Combined Financial Statements and Supplementary Information

Norton Healthcare, Inc. and Affiliates
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Norton Healthcare, Inc. and Affiliates

Combined Financial Statements and Supplementary Information

Years Ended December 31, 2023 and 2022

Contents

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Report of Independent Auditors

The Board of Trustees
Norton Healthcare, Inc. and Affiliates

Opinion

We have audited the combined financial statements of Norton Healthcare, Inc. and Affiliates (the Corporation), which comprise the combined balance sheets as of December 31, 2023 and 2022, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Corporation at December 31, 2023 and 2022, and the combined results of its operations and changes in 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Ernst & Young LLP

April 4, 2024

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

	December 31	
	2023	**2022**
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 265,263**	$ 257,073
Marketable securities and other investments	**72,983**	70,607
Patient accounts receivable	**478,595**	355,399
Inventory	**82,342**	80,879
Prepaid expenses and other	**83,036**	73,593
Due from third-party payors, net	**138,737**	21,301
Miscellaneous receivables	**41,118**	41,103
Current portion of assets limited as to use	**29,218**	27,281
Total current assets	**1,191,292**	927,236
Assets limited as to use, net of current portion	**2,074,655**	2,125,073
Property and equipment, net	**1,489,940**	1,390,476
Other assets:		
Investments in joint ventures	**13,286**	24,809
Pledges receivable, net	**25,135**	30,683
Beneficial interest in trusts held by others	**25,317**	23,492
Goodwill and indefinite-lived intangible assets	**24,111**	21,448
Interest rate swaps asset	**29,905**	11,670
Operating lease right-of-use assets, net	**182,925**	170,565
Other assets	**32,678**	28,881
Total other assets	**333,357**	311,548
Total assets	**$ 5,089,244**	$ 4,754,333

	December 31	
	2023	2022
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 104,562**	$ 116,219
Accrued expenses and other	**136,870**	140,883
Current portion of operating lease liability	**26,600**	25,314
Accrued payroll and related items	**237,089**	243,942
Commercial paper	**–**	25,000
Accrued interest	**12,940**	12,891
Current portion of long-term debt	**51,198**	174,709
Total current liabilities	**569,259**	738,958
Other non-current liabilities:		
Pension liability	**43,385**	52,270
Insurance liability	**94,742**	95,580
Long-term operating lease liability, net of current portion	**157,444**	145,714
Other	**120,545**	92,155
Total other non-current liabilities	**416,116**	385,719
Long-term debt, net of current portion	**1,609,327**	1,365,790
Net assets:		
Without donor restrictions	**2,332,531**	2,108,417
With donor restrictions	**162,011**	155,449
Total net assets	**2,494,542**	2,263,866
Total liabilities and net assets	**$ 5,089,244**	$ 4,754,333

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Revenue:		
Net patient service revenue	**$ 3,955,552**	$ 3,471,972
CARES Act and ARP Provider Relief Funds	**–**	61,056
Other revenue	**56,079**	58,158
Donations and contributions	**19,602**	18,098
Joint venture loss	**(5,185)**	(1,413)
Total revenue	**4,026,048**	3,607,871
Operating expenses:		
Labor and benefits	**2,131,446**	1,950,757
Professional fees	**160,888**	139,986
Drugs and supplies	**933,520**	836,238
Fees and special services	**184,986**	167,481
Repairs, maintenance, and utilities	**148,236**	127,625
Rent and leases	**55,843**	52,664
Insurance	**43,164**	26,934
Provider tax	**114,632**	59,233
Other	**32,882**	29,785
Total operating expenses	**3,805,597**	3,390,703
Earnings before fixed expenses and other gains	**220,451**	217,168
Fixed expenses:		
Depreciation and amortization	**152,547**	152,271
Interest expense	**54,695**	50,691
Interest rate swaps benefit, net	**(3,780)**	(3,934)
	203,462	199,028
Patient service margin	**16,989**	18,140

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets (continued)

	Year Ended December 31 2023	2022
	(In Thousands)	
Patient service margin	**$ 16,989**	$ 18,140
Investment gain	**49,345**	57,995
Operating gain	**66,334**	76,135
Non-operating gains (losses):		
Change in net unrealized gains (losses) on investments	**144,478**	(304,959)
Change in fair value of interest rate swaps	**18,235**	14,826
Petersdorf Fund grants	**(749)**	(6,400)
Net periodic pension cost	**(5,171)**	(1,619)
Other non-operating losses, net	**(15,283)**	(1,520)
Total non-operating gains (losses), net	**141,510**	(299,672)
Excess of revenue over expenses (expenses over revenue) before excess of net assets acquired over consideration paid for King's Daughters' Health, Inc.	**207,844**	(223,537)
Excess of net assets acquired over consideration paid for King's Daughters Health, Inc.	**–**	133,667
Excess of revenue over expenses (expenses over revenue)	**207,844**	(89,870)
Net assets without donor restrictions:		
Change in pension plan assets and obligation	**14,057**	(6,060)
Net assets released from restriction for equipment and other	**2,213**	4,156
Increase (decrease) in net assets without donor restrictions	**224,114**	(91,774)
Net assets with donor restrictions:		
Contributions, fees, grants, bequests, net	**10,843**	34,903
Investment gain	**3,246**	2,629
Change in beneficial interest in trusts held by others	**1,945**	(6,692)
Change in net unrealized gains (losses) on investments	**5,963**	(10,420)
Net assets released from restriction	**(15,435)**	(17,553)
Increase in net assets with donor restrictions	**6,562**	2,867
Increase (decrease) in net assets	**230,676**	(88,907)
Net assets at beginning of year	**2,263,866**	2,352,773
Net assets at end of year	**$ 2,494,542**	$ 2,263,866

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Operating activities		
Increase (decrease) in net assets	**$ 230,676**	$ (88,907)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**152,547**	152,271
Premium amortization	**(6,851)**	(8,721)
Change in net unrealized (gains) losses on investments	**(150,441)**	315,379
Loss on remeasurement of equity method investment	**7,980**	–
Excess of net assets acquired over consideration paid for King's Daughters' Health, Inc.	**–**	(133,667)
Loss on extinguishment of debt	**4,303**	1,523
Change in fair value of interest rate swaps	**(18,235)**	(14,826)
Change in pension plan asset and obligation	**(14,057)**	6,060
Restricted contributions and investment gain	**(16,013)**	(30,845)
Cash (used in) provided by operating assets and liabilities:		
Change in patient accounts receivable	**(123,196)**	(29,794)
Change in assets limited as to use, net	**198,922**	(24,530)
Change in amounts due to from/to third-party payors	**(113,611)**	(3,383)
Change in marketable securities and other investments	**(2,376)**	102,559
Change in other current and non-current assets and liabilities	**(5,740)**	(83,275)
Net cash provided by operating activities	**143,908**	159,844
Investing activities		
Purchase of property and equipment	**(198,552)**	(130,706)
Acquisition of The Regional Health Network of Kentucky and Southern Indiana LLC, net of cash acquired	**(36,711)**	–
Acquisition and prefunding of King's Daughters' Health, net of cash acquired	**–**	(14,522)
Change in joint ventures and other	**(9,633)**	6,209
Net cash used in investing activities	**(244,896)**	(139,019)
Financing activities		
Issuance of long-term debt	**452,005**	82,810
Refunding of long-term debt	**(310,228)**	(88,982)
Principal payments on long-term debt	**(19,166)**	(47,910)
Cost of long-term debt issuance	**(3,310)**	(411)
Issuance of commercial paper	**23,864**	25,000
Repayment of commercial paper	**(50,000)**	–
Restricted contributions and investment gain	**16,013**	30,845
Net cash provided by financing activities	**109,178**	1,352
Increase in cash and cash equivalents	**8,190**	22,177
Cash and cash equivalents at beginning of year	**257,073**	234,896
Cash and cash equivalents at end of year	**$ 265,263**	$ 257,073

See accompanying notes.

1. Description of Organization and Summary of Significant Accounting Policies

Organization

The accompanying combined financial statements of Norton Healthcare, Inc. include the transactions and accounts of Norton Healthcare, Inc. (the controlling company) and Affiliates, including the following: Norton Hospitals, Inc.; Norton Healthcare – Indiana, Inc.; Norton Enterprises, Inc.; Norton Properties, Inc.; The Children's Hospital Foundation, Inc.; Norton Healthcare Foundation, Inc.; and Community Medical Associates, Inc. Norton Healthcare, Inc. and Affiliates are collectively hereafter referred to as the Corporation. The Corporation operates in the Louisville, Kentucky metropolitan area, and its operations include 2,254 licensed beds, 18 Norton Immediate Care Centers, and providing care at more than 370 locations throughout Kentucky and southern Indiana.

All significant intercompany transactions and accounts have been eliminated in combination.

Use of Estimates

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

Liquidity

As a business-oriented not-for-profit that is not solely dependent on donor contributions, the capital needs of the Corporation and operating budgets are coordinated so that anticipated cash needs are provided by current cash flow from operations, supplemented from time to time by debt financing. Included within current assets on the combined balance sheets are financial assets available for general expenditure within one year of December 31, and include cash and cash equivalents, marketable securities and other investments, patient accounts receivable, and the current portion of assets limited as to use. See additional information with respect to these financial assets in Note 1 and Note 4. As part of the Corporation's management of liquidity, certain cash and cash equivalents in excess of operating requirements for general expenditures are transferred

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

to assets limited as to use. The Corporation's long-term assets limited as to use contain various investments that can be drawn upon, if necessary, to meet the liquidity needs of the Corporation within the next fiscal year. See Note 4 for additional information as it relates to assets limited as to use.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments that are neither internally nor externally restricted.

The Corporation considers highly liquid investments to be cash equivalents when they are both readily convertible to cash and so near to maturity (typically within three months) that their value is not subject to risk due to changes in interest rates. Highly liquid investments with original short-term maturities of less than three months that are included as assets limited as to use are excluded from cash equivalents as they are commingled with longer-term investments. Cash and cash equivalents carried on the combined balance sheets approximates fair value at both December 31, 2023 and 2022.

Marketable Securities and Other Investments

Marketable securities and other investments consist primarily of marketable debt securities that are used by the Corporation to support short-term operational and capital needs. As of December 31, 2023 and 2022, $27.4 million and $23.8 million, respectively, included underlying obligations whose maturities are greater than one year from the date of the combined balance sheets. Due to the markets in which these securities are traded, the Corporation believes the securities can be liquidated at their fair value without restriction and, therefore, has included the securities as current assets.

Inventory

Inventories (predominately medical and surgical supplies and pharmaceuticals) are primarily carried at the lower of cost (first-in, first-out method) or net realizable value.

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

Assets Limited as to Use and Investment Return

Assets limited as to use include a portfolio of investments that are set aside by the Board of Trustees (the Board) for future services, indigent care, education, research, and community health initiatives over which the Board retains control and may, at its discretion, subsequently use for other purposes. This portfolio of investments also includes assets restricted by donors. The Corporation utilizes a pooled investment program (the Master Trust Fund) to manage this portfolio of investments. Income is allocated to each entity based on its investment balance to the total investment balance by type of investment. All entities that participate in the Master Trust Fund are included in these combined financial statements. Other investments within assets limited as to use include assets held by trustees under a self-insurance trust agreement and assets under bond indenture trust agreements. Amounts required to meet current liabilities of the Corporation have been classified as current in the combined balance sheets at December 31, 2023 and 2022.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such change could materially affect the amounts reported in the combined balance sheets.

All investment securities are considered trading. Included in investment gain are interest, dividends, realized gains and losses on investments, and changes in the value of investments carried at net asset value (NAV). Investment gain and the change in net unrealized gains (losses) on investments are included in the excess of revenue over expenses (expenses over revenue) unless a donor or law restricts the income or loss.

Alternative investments, including hedge funds, real estate funds, and private equity funds, are recorded under the equity method of accounting using NAV. The NAV of the alternative investments is based on valuations provided by the administrators of the specific alternative investment. The underlying investments in these alternative investments may include marketable debt and equity securities, commodities, foreign currencies, derivatives, and private equity investments. The underlying investments themselves are subject to various risks, including market, credit, liquidity, and foreign exchange risk. The Corporation believes the NAV is a reasonable estimate of its ownership interest in the respective alternative investments. The Corporation’s risk of alternative investments is limited to its carrying value plus amounts committed to private equity funds as disclosed in Note 4. Alternative investments can be divested only at specified times in

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

accordance with terms of the subscription agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution when the underlying investments are liquidated subject to final valuation following the availability of the hedge fund's next audited financial statements. These types of redemptions are subject to lock-up provisions that are generally imposed on the initial investment in the fund for a period of time. Private equity funds and real estate funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the real estate or private equity fund's life. The financial statements of all of the Corporation's alternative investments are audited annually. Because these alternative investments are not readily marketable, the estimated carrying value is subject to uncertainty, and, therefore, may differ from the value that would have been used had a market for such alternative investments existed. The change in the carrying value of the alternative investments is included in investment gain in the combined statements of operations and changes in net assets.

The Corporation has elected to account for common and collective trust funds at fair value as allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 825, *Financial Instruments*. The Corporation believes that this election is appropriate given the nature of its common and collective trust funds and their similarity to mutual funds.

Fair Value of Financial Instruments

The Corporation follows the provisions of ASC 820, *Fair Value Measurement* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumptions in fair value measurements, as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and

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

the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs utilize quoted market prices in active markets for identical assets or liabilities.

- Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

- Level 3 – Inputs are unobservable inputs for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. In order to meet the requirements of ASC 820, the Corporation utilizes three basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to pay to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Corporation, including those traded on exchanges, to determine value. The third approach is the income approach. The income approach uses estimation techniques to determine the estimated future cash flows of the Corporation's respective asset or liability expected by a market participant and discounts those cash flows back to present value (more typically referred to as a discounted cash flow approach).

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

Property and Equipment

Property and equipment are recorded at cost, or at fair value on the acquisition date if obtained through acquisition and the measurement period is complete. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed primarily using the straight-line method. Land improvements are depreciated over a range of 2 to 30 years. Buildings and equipment are depreciated over a range of 1 to 40 years. Costs incurred in the development and installation of internal-use software are expensed if they are incurred in the preliminary project stage or post-implementation stage, while certain costs are capitalized if incurred during the application development stage. Internal-use software is amortized over its expected useful life, generally between 1 and 10 years, with amortization beginning when the project is completed and the software is placed in service.

Useful lives of assets are determined through consultation of the American Hospital Association's *Life of Depreciable Hospital Assets* and in consideration of how the Corporation intends to use the asset or has used similar assets in the past.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions and are excluded from the excess of revenue over expenses (expenses over revenue). Such gifts are recorded at fair value at the date of donation. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

The Corporation evaluates long-lived assets used in operations for impairment as events and changes in circumstances indicate that the carrying amount of such assets might not be recoverable. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows of other groups of assets. Impairment write-downs are recognized in the combined statements of operations and changes in net assets at the time the impairment is identified. There was no loss on impairment of property and equipment recognized for the years ended December 31, 2023 or 2022.

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

Leases

The Corporation leases property and equipment under finance and operating leases. The Corporation determines whether an arrangement is a lease at inception. Right-of-use assets and lease liabilities are recognized for leases with terms greater than 12 months based on the net present value of the future minimum lease payments over the lease term at commencement date. When readily determinable, the Corporation uses the interest rate implicit in the lease to determine the present value of future minimum lease payments. However, most of the Corporation's leases do not have a readily determinable implicit interest rate. For these leases, the Corporation's estimated incremental borrowing rate is used. The right-of-use asset and lease liability include a value for options to extend a lease if it is reasonably certain that the option will be exercised.

Operating lease liabilities and related right-of-use assets, net are included in current portion and non-current portion of operating lease liability and operating lease right-of-use assets, net on the combined balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term and is included in rent and lease expense in the combined statements of operations and changes in net assets.

Finance lease liabilities and related right-of-use assets, net are included in current portion and non-current portion of long-term debt and property and equipment, net on the combined balance sheets. Finance lease right-of-use assets, net are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the property or equipment. Such amortization expense is included in depreciation and amortization in the combined statements of operations and changes in net assets.

Investments in Joint Ventures

The Corporation maintains an ownership percentage of 50% or less in various joint ventures and other companies that do not require combination. These investments are primarily accounted for using the equity method of accounting.

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

The following is a summary of the investments in joint ventures:

	December 31 2023	2022
	(In Thousands)	
The Regional Health Network of Kentucky and Southern Indiana, LLC *(Note 14)*	**$ –**	$ 10,952
Other	**13,286**	13,857
	$ 13,286	$ 24,809

The following is a summary of joint venture (loss) income:

	Year Ended December 31 2023	2022
	(In Thousands)	
The Regional Health Network of Kentucky and Southern Indiana, LLC *(Note 14)*	**$ (6,277)**	$ (6,218)
Other	**1,092**	4,805
	$ (5,185)	$ (1,413)

Investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable. No impairment was recognized for the years ended December 31, 2023 or 2022.

Goodwill and Indefinite-Lived Intangible Assets

The Corporation has goodwill and indefinite-lived intangible assets recorded related to several hospitals, physician practices, a pathology laboratory, diagnostic centers, and an ambulatory surgical center license totaling $24.1 million and $21.4 million at December 31, 2023 and 2022, respectively.

The Corporation follows the provisions of ASC 958, *Not-for-Profit Entities* (ASC 958), which provides guidance for a not-for-profit entity with respect to goodwill and other indefinite-lived intangible assets subsequent to an acquisition. In accordance with ASC 958, the Corporation tests goodwill and indefinite-lived intangible assets for impairment on an annual basis (October 1), and between annual tests if impairment indicators exist, utilizing qualitative and quantitative factors.

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

Goodwill impairment testing is done at the reporting unit level (which is defined as the Corporation) by comparing the fair value of the reporting unit's net assets against the carrying value of the reporting unit's net assets, including goodwill. If a quantitative analysis is performed, the fair value of net assets is generally estimated based on an analysis of discounted cash flows (Level 3 measurement).

The annual impairment test performed in 2023 and 2022 resulted in no adjustments to recorded goodwill and indefinite-lived intangible assets.

Medical Malpractice and General Liability Self-Insurance

The Corporation is self-insured for medical malpractice and general liability claims. The provision for estimated self-insured medical malpractice and general liability claims includes estimates of the ultimate costs of settlement for both reported claims and claims incurred but not reported. The Corporation recorded total medical malpractice and general liability self-insurance liabilities of $122.2 million and $121.5 million as of December 31, 2023 and 2022, respectively. Medical malpractice and general liability self-insurance liabilities of $31.4 million and $29.6 million are included in accrued expenses and other current liabilities at December 31, 2023 and 2022, respectively, based on the expectation of the payout of claims in the subsequent year. The long-term portion of these liabilities are held in other non-current liabilities on the combined balance sheets. Additionally, the Corporation has recorded total receivables of $10.5 million and $9.9 million as of December 31, 2023 and 2022, respectively, for anticipated reinsurance recoveries. Of total anticipated reinsurance recoveries, $3.0 million and $2.7 million are classified as current at December 31, 2023 and 2022, respectively, and are recorded in miscellaneous receivables on the combined balance sheets. The non-current portion of anticipated reinsurance recoveries of $7.5 million and $7.2 million at December 31, 2023 and 2022, respectively, are recorded in other assets on the combined balance sheets. The Corporation recorded an increase in medical malpractice and general liability self-insurance expense of $2.6 million in 2023 and decrease of $4.8 million in 2022 related to changes in actuarial estimates reflecting claim activity, closed claims, claim resolution history, and other environmental factors. The Corporation has engaged independent actuaries to estimate the ultimate costs of the settlement of such claims. Recorded self-insured medical malpractice and general liabilities, discounted at 4.50% and 3.75% at December 31, 2023 and 2022, respectively, represent management's best estimate of ultimate costs at those dates.

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

The Corporation has excess loss insurance coverage for claims over the self-insured limits on a claims-made basis. Through the excess loss commercial policies, the Corporation is insured for losses up to established individual and aggregate claim limits.

The Corporation's management is of the opinion that the combined financial statements will not be materially affected by the ultimate cost related to asserted and unasserted claims, if any, at the combined balance sheet date.

Under the terms of the self-insurance trust agreements for the self-insurance funds, the Corporation makes annual deposits with its trustee based upon actuarial funding recommendations. Amounts deposited and interest thereon can only be used to pay self-insured losses and related expenses. Such trust fund assets are reported as assets limited as to use. Investment returns from trusteed assets are recorded as investment gain and change in net unrealized gains (losses) on investments, as applicable.

Commercial Paper

On May 1, 2022, the Corporation entered into a dealer agreement with J.P. Morgan Securities, LLC, which allows the Corporation to issue taxable commercial paper notes (commercial paper) with an agreement that the principal amount not exceed $200.0 million. The commercial paper will bear an interest rate as determined by J.P. Morgan Securities, LLC at the time of sale and will have maturities not exceeding 270 days from the date of issue. During each of the years ended December 31, 2023 and 2022, the Corporation issued commercial paper in $25.0 million offerings, with no more than $50.0 million outstanding at any one time. The Corporation had no commercial paper outstanding at December 31, 2023, and $25.0 million outstanding at December 31, 2022. Any commercial paper outstanding is a general obligation of the Corporation, secured on parity with outstanding bonds.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those whose use by the Corporation has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Corporation in perpetuity. Net assets with donor restrictions are primarily restricted for strategic capital projects or in support of the Corporation's mission.

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

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount that reflects the consideration to which the Corporation expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlements of reviews and audits.

Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Corporation believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. The Corporation measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation.

Outpatient services are performance obligations satisfied at a point in time, and net patient service revenue is recognized when goods or services are provided and the Corporation does not believe it is required to provide additional goods or services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in ASC 606, *Revenue from Contracts with Customers* (ASC 606) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the combined balance sheet date. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the combined balance sheet date. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the combined balance sheet date.

The Corporation has elected to use the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Corporation accounts for the contracts within each portfolio as a collective group, rather than recognizing net patient service revenue on an individual contract basis, based on the payment pattern expected in each portfolio category and the

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

similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient net patient service revenue and outpatient net patient service revenue. Based on the historical collection trends and other analysis, the Corporation believes that net patient service revenue recognized by utilizing the portfolio approach approximates the net patient service revenue that would have been recognized if an individual contract approach were used.

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different than the Corporation's established charges. For uninsured patients who do not qualify for charity care, the Corporation recognizes net patient service revenue based on established charges, subject to certain discounts and implicit price concessions determined by the Corporation. The Corporation determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and/or implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current and future market conditions, and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and/or implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of change. Adjustments arising from a change in the transaction price, which resulted in an increase to net patient service revenue, were \$12.4 million and \$39.4 million for the years ended December 31, 2023 and 2022, respectively, and were not material to net patient service revenue for either period and, therefore, did not result in a change in the Corporation's revenue recognition policy.

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

In rare instances, the Corporation receives payment in advance of the services provided and considers these amounts to represent contract liabilities. Contract liabilities at December 31, 2023 and 2022 include balances of $0 and $32.5 million, respectively, which is included in accrued expenses and other on the combined balance sheet, for amounts received from the Centers for Medicare and Medicaid Services (CMS) as part of the Medicare Accelerated and Advanced Payment Program implemented as a COVID-19 pandemic relief measure.

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

The Corporation is paid prospectively determined rates for the majority of inpatient acute care, outpatient, and ambulatory care services provided (principally Medicare, Medicaid, and certain commercial payors). This net patient service revenue is subject to retroactive adjustments due to audits, reviews, change in program administration and rules, and outcome of litigation. These settlements are estimated based on the agreement with the payor and correspondence, which includes an assessment to ensure it is probable that a significant reversal in the amount of cumulative net patient service revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. The Corporation has established a corporate compliance program to assist in maintaining compliance with such laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines and penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term.

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

Reported costs and/or services provided under certain arrangements are subject to retroactive adjustments due to reviews and audits. These adjustments are considered variable compensation and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of net patient service 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 or as years are settled or are no longer subject to reviews or audits. The Corporation recorded an increase in net patient service revenue of $83.1 million and $11.8 million in 2023 and 2022, respectively, as a result of changes in estimated settlements with Medicare, Medicaid, and other commercial payors. The 2023 increase includes a $60.0 million settlement from CMS pertaining to underpayment of 340(b) claims in prior years. The related receivable is included in the due from third-party payors, net in the combined balance sheet at December 31, 2023.

Charity Care

As a part of its not-for-profit mission, the Corporation provides care to patients who may be unable to pay. For those patients meeting certain criteria, the Corporation does not pursue collection of amounts determined to qualify as charity care. The Corporation follows Accounting Standards Update (ASU) 2010-23, *Health Care Entities (Topic 954): Measuring Charity Care for Disclosure* (ASU 2010-23). ASU 2010-23 requires that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing charity care. ASU 2010-23 also requires entities to disclose any reimbursement received to offset the cost of providing charity care. The Corporation estimates charity care cost by calculating a ratio of cost to gross charges, and then multiplying the ratio by the gross charges attributable to patients that qualify for charity care, based on the Corporation's policy. The cost associated with charity care provided was $21.0 million and $15.7 million for the years ended December 31, 2023 and 2022, respectively.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the Corporation expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors, and others in accordance with

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

ASC 606. Primary categories include milestone-based provider revenue, other payor payments, revenue from other miscellaneous sources, a tax distribution from a former joint venture, technical service fee revenue, parking revenue, and rental income.

Excess of Revenue Over Expenses (Expenses Over Revenue)

The combined statements of operations and changes in net assets include subtotals for earnings before fixed expenses and other gains, patient service margin, operating gain, and excess of revenue over expenses (expenses over revenue). Excess of revenue over expenses (expenses over revenue) represents the operating (performance) indicator for the Corporation as defined under U.S. GAAP. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses (expenses over revenue), consistent with industry practice, include or may include contributions of long-lived assets, net assets released from restriction for equipment, investment returns on assets with donor restrictions, and changes in pension plan assets and obligation.

Gifts with Donor Restrictions

Unconditional promises to give cash and other assets to the Corporation are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the condition is met. The gifts are reported as support 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 combined statements of operations and changes in net assets as donations and contributions if the purpose relates to operations, or as a change in net assets without donor restrictions if the purpose relates to purchase of property and equipment.

Beneficial Interest in Trusts Held by Others

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the irrevocable trust funds in its combined balance sheets and the changes in the fair values of the ownership interests of the irrevocable trust funds as net assets with donor restrictions.

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

Contributions Received and Pledges Receivable

Contributions without donor restriction are recorded as donations and contributions within the combined statements of operations and changes in net assets when received. Pledges are recorded as contributions, fees, grants, bequests, net as net assets with donor restrictions in the year pledged. Unconditional donor pledges to give cash, marketable securities, and other assets are reported at present value, through a discounted cash flow approach (representing fair value), at the date the pledge is made. Pledges receivable are discounted based on the nature of the individual pledge consistent with the Corporation's policy. Discount rates ranged from 0.03% to 2.22% during the year ended December 31, 2023 (0.03% to 2.02% for year ended December 31, 2022). Discount rates reflect the economic conditions of the year in which the pledge was made.

Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions on the use of the donated assets are reported as net assets with donor restrictions until the donor restriction expires. An allowance for uncollectible pledges is recorded for amounts the Corporation has deemed uncollectible.

Outstanding pledges receivable from various corporations, foundations, and individuals are as follows:

	December 31	
	2023	**2022**
	(In Thousands)	
Gross pledges due:		
In less than one year	**$ 3,700**	$ 11,407
In one to five years	**3,900**	8,174
In more than five years	**33,755**	35,175
	41,355	54,756
Allowance for uncollectible pledges	**(350)**	(233)
Discounting	**(12,520)**	(12,667)
Net pledges receivable	**28,485**	41,856
Less current portion	**(3,350)**	(11,173)
Net long-term pledges receivable	**$ 25,135**	$ 30,683

The current portion of pledges receivable is included in miscellaneous receivables on the combined balance sheets.

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

Income Taxes

Most of the income generated by the Corporation is exempt from taxation under Section 501(a) of the Internal Revenue Code. Certain of the Corporation's affiliates are taxable entities and some of the income generated by otherwise exempt entities is subject to taxation as unrelated business income. The Corporation files federal, Kentucky, and Indiana state income tax returns. The statute of limitations for tax years 2020 through 2022 remain open in the taxing jurisdictions in which the Corporation is subject to taxation, and the 2023 tax year's statute of limitations will begin once returns for that year are filed. In addition, for all tax years prior to 2025 generating or utilizing a net operating loss (NOL), tax authorities can adjust the amount of NOL carryforward to subsequent years.

As of December 31, 2023, the Corporation has NOL carryforwards of $34.4 million ($27.7 million at December 31, 2022). These NOL carryforwards expire in years 2025 to 2043. As a result of the NOL carryforwards, the Corporation recorded a deferred tax asset of $8.8 million and $7.1 million at December 31, 2023 and 2022, respectively. The Corporation evaluates the realizability of the deferred tax assets annually. Based on the cumulative losses incurred by Norton Enterprises, Inc. over the previous three-year period and future projections, the Corporation determined it is not probable that future taxable income will be available to apply against the deferred tax assets. As a result, the Corporation recorded a full valuation allowance of $8.8 million and $7.1 million at December 31, 2023 and 2022, respectively.

2. Community Service (Unaudited)

The Corporation continues to build on a tradition of community service established over 100 years ago by its predecessor organizations, with a mission to provide quality health care to all those served. Through Norton Children's Hospital and Norton Children's Medical Center, tertiary, acute-level inpatient services, and emergency and outpatient specialty care are provided to children who live throughout Kentucky and southern Indiana, regardless of ability to pay. In addition, many patients treated at Norton Hospital, Norton Audubon Hospital, Norton Women's and Children's Hospital, Norton Brownsboro Hospital, and Norton Kings Daughter's Hospital receive free or discounted care. The Corporation is a major participant in the residency and medical education programs of the University of Louisville School of Medicine.

The Corporation uses the 2022 edition of the Catholic Health Association's *Guide for Planning and Reporting Community Benefit* (CHA guidelines) to report the community benefit amounts.

2. Community Service (Unaudited) (continued)

In 1987, the Corporation established a fund designated for providing indigent care, education, research, and community health initiatives, now known as the James R. Petersdorf Fund (Petersdorf Fund). In 2020, the Corporation established the Rev. and Mrs. John Norton Fund (John Norton Fund) to support non-profit initiatives designed for the betterment of overall health, wellness and well-being, particularly in areas of greatest need. See Note 4 for additional information on these funds.

The costs associated with providing community service through the Corporation's community-based funds and programs are as follows *(unaudited)*:

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Charity care[(A)]	**$ 21,014**	$ 15,703
Educational support	**76,758**	76,095
Sponsorships	**2,183**	2,170
Community cancer initiatives	**6,571**	5,897
Community service activities	**1,537**	1,698
Other community benefits	**20,776**	24,397
	$ 128,839	$ 125,960

[(A)] Consistent with Internal Reserve Service (IRS) Form 990 requirements and CHA guidelines, this amount is to be reported net of state means programs and amounts received specifically to provide financial assistance. The Corporation received other financial assistance related receipts of $0.5 million in 2023, and $0.3 million in 2022.

3. Property and Equipment

Property and equipment consists of:

	December 31 2023	2022
	(In Thousands)	
Land and land improvements	**$ 83,222**	$ 75,873
Buildings	**1,635,218**	1,545,249
Equipment	**1,456,907**	1,337,530
	3,175,347	2,958,652
Accumulated depreciation and amortization	**(1,847,908)**	(1,693,305)
	1,327,439	1,265,347
Construction-in-process	**162,501**	125,129
	$ 1,489,940	$ 1,390,476

Depreciation expense was $145.2 million for both the years ended December 31, 2023 and 2022. Equipment includes computer software costs of $131.8 million and $111.8 million at December 31, 2023 and 2022, respectively, which are primarily related to the Corporation's enterprise, clinical, and revenue cycle information systems. The accumulated depreciation related to computer software recorded in accumulated depreciation and amortization is $92.2 million and $88.2 million at December 31, 2023 and 2022, respectively. The expense related to computer software recorded in depreciation and amortization expense on the combined statements of operations and changes in net assets was $3.7 million and $6.0 million for the years ended December 31, 2023 and 2022, respectively.

4. Assets Limited as to Use and Investment Return

Asset Limited as to Use

The composition of assets limited as to use is set forth in the following table by type of Board designation or restriction. Assets limited as to use are carried at fair value, except for alternative investments (consisting of hedge funds, real estate funds, and private equity funds), which are accounted for under the equity method of accounting.

4. Assets Limited as to Use and Investment Return (continued)

	December 31 2023	December 31 2022
	(In Thousands)	
By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund)	**$ 169,787**	$ 155,674
By Board of Trustees for support of non-profit initiatives designed for the betterment of overall health, wellness and well-being, particularly in areas of greatest need (John Norton Fund)	**11,886**	10,797
By Board of Trustees	**1,649,354**	1,776,981
	1,831,027	1,943,452
By self-insurance trust agreements	**124,689**	108,708
Less current portion	**(28,376)**	(26,681)
By self-insurance trust agreements, net	**96,313**	82,027
By bond indenture trust agreements	**51,306**	21,610
Less current portion	**(11)**	–
By bond indenture trust agreements, net	**51,295**	21,610
By contractual agreement	**9,030**	8,975
Less current portion	**(831)**	(600)
By contractual agreement	**8,199**	8,375
By donors for time or use	**87,821**	69,609
	$ 2,074,655	$ 2,125,073

The Corporation's investment portfolio is structured in a manner that matches investment risk and return. Short-term volatility and uncertainty of investment results are recognized as real risks that are managed through specific asset allocation strategies and diversification. The assets limited as to use by the Board of Trustees are excluded from current assets as they are not intended to be used within one year. The Board of Trustees meets routinely throughout the year and, should an unforeseen need arise, could choose to designate those funds for current use within the assets limited as to use by the Board of Trustees.

4. Assets Limited as to Use and Investment Return (continued)

Committed capital to private equity funds that may be called over the next 1 to 3 years approximates $170.6 million and $88.0 million at December 31, 2023 and 2022, respectively.

Investment Return

Investment return is shown under net assets without donor restrictions and net assets with donor restrictions as investment gain (included in operating gain for the net assets without donor restrictions) and change in net unrealized gains (losses) on investments (included in non-operating (losses) gains for net assets without donor restrictions).

The following is a summary of the key components of investment gain:

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Investment gain by net asset class:		
Without donor restrictions	**$ 49,345**	$ 57,995
With donor restrictions	**3,246**	2,629
Total investment gain	**$ 52,591**	$ 60,624
Components of investment gain:		
Interest and dividends	**$ 40,346**	$ 37,311
Income distributions from trusts	**1,396**	1,275
Investment fees	**(2,587)**	(4,464)
Net realized gains on investments	**24,445**	39,213
Change in net unrealized losses on investments recorded at other than fair value	**(11,009)**	(12,711)
Total investment gain	**$ 52,591**	$ 60,624

The total change in net unrealized gains (losses) on investments with and without donor restrictions were $150.4 million and ($315.4) million for the years ended December 31, 2023 and 2022, respectively, and are solely composed of the change in net unrealized gains (losses) on investments recorded at fair value.

5. Fair Value Measurements

The following table summarizes the recorded amount of assets and liabilities by class of asset or liability recorded at fair value on a recurring basis. Certain assets are marked as not applicable (N/A) as they are not recorded at fair value or elected to be recorded at fair value on a recurring basis. The valuation level of the asset or liability as defined by ASC 820 is included for assets and liabilities carried at fair value.

The following tables present the financial instruments carried at fair value using the valuation hierarchy defined above at:

	December 31		
	2023	**2022**	**Level**
	(In Thousands)		
Marketable securities and other investments, at fair value			
Money market funds	**$ 4**	$ 24	1
Marketable debt securities:			
Corporate debt	**29,097**	9,864	2
Mortgage-backed	**9,168**	–	2
U.S. government agencies	**12,989**	9,790	2
Asset-backed	**12,527**	21,929	2
Mutual funds	**9,198**	29,000	1
Total marketable securities and other investments, at fair value	**72,983**	70,607	
Assets limited as to use, at fair value			
By Board of Trustees and donors:			
Money market fund	**28,160**	65,366	1
Mutual funds	**749,609**	830,073	1
Common and collective trust funds	**136,880**	152,232	NAV
Marketable debt securities:			
Corporate debt	**17,151**	24,719	2
Municipal bonds	**2,576**	3,433	2
U.S. government and agencies	**12,878**	15,292	2
Mortgage-backed	**21,014**	32,429	2
Asset-backed	**4,917**	10,495	2

5. Fair Value Measurements (continued)

	December 31 2023	December 31 2022	Level
	(In Thousands)		
Marketable equity securities:			
Domestic	**$ 196,530**	$ 187,800	1
Total assets limited as to use by Board of Trustees and donors, at fair value	**1,169,715**	1,321,839	
By contractual agreements:			
Money market fund	**9,030**	8,975	1
Total assets limited as to use by contractual agreements, at fair value	**9,030**	8,975	
By self-insurance trust agreements:			
Money market fund	**7,614**	5,295	1
Marketable debt securities:			
Corporate debt	**44,069**	42,601	2
Mortgage-backed	**8,366**	8,588	2
Asset-backed	**15,841**	12,287	2
Municipal bonds	**3,957**	1,456	2
U.S. government and agencies	**6,192**	3,007	2
Marketable equity securities:			
Domestic	**38,650**	35,474	1
Total assets limited as to use by self-insurance trust agreements, at fair value	**124,689**	108,708	
By bond indenture trust agreements:			
Marketable debt securities:			
Guaranteed investment certificate	**28,823**	–	2
U.S. government and agencies	**22,483**	21,610	2
Total assets limited as to use by bond indenture, at fair value	**51,306**	21,610	
Total assets limited as to use, at fair value	**1,354,740**	1,461,132	

5. Fair Value Measurements (continued)

	December 31 2023	2022	Level
	(In Thousands)		
Assets limited as to use at other than fair value:			
Hedge funds	**$ 460,124**	$ 398,751	N/A
Real estate funds	**143,610**	165,062	N/A
Private equity funds	**145,399**	127,409	N/A
Total assets limited as to use, at other than fair value	**749,133**	691,222	
Less current portion of self-insurance trust and bond indenture trust and assets limited as to use by contractual agreement	**(29,218)**	(27,281)	
Total assets limited as to use	**$ 2,074,655**	$ 2,125,073	
Other assets at fair value:			
Beneficial interest in outside trusts	**$ 25,317**	$ 23,492	2
Interest rate swaps *(Note 7)*	**29,905**	11,670	2

Valuation

Marketable Debt Securities, Other Investments, and Assets Limited as to Use

Level 1 securities are stated at quoted market prices. The Corporation's various investment portfolios are held by a variety of managers and these managers use external pricing services in providing the valuation for all levels of securities. The Corporation does not adjust the quoted market prices for such financial instruments.

Level 2 securities include valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value. The pricing services use a variety of pricing models and inputs based upon the type of security being valued. These inputs may include, but are not limited to the following: reported trades; similar security trade data; bid/ask spreads; institutional bids; benchmark yields; broker/dealer quotes; issuer spreads; yield to maturity; and corporate, industry, and economic events.

5. Fair Value Measurements (continued)

As nearly all of the Corporation's marketable debt securities are actively traded, the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change by a material amount in the near term.

The common and collective trust funds are valued at NAV, as a practical expedient, provided by the respective fund administrators. Management has determined that the NAV is an appropriate estimate of the fair value of the common and collective trust funds at December 31, 2023 and 2022, based on the fact that the common and collective trust funds are audited and accounted for at fair value by the administrators of the respective common and collective trust funds. There are no restrictions on the ability of the Corporation to redeem any of the common and collective trust funds at December 31, 2023 or 2022.

Beneficial Interests in Trusts Held by Others

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the irrevocable trust funds based on its pro rata share of the underlying assets or income. Based on the observable inputs, typically marketable debt or equity securities held in the irrevocable trust funds, the Corporation has determined its beneficial interests in outside trust funds held by others fall in Level 2 of the fair value hierarchy. This technique is consistent with the market approach.

Interest Rate Swaps

The fair value is calculated based on a discounted cash flow model, taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable. Based on the observable inputs, typically published interest rates and credit spreads, the Corporation has determined its interest rate swaps fall in Level 2 of the fair value hierarchy. The specific Corporation inputs are disclosed in Note 7. This technique is consistent with the income or discounted cash flow approach.

5. Fair Value Measurements (continued)

Other Fair Value Measurements

The Corporation's pledges receivable are recorded at fair value on the original pledge date, based on discounted cash flow analysis and adjusted for consideration of donor's credit, and the resulting carrying value is $28.5 million and $41.9 million at December 31, 2023 and 2022, respectively. These fair values are determined using a Level 2 methodology in the fair value hierarchy based on observable inputs through formal pledge agreements and other similar documents, as well as market interest rates as disclosed in Note 1.

6. Net Patient Service Revenue

Net patient service revenue by major payor source is as follows:

	Year Ended December 31			
	2023		**2022**	
	(Dollars in Thousands)			
Commercial	**$ 1,560,381**	**39%**	$ 1,532,105	44%
Medicare	**1,273,834**	**32**	1,054,948	31
Medicaid	**1,061,873**	**27**	837,077	24
Self-pay and other	**59,464**	**2**	47,842	1
	$ 3,955,552	**100%**	$ 3,471,972	100%

The Corporation classifies its patient service revenue based on the primary payor at the time a patient presents for services. As a result, commercial patient service revenue includes certain amounts that were ultimately directly billed to the patient after the primary insurance payment (self-pay after insurance).

7. Long-Term Debt

Long-term debt consists of the following at:

	December 31 2023	December 31 2022
	(In Thousands)	
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2023, dated August 3, 2023 (2023 Bonds)	**$ 430,400**	$ –
Indiana Finance Authority Health Facilities Revenue Bonds (Norton Healthcare, Inc.), Series 2022, Dated March 3, 2022 (2022 Bonds)	**73,095**	78,375
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2020, dated March 10, 2020 (2020 Bonds)	**275,000**	400,000
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2016, dated August 11, 2016 (2016 Bonds)	**481,685**	499,765
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2013, dated September 26, 2013 (2013 Bonds)	**50,000**	204,580
Louisville/Jefferson County Metro Government Health System Variable Rate Revenue Bonds, dated August 10, 2011 (2011 Bonds)	**64,530**	69,695
Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000, dated October 1, 2000 (2000 Bonds)	**125,060**	139,480
	1,499,770	1,391,895
Unamortized premiums	**94,170**	77,273
Less unamortized deferred financing costs	**(9,070)**	(7,841)
	1,584,870	1,461,327
Finance leases	**75,655**	79,172
Total long-term debt	**1,660,525**	1,540,499
Less amounts due within one year	**(51,198)**	(174,709)
Total long-term debt, net of current portion	**$ 1,609,327**	$ 1,365,790

7. Long-Term Debt (continued)

The 2000 Bonds are secured by a mortgage lien on the principal hospital facilities and parking garages of Norton Hospitals, Inc. built before 2006. The net book value of these properties is $65.2 million and $71.5 million at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, all bonds outstanding are tax-exempt bond issues. All bonds are secured by a security interest in certain pledged collateral, including the operating revenue of the Obligated Group (defined as Norton Healthcare, Inc., Norton Hospitals, Inc. and Norton Healthcare – Indiana, Inc.). Principal and interest related to the bonds are payable solely by the Obligated Group.

Deferred financing costs are being amortized over the life of the respective bond issues using the effective interest method for fixed-rate bonds and the bonds outstanding method for variable-rate bonds.

The Corporation has agreed to certain covenants, which, among other things, limit additional indebtedness and guarantees and require the Corporation to maintain specific financial ratios. The Corporation is in compliance with these covenants at December 31, 2023 and 2022.

2023 Bonds

In 2023, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue $146.4 million of Series A uninsured fixed-rate revenue bonds (2023A Bonds), $117.9 million of Series B uninsured fixed-rate revenue bonds (2023B Bonds), $83.1 million of Series C uninsured variable-rate revenue bonds (2023C Bonds), and $83.1 million of Series D uninsured variable-rate revenue bonds (2023D Bonds). Proceeds from the 2023A Bonds, including a premium of $11.9 million were used to refund all of the remaining 2013A Bonds. Proceeds from the 2023B Bonds, including a premium of $9.7 million, were used to refund all of the remaining 2020B Bonds. The proceeds of the 2023C and 2023D Bonds are to be used to pay or reimburse the Corporation for the cost of constructing, planning, renovating, expanding, equipping and acquiring patient care related projects and/or equipment and to pay certain expenses in connection with the issuance of the 2023 Bonds.

At December 31, 2023, the 2023A Bonds consist of serial bonds maturing 2024 through 2042, with an interest rate of 5.0%. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2033, the 2023A Bonds maturing on or after October 1, 2034, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

7. Long-Term Debt (continued)

The 2023B Bonds, mature in 2047 with annual sinking fund deposits in 2043 through 2047 with interest of 5.0% payable semiannually on April 1 and October 1. The 2023B Bonds are subject to mandatory purchase provisions, in which the Corporation will be required to purchase the 2023 Bonds at 100% of par on October 1, 2029. The Corporation may fund the repurchase by remarketing the 2023 Bonds. The 2023B Bonds are subject to optional redemption by the Corporation prior to maturity at various redemption prices plus accrued interest beginning April 1, 2029.

The 2023C and 2023D Bonds are secured by irrevocable direct-pay letters of credit issued by Truist Bank that have a stated maturity of August 1, 2028. While bearing interest at a daily interest rate, the 2023C and 2023D Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest. The 2023C and 2023D Bonds mature in 2053 with annual sinking fund deposits in 2048 through 2053. At December 31, 2023, the applicable cost of the debt for the 2023C and 2023D Bonds was 4.0%.

2022 Bonds

In 2022, the Corporation entered into loan agreements with the Indiana Finance Authority (IFA) to issue $82.8 million of uninsured fixed-rate revenue bonds (2022 Bonds). Proceeds from the 2022 Bonds were used to refund $89.2 million of King’s Daughters’ Health, Inc. Series 2010 IFA bonds, which were assumed as a part of the King’s Daughter’s Health, Inc. business combination in January 2022. As a result of the refunding, the Corporation reported a loss on extinguishment of debt of $1.5 million recorded in other non-operating gains (losses) in the combined statement of operations and changes in net assets during the year ended December 31, 2022. The 2022 Bonds are a direct placement issue with a final maturity occurring in 2035. The 2022 Bonds are subject to optional redemption by the Corporation at any time prior to maturity subject to “make whole” provisions. The cost of debt was 2.1% at both December 31, 2023 and 2022.

2020 Bonds

In March 2020, the Corporation entered into loan agreements with Louisville/Jefferson County Metro Government to issue $150.0 million of Series A uninsured fixed-rate revenue bonds (2020A Bonds), $125.0 million of Series B uninsured fixed-rate revenue bonds (2020B Bonds), $75.0 million of Series C uninsured fixed-rate revenue bonds (2020C Bonds), and $50.0 million

7. Long-Term Debt (continued)

of Series D uninsured fixed-rate revenue bonds (2020D Bonds). The proceeds of the 2020 Bonds, including the premium of $79.0 million, were used to pay or reimburse the Corporation for the cost of constructing, planning, renovating, expanding, equipping and acquiring patient care related projects and/or equipment.

At December 31, 2023, the 2020A Bonds consist of serial bonds maturing 2037 through 2040 and term bonds with annual sinking fund deposits in 2041 through 2043. Interest rates vary from 3.0% to 5.0%. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2029, the 2020A Bonds maturing on or after October 1, 2029, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

The 2020B Bonds were fully refunded as of December 31, 2023. As a result of the refunding, the Corporation reported a gain on extinguishment of debt of $0.9 million recorded in other non-operating gains (losses) in the combined statement of operations and changes in net assets during the year ended December 31, 2023. Prior to refunding, they were subject to mandatory purchase provisions, in which the Corporation was required to purchase the bonds at 100% of par on October 1, 2023. This mandatory purchase date was within one year of December 31, 2022, and as a result the full $125.0 million of related principal was classified as current portion of long-term debt at December 31, 2022.

The 2020C Bonds and 2020D Bonds mature in 2047 with annual sinking fund deposits 2043 through 2047 with interest of 5.0% payable semiannually on April 1 and October 1. The 2020C Bonds and 2020D Bonds are subject to mandatory purchase provisions, in which the Corporation will be required to purchase the bonds at 100% of par on October 1, 2026 and October 1, 2029, respectively.

The Corporation may fund these repurchases by remarketing the 2020C Bonds and 2020D Bonds. The 2020C Bonds and 2020D Bonds are subject to optional redemption by the Corporation prior to maturity at various redemption prices plus accrued interest beginning July 1, 2026 through September 30, 2026 and July 1, 2029 through September 28, 2029, respectively.

2016 Bonds

In 2016, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue $521.1 million of Series A uninsured fixed-rate revenue bonds (2016A Bonds), $31.3 million of Series B uninsured variable-rate bonds (2016B Bonds), and $68.7 million

7. Long-Term Debt (continued)

of Series C uninsured variable-rate revenue bonds (2016C Bonds). Proceeds from the 2016A Bonds were used to refund all of the remaining 2006 Bonds outstanding at the time and to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expenses in connection with the issuance of the 2016 Bonds. Proceeds from the 2016B Bonds and 2016C Bonds were used to refund all remaining 2013B Bonds and Series 2011D Bonds outstanding at the time.

At December 31, 2023 and 2022, the 2016A Bonds consist of term bonds with interest rates ranging from 3.0% to 5.5% maturing through October 1, 2037. Interest is payable semiannually on April 1 and October 1. Beginning October 1, 2026, the 2016A Bonds maturing on or after October 1, 2026, are subject to optional redemption by the Corporation prior to maturity for 100% of par.

The 2016B Bonds and 2016C Bonds are direct placement issues and held entirely by Truist Bank. Final maturity and payment for the 2016B Bonds occurred during 2021, and final maturity for the 2016C Bonds occurred during 2023. At December 31, 2022, the applicable cost of debt for the 2016C Bonds was 4.1%. Until time of payment in 2023, the applicable cost of debt for the 2016C Bonds was 4.4%.

2013 Bonds

In 2013, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue $154.6 million of Series A uninsured fixed-rate revenue bonds (2013A Bonds), $75.0 million of Series B uninsured taxable variable-rate bonds (2013B Bonds), and $50.0 million of Series C uninsured variable-rate revenue bonds (2013C Bonds). Proceeds from the 2013A Bonds and 2013C Bonds were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expense in connection with the issuance of the 2013 Bonds. Proceeds from the 2013B Bonds were used to refund all remaining Series 2000C Bonds outstanding at the time.

At December 31, 2023, the 2013A Bonds were fully refunded. As a result of the refunding, the Corporation reported a loss on extinguishment of debt of $5.2 million recorded in other non-operating gains (losses) in the combined statement of operations and changes in net assets during the year ended December 31, 2023. At December 31, 2022, the 2013A Bonds consisted of fixed-rate term bonds with interest rates ranging from 4.50% to 5.75% scheduled to mature through October 1, 2042.

7. Long-Term Debt (continued)

The 2013C Bonds are secured by an irrevocable direct-pay letter of credit issued by PNC Bank that has a stated maturity of July 26, 2025. While bearing interest at a weekly interest rate, the 2013C Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest. The 2013C Bonds have one annual sinking fund deposit of $17.6 million due on October 1, 2042, with final maturity in 2043. At both December 31, 2023 and 2022, the applicable cost of the debt for the 2013C Bonds was approximately 4.1%.

2011 Bonds

In 2011, the Corporation entered into loan agreements with the Louisville/Jefferson County Metro Government to issue $35.0 million of Series A uninsured variable-rate revenue bonds (2011A Bonds), $40.0 million of Series B uninsured variable-rate revenue bonds (2011B Bonds), $23.8 million of Series C uninsured variable-rate bonds (2011C Bonds), and $53.7 million of Series D uninsured taxable variable-rate bonds (2011D Bonds). Proceeds from the 2011A Bonds and 2011B Bonds were used to pay or reimburse the Corporation for the cost of acquiring, constructing, renovating, and equipping areas related to patient care and to pay certain expenses in connection with the issuance of the 2011 Bonds. Proceeds from the 2011C Bonds were used to refund a portion of the 1997 Bonds, and proceeds from the 2011D Bonds were used to refund all of the 2000A Bonds.

The 2011A and 2011B Bonds are secured by irrevocable direct-pay letters of credit issued by PNC Bank that expire on July 26, 2025. The final maturities for the 2011A and 2011B Bonds occur in 2039. While bearing interest at weekly or daily interest rates, the 2011A and 2011B Bonds are subject to optional redemption prior to maturity at the direction of the Corporation at a redemption price of 100% of the principal amount, plus accrued interest. The 2011A and 2011B Bonds have annual sinking fund deposits of various amounts annually, beginning October 1, 2022, through their maturity.

At both December 31, 2023 and 2022, the applicable cost of the debt for the 2011A Bonds was approximately 4.1%. At both December 31, 2023 and 2022, the applicable cost of the debt for the 2011B Bonds was 4.2%.

7. Long-Term Debt (continued)

2000 Bonds

In 2000, the Corporation entered into loan agreements with the Kentucky Economic Development Finance Authority to issue $148.3 million of Series A uninsured fixed-rate revenue bonds (2000A Bonds), $119.2 million of Series B insured variable-rate revenue bonds (2000B Bonds), and $180.5 million of Series C insured variable-rate revenue bonds (2000C Bonds), for a total of $448.0 million. Proceeds from the 2000 Bonds and certain other available monies were used to legally defease the 1998 Bonds and a portion of certain outstanding 1997 Bonds and 1992 Bonds issued on behalf of the Corporation through deposits to irrevocable trusts pursuant to escrow agreements, and to pay certain expenses incurred in connection with the issuance of the 2000 Bonds, as well as fund a debt service reserve account.

At December 31, 2023 and 2022, the remaining 2000 Bonds consist of the 2000B Bonds with interest rates ranging from 6.20% to 6.23%, respectively, maturing through October 1, 2028. Payment of principal and interest on the 2000B Bonds is guaranteed by the National Public Finance Guarantee Corporation (formerly MBIA Insurance Corporation).

Interest on the 2000B Bonds will be compounded from the dates of delivery to their respective maturities, and will be payable only at maturity, or upon redemption prior to maturity or acceleration. Compounded interest payable on the 2000B Bonds was $99.3 million and $110.1 million at December 31, 2023 and 2022, respectively. 2000B Bonds mature in various amounts annually on October 1 through 2028. The 2000B Bonds are not subject to optional redemption prior to maturity.

Required debt service on all outstanding bonds is as follows:

	Principal	Interest	Total
	(In Thousands)		
2024	$ 20,839	$ 78,054	$ 98,893
2025	21,560	78,268	99,828
2026	32,919	70,761	103,680
2027	33,909	67,294	101,203
2028	32,777	68,513	101,290
Thereafter	1,258,505	429,229	1,687,734
	$ 1,400,509	$ 792,119	$ 2,192,628

7. Long-Term Debt (continued)

For 2024 through final maturity of the 2000B Bonds, $99.3 million is included in interest payments, which is paid at the various maturities of the 2000B Bonds. Included as part of the interest payments above is $22.7 million of the 2000B Bonds' interest payable in 2024, which is paid at maturity of the Series 2000B Bonds.

For the variable-rate bond series, which includes the 2011A Bonds, 2011B Bonds, 2013C Bonds, 2023C Bonds and 2023D Bonds, the future periods' interest estimate was based on terms of the Master Trust Indenture and is calculated using an average of Securities Industry and Financial Markets Association (SIFMA) for tax-exempt issues over approximately the last 20 years plus 1.00% to estimate liquidity, credit support, and remarketing fees. Thus, for purposes of this presentation, the Corporation has utilized 2.2% at December 31, 2023.

The Corporation paid interest of $63.7 million and $67.3 million during the years ended December 31, 2023 and 2022, respectively. The Corporation capitalized interest costs of $1.1 million and $0.5 million during the years ended December 31, 2023 and 2022, respectively.

Interest Rate Swaps

The Corporation uses derivative instruments to manage its cost of capital through interest rate swaps, which generate cash flow meant to reduce interest expense. The Corporation pays a rate based upon the SIFMA Municipal Swap Index, an index of seven-day, high-grade, tax-exempt variable-rate demand obligations. In return, the Corporation receives a rate based upon the London Interbank Offered Rate (LIBOR). During 2023 LIBOR was replaced by a similar term Secured Overnight Financing Rate (SOFR) plus a spread adjustment to account for differences in LIBOR and SOFR.

7. Long-Term Debt (continued)

The Corporation holds the following interest rate swaps at:

Counter Party	Notional Amount	Effective Date	Maturity Date	Receive	Pay	December 31 2023	December 31 2022
						(In Thousands)	
Citigroup	$ 94,210	9/1/2020	9/1/2040	2 times 0.9239% of SOFR plus 0.21%	2 times SIFMA	**$ 10,411**	$ 1,641
Citigroup	47,365	10/1/2004	10/1/2028	62.6% of SOFR plus 0.64%	SIFMA	**419**	257
Citigroup	140,000	11/3/2006	11/3/2031	61.7% of SOFR plus 0.65%	SIFMA	**942**	(1,623)
Citigroup	200,000	11/3/2008	11/3/2026	61.7% of ten-year SOFR plus 0.15%	SIFMA	**(2,029)**	(4,802)
JP Morgan		4/1/2019		0.124%	–	**(4,916)**	(9,581)
	200,000	11/3/2026	4/1/2039	61.7% of ten-year SOFR plus 0.160%	SIFMA		
JP Morgan	150,000	10/1/2023	10/1/2043	SIFMA	1.7685%	**21,617**	27,600
JP Morgan	100,000	07/01/2022	07/01/2042	75% of SOFR plus 0.516%	SIFMA	**3,461**	(1,822)
Total interest rate swaps asset (liability)						**$ 29,905**	$ 11,670

Citigroup and JP Morgan serve as counterparties for the Corporation's interest rate swaps. Consistent with industry practice, the interest rate swaps require posting of collateral should either party's cumulative contract value liability exceed certain thresholds based upon the credit rating of the counterparty. The Corporation's interest rate swaps are viewed under a master netting arrangement by each counterparty to determine the aggregate amount of collateral to be posted or received by the Corporation. At December 31, 2023 and 2022, based upon the agreements with Citigroup and JP Morgan, the Corporation's cumulative contract value was an asset of $32.8 million and $9.0 million, respectively. Based upon the Corporation's lowest credit rating (A), collateral must be posted for liabilities in excess of $25.0 million. At December 31, 2023 and 2022, the Corporation had no collateral posted and was not required to post any collateral. Should the Corporation's credit rating fall below BBB, Citigroup and JP Morgan would have the option of terminating some or all of the interest rate swaps at the contract value. Should the Corporation hold all interest rate swaps to maturity, as it intends, no cash settlement will be necessary and any posted interest rate swap collateral will be returned.

7. Long-Term Debt (continued)

None of the Corporation's interest rate swaps have been designated as a hedge for accounting purposes; therefore, the change in fair value for these interest rate swaps is included in the combined statements of operations and changes in net assets as change in fair value of interest rate swaps within non-operating gains (losses). The fair value at December 31, 2023 and 2022, is included within interest rate swaps asset on the combined balance sheets. The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable.

The cash flow impact of the interest rate swaps is included in interest rate swaps benefit, net in the combined statements of operations and changes in net assets. The cash flow for all but one of the interest rate swaps is settled semiannually on April 1 and October 1. The interest rate swap with an effective date of July 1, 2022, settles monthly. During the interim periods, a receivable or payable is recorded. As of December 31, 2023 and 2022, the cash flows were in a receivable position. The receivable is included within miscellaneous receivables on the combined balance sheets.

	Miscellaneous Receivable	Interest Rate Swap Asset (Liability)	Combined Balance Sheet, Net
		(In Thousands)	
December 31, 2021	$ 732	$ (3,156)	$ (2,424)
Interest rate swaps benefit, net	3,934	–	3,934
Swap cash settlement received	(3,920)	–	(3,920)
Change in fair value of interest rate swaps	–	14,826	14,826
December 31, 2022	746	11,670	12,416
Interest rate swaps benefit, net	**3,782**	–	**3,782**
Swap cash settlement received	**(3,278)**	–	**(3,278)**
Change in fair value of interest rate swaps	–	**18,235**	**18,235**
December 31, 2023	**$ 1,250**	**$ 29,905**	**$ 31,155**

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	December 31 2023	December 31 2022
	(In Thousands)	
Health care services	**$ 109,025**	$ 105,423
Investments to be held in perpetuity, the income from which is expendable to support health care services	**27,669**	26,534
Beneficial interest in trusts held by others, the income from which is expendable to support health care services	**25,317**	23,492
Total net assets with donor restrictions	**$ 162,011**	$ 155,449

9. Employee Benefit Plans

Defined Benefit Plan

Certain employees of the Corporation are covered by a non-contribution defined benefit pension plan (the Plan). The Plan was frozen effective January 1, 2010, and, as a result, no service cost was incurred in 2023 or 2022, and none is expected in future periods. Benefits are generally based upon years of service and an employee's annual compensation during his or her years of service up until January 1, 2010. Normal retirement benefits represent the greater of the net present value of certain legacy replaced pension plans (traditional benefit formula) or the participant's cash balance account, which continues to be credited with interest earnings until normal retirement date (the cash balance formula).

The Corporation annually funds an amount not less than the minimum required under the Employee Retirement Income Security Act of 1974.

The Plan has been named as a defendant in a class action suit brought on behalf of certain former employees who elected to take early retirement (the Plaintiff Class), alleging that lump-sum payments made by the Plan upon their retirement were incorrectly calculated. In early 2016, the United States District Court (the Court) issued its final, appealable order, indicating that the Plan owes additional lump-sum benefits to the Plaintiff Class. The Court ordered the Plan to recalculate benefits using a court determined formula, which is different than the formula as interpreted by

9. Employee Benefit Plans (continued)

the Plan, and provide additional data to allow for recalculation of the benefits. As of both December 31, 2023 and 2022, management has estimated potential exposure to the Plan of $60.2 million, which has been recorded by the Plan as part of the Plan's projected benefit obligation. Both the Plaintiff Class and the Plan appealed the Court's order and an appeals court hearing was held in June 2017. In May 2018, the United States Court of Appeals (Appeals Court) issued a ruling that the litigation be vacated in part and remanded to the lower Court for further evaluation. The Court issued a ruling in March 2024 on various matters of the class action suit some of which were in favor of the Plan and others in favor of the Plaintiff Class. The March 2024 ruling also established next steps which include that the Plan and Plaintiff Class are to submit a joint report outlining a proposed briefing schedule on whether a damages class may be certified at all, the scope of the potential Plaintiff Class, and how to calculate damages. The Court scheduled another hearing date for May 15, 2024. Based on both the Court and Appeals Court rulings and the nature of the ongoing litigation, management believes the estimated potential exposure recorded by the Plan is still the best estimate at the date of issuance of the December 31, 2023, combined financial statements.

A summary of the components of net periodic benefit cost, which is included in non-operating gains (losses) in the combined statements of operations and changes in net assets, for the Plan is as follows:

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Interest cost	**$ 9,997**	$ 5,523
Expected return on plan assets	**(7,126)**	(6,938)
Amortization of net loss	**2,300**	1,146
Settlement cost	**–**	1,888
Net periodic benefit cost	**$ 5,171**	$ 1,619

A settlement cost is required under applicable pension accounting guidance when the amount of the lump-sum benefit payments made during the fiscal year exceeds the service cost plus interest cost components of net periodic pension cost. During 2022, the Plan paid $9.6 million in lump-sum benefit payments, which exceeded the threshold of $5.5 million. The settlement cost is determined by taking the ratio of the lump-sum benefit payments made to the projected benefit

9. Employee Benefit Plans (continued)

obligation before settlement, multiplied by the unrecognized loss in the Plan. Lump-sum benefit payments did not exceed this threshold in 2023 and, as such, no settlement cost was recorded.

Included in net assets without donor restrictions are $28.1 million and $42.1 million of unrecognized actuarial losses at December 31, 2023 and 2022, respectively, which have not been recognized in net periodic benefit cost. The following amounts related to Plan activity have been recognized as an increase (decrease) in net assets without donor restrictions in change in pension plan assets and obligation on the combined statements of operations and changes in net assets:

	Year Ended December 31 2023	2022
	(In Thousands)	
Net gain (loss)	**$ 11,755**	$ (9,146)
Amortization of net loss	**2,300**	1,146
Settlement cost	**–**	1,888
	$ 14,055	$ (6,112)

A summary of the components of the changes in projected benefit obligation and fair value of plan assets for the Plan at and for the year ended December 31, is as follows:

	2023	2022
	(In Thousands)	
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 214,048**	$ 253,423
Interest cost	**9,997**	5,523
Actuarial gain	**(389)**	(30,977)
Benefit payments:		
Lump sum	**(6,193)**	(9,584)
Annuity	**(4,178)**	(4,337)
Projected benefit obligation at the end of year	**213,285**	214,048
Change in plan assets:		
Fair value of plan assets at beginning of year	**161,778**	208,885
Actual return (loss) on plan assets	**18,493**	(33,186)
Benefit payments:		
Lump sum	**(6,193)**	(9,584)
Annuity	**(4,178)**	(4,337)
Fair value of plan assets at end of year	**169,900**	161,778
Funded status and net pension liability	**$ (43,385)**	$ (52,270)

9. Employee Benefit Plans (continued)

Since the Plan is frozen, there is no difference between the projected benefit obligation and the accumulated benefit obligation at December 31, 2023 or 2022.

Assumptions

Weighted-average assumptions used to determine the projected benefit obligation are as follows:

	December 31	
	2023	**2022**
Discount rate	**4.71%**	4.94%
Interest crediting rate (cash balance only)	**4.48**	1.35

Weighted-average assumptions used to determine net periodic benefit cost are as follows:

	December 31	
	2023	**2022**
Discount rate	**4.94%**	2.30%
Expected long-term rate of return on assets	**6.00**	4.25

The rate of return assumption was developed by applying an expected long-term rate of return, based primarily on long-term historical returns by asset type and applying the weighted-average percentage of total plan assets.

Plan Assets

The Plan seeks to assume an appropriate amount of risk to ensure enough assets are available over the life of the Plan to satisfy current and future liabilities. The Plan seeks to achieve and maintain a fully funded status while mitigating the funded status volatility. The strategy for achieving and maintaining this status may vary based on the current funded status, the duration of the Plan's liabilities, the demographics of plan participants, and other factors.

9. Employee Benefit Plans (continued)

The Plan's target asset allocation is designed to meet the Plan's projected benefit obligation as split between traditional benefit and cash balance formulas. The target allocation range for the traditional benefit portion of the Plan assets are as follows:

	December 31	
	2023	**2022**
Fixed income	**55-100%**	55-100%
Equity/real assets	**0-45%**	0-45%
	100%	100%

The asset allocation policy range for the cash balance portion of the Plan assets was as follows:

	December 31	
	2023	**2022**
Fixed income	**60-100%**	60-100%
Equity/real assets	**0-40%**	0-40%
Cash or other highly liquid investments	**0-10%**	0-10%
	100%	100%

9. Employee Benefit Plans (continued)

Fair Value Measurements

The Plan's assets impacting the funded status of the Plan are accounted for under ASC 715, *Compensation – Retirement Benefits*, which requires all Plan assets to be recorded at fair value.

The following table presents the Plan's assets carried at fair value by type of investments and the fair value levels defined in Note 1:

	December 31		
	2023	**2022**	**Level**
	(In Thousands)		
Separately-managed accounts			
IR+M fixed income – traditional:			
Marketable debt securities:			
U.S. government and agencies	**$ 2,561**	$ 2,459	2
Corporate debt	**45,772**	42,515	2
Mortgage-backed	**1,927**	2,458	2
Asset-backed	**1,547**	1,947	2
Municipal bonds	**1,547**	1,845	2
Total IR+M fixed income – traditional	**53,354**	51,224	
IR+M fixed income – cash balance:			
Marketable debt securities:			
U.S. government and agencies	**988**	1,210	2
Corporate debt	**11,486**	20,467	2
Mortgage-backed	**1,248**	2,932	2
Asset-backed	**676**	1,830	2
Municipal bonds	**294**	457	2
Total IR+M fixed income – cash balance	**14,692**	26,896	
Total separately-managed accounts	**68,046**	78,120	

9. Employee Benefit Plans (continued)

	December 31 2023	December 31 2022	Level
	(In Thousands)		
Mutual funds:			
Bond fund	**$ 24,668**	$ 12,997	1
International equity	**19,775**	21,078	1
Public real estate investment trust	**7,219**	5,770	1
Total mutual funds	**51,662**	39,845	
Common and collective trust funds:			
Domestic equities	**34,237**	29,405	NAV
International equities	**3,903**	3,458	NAV
Total common and collective trust funds	**38,140**	32,863	
Alternative investments:			
Real assets	**5,819**	5,580	1
Pooled separate accounts:			
Edge Asset Management	**357**	342	2
Money market fund	**5,876**	5,028	1
Total pooled separate accounts	**6,233**	5,370	
Total plan assets, at fair value	**$ 169,900**	$ 161,778	

Fair value methodologies for Plan assets identified as Level 1, Level 2, and NAV are consistent with the inputs described in Note 5.

9. Employee Benefit Plans (continued)

Cash Flows

The Corporation does not expect to contribute to the Plan in 2024. The following table sets forth the benefit payout projections for the next ten years (in thousands):

Plan year ending December 31:	
2024	$ 24,760
2025	18,490
2026	16,100
2027	15,720
2028	13,510
2029 –2033	53,170

Defined Contribution Plan

403(b)

In addition to the Plan, the Corporation also has a 403(b) defined contribution plan. For participants in the 403(b) defined contribution plan, the Corporation provides a matching contribution on a per pay period basis, up to 4% of employees' compensation. The Corporation will fund an additional non-elective contribution of 2% for employees who have at least 20 years of service as of January 1, 2018, and who do not terminate at any time during the plan year and are employed as of the last day of the plan year.

Discretionary contributions to the 403(b) defined contribution plan are based upon years of service and the amount an employee contributes above 4% of their eligible compensation if they are actively employed on the last day of the plan year. For employees with 0 to less than 10 years of service at the end of the plan year, the Corporation will match 50% of the next 2% of the employee's contribution, while for those employees with 10 or more years of service at the end of the plan year, the Corporation will match 100% of the next 2% of the employee's contribution.

Total expense related to the 403(b) defined contribution plan was $70.4 million and $63.3 million for the years ended December 31, 2023 and 2022, respectively, and is included in labor and benefits on the combined statements of operations and changes in net assets.

10. Functional Expenses

The Corporation, through certain affiliates (principally Norton Hospitals, Inc. and Community Medical Associates, Inc.), provides general health care services to residents within its geographic location.

The tables below present expenses by both their nature and function.

	Health Care Services	Support Services	Total
		(In Thousands)	
Year ended December 31, 2023			
Operating expenses:			
Labor and benefits	**$ 1,848,319**	**$ 283,127**	**$ 2,131,446**
Professional fees	**160,733**	**155**	**160,888**
Drugs and supplies	**931,460**	**2,060**	**933,520**
Fees and special services	**99,345**	**85,641**	**184,986**
Repairs, maintenance, and utilities	**62,212**	**86,024**	**148,236**
Rent and leases	**53,012**	**2,831**	**55,843**
Insurance	**30,984**	**12,180**	**43,164**
Provider tax	**114,632**	**–**	**114,632**
Other	**19,428**	**13,454**	**32,882**
Total operating expenses	**3,320,125**	**485,472**	**3,805,597**
Fixed expenses:			
Depreciation and amortization	**132,053**	**20,494**	**152,547**
Interest expense	**55,009**	**(314)**	**54,695**
Interest rate swap benefit, net	**–**	**(3,780)**	**(3,780)**
Total fixed expenses	**187,062**	**16,400**	**203,462**
Total expenses	**$ 3,507,187**	**$ 501,872**	**$ 4,009,059**

10. Functional Expenses (continued)

	Health Care Services	Support Services	Total
		(In Thousands)	
Year ended December 31, 2022			
Operating expenses:			
Labor and benefits	$ 1,696,092	$ 254,665	$ 1,950,757
Professional fees	139,726	260	139,986
Drugs and supplies	833,210	3,028	836,238
Fees and special services	88,919	78,562	167,481
Repairs, maintenance, and utilities	56,500	71,125	127,625
Rent and leases	49,412	3,252	52,664
Insurance	25,592	1,342	26,934
Provider tax	59,233	–	59,233
Other	16,999	12,786	29,785
Total operating expenses	2,965,683	425,020	3,390,703
Fixed expenses:			
Depreciation and amortization	120,715	31,556	152,271
Interest expense	46,455	4,236	50,691
Interest rate swap benefit, net	–	(3,934)	(3,934)
Total fixed expenses	167,170	31,858	199,028
Total expenses	$ 3,132,853	$ 456,878	$ 3,589,731

11. Commitments and Contingencies

The Corporation is in the process of improving and expanding its facilities. Future commitments related to the renovation of existing facilities or construction of new facilities totaled $82.8 million and $65.6 million at December 31, 2023 and 2022, respectively. This will be funded through bond proceeds and cash flows generated from operations.

The Corporation is subject to claims and suits arising in the ordinary course of business. Management assesses the probable outcome of unresolved litigation and records estimated settlements, if applicable. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the Corporation's combined financial position.

12. Leases

The Corporation has operating and finance leases for medical offices, administrative offices, and certain equipment leases.

The components of net lease expense are as follows:

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Operating leases:		
Operating lease expense	**$ 37,148**	$ 34,851
Finance leases:		
Amortization of right-of-use assets	**7,316**	7,038
Interest on finance lease liabilities	**3,429**	3,665
Total finance lease expense	**10,745**	10,703
Short-term and variable lease expense	**7,118**	6,499
Less sublease income	**(1,258)**	(1,388)
Net lease expense	**$ 53,753**	$ 50,665

12. Leases (continued)

The following table presents the components of the Corporation's right-of-use assets and liabilities related to leases and their classification in the combined balance sheets at:

	Combined Balance Sheet Classification	December 31 2023	2022
		(In Thousands)	
Assets:			
Operating leases	Operating lease right-of-use assets, net	**$ 182,925**	$ 170,565
Finance leases	Property and equipment, net	**59,714**	63,107
Total lease right-of-use assets, net		**$ 242,639**	$ 233,672
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liability	**$ 26,600**	$ 25,314
Finance leases	Current portion of long-term debt	**8,342**	6,764
Noncurrent:			
Operating leases	Long-term operating lease liability, net of current portion	**157,444**	145,714
Finance leases	Long-term debt, net of current portion	**67,313**	72,408
Total lease liabilities		**$ 259,699**	$ 250,200

12. Leases (continued)

Other information related to leases is as follows:

	Year Ended December 31	
	2023	**2022**
	(In Thousands)	
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	**$ 3,634**	$ 3,686
Operating cash flows from operating leases	**36,407**	34,121
Financing cash flows from finance leases	**6,890**	6,430
Right-of-use assets obtained in exchange for new lease obligations		
Operating leases	**$ 53,074**	$ 40,362
Finance leases	**3,490**	40
Weighted average remaining lease term (in years)		
Operating leases	**7.9**	7.5
Finance leases	**13.9**	13.8
Weighted average discount rate		
Operating leases	**2.84%**	2.46%
Finance leases	**5.25**	5.36

12. Leases (continued)

Commitments relating to non-cancellable operating and finance leases as of December 31, 2023, are as follows:

	Operating		Finance	
	(In Thousands)			
2024	$	31,890	$	10,900
2025		34,700		10,020
2026		29,465		7,616
2027		25,338		7,747
2028		19,664		7,554
Thereafter		71,938		67,500
Total minimum future lease payments		212,995		111,337
Less imputed interest		(28,951)		(35,682)
Total lease liabilities		184,044		75,655
Less current portion		(26,600)		(8,342)
Long-term lease liabilities	$	157,444	$	67,313

13. Concentration of Credit Risk

The Corporation grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors is as follows:

	December 31	
	2023	**2022**
Medicare	**25%**	24%
Medicaid	**19**	21
Blue Cross	**29**	25
Other third-party payors	**18**	22
Self-pay	**9**	8
	100%	100%

14. Acquisitions

Norton Scott/Clark

On September 29, 2023, the Corporation acquired the remaining 75% interest in The Regional Health Network of Kentucky and Southern Indiana, LLC (Regional) joint venture, which operated Clark and Scott Memorial Hospitals and other related healthcare facilities in southern Indiana (Norton Clark/Scott) for cash of $37.1 million. As a result, the Corporation owns 100% of Norton Clark/Scott. Under applicable accounting guidance, the Corporation was required to adjust its historical equity method investment to fair value ($13.2 million), resulting in loss of $8.0 million, which is recorded in other non-operations losses, net in the combined statement of operations and changes in net assets during the year ended December 31, 2023. The fair value of the historical equity method investment was determined using a market approach. The key assumptions and estimates utilized in this approach included market data and market multiples which are considered Level 2 measurements. The Corporation believes these assumptions and estimates are reasonable and based on the best information available at the valuation date.

The acquisition constitutes a business combination as defined by ASC 805, *Business Combinations* (ASC 805). In accordance with ASC 805, assets acquired, and liabilities assumed are to be recorded at their estimated fair values on the combined balance sheet on September 29, 2023.

The allocation of purchase price to the assets acquired and liabilities assumed at the date of the acquisition is presented in the table below. The allocation is preliminary, pending final purchase price adjustments as well as final purchase accounting adjustments based upon acquisition date fair values. Management utilizes a third-party valuation firm to assist in the determination of acquisition date fair values, and specifically those considered Level 2 and 3 measurements, if applicable. Management ultimately oversees the third-party valuation firm to ensure that the transaction-specific assumptions are appropriate for the Corporation.

14. Acquisitions (continued)

Assets		
Current assets	$	11,145
Property and equipment		53,460
Right of use assets		8,036
Goodwill		2,483
Liabilities		
Current liabilities		(14,752)
Long-term debt		(2,705)
Long-term operating lease liability		(7,389)
Total consideration	$	50,278

The total revenue and decrease in excess of revenue over expenses attributable to Norton Clark/Scott included in the combined statement of operations and changes in net assets during the year ended December 31, 2023, was $49.0 million and $5.7 million, respectively.

Norton King's Daughters' Health

On January 1, 2022, the Corporation completed a member substitution of King's Daughters' Health, Inc. (KDH), which operates an acute care hospital and related health care facilities in Madison, Indiana, for a purchase price of $139.5 million. The member substitution enabled the Corporation to expand its customer base and to strengthen and ensure the future sustainability of KDH.

The member substitution of KDH constitutes a business combination as defined by ASC 805. In accordance with ASC 805, assets acquired, and liabilities assumed were recorded at their estimated fair values on the combined balance sheet on January 1, 2022.

The final allocation of purchase price to the assets acquired and liabilities assumed at the date of the acquisition is presented in the table below. This allocation is based upon valuations using management's estimates and assumptions. Management utilizes a third-party valuation firm to assist in the determination of acquisition date fair values, and specifically those considered Level 2 and Level 3 measurements, as applicable. Management ultimately oversees the third-party valuation firm to ensure that the transaction-specific assumptions are appropriate for the Corporation.

14. Acquisitions (continued)

Purchase price	$	139,505
Identifiable assets acquired and liabilities assumed:		
Current assets		45,662
Assets limited as to use		219,392
Property and equipment		100,206
Other assets		9,115
Current liabilities		(12,938)
Long-term debt		(88,265)
Total identifiable net assets		273,172
Excess of nets asset acquired over consideration paid	$	133,667

As a result of the KDH transaction, a contribution of the excess of unrestricted assets over liabilities of $133.7 million was recognized as excess of net assets acquired over consideration paid for KDH on the combined statement of operations and net assets for the year ended December 31, 2022. The total revenue and decrease in net assets attributable to KDH included in the 2022 combined statement of operations and changes in net assets was $124.9 million and $43.5 million, respectively.

The working capital assets and liabilities for the Norton Clark/Scott and KDH transactions, as well as the property and equipment acquired and long-term debt assumed, were valued using Level 2 inputs, which included data points that are observable, such as definitive sales agreements, appraisals, quoted market prices or established market values of comparable assets (market approach). Significant increases (decreases) in any of those unobservable inputs in isolation would result in a significantly lower (higher) fair value measurement.

15. Subsequent Events

The Corporation has evaluated and disclosed any subsequent events through April 4, 2024, which is the date the accompanying combined financial statements were issued. No recognized or non-recognized subsequent events were identified for recognition or disclosure in the combined financial statements.

Supplementary Information

Report of Independent Auditors on Supplementary Information

The Board of Trustees
Norton Healthcare, Inc. and Affiliates

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The following combining balance sheet and combining statement of operations and changes in net assets without donor restrictions are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ernst & Young LLP

April 4, 2024

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet

December 31, 2023

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Norton Healthcare – Indiana, Inc.[2]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare Foundation, Inc.	Eliminations	Combined Totals
					(In Thousands)					
Assets										
Current assets:										
Cash and cash equivalents	$ 242,082	$ 8	$ 22,352	$ 22	$ –	$ –	$ 788	$ 11	$ –	$ 265,263
Marketable securities and other investments	72,983	–	–	–	–	–	–	–	–	72,983
Patient accounts receivable	17,582	337,945	46,679	76,390	–	(1)	–	–	–	478,595
Inventory	5,424	66,022	7,510	3,221	–	–	32	133	–	82,342
Prepaid expenses and other	76,587	3,673	2,406	–	309	–	61	–	–	83,036
Due from (to) third party payors, net	–	142,371	(3,634)	–	–	–	–	–	–	138,737
Miscellaneous receivables (payables)	27,445	644	(7)	7,018	2,668	–	2,274	1,076	–	41,118
Current portion of assets limited as to use	29,218	–	–	–	–	–	–	–	–	29,218
Total current assets	471,321	550,663	75,306	86,651	2,977	(1)	3,155	1,220	–	1,191,292
Assets limited as to use, net of current portion	1,740,537	–	206,393	–	–	–	81,817	45,908	–	2,074,655
Property and equipment, net	108,883	903,897	143,098	101,223	232,791	–	48	–	–	1,489,940
Other assets:										
Investments in joint ventures	21,776	–	2,185	16,416	–	10,898	–	–	(37,989)	13,286
Pledges receivable, net	–	–	–	–	–	–	17,434	7,701	–	25,135
Beneficial interest in trusts held by others	–	–	–	–	–	–	17,112	8,205	–	25,317
Goodwill and indefinite-lived intangible assets	–	7,626	2,483	14,002	–	–	–	–	–	24,111
Interest rate swaps asset	29,905	–	–	–	–	–	–	–	–	29,905
Operating lease right-of-use assets, net	1,940	8,051	8,852	–	164,082	–	–	–	–	182,925
Other assets	(65,354)	2,506,811	(452,918)	(1,716,080)	(235,347)	(10,269)	5,375	882	(422)	32,678
Total other assets	(11,733)	2,522,488	(439,398)	(1,685,662)	(71,265)	629	39,921	16,788	(38,411)	333,357
Total assets	$ 2,309,008	$ 3,977,048	$ (14,601)	$ (1,497,788)	$ 164,503	$ 628	$ 124,941	$ 63,916	$ (38,411)	$ 5,089,244

[1]Includes the balance sheet for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, and Norton Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center- Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Diagnostic Center-Dixie; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

[2]Includes the balance sheet for Norton - King's Daughters, Norton Clark/Scott Hospitals; and Norton Clark/Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet (continued)

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Norton Healthcare – Indiana, Inc.[2]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare Foundation, Inc.	Eliminations	Combined Totals
					(In Thousands)					
Liabilities and net assets										
Current liabilities:										
Accounts payable	$ 20,838	$ 70,546	$ 10,698	$ 1,297	$ 1,177	$ 7	$ (2)	$ 1	$ –	$ 104,562
Accrued expenses and other	68,571	40,662	8,197	18,166	1,608	(589)	224	31	–	136,870
Current portion of operating lease liability	939	1,609	739	–	23,313	–	–	–	–	26,600
Accrued payroll and related items	173,641	6,914	7,088	49,446	–	–	–	–	–	237,089
Accrued interest	12,940	–	–	–	–	–	–	–	–	12,940
Current portion of long-term debt	43,525	–	669	–	7,004	–	–	–	–	51,198
Total current liabilities	320,454	119,731	27,391	68,909	33,102	(582)	222	32	–	569,259
Other non-current liabilities:										
Pension liability	43,385	–	–	–	–	–	–	–	–	43,385
Insurance liability	94,080	–	662	–	–	–	–	–	–	94,742
Long-term operating lease liability, net of current portion	1,012	6,443	8,300	–	141,689	–	–	–	–	157,444
Other	101,141	9,908	409	–	4,528	–	2,159	2,400	–	120,545
Total other non-current liabilities	239,618	16,351	9,371	–	146,217	–	2,159	2,400	–	416,116
Long-term debt, net of current portion	1,541,346	–	2,534	–	65,447	–	–	–	–	1,609,327
Net assets (deficit):										
Without donor restrictions	198,580	3,837,896	(54,542)	(1,571,119)	(80,263)	1,210	35,676	3,504	(38,411)	2,332,531
With donor restrictions	9,010	3,070	645	4,422	–	–	86,884	57,980	–	162,011
Total net assets (deficit)	207,590	3,840,966	(53,897)	(1,566,697)	(80,263)	1,210	122,560	61,484	(38,411)	2,494,542
Total liabilities and net assets (deficit)	$ 2,309,008	$ 3,977,048	$ (14,601)	$ (1,497,788)	$ 164,503	$ 628	$ 124,941	$ 63,916	$ (38,411)	$ 5,089,244

[1]Includes the balance sheet for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, and Norton Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center- Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Diagnostic Center-Dixie; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

[2]Includes the balance sheet for Norton - King's Daughters, Norton Clark/Scott Hospitals; and Norton Clark/Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Net Assets without Donor Restrictions

Year Ended December 31, 2023

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Norton Healthcare – Indiana, Inc.[2]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare Foundation, Inc.	Eliminations	Combined Totals
					(In Thousands)					
Revenue:										
Net patient service revenue	$ 103,363	$ 2,985,227	$ 185,957	$ 684,351	$ –	$ –	$ –	$ –	$ (3,346)	$ 3,955,552
Other revenue	31,101	17,344	1,312	39,622	65,918	–	1,390	1,498	(102,106)	56,079
Donations and contributions	3,350	5,037	376	3,913	–	–	18,900	13,184	(25,158)	19,602
Joint venture loss	–	–	–	–	–	(5,185)	–	–	–	(5,185)
Total revenue	137,814	3,007,608	187,645	727,886	65,918	(5,185)	20,290	14,682	(130,610)	4,026,048
Operating expenses:										
Labor and benefits	272,506	1,005,465	113,227	734,688	2,640	–	2,179	921	(180)	2,131,446
Professional fees	155	120,139	5,276	39,501	–	–	–	–	(4,183)	160,888
Drugs and supplies	94,448	731,187	34,628	72,295	179	–	301	488	(6)	933,520
Fees and special services	78,934	96,072	20,516	13,524	2,084	–	1,740	216	(28,100)	184,986
Repairs, maintenance, and utilities	83,079	40,157	9,824	9,788	5,378	–	8	2	–	148,236
Rent and leases	13,602	29,017	962	40,869	43,999	–	104	35	(72,745)	55,843
Insurance	11,379	13,772	2,030	15,330	375	–	200	78	–	43,164
Provider tax	–	101,384	13,248	–	–	–	–	–	–	114,632
Other	9,280	7,853	3,006	8,382	1,506	–	15,548	12,703	(25,396)	32,882
Management allocation	(413,619)	329,331	1,237	77,865	5,186	–	–	–	–	–
Total operating expenses	149,764	2,474,377	203,954	1,012,242	61,347	–	20,080	14,443	(130,610)	3,805,597
(Deficit) earnings before fixed expenses and other (losses) gains	(11,950)	533,231	(16,309)	(284,356)	4,571	(5,185)	210	239	–	220,451
Fixed expenses:										
Depreciation and amortization	17,562	96,874	12,365	12,290	13,446	–	8	2	–	152,547
Interest expense	(884)	50,427	1,761	–	3,391	–	–	–	–	54,695
Interest rate swap benefit, net	(3,780)	–	–	–	–	–	–	–	–	(3,780)
	12,898	147,301	14,126	12,290	16,837	–	8	2	–	203,462

[1]Includes the statement of operations and changes in unrestricted net assets for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, and Norton Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center-Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Diagnostic Center-Dixie; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

[2]Includes the statement of operations and changes in net assets without donor restriction for Norton - King's Daughters, Norton Clark/Scott Hospitals; and Norton Clark/Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

Combining Statement of Operations and Changes in Net Assets without Donor Restrictions (continued)

	Norton Healthcare, Inc.	Norton Hospitals, Inc.[1]	Norton Healthcare – Indiana, Inc.[2]	Community Medical Associates, Inc.	Norton Properties, Inc.	Norton Enterprises, Inc.	The Children's Hospital Foundation, Inc.	Norton Healthcare Foundation, Inc.	Eliminations	Combined Totals
					(In Thousands)					
Patient service (deficit) margin	$ (24,848)	$ 385,930	$ (30,435)	$ (296,646)	$ (12,266)	$ (5,185)	$ 202	$ 237	$ –	$ 16,989
Investment gain	40,918	–	7,160	–	–	–	1,140	127	–	49,345
Operating gain (loss)	16,070	385,930	(23,275)	(296,646)	(12,266)	(5,185)	1,342	364	–	66,334
Non-operating gains (losses):										
Change in net unrealized gains on investments	129,657	–	12,116	–	–	–	2,349	356	–	144,478
Change in fair value of interest rate swaps	18,235	–	–	–	–	–	–	–	–	18,235
Petersdorf Fund grants	(780)	–	–	31	–	–	–	–	–	(749)
Net periodic pension cost	(5,171)	–	–	–	–	–	–	–	–	(5,171)
Other non-operating (losses) gains, net	(7,764)	(310)	68	(31)	256	(7,526)	32	(8)	–	(15,283)
Total non-operating gains (losses), net	134,177	(310)	12,184	–	256	(7,526)	2,381	348	–	141,510
Excess of revenue over expenses (expenses over revenue)	150,247	385,620	(11,091)	(296,646)	(12,010)	(12,711)	3,723	712	–	207,844
Change in pension plan assets and obligation	14,057	–	–	–	–	–	–	–	–	14,057
Net assets released from restriction for equipment and other	(791)	777	–	1,526	–	–	885	(184)	–	2,213
Increase (decrease) in net assets without donor restrictions	$ 163,513	$ 386,397	$ (11,091)	$ (295,120)	$ (12,010)	$ (12,711)	$ 4,608	$ 528	$ –	$ 224,114

[1]Includes the statement of operations and changes in unrestricted net assets for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, and Norton Brownsboro Hospitals; Norton Children's Medical Center; Norton Diagnostic Center-Fern Creek; Norton Diagnostic Center-DuPont; Norton Diagnostic Center-Brownsboro; Norton Diagnostic Center-Dixie; Norton Cancer Institute; Norton Hospitals, Inc. owned medical office building; Cardiovascular Diagnostic Centers; and Norton Healthcare pharmacies.

[2]Includes the statement of operations and changes in unrestricted net assets for Norton - King's Daughters, Norton Clark/Scott Hospitals; and Norton Clark/Scott Physician Practices.