# Strong Memorial Hospital

**(A division of the University of Rochester)**

## Financial Statements

## June 30, 2024 and 2023

# Index

**June 30, 2024 and 2023**

## Report of Independent Auditors

To the Audit and Risk Assessment Committee
University of Rochester Medical Center

### *Opinion*

We have audited the accompanying financial statements of Strong Memorial Hospital (the "Hospital"), a division of the University of Rochester, which comprise the balance sheets as of June 30, 2024 and 2023, and the related 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 "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as of June 30, 2024 and 2023, and the results of its operations, 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). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 the Hospital's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Fairport, New York
October 25, 2024

# Strong Memorial Hospital
### (A division of the University of Rochester)
## Balance Sheets
## June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 431,435,263 | $ 456,512,681 |
| Investments | 541,396,984 | 497,286,794 |
| Patient accounts receivable | 242,535,767 | 186,009,872 |
| Insurance claims receivable | 21,887,263 | 19,329,095 |
| Other receivables | 99,266,222 | 71,215,986 |
| Inventory and supplies | 66,146,921 | 62,183,713 |
| Assets whose use is limited | 7,143,553 | 1,251,774 |
| Other current assets | 5,884,067 | 8,166,435 |
| Total current assets | 1,415,696,040 | 1,301,956,350 |
| Assets whose use is limited | 276,579,542 | 14,329,875 |
| Insurance claims receivable | 58,648,025 | 49,471,070 |
| Investments held for long-term purposes | 11,640,306 | 11,309,113 |
| Other investments | 29,297,768 | 27,150,003 |
| Property and equipment, net | 1,074,273,171 | 991,402,332 |
| Operating lease right-of-use assets | 64,673,328 | 79,789,010 |
| Other noncurrent assets | 46,899,424 | 60,863,335 |
| Total assets | $ 2,977,707,604 | $ 2,536,271,088 |
| **Liabilities and Net Assets** | | |
| Current liabilities | | |
| Current installments of long-term debt | $ 14,809,578 | $ 14,750,158 |
| Accounts payable and accrued expenses | 141,400,845 | 110,573,163 |
| Construction accounts payable | 31,863,246 | 42,082,522 |
| Accrued payroll | 35,965,109 | 28,735,716 |
| Accrued vacation | 41,461,201 | 37,254,016 |
| Accrued postemployment benefits | 9,030,443 | 8,588,609 |
| Accrued postretirement benefits | 2,549,613 | 2,158,681 |
| Accrued professional liability costs | 22,422,497 | 19,850,075 |
| Accrued third-party payor and other settlements | 158,021,370 | 136,652,879 |
| Operating lease liabilities | 12,687,736 | 14,358,749 |
| Deferred revenue | 46,707,572 | 50,827,759 |
| Total current liabilities | 516,919,210 | 465,832,327 |
| Accrued postemployment benefits | 52,124,301 | 50,263,294 |
| Accrued postretirement benefits | 68,767,638 | 71,826,612 |
| Accrued professional liability costs | 85,723,109 | 75,963,630 |
| Accrued third-party payor settlements | 84,849,361 | 89,400,452 |
| Operating lease liabilities | 51,985,592 | 65,430,261 |
| Long-term debt, excluding current installments | 806,303,705 | 482,308,332 |
| Other noncurrent liabilities | 6,041,412 | 6,171,269 |
| Total liabilities | 1,672,714,328 | 1,307,196,177 |
| Commitments and contingencies (Note 17) | | |
| Net assets | | |
| Without donor restrictions | 1,250,992,711 | 1,181,016,899 |
| With donor restrictions | 54,000,565 | 48,058,012 |
| Total net assets | 1,304,993,276 | 1,229,074,911 |
| Total liabilities and net assets | $ 2,977,707,604 | $ 2,536,271,088 |

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

# Strong Memorial Hospital
### (A division of the University of Rochester)
## Statements of Operations and Changes in Net Assets
## Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Operating revenues and other support** | | |
| Patient service revenue | $ 2,893,726,745 | $ 2,549,160,629 |
| Other revenue | 815,028,187 | 731,965,403 |
| Net assets released from restrictions - operations | 1,636,162 | 1,656,988 |
| Total operating revenues and other support | 3,710,391,094 | 3,282,783,020 |
| **Expenses** | | |
| Salaries | 1,142,812,315 | 1,059,584,925 |
| Benefits | 360,790,882 | 316,816,373 |
| Pharmaceutical and medical supplies | 1,066,806,916 | 916,292,252 |
| Professional and contract services | 208,656,034 | 194,668,149 |
| Interest | 15,576,216 | 12,160,501 |
| Depreciation and amortization | 119,934,438 | 106,540,180 |
| University and Medical Center cost allocations | 188,203,904 | 175,730,600 |
| University of Rochester Medical Faculty Group clinical support | 176,647,483 | 141,406,881 |
| Other expenses | 273,593,393 | 258,680,410 |
| Total expenses | 3,553,021,581 | 3,181,880,271 |
| Income from operations | 157,369,513 | 100,902,749 |
| **Other gains (losses), net** | | |
| Investment activity | 56,634,106 | 43,303,462 |
| Other components of net periodic postretirement benefit cost | (1,869,512) | (2,143,055) |
| Postretirement plan actuarial gains | 2,865,726 | 10,185,432 |
| Other | (367,570) | (2,566,505) |
| Total other gains, net | 57,262,750 | 48,779,334 |
| Excess of revenues over expenses | 214,632,263 | 149,682,083 |
| **Other changes in net assets without donor restrictions** | | |
| Net assets released from restrictions - capital | 2,808,173 | 341,653 |
| Transfers to the University of Rochester Medical Center Divisions | (147,464,624) | (142,341,762) |
| Increase in net assets without donor restrictions | 69,975,812 | 7,681,974 |
| **Net assets with donor restrictions** | | |
| Contributions | 6,141,151 | 2,604,433 |
| Investment income | 1,915,760 | 1,657,703 |
| Net realized and unrealized gains on investments | 1,788,504 | 732,952 |
| Change in valuation of deferred gift annuities | 3,846 | 36,118 |
| Transfers | 537,627 | (47,206) |
| Net assets released from restrictions | (4,444,335) | (1,998,641) |
| Increase in net assets with donor restrictions | 5,942,553 | 2,985,359 |
| Increase in net assets | 75,918,365 | 10,667,333 |
| **Net assets** | | |
| Beginning of year | 1,229,074,911 | 1,218,407,578 |
| End of year | $ 1,304,993,276 | $ 1,229,074,911 |

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

# Strong Memorial Hospital
### (A division of the University of Rochester)
## Statements of Cash Flows
## Years Ended June 30, 2024 and 2023

| | 2024 | 2023 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ 75,918,365 | $ 10,667,333 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | 119,934,438 | 106,540,180 |
| Loss on disposal of property and equipment, net | 1,058,729 | 990,666 |
| Transfers to the University of Rochester Medical Center Divisions | 147,464,624 | 142,341,762 |
| Net realized/unrealized gains on investments | (40,260,594) | (23,831,088) |
| Restricted contributions and investment income received | (9,380,408) | (4,371,510) |
| (Increase) decrease in operating assets and increase (decrease) in operating liabilities | | |
| Patient accounts receivable | (56,525,895) | 3,452,308 |
| Insurance claims receivable | (11,735,123) | (1,664,641) |
| Other receivables, inventory and other assets | (16,727,721) | (42,659,680) |
| Accounts payable and accrued expenses | 30,827,682 | 11,899,353 |
| Other current liabilities | 7,316,391 | (1,940,397) |
| Accrued postemployment benefits | 2,302,841 | (4,281,084) |
| Accrued postretirement benefits | (2,668,042) | (9,180,304) |
| Accrued professional liability costs | 12,331,901 | 3,840,662 |
| Accrued third-party payor and other settlements | 16,817,400 | (13,765,138) |
| Medicare accelerated payment advances | - | (5,161,884) |
| Other noncurrent liabilities | (129,857) | (148,285) |
| Net cash provided by operating activities | 276,544,731 | 172,728,253 |
| **Cash flows from investing activities** | | |
| Purchases of property and equipment | (217,356,844) | (234,027,080) |
| Proceeds from disposal of equipment | 2,760 | 135,987 |
| Purchases of investments | (6,515,172) | (5,676,978) |
| (Increase) decrease in assets whose use is limited | (267,954,828) | 72,650,063 |
| Decrease in other noncurrent assets | 943,681 | 768,507 |
| Net cash used in investing activities | (490,880,403) | (166,149,501) |
| **Cash flows from financing activities** | | |
| Proceeds from long-term debt | 332,542,801 | - |
| Repayment of long-term debt and finance lease obligations | (3,056,701) | (13,989,895) |
| Deferred financing costs | (2,143,630) | 36,299 |
| Transfers to the University of Rochester Medical Center Divisions | (147,464,624) | (142,341,762) |
| Restricted contributions and investment income received | 9,380,408 | 4,371,510 |
| Net cash provided by (used in) financing activities | 189,258,254 | (151,923,848) |
| Net decrease in cash and cash equivalents | (25,077,418) | (145,345,096) |
| **Cash and cash equivalents** | | |
| Beginning of year | 456,512,681 | 601,857,777 |
| End of year | $ 431,435,263 | $ 456,512,681 |
| **Supplemental disclosures of cash flow information** | | |
| Cash paid during the period for interest | $ 11,299,636 | $ 18,398,405 |
| Decrease in construction accounts payable | (10,219,276) | (5,838,750) |

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

## 1. Summary of Significant Accounting Policies and Practices

Strong Memorial Hospital (the "Hospital") is a tertiary care teaching institution located in Rochester, New York. It is an integrated division of the University of Rochester (the "University"). The Hospital provides health care services through its inpatient and outpatient care facilities. Admitting physicians are primarily practitioners in the local area. The Hospital also serves as a referral center for various tertiary and quaternary services throughout Western New York. The Hospital routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

**Basis of Presentation**

The Hospital's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, consistent with the *Health Care Entities ("Topic 954")*. In accordance with the provisions of Topic 954, net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations and are available for operations. Net assets with donor restrictions are those whose use by the Hospital has been limited by donors to a specific time period or purpose or who stipulate that their donated resources be maintained permanently. The Hospital is permitted to use or expend part or all of the income and gains derived from the donated assets, restricted only by the donors' wishes.

**Recently Adopted Accounting Standards**

ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326)*

Issued by the Financial Accounting Standards Board ("FASB") in June 2016, this standard requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses, such that the net receivable represents the present value of expected cash collections. This standard also requires that certain financial assets be measured at amortized cost reflecting an allowance for estimated credit losses that are expected to occur over the life of the assets. This estimate must be based on all relevant information such as historical data, current conditions, and reasonable and supportable forecasts that could impact the collectability of the amounts. The standard is effective for fiscal years beginning after December 15, 2022 on either a retrospective or prospective basis. The adoption of ASU 2016-13 was not material to the Hospital's financial statements for the fiscal years ended June 30, 2024 and 2023.

ASU 2022-04 *Liabilities – Supplier Finance Programs (Subtopic 405-50) Disclosure of Supplier Finance Program Obligations*

Issued by the FASB in September 2022, this standard requires that a buyer in a supplier finance program disclose adequate information about the supplier finance program. The following disclosures are required annually (1) the key terms of the program including the payment terms and assets pledged as security, and (2) for obligations that the buyer has confirmed as valid to the finance provider or intermediary, (a) the amount outstanding that remains unpaid by the buyer, (b) a description of the disclosure of the obligations on the balance sheet, and (c) a roll forward of the obligations during the annual period. The standard is effective for fiscal years beginning after December 15, 2022 on a retrospective basis, except for the amended roll forward information which should be applied prospectively. The adoption of ASU 2022-04 was not material to the Hospital's financial statements for the fiscal years ended June 30, 2024 and 2023.

**Use of Estimates**
The preparation of financial statements in conformity 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, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The most significant areas which are affected by the use of estimates include implicit price concessions, estimated third-party payor settlements, self-insurance reserves, postretirement, and postemployment obligations.

**Income from Operations**
The Hospital differentiates its operating activities through the use of income from operations as an intermediate measure of operations. Items which management does not consider to be components of the Hospitals' operating activities are excluded from the income from operations and are reported as other gains (losses) in the statements of operations and changes in net assets. These include investment activity, other components of net periodic postretirement benefit costs, postretirement plan actuarial gains, and other non-operating activities.

**Excess of Revenues Over Expenses**
The Hospital's excess of revenues over expenses includes all operating revenues, gains, expenses, and losses for the reporting period, except for net assets released from restrictions for capital purposes and transfers to the University of Rochester Medical Center Divisions (the "Medical Center").

**Cash and Cash Equivalents**
The Hospital's cash is included with the University's cash and cash equivalents within the same financial institution account, which mainly consists of cash in banks and short-term investments with original maturities less than 90 days, except that such instruments purchased with endowment, annuity, and life income assets on deposit with trustees are classified as investments. Interest income allocated from the University is included in other gains (losses), net in the accompanying statements of operations and changes in net assets for the years ended June 30, 2024 and 2023.

**Investments and Investments Held for Long-Term Purposes**
The Hospital's investments are held as part of the University's consolidated investment pool and are subject to the same asset allocation between stocks, debt securities, hedge funds and other investments as the overall University investment pool. The Hospital's investments in securities measured utilizing net asset value are with the University and do not have redemption restrictions or lock-up periods. The Hospital reports investments in equity and debt securities at fair value in the balance sheets based on quoted market prices of public securities markets. The fair value of other investments is based upon values reported by the respective investment managers and consists of investments with original maturities greater than 90 days.

Investment income or loss (including realized gains or losses on investments, interest, and dividends) is included in the excess of revenues over expenses, unless their use is restricted by donor stipulations or law. Unrealized gains and losses on investments are included in the operating measure as the investments are trading securities.

**Inventory and Supplies**
Inventory consists of pharmaceuticals and medical supplies and is valued at the lower of cost or market (first-in, first-out).

**Assets Whose Use is Limited**
Assets whose use is limited is comprised of investments held by trustees in accordance with indenture agreements to be used for the acquisition of property and equipment and debt retirement. Assets whose use is limited also includes investments whose purpose is designated by the University of Rochester Medical Center's Board of Directors (the "Board"). Investment income on assets whose use is limited is classified as other gains (losses), net in the accompanying statements of operations and changes in net assets for the years ended June 30, 2024 and 2023.

**Other Investments**
The Hospital's other investments are measured at cost and include an investment in a captive insurance company (Note 6).

**Property and Equipment**
Property and equipment are recorded at cost. Donated property and equipment are recorded at estimated fair value at the date of receipt. The Hospital calculates depreciation using the straight-line method applied to the following useful lives:

| | |
|---|---|
| Property and fixed equipment | 3–50 years |
| Moveable equipment | 3–20 years |

The University owns the related land and land improvements where the main Hospital building is located, and as such, these assets are not recorded on the Hospital's financial statements. Costs to maintain these land and land improvements are charged to the Hospital based on various allocation methodologies and are recorded in University and Medical Center cost allocations on the accompanying statements of operations and changes in net assets for the years ended June 30, 2024 and 2023. Land purchased at other locations for the Hospital's use is included on the Hospital's financial statements.

Interest cost incurred on borrowed funds during the period of construction of property and equipment is capitalized as a component of the cost of acquiring those assets.

**Long-Lived Assets**
In the event circumstances indicate, the Hospital applies guidance related to the impairment or disposal of long-lived assets. Under the guidance, the Hospital reviews the carrying value of its long-lived assets, other than goodwill and purchased intangible assets with indefinite useful lives, if any, for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Hospital assessment would include an estimate of the undiscounted future cash flows that are directly associated with and that are expected to arise from the use of and eventual disposition of such asset group and if the carrying value of the asset group exceeded the estimated undiscounted cash flows, the Hospital would record an impairment charge to the extent the carrying value of the long-lived assets exceeds its estimated fair value. No such charges were recorded in 2024 and 2023.

In connection with its assessment of recoverability of its long-lived assets and its ongoing strategic review of the business and its operations, the Hospital continually reviews the remaining useful lives of its long-lived assets. If this review indicates that the remaining useful life of the long-lived assets has been reduced, the Hospital adjusts the depreciation on that asset to facilitate full cost recovery over its revised estimated remaining useful life. No such adjustments were made in 2024 and 2023.

**Leases**
The Hospital determines if an arrangement is or contains a lease at inception of the contract and classifies leases as either operating or finance depending upon the terms and conditions set forth in the contract.

Operating leases are included in operating lease right-of-use ("ROU") assets and operating lease liabilities, both current and noncurrent, on the balance sheets. Finance leases are included in property and equipment and long-term debt including current installments, on the balance sheets. Operating lease ROU assets represent the Hospital's right to use an underlying asset for the lease term and lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Hospital uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments when the rate implicit in the lease is not readily available. The incremental borrowing rate for each identified lease is calculated using the current treasury rate and the Hospital's current borrowing rate over a similar term.

The Hospital's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. ROU assets are 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. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Finance lease assets are depreciated on a straight-line basis over the lease term. Interest expense associated with finance leases is recorded using the effective interest method.

**Insurance Claims**
The Hospital's provision for estimated professional liability and workers' compensation claims includes estimates of the ultimate costs for claims incurred, but not reported. Self-insured professional liability and workers' compensation claim losses and expenses are recorded based upon management's estimate of losses associated with pending and probable claims. Loss estimates are derived from data developed by representatives of the Hospital's legal counsel, insurance company, physicians, insurance advisor, actuary, and management.

**Asset Retirement Obligations**
The Hospital accounts for asset retirement obligations in accordance with asset retirement and environmental obligations guidance. The Hospital accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the Hospital will recognize a gain or loss for any difference between the settlement amount and liability recorded.

**Benefit Plans**
The Hospital participates in a University program which provides certain health care and life insurance benefits to retired employees and spouses under a defined benefit plan. These benefits include basic hospital, surgical and medical insurance, major medical insurance, dental assistance insurance, and group life insurance. Postretirement health care and other benefits are accounted for as a form of deferred compensation that is recognized over the service life of employees.

Postemployment benefits include benefits provided to former or inactive employees after employment but before retirement. Such benefits provided under the University program include workers' compensation benefits, short-term disability benefits and benefits provided under various other programs. Refer to Note 12 for further discussion of benefit plans.

**Donor-Restricted Gifts**
Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the 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 reflected as restricted contributions and net assets released from restrictions in the accompanying statements of operations and changes in net assets for the years ended June 30, 2024 and 2023.

**Revenue**
The Hospital contracts with customers to provide technical and professional healthcare services, recorded as patient service revenue, and retail prescription fulfillment services, recorded as a component of other revenue. The Hospital records customer revenues at amounts that reflect the consideration to which it expects to be entitled in exchange for these services.

The transaction price is the amount the Hospital expects to collect for services performed and not our published rates. The Hospital determines the transaction price based on gross charges for goods provided or services performed, reduced by contractual adjustments given to third-party payors based on contractual agreements, and discounts provided to uninsured customers under the Hospital's charity care program (explicit price concessions).

Implicit price concessions further reduce customer accounts to their net realizable value at the time they are recorded and represent estimated uncollectible balances of self-pay, deductibles and co-payments extended primarily to uninsured or under-insured customers. Estimates of implicit price concessions are determined based on historical collection experience with these classes of customers using a portfolio approach as a practical expedient to account for customer contracts as collective groups rather than as individual contracts. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

There are various factors that can impact collection trends, such as changes in the local economy, unemployment rates, the number of uninsured and underinsured customers, the volume of customers through the emergency departments, the increased burden of co-pays, co-insurance amounts and deductibles to be made by customers with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and the estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to customer revenues in the period of the change.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are also included in the determination of the estimated transaction price using the most likely outcome method.

These settlements are estimated based on the terms of the contractual agreement with the payor, correspondence from the payor, and 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, as new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Refer to Note 3, Third Party Reimbursement, for enhanced disclosure of the Hospital's major payor agreements and retroactive settlement activity.

The Hospital recognizes customer revenues in the period in which it satisfies performance obligations to the customer. Generally, revenue for technical, professional, and retail prescription fulfillment services is recognized when the customer receives the service and does not require any additional services related to the obligation. In contrast, inpatient acute care service revenue is recognized over time as the customer consumes the benefit of the services as they are provided. The pattern of revenue recognition over time corresponds with the measurement of progress toward satisfaction of the performance obligation, which is generally the time of discharge. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital 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.

The amounts related to services provided to customers for which the Hospital has not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are considered contract assets. Contract assets are included in patient accounts receivable on the accompanying balance sheets. The Hospital's performance obligations to its customers generally relate to contracts with a duration of less than one year and as a result, has elected to apply the optional exemption provided in ASC 606-10-50-14(a) and therefore, are not required to disclose the aggregate amount of the transaction price allocated to unsatisfied or partially unsatisfied performance obligations at the end of the reporting period. These obligations are primarily related to inpatient acute care services. The performance obligations for these contracts are generally completed when customers are discharged, which typically occurs within days or weeks after the end of the reporting period.

**Charity Care**

The Hospital's policy is to treat patients in need of medical services without regard to their ability to pay for such services. The Hospital maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. In addition to charity care, the Hospital also provides services at rates significantly below the cost of rendering those services. The estimated difference between the cost of services provided to Medicaid patients and the reimbursement from New York State ("NYS)" for this patient care is also monitored.

To qualify for charity care, patients are expected to submit financial information demonstrating need. In many cases, patients may be unable or unwilling to provide that data. In those cases, the uncompensated care is classified as implicit price concessions unless the Hospital can obtain information that would indicate the patient appears to be eligible for charity care assistance.

As the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Hospital calculates the cost of charity care by applying the ratio of cost to gross charges to the gross uncompensated charges under the charity care policy.

The cost of services and supplies furnished under the Hospital's charity care policy were approximately $25,756,000 and $25,648,000 in 2024 and 2023, respectively. The Hospital received reimbursements of approximately $3,766,000 and $9,802,000 from NYS in 2024 and 2023, respectively, related to providing charity care to customers.

**Other Revenue**
Other revenues consist primarily of revenues generated from the Hospital's retail pharmacy operations, reference laboratory services, and government awards to support operating initiatives.

**University and Medical Center Cost Allocations**
Costs incurred by the University and certain other Medical Center Divisions include administrative and support services and are allocated to the Hospital based on various allocation methodologies. Costs in this category include items such as human resources, information systems and security.

**Income Taxes**
The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code.

## 2. Fair Value of Financial Instruments

The Hospital follows fair value measurements accounting, which defines fair value, establishes a framework of measuring fair value, and expands disclosures related to fair value measurements. Assets and liabilities recorded at fair value in the balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair value. An asset or liability's categorization within the fair value hierarchy is based on the lowest level of judgment input to its valuation. Hierarchical levels are directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities as follows:

Level 1 Valuations are based on quoted prices in active markets for identical assets or liabilities that the Hospital has the ability to access. Such valuations are based on quoted prices that are readily and regularly available in active markets. Valuation of these products does not entail a significant degree of judgment.

Level 2 Valuations are based on quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active or for which all significant inputs are observable, directly, or indirectly.

Level 3 Valuations are based on inputs that are unobservable and significant to the overall fair value measurement. These are generally company generated inputs and are not market based inputs.

NAV Net asset value ("NAV") represents the Hospital's ownership interest in the University's endowment pool. As a practical expedient, the Hospital uses its ownership interest in the NAV to determine the fair value of the investments. The Hospital has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value at June 30.

The following tables present the financial instruments carried at fair value as of June 30, 2024 and 2023, on the balance sheets based on the valuation hierarchy defined above:

| | 2024 | | |
|---|---|---|---|
| | Investments | Assets Whose Use is Limited | Total |
| Level 1 | $ - | $ 278,353,980 | $ 278,353,980 |
| Level 2 | - | - | - |
| Level 3 | - | - | - |
| NAV | 553,037,290 | 5,369,115 | 558,406,405 |
| | $ 553,037,290 | $ 283,723,095 | $ 836,760,385 |

| | 2023 | | |
|---|---|---|---|
| | Investments | Assets Whose Use is Limited | Total |
| Level 1 | $ - | $ 10,399,151 | $ 10,399,151 |
| Level 2 | - | - | - |
| Level 3 | - | - | - |
| NAV | 508,595,907 | 5,182,498 | 513,778,405 |
| | $ 508,595,907 | $ 15,581,649 | $ 524,177,556 |

The valuation methods previously described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Hospital 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 at the reporting date.

## 3. Third Party Reimbursement

A summary of the key payment arrangements with major third-party payors for patient service revenue is as follows:

**Medicare**

Under the Medicare program, the Hospital receives reimbursement under a prospective payment system (“PPS”) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient’s assigned diagnosis related group (“DRG”). When the estimated cost of treatment for certain patients is higher than the average and exceeds specified thresholds, providers typically will receive additional outlier payments. The Hospital also receives reimbursement under a prospective payment system for certain medical outpatient services, based on service groups, called ambulatory payment classifications (“APCs”). Other outpatient services are based upon a fee schedule and/or actual costs. The Hospital’s Medicare cost reports are subject to audit by the fiscal intermediary and have been audited and final settled through December 31, 2010.

**Medicaid and Other Third-Party Payors**

The New York Health Care Reform Act of 1996 ("HCRA"), as amended, governs payments to hospitals in NYS through March 31, 2025. Under the HCRA, Medicaid, workers compensation and no-fault payors payment rates are promulgated by the NYS Department of Health ("DOH"). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations ("HMOs"), Preferred Provider Organizations ("PPOs") and other managed care plans, negotiate payment rates directly with the hospitals. Such arrangements vary from DRG-based payment systems, to per diems, case rates and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Hospital's established charges. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data used to calculate payment rates utilizing All Patient Refined DRGs ("APR-DRGs"). APR-DRGs used revised Service Intensity Weights ("SIWs") to adjust each APR-DRG for patient acuity.

Similar type outpatient reforms were implemented effective December 1, 2008 by connecting outpatient payments to Ambulatory Payment Groups ("APGs") which use outpatient SIWs based on types of service and resource consumption.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amounts of the surcharge vary by payor and apply to a broader array of health care services. Also, certain payors are required to provide additional funds through surcharges on payments to hospitals for inpatient services or through voluntary election to pay a covered lives assessment directly to the NYS DOH.

Revenue from Blue Cross and MVP Health Care accounted for approximately 30% and 3% and 33% and 3%, respectively, of the Hospital's patient service revenue for the years ended June 30, 2024 and 2023. Revenue from Medicare and Medicaid programs (including Medicare Advantage and Medicaid Managed Care plans) accounted for approximately 38% and 15% and 35% and 16%, respectively, of the Hospital's patient service revenue for the years ended June 30, 2024 and 2023.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Hospital believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties and exclusion from the Medicare and Medicaid programs.

Both Federal and NYS regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Hospital has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers compensation and no-fault payors and amounts due from the indigent care pool for such adjustments. Those adjustments which can be reasonably estimated have been provided for in the accompanying financial statements.

The Hospital has estimated the potential impact of such adjustments based on the most recent information available. However, those which are either (a) without current specific regulations to implement such adjustments, or (b) are dependent upon certain future events, cannot be reasonably estimated and have not been provided for in the accompanying financial statements. Management believes the amounts recorded in the accompanying financial statements will not be materially affected upon the implementation of such adjustments. During 2024 and 2023, the Hospital recognized increases in patient service revenue as a result of changes in estimates related to third party settlements of approximately $14,500,000 and $25,800,000 related to the years ended June 30, 2024 and 2023, respectively.

There are various other proposals at the Federal and NYS levels relating to Medicare and Medicaid, that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Patient service revenue, net of explicit and implicit price concessions, recognized in the period by major payor class, is as follows for the years ended June 30, 2024 and 2023:

| | 2024 | 2023 |
|---|---|---|
| Government | $ 1,534,368,788 | $ 1,302,069,902 |
| Nongovernment | 1,359,357,957 | 1,247,090,727 |
| | $ 2,893,726,745 | $ 2,549,160,629 |

## 4. Patient Accounts Receivable

Under the provisions of ASC 606, when an entity has an unconditional right to payment for goods or services provided, subject only to the passage of time, the right is treated as a receivable. The Hospital's patient accounts receivable, including billed and unbilled accounts, and estimated amounts due from third party payors for retroactive adjustments, are receivables as the right to consideration is unconditional and only the passage of time is required before payment is due. Estimates for uncollectable amounts are made based on past history and trends for each major payor source and are generally considered implicit price concessions that are recorded as direct reductions to patient accounts receivable. The Hospital grants unsecured credit to its patients, most of whom are local residents and are insured under third-party payor arrangements.

Concentrations of patient accounts receivable by payor at June 30 are as follows:

| | 2024 | 2023 |
|---|---|---|
| Medicare | 13 % | 11 % |
| Medicaid | 5 | 4 |
| Blue Cross | 29 | 34 |
| MVP Health Care | 4 | 5 |
| Commercial insurance | 33 | 31 |
| Self-pay | 11 | 10 |
| All other | 5 | 5 |
| | 100 % | 100 % |

## 5. Liquidity and Availability of Resources

The Hospital is substantially supported by revenue from its operations. In addition, the Hospital holds financial assets for specific purposes which are limited as to use. Thus, financial assets reported on the accompanying balance sheets may not be available for general expenditure within one year of the balance sheet date.

The Hospital's financial assets at June 30 available to meet cash needs for general expenditures within one year from the balance sheet date are as follows:

| | 2024 | 2023 |
|---|---|---|
| Cash and cash equivalents | $ 431,435,263 | $ 456,512,681 |
| Liquid investments available for general use | 412,495,936 | 378,236,668 |
| Patient accounts receivable | 242,535,767 | 186,009,872 |
| Other receivables | 99,266,222 | 71,215,986 |
| | $ 1,185,733,188 | $ 1,091,975,207 |

The Hospital's ability to meet its cash needs is dependent on timely collection of patient accounts receivable and maintaining a high level of inpatient occupancy and outpatient activity.

## 6. Investment in Captive Insurance Company

The Hospital, together with other universities and teaching hospitals, has formed a captive insurance company (the "captive") to insure the professional liability risks of the subscribers. The dissolution provisions of the captive agreement indicate that the Hospital's financial participation (based on percentage of premiums paid) is approximately 6% of the financial results of the captive. The Hospital's premiums are based on its professional liability experience and a shared risk factor with the other participants. Premiums are subject to retrospective adjustment based on, among other things, actual loss experience of the Hospital.

The most recent financial information for the captive is summarized below for the years ended December 31:

| | 2023 | 2022 |
|---|---|---|
| Net earned premiums | $ 448,482,132 | $ 457,429,946 |
| Expenses | (538,107,195) | (379,769,966) |
| Investment income and realized gain (loss) on securities | 188,938,684 | (226,022,251) |
| Net income (loss) | 99,313,621 | (148,362,271) |
| Other comprehensive income (loss) | 26,706,464 | (17,011,831) |
| Comprehensive income (loss) | 126,020,085 | (165,374,102) |
| Net subscriber contributions | 30,570,879 | 19,583,821 |
| Change in subscribers' equity | $ 156,590,964 | $ (145,790,281) |
| **Financial position** | | |
| Total assets | $ 3,008,842,595 | $ 2,390,624,679 |
| Total liabilities | 2,231,639,817 | 1,770,012,865 |
| Subscribers' equity | $ 777,202,778 | $ 620,611,814 |

## 7. Investments

**Assets Whose Use is Limited**

Assets whose use is limited is comprised of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| By Board for property and equipment replacement, debt retirement, and other designated purposes | | |
| Pooled investments, at fair value - noncurrent | $ 5,369,115 | $ 5,182,498 |
| Held by trustees under indenture agreements for the acquisition of property and equipment and debt retirement | | |
| Investments, at fair value - current portion | 7,143,553 | 1,251,774 |
| Investments, at fair value - noncurrent | 271,210,427 | 9,147,377 |
| | $ 283,723,095 | $ 15,581,649 |

**Investments**

Investments, including investments held for long term purposes, are held as part of the University's consolidated investment pool, and are comprised of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| Investments without donor restrictions, at cost | $ 305,386,849 | $ 305,648,965 |
| Investments with donor restrictions, at cost | 19,262,154 | 18,910,426 |
| Market value appreciation | | |
| Of investments without donor restrictions | 204,157,030 | 161,621,592 |
| Of investments with donor restrictions | 24,231,257 | 22,414,924 |
| | $ 553,037,290 | $ 508,595,907 |

## 8. Property and Equipment

Property and equipment is comprised of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| Land | $ 7,767,566 | $ 7,767,566 |
| Property and fixed equipment | 1,292,833,191 | 1,140,281,219 |
| Moveable equipment | 727,989,811 | 689,261,081 |
| | 2,028,590,568 | 1,837,309,866 |
| Less: Accumulated depreciation and amortization | (1,188,537,075) | (1,085,639,455) |
| | 840,053,493 | 751,670,411 |
| Construction in progress | 234,219,678 | 239,731,921 |
| Property and equipment, net | $ 1,074,273,171 | $ 991,402,332 |

Construction in progress is made up of certain projects started but not completed at June 30, 2024. These include costs for the Emergency Department and Inpatient Unit Expansion, infrastructure improvements, and various other capital projects. The estimated cost to complete these projects is $467,583,000. These costs are expected to be funded through a combination of philanthropy, external borrowing, and Hospital equity.

In 2024 and 2023, the Hospital capitalized interest costs incurred on borrowed funds during the period of construction of property and equipment of $4,409,850 and $6,024,926, respectively.

## 9. Long-Term Debt Arrangements

Long-term debt arrangements are entered into by the University, with amounts recorded by the Hospital based on its allocated share of each respective debt issuance.

Long-term debt obligations at the University level which have been allocated to the Hospital consist of the following at June 30:

| | 2024 | 2023 |
|---|---|---|
| Monroe County Industrial Development Corp ("MCIDC") | | |
| Series 2013A | $ 314,979 | $ 319,274 |
| Series 2013B | 2,064,968 | 2,100,404 |
| Series 2015B | 42,003,499 | 42,174,139 |
| Series 2015C | 8,225,116 | 8,220,580 |
| Series 2017B | 27,956,701 | 28,226,329 |
| Series 2017C | 4,128,574 | 4,160,086 |
| Series 2017D | 92,163,314 | 92,467,670 |
| Series 2020A | 253,634,508 | 255,395,740 |
| Series 2023A | 329,682,071 | - |
| New York Life ("NYL") | | |
| 2017 Note | 9,788,326 | 9,787,438 |
| 2019 Note | 28,188,156 | 28,740,341 |
| 2022D Note | 16,936,130 | 17,290,064 |
| Banc of America 2020 Finance Lease | 6,026,941 | 8,176,425 |
| | 821,113,283 | 497,058,490 |
| Less: Current installments of long-term debt | (14,809,578) | (14,750,158) |
| | $ 806,303,705 | $ 482,308,332 |

**MCIDC - Series 2013A**
Pursuant to an agreement between the University and MCIDC dated September 19, 2013, MCIDC issued and sold $3,975,000 of bonds, of which a portion was used to partially finance the Pediatric 3rd Floor of the New Imaging and Medical Office Building. The debt transferred from the University to the Hospital in December 2016. On December 14, 2017 a portion of the outstanding MCIDC Series 2013A bonds were refinanced through MCIDC Series 2017C. The Hospital is repaying $315,000, the remaining portion in Series 2013A which was not refinanced over a 7-year period ending July 2024 at a rate of 5.0%.

**MCIDC - Series 2013B**
Pursuant to an agreement between the University and MCIDC dated September 19, 2013, MCIDC issued and sold $74,905,000 of bonds whose proceeds were used to finance a portion of the New Golisano Pediatric Tower, relocation of the Main Inpatient Pharmacy and the acquisition of Lakeside/Strong West. On December 14, 2017 a portion of the outstanding MCIDC Series 2013B bonds were refinanced through MCIDC Series 2017D. The Hospital is repaying $12,690,000, the remaining portion in Series 2013B which was not refinanced over a 7-year period ending July 2024 at rates of interest varying from 2.5% to 5.0%.

**MCIDC - Series 2015B**
Pursuant to an agreement between the University and MCIDC dated June 24, 2015, MCIDC issued and sold $48,120,000 of bonds, of which a portion was used to partially finance the construction of the Imaging Sciences Medical Building, the Sterile Processing Department renovation, and the Neonatal ICU Bed Expansion. Series 2015B also refinanced a portion of the University of Rochester Series 2007B bonds. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2045 at rates of interest varying from 2.0% to 5.0%.

**MCIDC - Series 2015C**
Pursuant to an agreement between the University and MCIDC dated June 24, 2015, MCIDC issued and sold $12,135,000 of taxable revenue bonds whose proceeds financed various Hospital unit renovations. The Hospital is repaying the indebtedness to the University over a 20-year period ending July 1, 2035 at rates of interest varying from 0.868% to 4.631%.

**MCIDC - Series 2017B**
Pursuant to an agreement between the University and MCIDC dated April 5, 2017, MCIDC issued and sold $34,510,000 of bonds, of which a portion were used to partially finance the Pediatric Intensive Care Unit and Operating Room Renovations and other laboratory and clinical space renovations. Series 2017B also refinanced a portion of the University of Rochester Series 2009C and Series 2011B bonds. The Hospital is repaying the indebtedness to the University over a 20-year period ending July 1, 2037 at rates of interest varying from 3.85% to 5.0%.

**MCIDC - Series 2017C**
Pursuant to an agreement between the University and MCIDC dated December 14, 2017, MCIDC issued and sold $3,860,000 of bonds to refinance a portion of the MCIDC Series 2013A bonds. The Hospital is repaying the indebtedness to the University over a 16-year period ending July 1, 2033 at rates of interest varying from 4.0% to 5.0%.

**MCIDC - Series 2017D**
Pursuant to an agreement between the University and MCIDC dated December 14, 2017, MCIDC issued and sold $86,775,000 of bonds to refinance a portion of the MCIDC Series 2011B and Series 2013B bonds. The Hospital is repaying the indebtedness to the University over a 26-year period ending July 1, 2043 at rates of interest varying from 3.0% to 5.0%.

**MCIDC - Series 2020A**
Pursuant to an agreement between the University and MCIDC dated August 5, 2020, MCIDC issued and sold tax-exempt bonds to the University of which $232,036,090 was allocated to the Hospital to finance the expansion of the Emergency Room and Inpatient Tower, the construction of a new offsite Ambulatory Orthopaedics building, and the renovation of certain Hospital facilities. Series 2020A also refinanced the University of Rochester DASNY Series 2003B, 2003C, 2006B, and 2009C bonds and partially financed the termination of Series 2003 and 2006 interest rate swap agreements. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2050 at rates of interest varying from 4.0% to 5.0%.

**MCIDC - Series 2023A**
Pursuant to an agreement between the University and MCIDC dated December 5, 2023, MCIDC issued and sold tax-exempt bonds to the University of which $332,542,801 was allocated to the Hospital to finance the expansion of the Emergency Room and Inpatient Tower and the renovation of certain Hospital facilities related to this expansion. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2053 at a rate of interest of 5.0%.

**NYL - 2017 Note**
Pursuant to an agreement between the University and NYL dated April 6, 2017, NYL issued $11,386,359 of term notes. The notes were issued to partially finance the expansion and renovation of the Bailey Road Clinical Laboratory building. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2047 at a fixed rate of 3.56%.

**NYL - 2019 Note**
Pursuant to an agreement between the University and NYL dated June 26, 2019, NYL issued $33,193,000 of term notes. The notes were issued to partially finance the continued expansion of the Bailey Road Clinical Laboratory building, the Pediatric Intensive Care Unit, Operating Room renovations, and other offsite ambulatory renovations. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2049 at a fixed rate of 3.26%.

**NYL - 2022D Note**
Pursuant to an agreement between the University and NYL dated June 22, 2022, NYL issued $18,000,000 of term notes. The notes were issued to partially finance Surgery and Pediatric departmental faculty office renovations, the Webster Cancer Center and Urgent Care buildings, the Specialty Pharmacy relocation, and other offsite ambulatory renovations. The Hospital is repaying the indebtedness to the University over a 30-year period ending July 1, 2052 at a fixed rate of 4.31%.

**Banc of America - 2020 Finance Lease**
Pursuant to a master lease agreement between the University and Banc of America Leasing & Capital, LLC dated April 15, 2020, Banc of America issued a $15,000,000 finance lease to partially fund various medical and scientific equipment, network upgrades, and fixed equipment purchases. The Hospital is repaying the indebtedness to the University over a 7-year period ending March 15, 2027 at a fixed rate of 2.60%.

Scheduled principal repayments on long-term debt including unamortized premiums for the next five years are as follows:

| | |
|---|---|
| 2025 | $ 18,480,755 |
| 2026 | 17,071,824 |
| 2027 | 16,778,744 |
| 2028 | 14,774,135 |
| 2029 | 15,035,564 |
| Thereafter | 738,972,261 |
| | $ 821,113,283 |

## 10. Lease Commitments

On adoption of ASU 2016-02, *Leases (Topic 842)*, the Hospital recognized lease liabilities and right-of-use assets of $62,236,857 based on the present value of the remaining minimum rental payments under Topic 840 for operating leases that existed as of the adoption date.

**Operating Leases**

The Hospital has operating leases for office space primarily attributable to its satellite primary care, ambulatory care, and other outpatient locations. For these leases, the office space is an explicitly identified asset within the contract. The Hospital determined it has obtained substantially all the economic benefits from the use of the underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Hospital's operating leases have remaining lease terms ranging between one and thirteen years. The Hospital's lease term on certain of its multi-year office space leases include options to extend those leases for periods ranging from an additional five to ten years. If the Hospital is not reasonably certain it will exercise the options to extend these leases, the payment amounts related to these lease term extensions have been excluded from determining its right-of-use asset and lease liability. Certain of the Hospital's operating leases for office space include nonlease components (such as utilities and operating expenses) that vary based on actual expenses and are adjusted on an annual basis. Changes in lease terms, including renewal options and incremental borrowing rates, and the corresponding impact to the right-of-use assets and lease liabilities, are recognized in the period incurred.

Components of lease expense for the year ended June 30:

| | 2024 | 2023 |
|---|---|---|
| Operating lease expense | $ 17,965,250 | $ 19,660,605 |
| Variable lease expense | - | - |
| Total operating lease expense | $ 17,965,250 | $ 19,660,605 |

Cash paid for amounts included in the measurement of lease liabilities for the year ended June 30:

| | 2024 | 2023 |
|---|---|---|
| Operating cash flows from operating leases | $ 17,965,250 | $ 19,660,605 |
| Right-of-use assets obtained in exchange for new operating lease obligations | 31,379,842 | 32,979,707 |

Supplemental balance sheet information related to operating leases as of June 30:

| | 2024 | 2023 |
|---|---|---|
| Operating lease right-of-use assets | $ 64,673,328 | $ 79,789,010 |
| Operating lease liabilities, current portion | $ 12,687,736 | $ 14,358,749 |
| Operating lease liabilities, long-term portion | 51,985,592 | 65,430,261 |
| Total operating lease liabilities | $ 64,673,328 | $ 79,789,010 |
| Weighted average remaining lease term | 7.37 years | 7.29 years |
| Weighted average discount rate | 2.68 % | 2.66 % |

Future maturities of operating lease liabilities for the next five years are as follows:

| | | |
|---|---|---|
| 2025 | $ | 14,173,746 |
| 2026 | | 11,804,465 |
| 2027 | | 9,426,815 |
| 2028 | | 8,391,418 |
| 2029 | | 7,076,207 |
| Thereafter | | 18,745,575 |
| Total operating lease payments | | 69,618,226 |
| Less: Imputed interest | | (4,944,898) |
| Total operating lease liabilities | $ | 64,673,328 |

## 11. Professional Liability Claims

The Hospital's coverage for professional liability insurance is provided under insurance policies obtained jointly with other universities and teaching hospitals. The primary layer of coverage as well as the buffer and self-insured layers of excess insurance, were written by MCIC Vermont, Inc. (A Risk Retention Group) formed and directed by the participating insured institutions. Multiple layers of excess insurance were purchased from several different insurance companies. The maximum coverage for the Hospital is $260,500,000 per claim. The per claim coverage amount at each of the six participating institutions has been tailored to their own experiences and exposures.

The Hospital follows the principles of insurance claim and recovery accounting for professional liability claims. This requires liability claims and any anticipated insurance recoveries to be reported on a gross basis versus the previous practice of netting the recoveries against liability claims. The insurance claims receivable as calculated by the actuaries was $70,106,544 and $59,164,662 as of June 30, 2024 and 2023, respectively, along with a corresponding increase to the accrued professional liability costs.

Based on estimates provided by the actuaries retained by MCIC Vermont, Inc., the Hospital's obligation for incurred but not reported claims was $38,039,062 and $36,649,043 as of June 30, 2024 and 2023, respectively. The obligation for claims and insurance recoveries were allocated between current and noncurrent based upon projected future payments on professional liability claims as determined by the actuaries and have not been discounted.

## 12. Benefit Plans

### Self-Insurance Plans

The University is self-insured for workers' compensation. Liabilities for asserted and unasserted claims under the workers' compensation program at June 30, 2024 and 2023 were discounted by 4.36% and 3.81% and amounted to $48,993,668 and $53,436,623, respectively, and is included on the University's consolidated balance sheets as accrued pension, postretirement, and postemployment benefits. The Hospital's allocated portion of this liability at June 30, 2024 and 2023 amounted to $31,233,745 and $30,801,003, respectively, and is included on the Hospital's balance sheets as accrued postemployment benefits.

This liability is offset by a receivable for the expected insurance direct payment against these claims of $10,428,744 and $9,635,503 at June 30, 2024 and 2023, respectively, and is included on the Hospital's balance sheets as insurance claims receivable.

The University has a surety bond with Liberty Mutual Insurance Company to cover potential liabilities under the University's self-insured workers' compensation program.

The University is self-insured for health care benefits. Based on estimates provided by actuaries, the Hospital's portion of the University's obligation for incurred but not reported claims was $10,675,994 and $8,263,376 as of June 30, 2024 and 2023, respectively. This amount has not been discounted.

**Retirement Plan**
The University provides defined contribution retirement plans to employees in eligible positions. The University of Rochester's Retirement Program is administered by TIAA-CREF. The University makes contributions to the Plan after two years of service based on a percentage of the employee's salary which are immediately vested for the benefit of the participants. Hospital contributions to the plans amounted to $68,152,399 and $62,515,085 for the years ended June 30, 2024 and 2023, respectively.

**Postemployment Benefits**
The Hospital participates in a postemployment benefit plan sponsored by the University. The University has employed independent actuaries to estimate the postemployment benefit costs of the University. Accrued postemployment benefits of the Hospital amounted to $61,154,744 and $58,851,903 at June 30, 2024 and 2023, respectively. This amount is inclusive of workers' compensation, disability and medical benefits amounts as discussed above. The current portion of the postemployment benefits has been actuarially determined to be $9,030,443 and $8,588,609 as of June 30, 2024 and 2023, respectively.

**Postretirement Benefit Plan**
The University's postretirement benefit plan includes basic medical, major medical, dental coverage and life insurance. Benefit levels differ for current retirees, current employees eligible to retire, and current employees not eligible to retire.

The Hospital's internally allocated portion of the University's postretirement liability based on the percentage of Hospital salaries in relation to total University salaries was $71,317,251 and $73,985,293 for the plan years ended June 30, 2024 and 2023, respectively. The current portion of the postretirement benefits has been determined to be $2,549,613 and $2,158,681 as of June 30, 2024 and 2023, respectively. The current portion was determined based upon the actual benefits paid during the year ended June 30, 2024 as a percentage of the postretirement liability as of June 30, 2023 and applied to the June 30, 2024 balance.

The Hospital's internally allocated portion of the University's net periodic postretirement benefit cost was $2,842,679 and $3,431,664 for the plan years ended June 30, 2024 and 2023, respectively.

The following table presents the plan's status recognized on a University wide basis, including the Hospital, using the actuarial valuation performed as of June 30:

| | 2024 | 2023 |
|---|---|---|
| **Change in benefit obligations** | | |
| Benefit obligation at beginning of period | $ 143,747,278 | $ 165,260,629 |
| Service cost | 2,195,436 | 2,886,177 |
| Interest cost | 7,119,955 | 6,828,595 |
| Plan participants' contributions | 2,383,686 | 2,382,505 |
| Actuarial gain | (9,367,383) | (24,841,592) |
| Benefits paid, net | (10,362,037) | (8,769,036) |
| Benefit obligation at end of period | $ 135,716,935 | $ 143,747,278 |
| **Change in plan assets** | | |
| Fair value of plan assets at beginning of period | $ - | $ - |
| Employer contributions | 7,978,351 | 6,386,531 |
| Participant contributions | 2,383,686 | 2,382,505 |
| Benefits paid, net | (10,362,037) | (8,769,036) |
| Fair value of plan assets at end of period | $ - | $ - |
| **Components of accrued benefit** | | |
| Funded status | $ (135,716,935) | $ (143,747,278) |
| Unamortized net actuarial gain | (34,876,171) | (26,382,528) |
| Unamortized prior service credit | (19,826,834) | (21,855,491) |
| Accrued benefit | $ (190,419,940) | $ (191,985,297) |
| **Amounts recognized in the balance sheet consist of** | | |
| Accrued postretirement benefit cost | $ (191,985,297) | $ (190,685,722) |
| Net postretirement benefit expense | (6,412,994) | (7,686,106) |
| Net benefits paid | 7,978,351 | 6,386,531 |
| Accrued benefits paid at end of year | (190,419,940) | (191,985,297) |
| Amount recorded in net assets without donor restrictions | 54,703,005 | 48,238,019 |
| Net amount recognized in balance sheets | $ (135,716,935) | $ (143,747,278) |
| **Components of net periodic benefit cost** | | |
| Service cost | $ 2,195,436 | $ 2,886,177 |
| Interest cost | 7,119,955 | 6,828,595 |
| Amortization of prior service credit and net gain | (2,902,397) | (2,028,666) |
| Net periodic benefit cost | $ 6,412,994 | $ 7,686,106 |
| **Amounts recorded in net assets without donor restrictions** | | |
| Net gain during period | $ (9,367,383) | $ (24,841,592) |
| Amortization recognition | 2,902,397 | 2,028,666 |
| Total changes recognized in net assets without donor restrictions | $ (6,464,986) | $ (22,812,926) |

Estimated future contributions and benefit payments are as follows:

| | Estimated Contributions/ Benefit Payments |
|---|---|
| 2025 | $ 12,257,573 |
| 2026 | 11,856,584 |
| 2027 | 11,462,558 |
| 2028 | 11,121,389 |
| 2029 | 10,750,817 |
| 2030 to 2034 | 50,478,839 |
| | $ 107,927,760 |

Benefits are valued based upon the projected unit cost method. The weighted average assumptions used at the measurement date, July 1, are as follows:

| | 2024 | 2023 |
|---|---|---|
| Discount rate for obligation | 5.50 % | 5.25 % |
| Expected return on plan assets | N/A | N/A |
| Rate of compensation increase | N/A | N/A |
| Health care cost trend rate - initial, pre-age 65 | 7.75 | 7.75 |
| Health care cost trend rate - initial, post-age 65 | N/A | N/A |
| Health care cost trend rate - initial prescription drug | 7.75 | 7.75 |
| Health care cost trend rate - final | 4.04 | 4.04 |

The rate increase in healthcare costs was assumed to decrease to 4.04% in 2075 and to remain at that level thereafter.

A single actuarial calculation is performed for all employees covered by the postretirement benefit plan. The components of net periodic postretirement benefit cost and the actuarial present values of postretirement benefit obligations are not calculated for the individual divisions of the University. Instead, total net periodic postretirement benefit cost is allocated to the individual divisions of the University.

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent to the government plan. The University qualified for the Medicare Part D prescription drug federal subsidy however effective under a January 2021 plan amendment, the University will no longer sponsor coverage for Medicare-eligible retires and therefore is not eligible to apply for the subsidy after 2022.

Employers are required to recognize the over-funded or under-funded status of a defined benefit pension and postretirement plan as an asset or liability in its balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions. In addition, employers are required to measure the funded status of the Plan as of the balance sheet date.

Significant (gains)/losses occurring during the period ended June 30, 2024 were as follows:

As of July 1, 2023, the census data was refreshed to reflect changes in the population between the prior and current valuation dates. Demographic changes different from assumptions resulted in an increase in liabilities.

As of July 1, 2023, the baseline gross claims used to project future pre-65 retiree healthcare costs were modified to reflect the updated actuarial models for the current valuation date. This change had a negligible impact on liabilities, but greater than expected increases in pre-65 premiums resulted in a net decrease in liabilities.

As of July 1, 2023, the following election assumptions were revised to better reflect actual experience and future expectations: pre-65 retiree election assumption updated from 50% for grandfathered group 4 and 40% for grandfathered group 5 to 40% for grandfathered group 4 and 30% for grandfathered group 5; pre-65 retiree plan election assumption updated from 50% PPO and 50% HSA to 45% PPO and 55% HSA; assumption for pre-65 retirees waiving who opt back into coverage upon Medicare eligibility updated from 15% for both grandfathered groups 4 and 5 to 20% for both grandfathered groups 4 and 5. The net impact of these assumption changes was a decrease in liabilities.

As of July 1, 2023, the HRA balance usage assumption for retirees or spouses with an unused HRA balance was updated from an additional $2,000 to an additional $1,000 to be spent down each year until their balance is depleted. This assumption was based on industry studies on average out-of-pocket spending for Medicare Advantage participants, as well as available experience and the provisions of the University’s plan. This change resulted in a decrease in liabilities.

As of June 30, 2024, the discount rate was updated from 5.25% to 5.50% resulting in a decrease in liabilities.

As of June 30, 2024, the annual rate of increase in healthcare costs was revised to better reflect future expectations, including updating long-term rates based on the Getzen model. A review of published national trend survey data in relation to the retiree health plan offerings was the basis for this change. The revised assumption resulted in an increase in liabilities.

## 13. Related Party and Inter-Divisional Transactions

The Hospital provides support to and purchases services from other affiliated entities and divisions of the University of Rochester including administrative support, guarantees of affiliated entity intercompany balances as well as inter-divisional transfers. The following summarizes significant transactions and balances with affiliated entities and other University divisions:

The Hospital has a loan receivable from Highlands at Brighton, included in other noncurrent assets. As of June 30, 2024 and 2023, the amount outstanding, including accumulated interest of $1,740,529 was $5,160,905. The terms of the loan include interest at 9.5% per annum through December 31, 2001. This loan receivable is fully reserved as of June 30, 2024 and 2023.

The Hospital guarantees to support the operations of The Highlands at Brighton and The Highlands Living Center through at least April 25, 2025, if necessary.

The Hospital provides services to Highland Hospital for operating and capital needs. During the years ended June 30, 2024 and 2023, the Hospital charged Highland Hospital approximately $29,731,000 and $21,121,000, respectively, for these needs.

In addition, the Hospital purchases administrative services from Highland Hospital. During the years ended June 30, 2024 and 2023, the Hospital was charged approximately $6,845,000 and $6,901,000, respectively, for these services which are included on the statements of operations and changes in net assets for the years ended June 30, 2024 and 2023.

The Hospital is allocated costs of certain administrative services from the University and the Medical Center. During the years ended June 30, 2024 and 2023, the Hospital was charged $188,203,904 and $175,730,600, respectively, for these services which are included in University and Medical Center cost allocations on the statements of operations and changes in net assets.

The Hospital purchases professional clinical services from the Medical Faculty Group, a division of the University (“URMFG”) to provide primary care and specialist services to patients. During the years ended June 30, 2024 and 2023, URMFG charged the Hospital $176,647,483 and $141,406,881, respectively, for these services which are included in University of Rochester Medical Faculty Group clinical support on the statements of operations and changes in net assets.

To fulfill specific strategic initiatives of the Hospital and Medical Center, each year the Hospital funds, through inter-divisional transfers, certain capital and operating needs of other divisions of the Medical Center. These transfers include amounts for research and other strategic initiatives of the Medical Center. The transfers to the University of Rochester Medical Center Divisions were $147,464,624 and $142,341,762 for the years ended June 30, 2024 and 2023, respectively.

In September 2017, the Hospital began to fund capital costs incurred by the Health Sciences division of the University (“HSD”) for construction of a medical office building. The project was completed during 2020 with funding totaling approximately $18,069,000 based on actual costs incurred. The loan is repaid by HSD through rental income for leased space over twenty years with interest of 4% per annum. The loan balance as of June 30, 2024 and 2023 was $15,265,861 and $15,868,148, respectively, and is reported in other noncurrent assets on the balance sheets.

In February 2020, the Hospital entered into a Line of Credit Note agreement with St. James Hospital for the purpose of providing funding for construction and equipment costs related to a new facility. Pursuant to the terms of the Note agreement, St. James can borrow up to $4,700,000 from the Hospital with payments due quarterly beginning September 1, 2020 through June 1, 2035. Interest on the unpaid principal balance will accrue at 2.3% per annum beginning with the first draw. The balance as of June 30, 2024 and 2023 was $3,260,918 and $3,512,098, respectively, and is reported in other noncurrent assets on the balance sheets.

## 14. Net Assets With Donor Restrictions

Net assets with donor restrictions are designated for the following purposes at June 30:

| | 2024 | 2023 |
|---|---|---|
| Specific acute hospital costs | $ 19,028,420 | $ 16,701,065 |
| Other health care costs | 18,620,090 | 17,191,827 |
| Construction, renovations and purchase of equipment | 4,685,769 | 2,776,937 |
| Funds held in perpetuity | 11,640,306 | 11,309,113 |
| Research | 25,980 | 79,070 |
| | $ 54,000,565 | $ 48,058,012 |

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of the following for the years ended June 30:

| | 2024 | 2023 |
|---|---|---|
| Hospital operations | $ 1,636,162 | $ 1,656,988 |
| Construction, renovations and purchase of equipment | 2,808,173 | 341,653 |
| | $ 4,444,335 | $ 1,998,641 |

## 15. Endowment Net Assets

The New York Prudent Management of Institutional Funds Act (“NYPMIFA”) was adopted by the University. As the Hospital is a division of the University, the Hospital has adopted this guidance as well. In accordance with the guidance provided under NYPMIFA and under the direction of the University’s Board of Trustees, the University and the Hospital adopted a methodology designed to avoid spending below the historical dollar value of endowment funds, absent explicit donor direction to the contrary.

The University’s Board of Trustees interprets NYPMIFA to allow for the spending of income and gains on investments of endowment net assets in a manner that is prudent, considering such factors as the duration and preservation of the fund, general economic conditions including the potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University’s investment policy.

Investment of the Hospital’s net assets held for endowment and similar purposes is based upon a total return policy, and the utilization of its endowment resources for current operating and capital needs as related to this policy. Although NYPMIFA does not preclude the University from spending below the original gift value of endowment funds, the University’s policy is to spend no more than a stated percentage of fair value of its investment portfolio over time. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment and similar net assets for operating purposes. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the University reinvests the excess in its net assets held for endowment and similar purposes.

The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010 of the new law, and offered these donors the option of requiring the University to maintain historical dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value.

Endowment net assets consist of the following at June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Board-designated funds | $ 102,417,058 | $ - | $ 102,417,058 |
| Donor-restricted funds | | | |
| True endowments | - | 40,476,265 | 40,476,265 |
| Term endowments | - | 1,637,870 | 1,637,870 |
| Total endowment funds | $ 102,417,058 | $ 42,114,135 | $ 144,531,193 |

Endowment net assets consist of the following at June 30, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Board-designated funds | $ 94,216,387 | $ - | $ 94,216,387 |
| Donor-restricted funds | | | |
| True endowments | - | 38,459,886 | 38,459,886 |
| Term endowments | - | 1,482,343 | 1,482,343 |
| Total endowment funds | $ 94,216,387 | $ 39,942,229 | $ 134,158,616 |

Rollforward of endowment net assets from June 30, 2023 to June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowment net assets at June 30, 2023** | $ 94,216,387 | $ 39,942,229 | $ 134,158,616 |
| Investment return | | | |
| Investment income | 265,633 | 27,829 | 293,462 |
| Net appreciation | 7,935,038 | 1,788,505 | 9,723,543 |
| Total investment return | 8,200,671 | 1,816,334 | 10,017,005 |
| New gifts | - | 351,727 | 351,727 |
| Other changes and reclassifications | - | 3,845 | 3,845 |
| **Endowment net assets at June 30, 2024** | $ 102,417,058 | $ 42,114,135 | $ 144,531,193 |

Rollforward of endowment net assets from June 30, 2022 to June 30, 2023:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Endowment net assets at June 30, 2022** | $ 88,437,606 | $ 37,789,769 | $ 126,227,375 |
| Investment return | | | |
| Investment income | 651,384 | 780,770 | 1,432,154 |
| Net appreciation | 5,127,397 | 732,952 | 5,860,349 |
| Total investment return | 5,778,781 | 1,513,722 | 7,292,503 |
| New gifts | - | 703,569 | 703,569 |
| Other changes and reclassifications | - | (64,831) | (64,831) |
| **Endowment net assets at June 30, 2023** | $ 94,216,387 | $ 39,942,229 | $ 134,158,616 |

## 16. Functional Expenses

Expenses are presented by functional classification in accordance with the overall service missions of the Hospital. Each functional classification displays all expenses related to the underlying operations by natural classification. Expenses in natural classifications including interest, depreciation and amortization, and cost allocations are allocated primarily to the General Service mission due to their fixed nature. Benefits expense is allocated as a percentage of salary expense based upon employee classification and benefit eligibility. The remaining expenses are generally considered variable and are allocated to the mission that best aligns to the type of service provided.

The Hospital's expenses on a functional and natural basis for the year ended June 30, 2024 are as follows:

| | Ancillary Service | General Service | Outpatient Service | Inpatient Service | Total |
|---|---|---|---|---|---|
| Salaries | $ 363,692,406 | $ 286,981,384 | $ 272,112,315 | $ 220,026,210 | $ 1,142,812,315 |
| Benefits | 111,910,018 | 104,024,390 | 76,836,473 | 68,020,001 | 360,790,882 |
| Pharmaceutical and medical supplies | 844,882,958 | 59,310,159 | 139,704,764 | 22,909,035 | 1,066,806,916 |
| Professional and contract services | 57,796,378 | 13,908,289 | 13,953,688 | 122,997,679 | 208,656,034 |
| Interest | - | 15,576,216 | - | - | 15,576,216 |
| Depreciation and amortization | - | 119,930,063 | 4,375 | - | 119,934,438 |
| University and Medical Center cost allocations | 95,637 | 188,108,267 | - | - | 188,203,904 |
| University of Rochester Medical Faculty Group clinical support | - | - | 101,216,440 | 75,431,043 | 176,647,483 |
| Other expenses | 74,543,171 | 143,779,702 | 49,736,890 | 5,533,630 | 273,593,393 |
| Total operating expenses | 1,452,920,568 | 931,618,470 | 653,564,945 | 514,917,598 | 3,553,021,581 |
| Other components of net periodic postretirement benefit cost | | 1,869,512 | | | 1,869,512 |
| | $ 1,452,920,568 | $ 933,487,982 | $ 653,564,945 | $ 514,917,598 | $ 3,554,891,093 |

The Hospital's expenses on a functional and natural basis for the year ended June 30, 2023 are as follows:

| | Ancillary Service | General Service | Outpatient Service | Inpatient Service | Total |
|---|---|---|---|---|---|
| Salaries | $ 337,693,397 | $ 246,841,407 | $ 260,162,020 | $ 214,888,101 | $ 1,059,584,925 |
| Benefits | 114,178,905 | 52,030,294 | 80,081,832 | 70,525,342 | 316,816,373 |
| Pharmaceutical and medical supplies | 731,092,805 | 41,109,494 | 120,826,385 | 23,263,568 | 916,292,252 |
| Professional and contract services | 49,887,117 | 12,833,096 | 11,203,711 | 120,744,225 | 194,668,149 |
| Interest | - | 12,160,501 | - | - | 12,160,501 |
| Depreciation and amortization | - | 106,531,430 | 8,750 | - | 106,540,180 |
| University and Medical Center cost allocations | 92,537 | 175,638,063 | - | - | 175,730,600 |
| University of Rochester Medical Faculty Group clinical support | - | - | 79,611,502 | 61,795,379 | 141,406,881 |
| Other expenses | 72,700,798 | 132,142,736 | 48,506,093 | 5,330,783 | 258,680,410 |
| Total operating expenses | 1,305,645,559 | 779,287,021 | 600,400,293 | 496,547,398 | 3,181,880,271 |
| Other components of net periodic postretirement benefit cost | - | 2,143,055 | - | - | 2,143,055 |
| | $ 1,305,645,559 | $ 781,430,076 | $ 600,400,293 | $ 496,547,398 | $ 3,184,023,326 |

## 17. Commitments and Contingencies

In the ordinary course of operations, the Hospital 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 financial position.

## 18. Subsequent Events

The Hospital has performed an evaluation of subsequent events through October 25, 2024, the date on which the financial statements were available to be issued and no other subsequent events were identified.