

Disclosure Report
For the nine months ended March 31, 2025

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Disclosure Report for March 31, 2025

VANDERBILT UNIVERSITY MEDICAL CENTER

**NOTICE
relating to:**

**THE HEALTH AND EDUCATIONAL FACILITIES
BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND
DAVIDSON COUNTY, TENNESSEE REVENUE
BONDS (VANDERBILT UNIVERSITY MEDICAL
CENTER) SERIES 2016A**

**THE HEALTH AND EDUCATIONAL FACILITIES
BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND
DAVIDSON COUNTY, TENNESSEE TAXABLE
REVENUE BONDS (VANDERBILT UNIVERSITY
MEDICAL CENTER) SERIES 2016B**

**THE HEALTH AND EDUCATIONAL FACILITIES
BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND
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BONDS (VANDERBILT UNIVERSITY MEDICAL
CENTER) SERIES 2017A**

**THE HEALTH AND EDUCATIONAL FACILITIES
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MEDICAL CENTER) SERIES 2021B**

**THE HEALTH AND EDUCATIONAL FACILITIES
BOARD OF THE METROPOLITAN
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BONDS (VANDERBILT UNIVERSITY MEDICAL
CENTER) SERIES 2022A**

**THE HEALTH AND EDUCATIONAL FACILITIES
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CENTER) SERIES 2022B**

**THE HEALTH AND EDUCATIONAL FACILITIES
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**THE HEALTH AND EDUCATIONAL FACILITIES
BOARD OF THE METROPOLITAN
GOVERNMENT OF NASHVILLE AND
DAVIDSON COUNTY, TENNESSEE REVENUE
BONDS (VANDERBILT UNIVERSITY MEDICAL
CENTER) SERIES 2024A**

Disclosure Report for March 31, 2025

CUSIP Nos: 592041WC7, 592041WD5, 592041WE3, 592041WF0, 592041WG8, 592041WH6, 592041WJ2, 592041YB7, 592041YC5, 921814AA7, 592041ZV2, 592041ZW0, 592041ZX8, 592041ZY6, 592041A23, 592041A31

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Disclosure Report for March 31, 2025

ATTENTION

This document is marked with a dated date of March 31, 2025 and reflects information only as of that date. Readers are cautioned not to assume that any information has been updated beyond the dated date except as to any portion of the document that expressly states that it constitutes an update concerning specific recent events occurring after the dated date of the document. Any information contained in the portion of the document indicated to concern recent events speaks only as of its date. We expressly disclaim any duty to provide an update of any information contained in this document.

The information contained in this document may include “forward-looking statements” by using forward looking words such as “may,” “will,” “should,” “expects,” “believes,” “anticipates,” “estimates,” or others. You are cautioned that forward-looking statements are subject to a variety of uncertainties that could cause actual results to differ from the projected results. Those risks and uncertainties include general economic and business conditions, receipt of funding grants, and various other factors which are beyond our control.

Because we cannot predict all factors that may affect future decisions, actions, events, or financial circumstances, what actually happens may be different from what we include in forward-looking statements.

ORGANIZATION

Vanderbilt University Medical Center (“VUMC”) is a Tennessee not-for-profit corporation incorporated in March of 2015 to operate an academic medical center including a comprehensive research, teaching, and patient care health system (the “Medical Center”). Until April 29, 2016, the Medical Center operated as a unit within Vanderbilt University (“the University” or “VU”), as a part of the University’s administrative structure, with the same governing board, legal, financial, and other shared services. VUMC began operations effective April 30, 2016, following the closing of the sale of the Medical Center by the University (the “Acquisition”).

VUMC owns and operates three hospitals located on the main campus (“Main Campus”) of the University in Nashville, Tennessee: Vanderbilt University Hospital (“VUH”), Monroe Carell Junior Children’s Hospital at Vanderbilt (“Monroe Carell”), and Vanderbilt Psychiatric Hospital (“VPH”). In addition, VUMC partially owns Vanderbilt Stallworth Rehabilitation Hospital (“VSRH”), also located on the main campus of the University, through a joint venture with Encompass Health Corp. in which VUMC holds a 50% interest, including a 1% interest held by Vanderbilt Health Services, LLC, (“VHS”), a VUMC wholly owned subsidiary. Effective August 1, 2019, VUMC acquired from Community Health Systems, Inc. (“CHS”): Tennova Healthcare – Lebanon, now known as Vanderbilt Wilson County Hospital (“VWCH”). Effective January 1, 2021, VUMC acquired from CHS: Tennova Healthcare – Shelbyville and Tennova Healthcare – Harton, now known as Vanderbilt Bedford Hospital (“VBCH”) and Vanderbilt Tullahoma-Harton Hospital (“VTHH”), respectively. At the same time as the acquisition of VBCH and VTHH, VUMC acquired a noncontrolling ownership interest in CHS’s affiliated Tennova Healthcare – Clarksville (“VMH”). VUH, Monroe Carell, VPH, VWCH, VBCH, and VTHH are licensed for 1,723 beds, and VSRH is licensed for 80 beds.

VUMC consists of two major operating divisions and an administrative overhead division. The operating divisions include the Clinical Enterprise and Academic Enterprise divisions. The administrative overhead division is referred to as Medical Center Administration (“MCA”).

The Clinical Enterprise division includes the professional clinical practice revenues and related expenses of the Vanderbilt Medical Group (“VMG”), and technical revenues and associated expenses for the operation of VUMC’s hospitals and clinic facilities, including VUH, Monroe Carell, VPH, VWCH, VBCH, and VTHH. The Clinical Enterprise also includes VHS, Health Professional Solutions, LLC (“HPS”), and Nashville Biosciences, LLC (“NashBio”).

- VUH is a quaternary care teaching hospital licensed for 814 acute care and specialty beds. VUH, a Level I trauma center, provides advanced patient care and serves as a key site for medical education and clinical research conducted by physician faculty. VUH includes a comprehensive burn center, the Vanderbilt Transplant Center, the Vanderbilt Heart and Vascular Institute, and the Vanderbilt Ingram Cancer Center.
- Monroe Carell is a pediatric quaternary care teaching hospital licensed for 363 beds (167 acute and specialty, 65 pediatric intensive care, and 131 neonatal intensive care). Monroe Carell is the region’s only full-service pediatric hospital, with over 30 pediatric specialties. Monroe Carell serves as a site for medical education and clinical research conducted by pediatric physician faculty, houses the only Level IV neonatal intensive care center and the only Level I pediatric trauma center within the region, and is a regional referral center for extracorporeal membrane oxygenation (heart and lung failure).
- VPH is a psychiatric hospital licensed for 106 beds and provides inpatient care to pediatric, adolescent, adult, and geriatric patients. Also, VPH provides partial hospitalization programs to both adult and adolescent patients, psychiatric assessment services, adult intensive outpatient programs, and neuromodulation procedures through electroconvulsive therapy and transcranial magnetic stimulation.
- VWCH is a 245 licensed bed hospital and is a substantial provider of both inpatient and outpatient medical services in Lebanon, Tennessee. VWCH, a Level III trauma center, offers an accredited chest pain center, stroke center, cancer center, comprehensive weight loss center, comprehensive total joint program for orthopedics, and interventional cardiology.

- VBCH is a 60 licensed bed Joint Commission-accredited hospital, which offers a range of inpatient and outpatient medical and surgical services, along with emergency room services in Shelbyville, Tennessee.
- VTHH is a 135 licensed bed Joint Commission-accredited hospital, which offers a full range of inpatient and outpatient surgical and specialty services including interventional cardiology, orthopedics, urology, a sleep center, cardiac rehabilitation, obstetrics, and physical rehabilitation in Tullahoma, Tennessee. The hospital also features an accredited chest pain center.
- VMG is the practice group of physicians and advanced practice practitioners employed by VUMC, many of whom, when appropriate and required, have faculty appointments from the University, who perform billable professional medical services. VMG is not a separate legal entity. VMG has a board which consists of the VUMC clinical service chiefs, who also serve as clinical department chairs. Under the oversight of VUMC executive leadership, VMG sets professional practice standards, bylaws, policies, and procedures. VUMC bills for services rendered by VMG clinicians in both inpatient and outpatient locations. Collected fees derive a component of each VMG clinician's compensation. VMG includes nationally recognized physicians whose expertise spans the spectrum from primary care to the most specialized quaternary discipline. VMG members are "board certified" or eligible for board certification, as required by bylaws. All VMG members are re-credentialed every three years in accordance with the Centers for Medicare and Medicaid Services, The Joint Commission, and the National Committee for Quality Assurance Standards. Most of the specialties and subspecialties currently recognized by the various national specialty boards are represented in VMG.
- VHS serves as a holding company for 16 first tier health care related subsidiaries and joint ventures owned with various entities, including, but not limited to, VSRH, Vanderbilt Integrated Providers ("VIP"), and the Vanderbilt Health Affiliated Network ("VHAN"). VHS operations primarily consist of community physician practices, walk-in and retail health clinics, imaging services, outpatient surgery centers, radiation oncology centers, a home health care agency, a home infusion and respiratory service, an affiliated health network, accountable care organizations, and a rehabilitation hospital. VIP employs providers and staff located off the main VUMC campus and affiliates with or purchases and operates physician practices in the region. VHAN contracts with other healthcare providers, including hospitals, physicians, and physician groups to jointly develop and implement a clinical integration program through a clinically integrated network of physicians and hospitals. These subsidiaries of VHS include clinics managed in multiple outpatient locations throughout middle Tennessee and southwestern Kentucky.
- HPS is a holding company that holds interest in four VUMC subsidiaries that engage in or support various health business to business activities to improve the quality and availability of health care services in the community. These subsidiaries include businesses focused on pharmacy, supply chain, and clinically integrated support services.
- NashBio deploys the biospecimens and genomic data and de-identified medical records of VUMC known as "BioVU", along with other information, to provide commercial services and products to life science industry customers in connection with pharmaceutical, biotechnology, and medical research and development activities.

The Academic Enterprise division includes all research, research-support activities, and faculty endeavors supporting post-graduate training programs. A significant funding source for VUMC's research has historically been the federal government. Federal funding is received from the Department of Health and Human Services, the Department of Defense, the National Science Foundation, and other federal agencies. Sponsored research awards, including multi-year grants and contracts from government sources, foundations, associations, and corporations signify future research commitments. Also, core activities supporting research, including advanced computing and grant administration, are included in this division.

As mentioned previously and throughout this document, VUMC acquired the Medical Center and its operations from the University in the Acquisition. VUMC entered into certain debt agreements to fund the Acquisition and other capital projects. Certain of these debt agreements contain required disclosures which outline annual and quarterly reporting requirements. In addition, certain of these debt agreements require notices of the occurrence of significant events which include but are not limited to delinquencies, bond calls, rating changes, bankruptcies, and mergers or acquisitions.

For purposes of this document, the Obligated Group includes the wholly owned hospitals located on the Main Campus along with all associated on-campus and off-campus ambulatory clinics, the Academic Enterprise, MCA, VWCH, and VMG.

The VUMC fiscal year ends June 30. The information contained in this document represents the unaudited consolidated results of operations of VUMC as of and for the nine months ended March 31, 2025.

SUMMARY OF OPERATING AND UTILIZATION DATA

Licensed Beds

As of March 31, 2025, VUMC's facilities have 1,723 beds approved for operation, of which 1,507 were fully staffed, with 114 operating rooms. As of March 31, 2024, VUMC's facilities had 1,661 beds approved for operation, of which 1,441 were fully staffed, with 114 operating rooms. An additional 24 beds were licensed during the second quarter of FY25. These beds coupled with 14 existing licensed beds opened on the 14th floor of the Monroe Carell hospital for adult patients. Once the new bed tower at Vanderbilt University Hospital opens (recently named the Jim Ayers Tower), the adult patients will move to the new location and the 14th floor at Monroe Carell hospital will then be occupied by pediatric patients. The beds presented in the table below are primarily located at VUH, Monroe Carell, VPH, VWCH, VBCH, and VTHH. VSRH is operated within a separate joint venture entity, which is currently 50% owned by VUMC. Counting VSRH beds, beds at Williamson Medical Center Inpatient Children's Unit, operated observation/extended recovery beds, and bassinet beds, total beds as of March 31, 2025 and 2024, equates to 1,970 and 1,908, respectively.

VUMC Beds (Licensed, Observation, JV, Managed, and Bassinets)

<u>Licensed Beds</u>	<u>FY 2025</u>	<u>FY 2024</u>
Licensed-Bed Category Type		
Adult Medical/Surgical	1,086	1,062
Adult Obstetric	79	79
Adult Clinical Research Center	5	5
Pediatric Medical/Surgical	171	148
Pediatric Neonatal Intensive Care	136	121
Pediatric Intensive Care	65	65
Psychiatric Care	155	155
Rehabilitation	26	26
Total Licensed Beds as of March 31, 2025 and 2024	<u>1,723</u>	<u>1,661</u>
<u>Observation, JV, Managed Beds, and Bassinets⁽³⁾</u>		
Current Observation/Extended Recovery Beds	77	77
Current Bassinets	74	74
Stallworth Rehabilitation Hospital Beds (JV) ⁽¹⁾	80	80
Vanderbilt Children's at Williamson Inpatient and Observation Unit (Managed) ⁽²⁾	16	16
Total Observation, JV, Managed Beds, and Bassinets as of March 31, 2025 and 2024	<u>247</u>	<u>247</u>
Total Licensed, Observation, JV, Managed Beds, and Bassinets as of March 31, 2025 and 2024	<u><u>1,970</u></u>	<u><u>1,908</u></u>

(1) Represents 80 beds in joint venture with VSRH.

(2) Represents 12 licensed beds and 4 observation beds managed by VUMC within Williamson Medical Center, Franklin, TN.

(3) Excludes beds in joint venture with VMH.

VUMC Research Revenues

VUMC receives revenues from research grants which are both federally and non-federally sponsored. The Department of Health and Human Services (primarily through the National Institutes of Health), the Department of Defense, the National Science Foundation, and other federal agencies supported over 75% of the research expenditures conducted by VUMC as of March 31, 2025 and 2024. The breakdown of direct research revenues, excluding facilities and administrative cost recovery, is as follows for the nine months ended March 31, 2025 and 2024 (*\$ in thousands*):

Source	FY 2025	FY 2024
Federal	\$ 333,449	\$ 323,669
Non-Federal	92,995	84,895
Total	\$ 426,444	\$ 408,564

Capital Cash Flows

Capital expenditures, inclusive of implementation costs incurred on hosting arrangements, for the nine months ended March 31, 2025 and 2024, were \$366 million and \$265 million, respectively. The FY 2025 period primarily relates to the construction of tangible assets and equipment purchases for the 180-bed Jim Ayers Tower, the lab and clinic expansions within the adult enterprise, and the build out of two unfinished floors at Monroe Carell. The FY 2024 period primarily relates to the construction of tangible assets and equipment purchases associated with the Jim Ayers Tower and lab expansion.

Utilization

Utilization statistics of the hospitals and clinics for the nine months ended March 31, 2025 and 2024, which exclude the impact of VHS joint ventures except where noted, are as follows:

	Consolidated FY 2025	Consolidated FY 2024
Licensed beds ⁽¹⁾	1,723	1,661
Hospital inpatient days ⁽²⁾	358,412	350,259
Hospital discharges	62,746	59,625
Average length of stay in days ⁽²⁾	5.7	5.9
Average occupancy level (Main Campus) ⁽²⁾⁽³⁾	94.8%	95.4%
Average occupancy level (Regional Hospitals) ⁽²⁾⁽³⁾	54.3%	57.6%
Surgical operations ⁽⁴⁾	61,965	60,209
Ambulatory visits ⁽⁵⁾	2,632,502	2,462,620
Emergency visits	165,110	158,810
	Obligated Group FY 2025	Obligated Group FY 2024
Licensed beds ⁽¹⁾	1,528	1,466
Hospital inpatient days ⁽²⁾	338,681	333,338
Hospital discharges	57,803	55,180
Average length of stay in days ⁽²⁾	5.9	6.0
Average occupancy level (Main Campus) ⁽²⁾⁽³⁾	94.8%	95.4%
Average occupancy level (VWCH) ⁽²⁾⁽³⁾	60.2%	61.4%
Surgical operations ⁽⁴⁾	58,631	57,106
Ambulatory visits	2,287,112	2,132,347
Emergency visits	126,966	121,649

(1) Excludes nursery bassinets and 80 joint venture beds at Vanderbilt-Stallworth Rehabilitation Hospital.

(2) Includes nursery and psychiatric care; does not include the observation patients.

(3) Average occupancy is calculated as average daily census divided by staffed beds. Average daily census is calculated as inpatient days, excluding observation patients, divided by the number of days in the period. VWCH is the only regional hospital included in the obligated group.

(4) Excludes surgical operations performed by VUMC-employed physicians at separate surgery centers that are partially owned by a VUMC subsidiary.

(5) Includes the impact of VHS joint ventures. Excluding the impact of VHS joint ventures, approximately 68% and 67% of all ambulatory visits were provided at off-campus locations as of March 31, 2025 and 2024, respectively.

VUMC's overall functional occupancy rate for the Main Campus was 99.7% and 99.3% during the nine months ended March 31, 2025 and 2024, respectively. Functional occupancy rate is calculated as average daily census divided by total staffed beds, less research, labor & delivery, and double occupancy rooms. Average daily census is calculated as inpatient days, excluding the impact from normal newborns, plus observation days in inpatient units divided by the number of days in the period. The average number of inpatients, excluding normal newborns, in the hospital for the Main Campus at midnight census was 1,133 and 1,115 on March 31, 2025 and 2024, respectively.

VUMC Inpatient Acuity

Across all inpatients, VUMC's inpatient acuity is measured by case mix index ("CMI"). VUMC's total CMI and CMI for Medicare patients for the nine months ended March 31, 2025 and 2024, are presented below:

	FY 2025	FY 2024
Total CMI ⁽¹⁾	2.27	2.24
Medicare CMI ⁽¹⁾⁽²⁾	2.43	2.39

(1) Facilities owned by members of the Obligated Group only. Excludes normal newborns.

(2) Includes Medicare and Medicare Advantage.

VUMC Payor Mix

The Medical Center receives payment on behalf of most of its patients from several third parties, including Blue Cross and other private insurers, the federal government through Medicare, and the federal and state governments through Medicaid. TennCare, the State's managed care plan operating under a Section 1115 Medicaid demonstration waiver from the federal government, provides most Medicaid revenues. The remaining Medicaid revenues are from Medicaid patients who live outside of the State.

Blue Cross, one of VUMC's largest payors, represented 17% of total gross patient service revenue (based on total gross patient service revenue, including professional fee revenue) for the nine months ended March 31, 2025 and 2024. The revenues attributable to Blue Cross are presented in the other third-party payors category in the following table, which sets forth the sources of gross amounts of patient service revenue as well as net patient service revenue for the nine months ended March 31, 2025 and 2024, respectively:

<i>Payor Mix</i> ⁽¹⁾	3/31/25 Gross	3/31/25 Net
Other Third-Party Payors, Primarily Commercial Carriers ⁽²⁾	47.8%	61.6%
Medicare/Managed Medicare	33.6%	24.5%
TennCare/Medicaid	15.5%	12.8%
Uninsured (self-pay)	3.1%	1.1%
Total	100.0%	100.0%

(1) Facilities owned by the Obligated Group only.

(2) Includes commercial indemnity and other patient service programs provided under contractual arrangements.

<i>Payor Mix</i> ⁽¹⁾	3/31/24 Gross	3/31/24 Net
Other Third-Party Payors, Primarily Commercial Carriers ⁽²⁾	46.6%	61.9%
Medicare/Managed Medicare	33.6%	24.8%
TennCare/Medicaid	16.3%	12.2%
Uninsured (self-pay)	3.5%	1.1%
Total	100.0%	100.0%

(1) Facilities owned by the Obligated Group only.

(2) Includes commercial indemnity and other patient service programs provided under contractual arrangements.

VUMC's major commercial managed care contracts are multi-year agreements, typically three to four years with automatic annual escalators. Commercial contracts generally reimburse the facility on case rates with stop loss provisions for inpatient medical/surgical services and fee schedules for outpatient services. VPH is reimbursed on per diems. VUMC has no agreements based on full risk or capitation reimbursement. Three major commercial contracts utilize performance on quality metrics as a basis for a portion of the annual escalators. Over 84% of VUMC's payments for healthcare services are covered under contracted rates. Renewal dates for the most material contracts are presented in the table below.

The following table details payments received from VUMC's largest commercial contracts as a percentage of total technical and professional patient service revenue for the nine months ended March 31, 2025 and 2024, as well as the respective contract renewal date.

Commercial Contract Payments as a Percentage of Total Patient Service Revenue

	Total Payments as of 3/31/25⁽¹⁾	Total Payments as of 3/31/24⁽¹⁾	Renewal Dates
Aetna	7.9%	9.0%	4/30/2026
AmBetter ⁽²⁾	2.7%	1.8%	12/31/2026
BlueCross	25.1%	26.1%	12/31/2029
CIGNA	8.6%	9.6%	12/31/2026
United	9.0%	8.9%	7/31/2025
Total as a % of total net patient revenue	<u>53.3%</u>	<u>55.4%</u>	

(1) Represents cash payments received for discharges that occurred during the nine months ended March 31, 2025 and 2024, respectively. Does not include behavioral or dental service contracts.

(2) AmBetter is a marketplace exchange plan.

Medicare Advantage contracts represented approximately \$555.2 million and \$469.8 million or 10.6% and 10.1% of net patient service revenue (for the Obligated Group) for the nine months ended March 31, 2025 and 2024, respectively, and have renewal dates ranging from July 31, 2025 through December 31, 2027.

SUMMARY OF FINANCIAL DATA

Cash and Investments

The VUMC Board of Directors (the “Board”) approves the investment policy, while the Outsourced Chief Investment Officer, with oversight from VUMC including the Chief Financial Officer & Treasurer, Chief Operating Officer, Senior Vice President of Finance and Chief Accounting Officer, Senior Vice President of Organizational Transformation and Business Development Finance, and Associate Vice President of Treasury Management, is responsible for appointing and removing the investment advisory management firm which is responsible for recommending or terminating investment managers, monitoring asset allocation within the policy guidelines, and evaluating performance of funds. As the risk profile of VUMC matures, VUMC management anticipates undertaking modest additional risk, through asset allocation adjustments, to improve long-term investment returns. The table below summarizes VUMC’s investment allocation as of March 31, 2025, including working capital.

Summary of Cash and Investments Asset Allocation

As of March 31, 2025

	<u>Working Capital</u>	<u>Unrestricted and Restricted Investments⁽¹⁾</u>	<u>Self- Insurance Trust</u>	<u>Total</u>
Unrestricted Cash & Cash Equivalents	40%	4%	0%	25%
Equity Investments	0%	30%	46%	13%
Fixed Income Investments	40%	38%	38%	39%
Alternatives and Non-Marketable Investments ⁽²⁾	0%	26%	14%	11%
Project Funds at Bond Trustee	18%	0%	0%	11%
Restricted Cash & Cash Equivalents	2%	0%	2%	1%
SERP	0%	1%	0%	0%
Split Interest Trusts	0%	1%	0%	0%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

(1) Includes permanent endowment funds of \$149.9 million.

(2) Includes commodities/real assets, managed futures, absolute return, hedged strategies, private equity, and private credit.

Summary of Unrestricted Cash and Cash Equivalents

The following table sets forth VUMC unrestricted cash and investments and days cash on hand as of March 31, 2025 and 2024. This financial information is provided for informational purposes only and is not necessarily, and should not be assumed to be, an indication of the results that will be achieved in the future (\$ in thousands):

	FY 2025	FY 2024
Cash and cash equivalents ⁽¹⁾	\$ 622,282	\$ 652,623
Less: restricted cash and cash equivalents included above	(63,712)	(57,451)
Less: restricted pending donor gifts included above	(816)	(916)
Total unrestricted cash and cash equivalents	<u>\$ 557,754</u>	<u>\$ 594,256</u>
Unrestricted investments ⁽²⁾	<u>1,394,507</u>	<u>1,126,995</u>
Total unrestricted cash and investments	<u><u>\$ 1,952,261</u></u>	<u><u>\$ 1,721,251</u></u>
Average daily operating expenses ⁽³⁾	<u><u>\$ 21,585</u></u>	<u><u>\$ 19,397</u></u>
Days cash on hand ⁽⁴⁾	<u>90.4</u>	<u>88.7</u>

- (1) Cash and cash equivalents, as reported on the unaudited consolidated balance sheet, are composed of assets that are or may be readily converted to cash.
- (2) Unrestricted investments may be comprised of U.S. small, mid, and larger capitalization stocks, international stocks, intermediate term fixed income securities, mutual funds, exchange traded funds, hedge funds, real estate and private equity and generally may be liquidated within four business days or less.
- (3) Average daily operating expenses include all VUMC financial flows to the University. This excludes the principal payments on the Subordinated Promissory Note, which is now held by a 3rd party.
- (4) Unrestricted cash and investments divided by average daily operating expenses (excluding depreciation and amortization) for the nine months then ended.

Debt Service Coverage

The following tables set forth, for the nine months ended March 31, 2025 and 2024, VUMC's income available for debt service, and indicates the extent to which such income available for debt service would provide coverage for maximum annual and annual debt service on all long-term debt (\$ in thousands):

As of March 31, 2025

	<u>Actual</u>	<u>Annualized</u>
Excess of revenues over expenses ⁽¹⁾	\$ 229,635	\$ 306,180
Unrealized gain on investments	(27,962)	(37,283)
Depreciation and amortization	162,936	217,248
Interest	47,737	63,649
Income available to pay debt service	<u>\$ 412,346</u>	<u>\$ 549,794</u>
Maximum annual debt service		\$ 143,056
Maximum annual debt service coverage ⁽²⁾		3.8x
Annual debt service (Scheduled) ⁽³⁾		\$ 104,466
Annual debt service coverage (Scheduled) ⁽⁴⁾		5.3x

(1) Excludes gifts, grants, bequests, donations, or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of debt service and includes all VUMC financial flows to the University as presented in the most recent offering statement, excluding the principal payments on the Subordinated Promissory Note.

(2) Maximum annual debt service coverage consists of estimated annual income available to pay debt service divided by maximum annual debt service, excluding debt service related to operating leases.

(3) Represents actual debt service scheduled for the fiscal year, excluding debt service related to operating leases. Smoothed debt service scheduled for the fiscal year would be \$142.7 million and the debt service coverage ratio would be 3.9x.

(4) Annual debt service coverage consists of estimated annual income available to pay debt service divided by annual debt service, excluding debt service related to operating leases.

As of March 31, 2024

	<u>Actual</u>	<u>Annualized</u>
Excess of expenses over revenues ⁽¹⁾	\$ 235,270	\$ 313,693
Unrealized gain on investments	(44,331)	(59,108)
Gain on interest rate swap	(14,907)	(19,876)
Depreciation and amortization	152,798	203,731
Interest	50,755	67,673
Income available to pay debt service	<u>\$ 379,585</u>	<u>\$ 506,113</u>
 Maximum annual debt service		 \$ 114,178
 Maximum annual debt service coverage ⁽²⁾		 4.4x
 Annual debt service (Scheduled) ⁽³⁾		 \$ 98,616
 Annual debt service coverage (Scheduled) ⁽⁴⁾		 5.1x

- (1) Excludes gifts, grants, bequests, donations, or contributions, to the extent specifically restricted by the donor to a particular purpose inconsistent with their use for the payment of debt service and includes all VUMC financial flows to the University as presented in the most recent offering statement, excluding the principal payments on the Subordinated Promissory Note.
- (2) Maximum annual debt service coverage consists of estimated annual income available to pay debt service divided by maximum annual debt service, excluding debt service related to operating leases.
- (3) Represents actual debt service scheduled for the fiscal year, excluding debt service related to operating leases. Smoothed debt service scheduled for the fiscal year would be \$113.9 million and the debt service coverage ratio would be 4.4x.
- (4) Annual debt service coverage consists of estimated annual income available to pay debt service divided by annual debt service, excluding debt service related to operating leases.

Capitalization Ratios

The following table provides VUMC's capitalization ratios as of and for the nine months ended March 31, 2025 and 2024, (\$ in thousands):

	FY 2025	FY 2024
Debt ⁽¹⁾	\$ 2,384,611	\$ 1,940,811
Net assets without donor restrictions	2,348,594	2,029,722
Total capitalization	<u>\$ 4,733,205</u>	<u>\$ 3,970,533</u>
Ratio of debt to capitalization (%)	50.4%	48.9%
EBIDA	\$ 587,077	\$ 585,097
Ratio debt to total EBIDA ⁽²⁾	4.1x	3.3x
Total unrestricted cash and investments	\$ 1,952,261	\$ 1,721,251
Ratio cash to debt (%) ⁽³⁾	81.9%	88.7%

(1) Total outstanding debt, including current maturities, financing leases and other obligations, excluding the Subordinate Promissory Note, draws under the \$100 million line of credit with U.S. Bank National Association initially entered into in April 2016, and operating lease liabilities.

(2) Total outstanding long-term debt divided by total annualized EBIDA, which includes realized gains from sales of assets incurred in the normal course of operations, investment income (all gains), unrestricted gifts or restricted gifts released from restrictions (spent on the purpose), gain or loss on interest rate swaps (which were terminated in FY24), and equity earnings in unconsolidated organizations.

(3) Unrestricted cash and investments divided by debt, which includes unrestricted cash and cash equivalents and unrestricted investments.

Existing Lease Agreements

VUMC leases certain property and equipment under leases with terms ranging from two to thirty years. In addition, VUMC is the lessee in a 99-year ground lease with Vanderbilt University. VUMC classifies these leases as operating leases. The following schedule represents our annual commitments of minimum rentals on non-cancelable operating leases by fiscal year (\$ in thousands):

	Equipment	Property	Ground Lease	Total
2025	\$ 15,165	\$ 73,491	\$ 19,440	\$ 108,096
2026	11,486	79,336	19,440	110,262
2027	8,926	66,923	19,440	95,289
2028	7,083	57,420	19,440	83,943
2029	4,286	48,863	19,440	72,589
Thereafter	4,305	416,912	1,652,400	2,073,617
Total	<u>\$ 51,251</u>	<u>\$ 742,945</u>	<u>\$ 1,749,600</u>	<u>\$ 2,543,796</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FY25 operating earnings before interest, depreciation, and amortization (operating EBIDA) of \$331 million are \$16 million more than FY24 operating EBIDA of \$315 million. The increase in operating EBIDA is driven by a \$618 million increase in operating revenue, partially offset by a \$602 million increase in operating expense, excluding interest, depreciation, and amortization. FY25 operating income of \$120 million is \$9 million more than FY24 operating income of \$111 million, driven by increased operating EBIDA of \$16 million, partially offset by unfavorable interest, depreciation, and amortization of \$7 million. FY25 excess of revenues over expenses of \$230 million is \$6 million less than FY24 excess of revenues over expenses of \$235 million. The decrease is driven by a decrease in non-operating gains of \$16 million, partially offset by the increase in operating income of \$9 million. The decrease in non-operating gains is due to a \$15 gain recognized in FY24 from the termination of our interest rate swaps, a \$3 million decrease in investment income, and a \$1 million decrease in gift income, partially offset by a \$3 million increase in earnings of unconsolidated organizations.

Revenues

FY25 operating revenue increased approximately \$618 million, or 11%, to \$6,192 million from \$5,574 million a year earlier. The primary driver of the increase in operating revenue is a 12% increase in patient service revenue to \$5,388 million from \$4,813 million a year earlier, driven by volumes with increased inpatient and outpatient surgeries and increased emergency and ambulatory visits.

VUMC received \$166 million in TennCare directed payments during FY24 and early FY25 of which \$83 million was recognized as income in the second two quarters of FY24 and \$83 million was recognized in the first two quarters of FY25.

Academic and research revenue increased \$31 million to \$627 million from \$596 million a year earlier, driven by increased grant and contract revenue driven by increased restricted spending.

Expenses

FY25 expenses increased approximately \$609 million, or 11%, to \$6,072 million from \$5,463 million a year earlier. The primary drivers are increases in salaries, wages, and benefits of \$314 million, supplies and drugs of \$187 million, and services and other of \$75 million. The increase in salaries, wages, and benefits is primarily due to the increased volume and the related staffing demand and increased cost of labor as hiring increases in anticipation of the opening of the Jim Ayers Tower. The increase in drug costs of \$143 million is driven by growth in our retail and specialty pharmacy and utilization of certain higher cost drugs in the clinical setting. The increase in supplies of \$44 million is driven by surgical volume and higher acuity surgeries such as transplants. The increase in services and other compared to the prior year is driven by higher affiliate payments due to increased operating income, higher professional services expense, and subcontracts, driving increased grant revenue.

Balance Sheet / Cash Flow

FY25 YTD net assets increased by approximately \$263 million primarily due to excess of revenues over expenses of approximately \$230 million and an increase in net assets with donor restrictions of approximately \$31 million.

Cash, including restricted cash, increased by approximately \$87 million, which was primarily due to net proceeds from the issuance of long-term debt of \$457 million and operating EBIDA previously discussed. These increases were partially offset by net securities purchases of \$171 million, capital expenditures of \$366 million, debt and finance lease payments of \$18 million, and changes in working capital.

Financial Position Conclusion

FY25 YTD operating EBIDA margin and operating margin were 5.3% and 1.9%, respectively, both of which have slightly decreased when compared to FY24 YTD operating EBIDA margin and operating margin of 5.6% and 2.0%, respectively.

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2025 AND JUNE 30, 2024
(\$ in thousands)

	March 31, 2025 (Unaudited)	June 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 622,282	\$ 773,866
Current investments	143,670	127,856
Patient accounts receivable	888,310	789,534
Grants and contracts receivable	188,855	167,834
Inventories	201,643	184,069
Other current assets	116,294	104,691
Total current assets	2,161,054	2,147,850
Restricted cash	305,424	67,158
Noncurrent investments	1,250,837	1,073,228
Noncurrent investments limited as to use	222,905	209,718
Property, plant, and equipment, net	2,145,329	1,947,013
Operating lease assets	972,496	947,709
Other noncurrent assets	183,634	175,357
Total assets	<u>\$ 7,241,679</u>	<u>\$ 6,568,033</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 24,323	\$ 19,186
Accounts payable and other accrued expenses	506,112	534,121
Estimated liabilities under third-party programs	39,717	109,986
Accrued compensation and benefits	369,525	345,901
Current portion of operating lease liabilities	78,061	73,420
Current portion of deferred revenue	48,719	46,184
Current portion of medical malpractice self-insurance reserves	17,642	16,911
Total current liabilities	1,084,099	1,145,709
Long-term debt, net of current portion	2,416,121	1,983,670
Noncurrent portion of operating lease liabilities	929,161	901,155
Noncurrent portion of medical malpractice self-insurance reserves	80,010	66,310
Noncurrent portion of deferred revenue	650	-
Other noncurrent liabilities	7,399	9,453
Total liabilities	4,517,440	4,106,297
Net assets without donor restrictions:		
Net assets without donor restrictions controlled by Vanderbilt University Medical Center	2,328,234	2,095,494
Net assets without donor restrictions related to noncontrolling interests	20,360	21,828
Total net assets without donor restrictions	2,348,594	2,117,322
Net assets with donor restrictions	375,645	344,414
Total net assets	2,724,239	2,461,736
Total liabilities and net assets	<u>\$ 7,241,679</u>	<u>\$ 6,568,033</u>

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED MARCH 31, 2025 AND 2024
(\$ in thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2025	2024
Operating revenues		
Patient service revenue	\$ 5,387,934	\$ 4,812,748
Academic and research revenue	626,791	596,388
Other operating revenue	177,464	164,813
Total operating revenues	<u>6,192,189</u>	<u>5,573,949</u>
Operating expenses		
Salaries, wages, and benefits	3,244,298	2,929,577
Supplies and drugs	1,472,814	1,285,825
Facilities, equipment, and technology	338,116	313,184
Services and other	805,982	730,718
Depreciation and amortization	162,936	152,798
Interest	47,737	50,755
Total operating expenses	<u>6,071,883</u>	<u>5,462,857</u>
Income from operations	<u>120,306</u>	<u>111,092</u>
Nonoperating revenues and expenses		
Income from investments	86,524	89,449
Gift income	18,440	19,419
Earnings of unconsolidated organizations	9,603	6,934
Gain on interest rate exchange agreements	-	14,907
Total nonoperating revenues and expenses	<u>114,567</u>	<u>130,709</u>
Excess of revenues over expenses	234,873	241,801
Excess of revenues over expenses attributable to noncontrolling interests	<u>(5,238)</u>	<u>(6,531)</u>
Excess of revenues over expenses attributable to VUMC	229,635	235,270
Other changes in net assets without donor restrictions		
Change in noncontrolling interests' net assets	(1,468)	1,126
Net assets released from restriction for capital	219	-
Other changes	<u>2,886</u>	<u>(3,128)</u>
Total changes in net assets without donor restrictions	<u>\$ 231,272</u>	<u>\$ 233,268</u>

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE NINE MONTHS ENDED MARCH 31, 2025 AND 2024
(\$ in thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2025	2024
Net assets without donor restrictions		
Net assets without donor restrictions at the beginning of the period	\$ 2,117,322	\$ 1,796,454
Excess of revenues over expenses	229,635	235,270
Change in noncontrolling interests' net assets	(1,468)	1,126
Net assets released from restriction for capital	219	-
Other changes	2,886	(3,128)
Change in net assets without donor restrictions	231,272	233,268
Net assets without donor restrictions at the end of the period	\$ 2,348,594	\$ 2,029,722
Net assets with donor restrictions		
Net assets with donor restrictions at the beginning of the period	\$ 344,414	\$ 317,101
Contributions	41,603	47,492
Restricted investment income	6,603	9,243
Net assets released from restrictions for operations	(14,868)	(12,953)
Net assets released from restriction for capital	(219)	-
Other changes	(1,888)	3,917
Change in net assets with donor restrictions	31,231	47,699
Net assets with donor restrictions at the end of the period	\$ 375,645	\$ 364,800
Total net assets		
Beginning of the period	\$ 2,461,736	\$ 2,113,555
Change in total net assets	262,503	280,967
End of the period	\$ 2,724,239	\$ 2,394,522

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED MARCH 31, 2025 AND 2024
(\$ in thousands)
(Unaudited)

	Nine Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Change in total net assets	\$ 262,503	\$ 280,967
Adjustments to reconcile change in total net assets to net cash provided by operating activities:		
Depreciation and amortization	162,936	152,798
Investment (gains)	(35,235)	(51,266)
Purchases of trading securities	(282,882)	(91,446)
Sales of trading securities	132,196	82,397
Gain on interest rate exchange agreements	-	(15,561)
Implementation costs incurred on hosting arrangements	(915)	(4,595)
Amortization of implementation costs incurred on hosting arrangements	3,360	3,165
Restricted contributions for endowments and property, plant, and equipment	(12,951)	(13,594)
Noncash lease expense	58,869	55,083
Other noncash activities	(5,704)	(9,960)
(Decrease) increase in cash due to changes in:		
Patient accounts receivable	(98,776)	(44,393)
Grants and contracts receivable	(21,021)	(27,901)
Accounts payable and other accrued expenses	(26,436)	(27,804)
Estimated liabilities under third-party programs	(70,269)	58,262
Accrued compensation and benefits	23,624	(2,924)
Operating lease liabilities	(52,763)	(55,412)
Other assets and other liabilities, net	(9,010)	(72,513)
Net cash provided by operating activities	<u>27,526</u>	<u>215,303</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(365,399)	(260,055)
Purchases of long-term securities	(186,374)	(364,067)
Sales and maturities of long-term securities	165,686	301,671
Net cash used in investing activities	<u>(386,087)</u>	<u>(322,451)</u>
Cash flows from financing activities		
Proceeds from issuance of long-term debt	459,409	151,257
Draw on line of credit	100,000	15,000
Debt issuance costs	(2,617)	(1,227)
Repayment of long-term debt and lines of credit	(113,162)	(26,992)
Principal payments under finance lease obligations	(4,632)	(8,313)
Restricted contributions for endowments and property, plant, and equipment	12,951	13,594
Distributions to noncontrolling interests	(6,706)	(5,405)
Net cash provided by financing activities	<u>445,243</u>	<u>137,914</u>
Net change in cash, cash equivalents, and restricted cash	<u>86,682</u>	<u>30,766</u>
Cash, cash equivalents, and restricted cash		
Beginning of the period	<u>841,024</u>	<u>774,654</u>
End of the period	<u>\$ 927,706</u>	<u>\$ 805,420</u>