAAS, *Government Auditing Standards*; the Uniform Guidance; Section 215.97, Florida Statutes; and Chapter 10.650, Rules of the Florida Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about JHHS' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 JHHS' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of JHHS' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General but not for the purpose of expressing an opinion on the effectiveness of the JHHS' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2024-001 through 2024-006. Our opinion on each major federal and state program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on JHHS' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs and corrective action plan. JHHS' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



### ***Report on Internal Control Over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Section 215.97, Florida Statutes, and Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this report is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

Baltimore, Maryland  
March 28, 2025

## **Part III Findings**

**The Johns Hopkins Health System Corporation and Affiliates  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2024**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

**Internal Control over financial reporting:**  
Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? No

**Federal Awards**

**Internal Control over major programs:**  
Material weakness identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) Yes

**Identification of Major Federal programs:**

<b>Federal Assistance Listing Number</b>	<b>Name of Federal Program or Cluster</b>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Fund
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities
93.926	Healthy Start Initiative
93.958	Block Grants for Community Mental Health Services
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Various	Research & Development Cluster

Dollar threshold used to distinguish between Federal governmental assistance Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**The Johns Hopkins Health System Corporation and Affiliates**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2024**

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State Awards

**Internal Control over major programs:**

Material weakness identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2.510(a) and/or Section 215.97, *Florida Statutes*; and Chapter 10.650, *Rules of the Auditor General* No

Identification of Major State programs:

**State Assistance Listing Number**

64.002

**Name of State Program or Cluster**

Special Education – Grants for Infants & Families with Disabilities

Dollar threshold used to distinguish between State Financial Assistance Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **Section II - Financial Statement Findings**

There were no matters to be reported.

#### **Section III A – Federal Findings and Questioned Costs**

##### **2024-001: Suspension and Debarment Control Design Deficiency**

**Grantor:** Department of the Treasury

**Program Title:** COVID-19 Coronavirus State and Local Fiscal Recovery Funds

**Award Name:** American Rescue Plan Act (“ARPA”) - Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, Coronavirus State and Local Fiscal Recovery Funds (HVIP)

**Award Numbers:** GRT000755, GRT000759

**Assistance Listing Titles:** COVID-19 Coronavirus State and Local Fiscal Recovery Funds

**Assistance Listing Number:** 21.027

**Award Years:** May 1, 2023 – December 31, 2024, July 1, 2023 – September 30, 2024

**Passthrough Entities:** Baltimore City Health Department, Mayor and City Council of Baltimore

#### **Criteria**

Per 2 CFR 200.214, when entering into a covered transaction with an entity, the auditee must have established procedures to verify that the entity is not suspended, debarred or otherwise excluded from participating in the transaction.

#### **Condition**

JHHS did not have robust procedures and controls in place from Q1 through Q3 FY2024 to ensure that an upfront suspension and debarment check was performed on all external vendors prior to entering into a covered transaction with JHHS.

#### **Cause**

Since 2018, JHHS has relied on a third-party service provider, PaymentWorks, to perform suspension and debarment checks on external vendors, which requires a setup process to be completed by the vendor. There were some vendors that did not complete setup in PaymentWorks, for which management did not perform a separate suspension and debarment check manually. Starting in Q4 2024, management implemented a quarterly control procedure to reconcile all vendors with expenditures in the federal grant cost center to the PaymentWorks listing to identify vendors for which a manual suspension and debarment check must be performed.

#### **Effect**

There was a period of time, Q1 through Q3, in which JHHS may have entered into covered transactions with suspended or debarred entities. When management performed the new control in Q4 2024, they identified 11 vendors that had not been previously reviewed and performed a manual check for suspension and debarment via Sam.gov. None of these 11 vendors manually checked were suspended or debarred. There were no instances of noncompliance identified as a result of this control design deficiency in our FY2024 audit work.

#### **Questioned Costs**

There are no questioned costs associated with this finding.

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **Recommendation**

JHHS should continue the quarterly process of reconciling the complete vendor listing with PaymentWorks to ensure all necessary vendors are reviewed for suspension and debarment prior to entering into covered transactions.

#### **Management's Views and Corrective Action Plan**

Refer to Management's View's and Corrective Action Plan at the end of the report.

#### **2024-002: Healthy Start Fringe Rate**

**Grantor:** Department of Health and Human Services

**Program Title:** Healthy Start Initiative

**Award Name:** Healthy Start Initiative-Eliminating Racial/Ethnic Disparities

**Award Number:** H4927805

**Assistance Listing Title:** Healthy Start Initiative

**Assistance Listing Number:** 93.926

**Award Year:** April 1, 2023 – August 31, 2024

**Passthrough Entity:** None

#### **Criteria**

Per 2 CFR 200.431(c), the cost of fringe benefits are allowable provided that the benefits are reasonable.

#### **Condition**

Per the Johns Hopkins All Children's Hospital, Inc. Hospital Rate Agreement dated 12/23/2022, the agreed-upon fringe rate was 27% for the period 7/1/2022 to 6/30/2026. JHHS charged costs for fringe benefits to the award at the rate of 29% during the 2024 fiscal year.

#### **Cause**

Since the Notice of Award #4H49MC27805-10-05 stated that up to 25% of the total approved budget may be reallocated within the approved categories without prior approval, management believed they were allowed to charge fringe costs at a rate higher than the agreed-upon negotiated rate if the difference in cost did not exceed 25% of the budget.

#### **Effect**

JHHS charged \$5,906 of additional fringe costs to the award in excess of the agreed-upon negotiated rate.

#### **Questioned Costs**

The \$5,906 of additional fringe charged to this award in excess of agreed-upon fringe rate is a questioned cost.

#### **Recommendation**

JHHS should establish a process to ensure that the appropriate or agreed-upon negotiated fringe rate is being used, unless the award agreement allows for any modification of the negotiated rate or prior agency approval is obtained.

#### **Management's Views and Corrective Action Plan**

Refer to Management's View's and Corrective Action Plan at the end of the report.

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **2024-003: Healthy Start Procurement Compliance and Control Deficiency**

**Grantor:** Department of Health and Human Services  
**Program Title:** Healthy Start Initiative  
**Award Name:** Healthy Start Initiative-Eliminating Racial/Ethnic Disparities  
**Award Number:** H4927805  
**Assistance Listing Title:** Healthy Start Initiative  
**Assistance Listing Number:** 93.926  
**Award Year:** April 1, 2023 – August 31, 2024  
**Passthrough Entity:** None

#### **Criteria**

Per 2 CFR 200.318-320, the auditee must maintain and use documented procedures for procurement transactions under a Federal award, including that procurement transactions must be conducted in a manner that provides full and open competition.

#### **Condition**

In accordance with JHHS' Competitive Bidding Policy dated 5/5/2020, competitive bidding must be performed for all purchases under federal grants that exceed \$3,000. JHHS' policy has three exceptions: 1) emergency procurements, 2) compatible product requirements, which includes an option for the completion of a sole source justification memo, and 3) recently bid products/ services. For 2 of 2 procurement selections tested during the audit for the Healthy Start Initiative award, no evidence was found that competitive bidding procedures were followed in accordance with JHHS policy.

#### **Cause**

There was no control operating to ensure adherence to JHHS's Competitive Bidding Policy on competitive bidding or sole source justification requirements prior to entering into a procurement transaction.

#### **Effect**

JHHS was not in compliance with federal requirements relating to procurement and two transactions were entered into without full and open competition.

#### **Questioned Costs**

There are no questioned costs associated with this finding.

#### **Recommendation**

JHHS should establish a control process to ensure that all required competitive bidding or sole source justification requirements are followed including review and approval prior to entering into procurement transactions, and evidence of such review and approval is maintained. JHHS should also ensure appropriate training and communication is shared with all departments responsible for managing federal grant programs to ensure adherence to federal requirements and with JHHS policy.

#### **Management's Views and Corrective Action Plan**

Refer to Management's View's and Corrective Action Plan at the end of the report.

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **2024-004: Use of Expired Federally Negotiated Rate**

**Grantor:** Department of Health and Human Services, National Institute of Health (NIH)/ National Institute on Drug Abuse

**Cluster:** Research & Development

**Award Name:** Clinical Support Services for the Research Efforts of the Stroke Branch, Section on Stroke Diagnostics and Therapeutics, NINDS, NIH

**Award Number:** 75N95019C00074

**Assistance Listing Title:** National Institute of Neurological Disorders & Stroke Direct Award

**Assistance Listing Number:** 93.RD

**Award Year:** September 28, 2019 – September 27, 2024

**Passthrough Entity:** None

#### **Criteria**

In accordance with Section 2(c) of OMB Uniform Guidance Appendix IV to Part 200—Indirect (F&A) Costs Identification and Assignment, and Rate Determination for Nonprofit Organizations, organizations that have previously established indirect cost rates must submit a new indirect cost proposal to the cognizant agency for indirect costs within six months after the close of each fiscal year.

#### **Condition**

JHHS had a federally negotiated indirect cost rate agreement for the period 7/1/2015- 6/30/2019, which had an approved rate of 39.5%. An extension of the rate was granted through 6/30/2021, but the new indirect cost rate proposal has not been accepted. In FY24, JHHS continued to charge indirect costs to the National Institute of Neurological Disorders & Stroke Direct Award using this rate, despite the fact that this rate had expired.

#### **Cause**

As a result of JHHS staff turnover, management failed to finalize the new federally negotiated indirect cost rate in a timely manner. Rate negotiations are currently in progress.

#### **Effect**

JHHS has charged \$145,295 of indirect costs to this award, which has been approved for reimbursement by the granting agency, but is using an expired rate agreement.

#### **Questioned Costs**

There are no questioned costs associated with this finding. JHHS has continued to use the historically accepted rate during the ongoing negotiations.

#### **Recommendation**

JHHS should establish control procedures to ensure that the indirect cost rates used are related to approved and effective rate agreements. Management should also ensure submitted rate proposals are approved in a timely manner such that there is no lapse in rate agreements or a provisional rate is established during periods of rate negotiations.

#### **Management's Views and Corrective Action Plan**

Refer to Management's View's and Corrective Action Plan at the end of the report.

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **2024-005: Timeliness of Cost Transfers**

**Grantor:** Department of Health and Human Services, National Institute of Health (“NIH”), National Heart, Lung, and Blood Institute, Eunice Kennedy Shriver National Institute of Child Health & Human Development

**Cluster:** Research & Development

**Award Names:** KidsDOTT-CCC, Pediatric Biospecimen Procure Center (BPC) supporting the Developmental Gene (dGTEx) Project

**Award Numbers:** U01HL130048, U24HD106537

**Assistance Listing Titles:** Blood Diseases and Resources Research, and Child Health and Human Development Extramural Research

**Assistance Listing Numbers:** 93.839 and 93.865

**Award Years:** September 15, 2016 – June 30, 2024 and September 9, 2021 – August 31, 2024

**Passthrough Entity:** Johns Hopkins University

#### **Criteria**

The National Institute of Health Grants Policy Statement requires cost transfers that represent corrections of clerical or bookkeeping errors be made promptly after the error occurs but no later than 90 days of when the error was discovered. Cost transfers must be appropriately justified, documented and completed in a timely manner to support its allowability.

#### **Condition**

For 5 of 7 cost transfer selections tested, there were salary cost transfers which were over 90 days and without formal supporting documentation justifying the reason for the cost transfer and approval of such supporting documentation from the respective grant Principal Investigator (“PI”) as required within 90 days of the error being discovered.

#### **Cause**

JHHS did not have a formal cost transfer policy and as such, there were inconsistent processes in place regarding cost transfers, such as verbal discussions with grant PIs, lack of maintenance of documentation explaining how the errors occurred and periods of time longer than 90 days between discovery of costs needing to be moved onto the grant and actual transfer of costs.

#### **Effect**

The salary cost transfers made in FY24 were appropriate such that the costs were allowable and allocable to the grants to which they were transferred, however, there was a lack of controls operating over the timeliness and sufficiency of supporting documentation for cost transfers during the fiscal year.

#### **Questioned Costs**

There are no questioned costs associated with this finding.

#### **Recommendation**

We note management implemented a new control in FY25, which requires formal written documentation and sign off on all cost transfers by grant PIs. JHHS should implement a formal written policy over cost transfer processes that is in compliance with federal guidelines with respect to timeliness of approvals and maintaining supporting evidence. Additionally, we recommend JHHS communicate, provide training and enforce the policy to ensure cost transfers are executed and documented in accordance with policy.

#### **Management’s Views and Corrective Action Plan**

Refer to Management’s View’s and Corrective Action Plan at the end of the report.

# The Johns Hopkins Health System Corporation and Affiliates

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2024

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#### **2024-006: Return of Interest Earned on Advance Payment Cash Receipts**

**Grantor:** Department of Health and Human Services (DHHS)

**Program Title:** Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities

**Award Name:** Region 3 Emerging Special Pathogen Treatment Center at The Johns Hopkins Hospital (JH Biocontainment Unit)

**Award Number:** U3REP220674

**Assistance Listing Title:** Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities

**Assistance Listing Number:** 93.817

**Award Year:** September 30, 2023 – September 29, 2024

**Passthrough Entity:** None

#### **Criteria**

Per 2 CFR 200.305(b)(11)-(12), the auditee must maintain advance payments of Federal funds in interest-bearing accounts and may retain up to \$500 per year of interest earned on Federal funds to use for administrative expenses of the recipient or subrecipient. Any additional interest earned on Federal funds must be returned annually to the DHHS Payment Management System (PMS).

#### **Condition**

JHHS received advance payments from DHHS for the HPP award totaling \$1,615,384 in October 2023, which were maintained in an interest-bearing account and disbursed over the period through September 2024. During the fiscal year ended 6/30/2024, JHHS earned \$51,620 of interest, which was not returned to DHHS.

#### **Cause**

Management was not aware of the requirement to return interest earned on advance payments in excess of \$500.

#### **Effect**

Management did not perform a calculation of interest earned and return the interest earned to DHHS at least annually, as required.

#### **Questioned Costs**

There are no questioned costs associated with this finding.

#### **Recommendation**

JHHS should return the interest earned to DHHS as required, and establish a process to ensure that interest on advance payments received from federal agencies is calculated at least annually and returned appropriately if interest earned is in excess of \$500.

#### **Management's Views and Corrective Action Plan**

Refer to Management's View's and Corrective Action Plan at the end of the report.

### **Section III B – State Award Findings and Questioned Costs**

There were no findings required to be reported under Section 215.97, Florida Statutes; or Chapter 10.650, Rules of the Florida Auditor General.

# The Johns Hopkins Health System Corporation and Affiliates

## Summary Schedule of Prior Audit Findings

### Year Ended June 30, 2024

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#### Federal Programs

**Finding 2023-001:** COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution Reporting

**Cluster:** Not applicable

**Federal Agency:** Department of Health and Human Services

**Award Name:** COVID-19 Provider Relief Fund and American Rescue Plan Rural Distribution

**Assistance Listing #:** 93.498

**Assistance Listing Title:** COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution – Period 4 and Period 5

**Award Year(s):** January 1, 2020 – December 31, 2022 and January 1, 2020 – June 30, 2023

#### Condition

Through testing of the JHHS affiliate, Johns Hopkins Regional Physicians' (JHRP) period 4 HRSA reporting portal submission, a \$168,000 discrepancy was identified between the actual patient care revenue amount input into the portal for Q3 2021 and the actual patient care revenue amount per JHRP's general ledger, which supports its lost revenue calculation.

#### Status

Management notes the prior year finding was an isolated error for the specific JHRP filing. Management notified HRSA of the error and per HRSA's advice, JHRP cannot restate period 4 HRSA reporting since there are no future reporting periods for a correction to be made. Management has documented the correction and there have not been any additional inquiries. JHHS has fully implemented its corrective action plan.

#### State Programs

There were no findings or questioned costs from prior years requiring an update in this report.

March 28, 2025

The following are the Views and Corrective Action Plans of Management regarding the Schedule of Findings and Questioned Costs for the year ended June 30, 2024 for Johns Hopkins Health System Corporation:

**Finding 2024-001:** Suspension and Debarment Control Design Deficiency

**Grantor:** Department of the Treasury

**Program Title:** COVID-19 American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Funds

**Award Name:** American Rescue Plan Act (“ARPA”) - Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund, Coronavirus State and Local Fiscal Recovery Funds (HVIP)

**Award Numbers:** GRT000755, GRT000759

**Assistance Listing Titles:** COVID-19 Coronavirus State and Local Fiscal Recovery Funds

**Assistance Listing Number:** 21.027

**Award Years:** May 1, 2023 – December 31, 2024, July 1, 2023 – September 30, 2024

**Passthrough Entities:** Baltimore City Health Department, Mayor and City Council of Baltimore

Management agrees with the finding and recommendation. Management utilizes a vendor inventory system, Payment Works, for all new vendor set ups. Payment Works utilizes a sanctions list check, which is a third-party service that functions as an aggregator from multiple sources, including SAM.gov. Additionally, management performs an alternate procedure to manually check SAM.gov for vendors not set up in Payment Works. Management will continue to quarterly reconcile the federal grants vendor listing with Payment Works to ensure all necessary vendors are being reviewed for suspension and debarment prior to entering into covered transactions. Furthermore, management will collaborate with the procurement team to determine what revisions are necessary to our current grant accounting policy related to suspension and debarment in order to be in compliance with the Uniform Guidance requirements. Management has remediated this finding with the enhanced control process that started at the end of fiscal year 2024.

**Finding 2024-002:** Healthy Start Fringe Rate

**Grantor:** Department of Health and Human Services

**Program Title:** Healthy Start Initiative

**Award Name:** Healthy Start Initiative-Eliminating Racial/Ethnic Disparities

**Award Number:** H4927805

**Assistance Listing Title:** Healthy Start Initiative

**Assistance Listing Number:** 93.926

**Award Year:** April 1, 2023 – August 31, 2024

**Passthrough Entity:** None

Management agrees with the finding and recommendation. The fringe benefits were originally budgeted at 27% on the initial grant application in 2019 which has been approved by the awarding agency. The actual fringe rate posted to each department increased to 29% in FY2024. Management utilized the 29% fringe rate to charge the award based on a provision noted on the award granting the permission to re-allocate up to 25% of the award amount in each budgeted category. Management will establish a quarterly review process owned by Finance to ensure the appropriate or agreed-upon negotiated fringe rate is being charged for all awards. Management will contact DHHS for instruction on returning the funds as the FY25 benefit calculation will be adjusted to remove \$5,906 of excess benefits for the Healthy Start grant. Management will remediate this finding by June 30, 2025.

**Finding 2024-003:** Healthy Start Procurement Compliance and Control Deficiency

**Grantor:** Department of Health and Human Services  
**Program Title:** Healthy Start Initiative  
**Award Name:** Healthy Start Initiative-Eliminating Racial/Ethnic Disparities  
**Award Number:** H4927805  
**Assistance Listing Title:** Healthy Start Initiative  
**Assistance Listing Number:** 93.926  
**Award Year:** April 1, 2023 – August 31, 2024  
**Passthrough Entity:** None

Management agrees with the finding and recommendation and will reinforce and provide education regarding the procurement policies and procedures to ensure proper controls over procurement. Formal documentation will be maintained to demonstrate competitive bidding or single source justification completed for vendors used on grant-funded projects, including appropriate approvals prior to entering into transactions. Furthermore, management will collaborate with the procurement team to determine what revisions are necessary to our current grant accounting policy related to competitive bidding or single source justification in order to be in compliance with the Uniform Guidance requirements. Management will remediate this finding by June 30, 2025.

**Finding 2024-004:** Use of Expired Federally Negotiated Rate

**Grantor:** Department of Health and Human Services, National Institute of Health (NIH)/ National Institute on Drug Abuse  
**Cluster:** Research & Development  
**Award Name:** Clinical Support Services for the Research Efforts of the Stroke Branch, Section on Stroke Diagnostics and Therapeutics, NINDS, NIH  
**Award Number:** 75N95019C00074  
**Assistance Listing Title:** National Institute of Neurological Disorders & Stroke Direct Award  
**Assistance Listing Number:** 93.RD  
**Award Year:** September 28, 2019 – September 27, 2024  
**Passthrough Entity:** None

Management agrees with the finding and recommendation. Management notes the approved negotiated indirect cost and fringe benefit rate has expired and management has submitted updated rate proposals to HHS. HHS has acknowledged receipt of proposals and notes the proposals are pending review. Management will continue to request status updates and respond timely to any requests from HHS. Management will improve control procedures to ensure that the indirect cost rates used are related to approved and effective rate agreements. Additionally, management will ensure submitted rate proposals are approved in a timely manner or a provisional rate is established during periods of rate negotiations. Management anticipates this finding will be remediated by June 30, 2025.

**Finding 2024-005:** Timeliness of Cost Transfers

**Grantor:** Department of Health and Human Services, National Institute of Health (“NIH”), National Heart, Lung, and Blood Institute, Eunice Kennedy Shriver National Institute of Child Health & Human Development  
**Cluster:** Research & Development  
**Award Names:** KidsDOTT-CCC, Pediatric Biospeciment Procure Center (BPC) supporting the Developmental Gene (dGTEEx) Project  
**Award Numbers:** U01HL130048, U24HD106537  
**Assistance Listing Titles:** Blood Diseases and Resources Research, and Child Health and Human Development Extramural Research  
**Assistance Listing Numbers:** 93.839 and 93.865  
**Award Years:** September 15, 2016 – June 30, 2024 and September 9, 2021 – August 31, 2024  
**Passthrough Entity:** Johns Hopkins University

Management agrees with the finding and recommendation and will emphasize the importance of timely identification and submission of cost transfers, particularly on federally funded awards. A new process was implemented in FY25 which requires formal written documentation and sign-off on all cost transfers by grant Principal Investigators. JHHS will draft and implement a formal written policy about cost transfer processes in compliance with federal guidelines. Management will remediate this finding by June 30, 2025.

**Finding 2024-006:** Return of Interest Earned on Advance Payment Cash Receipts

**Grantor:** Department of Health and Human Services (“DHHS”)

**Program Title:** Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities

**Award Name:** Region 3 Emerging Special Pathogen Treatment Center at The Johns Hopkins Hospital (JH Biocontainment Unit)

**Award Number:** U3REP220674

**Assistance Listing Title:** Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities

**Assistance Listing Number:** 93.817

**Award Year:** September 30, 2023 – September 29, 2024

**Passthrough Entity:** None

Management agrees with the finding and recommendation. Management notes that advancing the funds at the start of the year and returning any unspent funds was only used in the first year of the grant being directly awarded to JHH in fiscal year 2024. Management performed the analysis of any interest earned on the unspent balance of the advance payment and returned the interest earned on March 25, 2025. Management further notes that starting in year two of the grant the funds are not advanced and will be requested through a drawdown as expenditures are incurred. Management will implement a process to calculate interest earned annually and return funds exceeding \$500 for any future awards under the advance payment method. Management has remediated this finding.



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