

COMBINED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Norton Healthcare, Inc. and Affiliates
Years Ended December 31, 2024 and 2023
With Report of Independent Auditors



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Norton Healthcare, Inc. and Affiliates
Combined Financial Statements and Supplementary Information
Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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.



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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Ernst & Young LLP

April 3, 2025

Norton Healthcare, Inc. and Affiliates

Combined Balance Sheets

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 260,324	\$ 265,263
Restricted cash	6,829	—
Marketable securities and other investments	81,037	72,983
Patient accounts receivable	494,932	478,595
Inventory	93,244	82,342
Prepaid expenses and other	96,577	83,036
Due from third-party payors, net	128,401	138,737
Miscellaneous receivables	46,730	41,118
Current portion of assets limited as to use	36,334	29,218
Total current assets	<u>1,244,408</u>	1,191,292
Assets limited as to use, net of current portion	2,280,075	2,074,655
Property and equipment, net	1,572,549	1,489,940
Other assets:		
Investments in joint ventures	17,359	13,286
Pledges receivable, net	28,321	25,135
Beneficial interest in trusts held by others	31,755	25,317
Goodwill and indefinite-lived intangible assets	21,545	24,111
Interest rate swaps asset	31,058	29,905
Operating lease right-of-use assets, net	177,231	182,925
Other assets	64,575	32,678
Total other assets	<u>371,844</u>	333,357
Total assets	<u>\$ 5,468,876</u>	\$ 5,089,244

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 188,967	\$ 104,562
Accrued expenses and other	157,394	136,870
Current portion of operating lease liability	28,856	26,600
Accrued payroll and related items	256,601	237,089
Accrued interest	12,692	12,940
Current portion of long-term debt	52,083	51,198
Total current liabilities	<u>696,593</u>	569,259
Other non-current liabilities:		
Pension liability	38,984	43,385
Insurance liability	104,534	94,742
Long-term operating lease liability, net of current portion	149,856	157,444
Other	133,037	120,545
Total other non-current liabilities	<u>426,411</u>	416,116
Long-term debt, net of current portion	1,582,707	1,609,327
Net assets:		
Without donor restrictions	2,578,211	2,332,531
With donor restrictions	184,954	162,011
Total net assets	<u>2,763,165</u>	2,494,542
Total liabilities and net assets	<u><u>\$ 5,468,876</u></u>	<u><u>\$ 5,089,244</u></u>

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Operations and Changes in Net Assets

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Revenue:		
Net patient service revenue	\$ 4,626,446	\$ 3,955,552
Other revenue	113,911	50,894
Donations and contributions	22,864	19,602
Total revenue	4,763,221	4,026,048
 Operating expenses:		
Labor and benefits	2,433,103	2,131,446
Professional fees	250,318	160,888
Drugs and supplies	1,068,347	933,520
Fees and special services	251,002	184,986
Repairs, maintenance, and utilities	172,929	148,236
Rent and leases	60,855	55,843
Insurance	49,341	43,164
Provider tax	152,888	114,632
Other	38,050	32,882
Total operating expenses	4,476,833	3,805,597
 Earnings before fixed expenses and other gains	286,388	220,451
 Fixed expenses:		
Depreciation and amortization	166,323	152,547
Interest expense	53,531	54,695
Interest rate swaps benefit, net	(6,090)	(3,780)
Total fixed expenses	213,764	203,462
 Patient service margin	72,624	16,989

Norton Healthcare, Inc. and Affiliates

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

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Patient service margin	\$ 72,624	\$ 16,989
Investment gain	119,517	49,345
Operating gain	192,141	66,334
Non-operating gains (losses):		
Change in net unrealized gains on investments	41,322	144,478
Change in fair value of interest rate swaps	1,153	18,235
Petersdorf Fund grants	(475)	(749)
Net periodic pension cost	(2,410)	(5,171)
Other non-operating gains (losses), net	4,115	(15,283)
Total non-operating gains, net	43,705	141,510
Excess of revenue over expenses	235,846	207,844
Net assets without donor restrictions:		
Change in pension plan assets and obligation	6,979	14,057
Net assets released from restriction for equipment and other	2,855	2,213
Increase in net assets without donor restrictions	245,680	224,114
Net assets with donor restrictions:		
Contributions, fees, grants, bequests, net	32,583	10,843
Investment gain	5,837	3,246
Change in beneficial interest in trusts held by others	1,881	1,945
Change in net unrealized gains on investments	1,717	5,963
Net assets released from restriction	(19,075)	(15,435)
Increase in net assets with donor restrictions	22,943	6,562
Increase in net assets	268,623	230,676
Net assets at beginning of year	2,494,542	2,263,866
Net assets at end of year	\$ 2,763,165	\$ 2,494,542

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2024	2023
	(In Thousands)	
Operating activities		
Increase in net assets	\$ 268,623	\$ 230,676
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	166,323	152,547
Premium accretion	(7,507)	(6,851)
Change in net unrealized gains on investments	(43,039)	(150,441)
(Gain) loss on remeasurement of equity method investment	(4,470)	7,980
Loss on extinguishment of debt	—	4,303
Change in fair value of interest rate swaps	(1,153)	(18,235)
Change in pension plan asset and obligation	(6,979)	(14,057)
Restricted contributions and investment gain	(40,301)	(16,013)
Cash (used in) provided by operating assets and liabilities:		
Change in patient accounts receivable	(16,337)	(123,196)
Change in assets limited as to use, net	(169,497)	198,922
Change in amounts due from third-party payors, net	10,336	(113,611)
Change in marketable securities and other investments	(8,054)	(2,376)
Change in other current and non-current assets and liabilities	110,802	(5,740)
Net cash provided by operating activities	<u>258,747</u>	<u>143,908</u>
Investing activities		
Purchase of property and equipment	(248,932)	(198,552)
Acquisition of The Regional Health Network of Kentucky and Southern Indiana LLC, net of cash acquired	—	(36,711)
Change in joint ventures and other	<u>(4,073)</u>	<u>(9,633)</u>
Net cash used in investing activities	<u>(253,005)</u>	<u>(244,896)</u>
Financing activities		
Issuance of long-term debt	32,519	452,005
Funding of note receivable associated with IRS New Market Tax Program	(24,395)	—
Refunding of long-term debt	—	(310,228)
Principal payments on long-term debt	(50,944)	(19,166)
Cost of long-term debt issuance	(1,333)	(3,310)
Issuance of commercial paper	—	23,864
Repayment of commercial paper	—	(50,000)
Restricted contributions and investment gain	40,301	16,013
Net cash (used in) provided by financing activities	<u>(3,852)</u>	<u>109,178</u>
Increase in cash, cash equivalents and restricted cash	1,890	8,190
Cash, cash equivalents, and restricted cash at beginning of year	<u>265,263</u>	<u>257,073</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 267,153</u>	<u>\$ 265,263</u>

See accompanying notes.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements

December 31, 2024

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 WLH Real Estate, 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 six hospitals in Louisville, Kentucky and three hospitals in southern Indiana. Its operations include 2,254 licensed beds, 10 outpatient centers, 19 Norton Immediate Care Centers, 15 Norton Prompt Care clinics, and providing care at more than 400 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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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, 2024 and 2023.

Restricted Cash

The Corporation had \$6.8 million and \$0 recorded as restricted cash on the combined balance sheet as of December 31, 2024 and 2023, respectively, which is restricted for use as defined by the Internal Revenue Service (IRS) New Market Tax Program financing arrangement.

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, 2024 and 2023, \$48.3 million and \$27.4 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 marketable securities can be liquidated at their fair value without restriction and, therefore, has included the marketable securities as current assets.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

Inventory

Inventories (predominately medical and surgical supplies and pharmaceuticals) are primarily carried at the lower of cost (average cost method) or net realizable value.

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, 2024 and 2023.

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 on investments are included in the excess of revenue over expenses 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,

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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 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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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).

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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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. 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, 2024 or 2023.

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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.

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, 2024 or 2023.

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 \$21.5 million and \$24.1 million at December 31, 2024 and 2023, 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 2024 and 2023 resulted in no impairment 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 \$139.3 million and \$122.2 million as of December 31, 2024 and 2023, respectively. Medical malpractice and general liability self-insurance liabilities of \$39.4 million and \$31.4 million are included in accrued expenses and other current liabilities at December 31, 2024 and 2023, 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 \$12.4 million and \$10.5 million as of December 31, 2024 and 2023, respectively, for anticipated reinsurance recoveries. Of total anticipated reinsurance recoveries, \$3.8 million and \$3.0 million are classified as current at December 31, 2024 and 2023, respectively, and are recorded in miscellaneous receivables on the combined balance sheets. The non-current portion of anticipated reinsurance recoveries of \$8.6 million and \$7.5 million at December 31, 2024 and 2023, respectively, are recorded in other assets on the combined balance sheets. The Corporation recorded a decrease in medical malpractice and general liability self-insurance expense of \$2.8 million in 2024 and an increase of \$2.6 million in 2023 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 4.25% and 4.50% at December 31, 2024 and 2023, respectively, represent management's best estimate of ultimate costs at those dates.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 trustee assets are recorded as investment gain and change in net unrealized gains on investments, as applicable.

Commercial Paper

The Corporation has 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 the year ended December 31, 2023, 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, 2024 and 2023. 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 were not material for the years ended December 31, 2024 and 2023 and therefore, did not result in a change in the Corporation's revenue recognition policy.

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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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.

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 \$25.6 million and \$83.1 million in 2024 and 2023, 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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 \$17.9 million and \$21.0 million for the years ended December 31, 2024 and 2023, 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 ASC 606. Primary categories include Federal Emergency Management Agency reimbursements, milestone-based research study revenue, other payor payments, revenue from other miscellaneous sources, insurance proceeds, a tax distribution from a former joint venture, provider services, technical service fee revenue, rental income, parking revenue, and joint venture income (loss).

Excess of Revenue Over Expenses

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. Excess of revenue over expenses 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, consistent with industry practice, include or may include contributions of long-lived assets, net assets released from restriction for equipment, investment returns on assets without donor restrictions, and changes in pension plan assets and obligation.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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.

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 5.00% during the year ended December 31, 2024 (0.03% to 2.22% during the year ended December 31, 2023). 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

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

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
Gross pledges due:		
In less than one year	\$ 2,637	\$ 3,700
In one to five years	2,054	3,900
In more than five years	<u>53,405</u>	33,755
	<u>58,096</u>	41,355
Allowance for uncollectible pledges	(139)	(350)
Discounting	<u>(27,138)</u>	(12,520)
Net pledges receivable	<u>30,819</u>	28,485
Less current portion	(2,498)	(3,350)
Net long-term pledges receivable	<u>\$ 28,321</u>	\$ 25,135

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

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 2021 through 2023 remain open in the taxing jurisdictions in which the Corporation is subject to taxation, and the 2024 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

As of December 31, 2024, the Corporation has federal NOL carryforwards of \$24.9 million (\$34.4 million at December 31, 2023). These NOL carryforwards expire in years 2035 to 2043. As a result of the NOL carryforwards, the Corporation recorded a deferred tax asset of \$5.8 million and \$8.8 million at December 31, 2024 and 2023, 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 \$5.8 million and \$8.8 million at December 31, 2024 and 2023, 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.

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

2. Community Service (Unaudited) (continued)

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

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Charity care ^(A)	\$ 17,165	\$ 21,014
Educational support	98,555	76,758
Sponsorships	2,547	2,183
Community cancer initiatives	6,867	6,571
Community service activities	1,615	1,537
Other community benefits	21,647	20,776
	\$ 148,396	\$ 128,839

^(A) Consistent with 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 \$0.7 million in 2024 and \$0.5 million in 2023.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

3. Property and Equipment

Property and equipment consists of the following at:

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
Land and land improvements	\$ 90,064	\$ 83,222
Buildings	1,821,871	1,635,218
Equipment	1,604,189	1,456,907
	3,516,124	3,175,347
Accumulated depreciation and amortization	(2,007,653)	(1,847,908)
	1,508,471	1,327,439
Construction-in-process	64,078	162,501
	\$ 1,572,549	\$ 1,489,940

Depreciation expense was \$158.6 million and \$145.2 million for the years ended December 31, 2024 and 2023, respectively. Equipment includes computer software costs of \$171.4 million and \$131.8 million at December 31, 2024 and 2023, 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 \$126.9 million and \$92.2 million at December 31, 2024 and 2023, 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 \$9.3 million and \$3.7 million for the years ended December 31, 2024 and 2023, 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
By Board of Trustees for indigent care, education, research, and community health initiatives (Petersdorf Fund)	\$ 180,440	\$ 169,787
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)	12,795	11,886
By Board of Trustees	<u>1,831,413</u>	<u>1,649,354</u>
	<u>2,024,648</u>	<u>1,831,027</u>
By self-insurance trust agreements	128,507	124,689
Less current portion	(35,629)	(28,376)
By self-insurance trust agreements, net	<u>92,878</u>	<u>96,313</u>
By bond indenture trust agreements	54,152	51,306
Less current portion	(22)	(11)
By bond indenture trust agreements, net	<u>54,130</u>	<u>51,295</u>
By contractual agreement	8,258	9,030
Less current portion	(683)	(831)
By contractual agreement, net	<u>7,575</u>	<u>8,199</u>
By donors for time or use	100,844	87,821
	<u>\$ 2,280,075</u>	<u>\$ 2,074,655</u>

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 is \$163.4 million and \$170.6 million at December 31, 2024 and 2023, 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 on investments (included in non-operating gains (losses) for net assets without donor restrictions).

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

	Year Ended December 31	
	2024	2023
	<i>(In Thousands)</i>	
Investment gain by net asset class:		
Without donor restrictions	\$ 119,517	\$ 49,345
With donor restrictions	5,837	3,246
Total investment gain	<u>\$ 125,354</u>	<u>\$ 52,591</u>
Components of investment gain:		
Interest and dividends	\$ 48,883	\$ 40,346
Income distributions from trusts	1,370	1,396
Investment fees	(8,694)	(2,587)
Net realized gains on investments	82,994	24,445
Change in net unrealized gains (losses) on investments recorded at other than fair value	801	(11,009)
Total investment gain	<u>\$ 125,354</u>	<u>\$ 52,591</u>

The total change in net unrealized gains on investments with and without donor restrictions were \$43.0 million and \$150.4 million for the years ended December 31, 2024 and 2023, respectively, and are solely composed of the change in net unrealized gains on investments recorded at fair value.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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		Level	
	2024	2023		
	<i>(In Thousands)</i>			
Marketable securities and other investments, at fair value				
Money market funds	\$ 2	\$ 4	1	
Marketable debt securities:				
Corporate debt	17,001	29,097	2	
Mortgage-backed	14,970	9,168	2	
U.S. government agencies	11,611	12,989	2	
Asset-backed	28,153	12,527	2	
Mutual funds	9,300	9,198	1	
Total marketable securities and other investments, at fair value	81,037	72,983		
Assets limited as to use, at fair value				
By Board of Trustees and donors:				
Money market fund	25,916	28,160	1	
Mutual funds	868,762	749,609	1	
Common and collective trust funds	181,090	136,880	NAV	
Marketable debt securities:				
Corporate debt	27,359	17,151	2	
Municipal bonds	816	2,576	2	
U.S. government and agencies	8,601	12,878	2	
Mortgage-backed	30,547	21,014	2	
Asset-backed	6,821	4,917	2	

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

	December 31		Level
	2024	2023	
	<i>(In Thousands)</i>		
Marketable equity securities:			
Domestic	\$ 221,896	\$ 196,530	1
Total assets limited as to use by Board of Trustees and donors, at fair value	1,371,808	1,169,715	
By contractual agreements:			
Money market fund	8,258	9,030	1
Total assets limited as to use by contractual agreements, at fair value	8,258	9,030	
By self-insurance trust agreements:			
Money market fund	10,856	7,614	1
Marketable debt securities:			
Corporate debt	43,851	44,069	2
Mortgage-backed	10,445	8,366	2
Asset-backed	23,921	15,841	2
Municipal bonds	1,196	3,957	2
U.S. government and agencies	2,801	6,192	2
Marketable equity securities:			
Domestic	35,437	38,650	1
Total assets limited as to use by self-insurance trust agreements, at fair value	128,507	124,689	
By bond indenture trust agreements:			
Marketable debt securities:			
Guaranteed investment certificate	30,734	28,823	2
U.S. government and agencies	23,418	22,483	2
Total assets limited as to use by bond indenture, at fair value	54,152	51,306	
Total assets limited as to use, at fair value	1,562,725	1,354,740	

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

5. Fair Value Measurements (continued)

	December 31		Level
	2024	2023	
	<i>(In Thousands)</i>		
Assets limited as to use at other than fair value:			
Hedge funds	\$ 435,482	\$ 460,124	N/A
Real estate funds	132,469	143,610	N/A
Private equity funds	185,733	145,399	N/A
Total assets limited as to use, at other than fair value	753,684	749,133	
Less current portion of self-insurance trust and bond indenture trust and assets limited as to use by contractual agreement	(36,334)	(29,218)	
Total assets limited as to use	\$ 2,280,075	\$ 2,074,655	
Other assets at fair value:			
Beneficial interest in outside trusts	\$ 31,755	\$ 25,317	2
Interest rate swaps (<i>Note 7</i>)	31,058	29,905	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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 for fair value, 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, 2024 and 2023, 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, 2024 or 2023.

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 \$30.8 million and \$28.5 million at December 31, 2024 and 2023, 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	
	2024	2023
	<i>(Dollars in Thousands)</i>	
Commercial	\$ 1,987,020	43%
Medicare	1,242,758	27
Medicaid	1,330,243	29
Self-pay and other	66,425	1
	\$ 4,626,446	100%
	\$ 3,955,552	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).

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt

Long-term debt consists of the following at:

	December 31	
	2024	2023
<i>(In Thousands)</i>		
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2023, dated August 3, 2023 (2023 Bonds)	\$ 429,240	\$ 430,400
Indiana Finance Authority Health Facilities Revenue Bonds (Norton Healthcare, Inc.), Series 2022, Dated March 3, 2022 (2022 Bonds)	67,705	73,095
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2020, dated March 10, 2020 (2020 Bonds)	275,000	275,000
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2016, dated August 11, 2016 (2016 Bonds)	475,765	481,685
Louisville/Jefferson County Metro Government Health System Revenue Bonds, Series 2013, dated September 26, 2013 (2013 Bonds)	50,000	50,000
Louisville/Jefferson County Metro Government Health System Variable Rate Revenue Bonds, dated August 10, 2011 (2011 Bonds)	62,970	64,530
Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000, dated October 1, 2000 (2000 Bonds)	95,565	125,060
Unamortized premiums	1,456,245	1,499,770
Less unamortized deferred financing costs	86,664	94,170
	(9,303)	(9,070)
	<u>1,533,606</u>	<u>1,584,870</u>
Loan payable	32,519	—
Finance leases	68,665	75,655
Total long-term debt	<u>1,634,790</u>	<u>1,660,525</u>
Less amounts due within one year	(52,083)	(51,198)
Total long-term debt, net of current portion	<u><u>\$ 1,582,707</u></u>	<u><u>\$ 1,609,327</u></u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 \$58.9 million and \$65.2 million at December 31, 2024 and 2023, respectively.

At December 31, 2024 and 2023, 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, 2024 and 2023.

Loan Payable

In October 2024, the Corporation entered into a financing arrangement, within the guidelines of the IRS New Market Tax Program, to fund a capital project. The Corporation funded a note receivable of \$24.4 million to effectively avail itself to the community development entities through the issuance of the loan payable. The loan payable of \$32.5 million is to a group of qualified community development entities, through an investment fund, bearing interest at 1% annually. Principal payments are scheduled to begin in the fiscal year ending December 31, 2032.

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). The 2023A bonds were issued at an \$11.9 million premium, while the 2023B bonds were issued at a premium of \$9.7 million.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

At December 31, 2024, the 2023A Bonds consist of serial bonds maturing 2025 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.

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, 2024, the applicable cost of the debt for the 2023C and 2023D Bonds was 4.3%.

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, 2023. The 2022 Bonds

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

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, 2024 and 2023.

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 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, 2024, 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.

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

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 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.

At December 31, 2024 and 2023, 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 were repaid in 2023.

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.

The 2013A Bonds were fully refunded during the year ended December 31, 2023. 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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, 2030. 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. The applicable cost of the debt for the 2013C Bonds was approximately 4.0% and 4.1% at December 31, 2024 and 2023, respectively.

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.

The 2011A and 2011B Bonds are secured by irrevocable direct-pay letters of credit issued by PNC Bank that expire on July 26, 2030. 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.

The applicable cost of the debt for the 2011A Bonds was approximately 4.0% and 4.1% at December 31, 2024 and 2023, respectively. The applicable cost of the debt for the 2011B Bonds was approximately 4.4% and 4.2% at December 31, 2024 and 2023, respectively.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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.

At December 31, 2024 and 2023, 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 \$76.6 million and \$99.3 million at December 31, 2024 and 2023, 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
	<i>(In Thousands)</i>		
2025	\$ 21,560	\$ 78,269	\$ 99,829
2026	32,919	70,761	103,680
2027	33,909	67,294	101,203
2028	32,777	68,513	101,290
2029	54,020	47,638	101,658
Thereafter	1,204,485	381,590	1,586,075
	<u>\$ 1,379,670</u>	<u>\$ 714,065</u>	<u>\$ 2,093,735</u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

7. Long-Term Debt (continued)

For 2025 through final maturity of the 2000B Bonds, \$76.6 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 \$23.4 million of the 2000B Bonds' interest payable in 2025, 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 both December 31, 2024 and 2023.

The Corporation paid interest of \$82.2 million and \$63.7 million during the years ended December 31, 2024 and 2023, respectively. The Corporation capitalized interest costs of \$3.0 million and \$1.1 million during the years ended December 31, 2024 and 2023, 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 Secured Overnight Financing Rate (SOFR) plus a spread adjustment to account for differences in SOFR.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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	
						2024	2023 (In Thousands)
Citigroup	\$ 94,210	9/1/2020	9/1/2040	2 times 0.9239% of SOFR plus 0.21%	2 times SIFMA	\$ 7,601	\$ 10,411
Citigroup	36,205	10/1/2004	10/1/2028	62.6% of SOFR plus 0.64%	SIFMA	213	419
Citigroup	140,000	11/3/2006	11/3/2031	61.7% of SOFR plus 0.65%	SIFMA	(566)	942
Citigroup	200,000	11/3/2008	11/3/2026	61.7% of ten-year SOFR plus 0.15%	SIFMA	(640)	(2,029)
JP Morgan	200,000	4/1/2019		0.124%	SIFMA	(7,875)	(4,916)
		11/3/2026	4/1/2039	61.7% of ten-year SOFR plus 0.160%			
JP Morgan	150,000	10/1/2023	10/1/2043	SIFMA	1.7685%	31,631	21,617
JP Morgan	100,000	07/01/2022	07/01/2042	75% of SOFR plus 0.516%	SIFMA	694	3,461
Total interest rate swaps asset						\$ 31,058	\$ 29,905

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, 2024 and 2023, based upon the agreements with Citigroup and JP Morgan, the Corporation's cumulative contract value was an asset of \$34.6 million and \$32.8 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, 2024 and 2023, 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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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, 2024 and 2023, 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. As of December 31, 2024 and 2023, the cash flows were in a receivable position, and are recorded within miscellaneous receivables on the combined balance sheets.

	Miscellaneous Interest Rate Receivable	Swap Asset	Combined Balance Sheet, Net
	<i>(In Thousands)</i>		
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
Interest rate swaps benefit, net	6,090	–	6,090
Swap cash settlement received	(6,218)	–	(6,218)
Change in fair value of interest rate swaps	–	1,153	1,153
December 31, 2024	<u><u>\$ 1,122</u></u>	<u><u>\$ 31,058</u></u>	<u><u>\$ 32,180</u></u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

8. Net Assets with Donor Restrictions

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

	December 31	
	2024	2023
	<i>(In Thousands)</i>	
Health care services	\$ 125,538	\$ 109,025
Investments to be held in perpetuity, the income from which is expendable to support health care services	28,470	27,669
Beneficial interest in trusts held by others, the income from which is expendable to support health care services	30,946	25,317
Total net assets with donor restrictions	\$ 184,954	\$ 162,011

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 2024 or 2023, 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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Employee Benefit Plans (continued)

the Plan, and provide additional data to allow for recalculation of the benefits. As of both December 31, 2024 and 2023, 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 parties completed an additional briefing in late October 2024, and are awaiting further ruling from the Court. 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, 2024, 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	
	2024	2023
	<i>(In Thousands)</i>	
Interest cost	\$ 9,462	\$ 9,997
Expected return on plan assets	(7,825)	(7,126)
Amortization of net loss	773	2,300
Net periodic benefit cost	<u>\$ 2,410</u>	<u>\$ 5,171</u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Employee Benefit Plans (continued)

Included in net assets without donor restrictions are \$21.3 million and \$28.1 million of unrecognized actuarial losses at December 31, 2024 and 2023, respectively, which have not been recognized in net periodic benefit cost. The following amounts related to Plan activity have been recognized as an increase 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	
	2024	2023
	<i>(In Thousands)</i>	
Net gain	\$ 6,038	\$ 11,755
Amortization of net loss	773	2,300
	<u>\$ 6,811</u>	<u>\$ 14,055</u>

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:

	2024	2023
	<i>(In Thousands)</i>	
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 213,285	\$ 214,048
Interest cost	9,462	9,997
Actuarial gain	(4,051)	(389)
Benefit payments:		
Lump sum	(6,427)	(6,193)
Annuity	(4,617)	(4,178)
Projected benefit obligation at the end of year	207,652	213,285
Change in plan assets:		
Fair value of plan assets at beginning of year	169,900	161,778
Actual return on plan assets	9,812	18,493
Benefit payments:		
Lump sum	(6,427)	(6,193)
Annuity	(4,617)	(4,178)
Fair value of plan assets at end of year	168,668	169,900
Funded status and net pension liability	\$ (38,984)	\$ (43,385)

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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, 2024 or 2023.

Assumptions

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

	December 31	
	2024	2023
Discount rate	5.43%	4.71%
Interest crediting rate (cash balance only)	4.81	4.48

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

	December 31	
	2024	2023
Discount rate	4.71%	4.94%
Expected long-term rate of return on assets	6.00	6.00

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.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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	
	2024	2023
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	
	2024	2023
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%

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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			Level	
	2024	2023	(In Thousands)		
Separately-managed accounts					
IR+M fixed income – traditional:					
Marketable debt securities:					
U.S. government and agencies	\$ 3,922	\$ 2,561	2		
Corporate debt	53,075	45,772	2		
Mortgage-backed	2,873	1,927	2		
Asset-backed	3,373	1,547	2		
Municipal bonds	901	1,547	2		
Total IR+M fixed income – traditional	64,144	53,354			
IR+M fixed income – cash balance:					
Marketable debt securities:					
U.S. government and agencies	1,694	988	2		
Corporate debt	16,907	11,486	2		
Mortgage-backed	2,059	1,248	2		
Asset-backed	2,179	676	2		
Municipal bonds	257	294	2		
Total IR+M fixed income – cash balance	23,096	14,692			
Total separately-managed accounts	87,240	68,046			

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Employee Benefit Plans (continued)

	December 31		Level
	2024	2023	
	<i>(In Thousands)</i>		
Mutual funds:			
Bond fund	\$ 21,295	\$ 24,668	1
Domestic equity	5,539	–	1
International equity	16,972	19,775	1
Public real estate investment trust	3,466	7,219	1
Total mutual funds	47,272	51,662	
Common and collective trust funds:			
Domestic equities	22,844	34,237	NAV
International equities	2,478	3,903	NAV
Total common and collective trust funds	25,322	38,140	
Alternative investments:			
Real assets	4,560	5,819	1
Pooled separate accounts:			
Edge Asset Management	382	357	2
Money market fund	3,892	5,876	1
Total pooled separate accounts	4,274	6,233	
Total plan assets, at fair value	\$ 168,668	\$ 169,900	

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

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

9. Employee Benefit Plans (continued)

Cash Flows

The Corporation does not expect to contribute to the Plan in 2025. The following table sets forth the benefit payout projections for the next ten years (in thousands):

Plan year ending December 31:	
2025	\$ 17,820
2026	12,650
2027	12,760
2028	11,820
2029	11,930
2030 –2034	52,210

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 \$83.8 million and \$70.4 million for the years ended December 31, 2024 and 2023, respectively, and is included in labor and benefits on the combined statements of operations and changes in net assets.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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
<i>(In Thousands)</i>			
Year ended December 31, 2024			
Operating expenses:			
Labor and benefits	\$ 2,089,983	\$ 343,120	\$ 2,433,103
Professional fees	250,316	2	250,318
Drugs and supplies	1,065,076	3,271	1,068,347
Fees and special services	132,598	118,404	251,002
Repairs, maintenance, and utilities	70,518	102,411	172,929
Rent and leases	56,917	3,938	60,855
Insurance	33,817	15,524	49,341
Provider tax	152,888	—	152,888
Other	22,827	15,223	38,050
Total operating expenses	3,874,940	601,893	4,476,833
Fixed expenses:			
Depreciation and amortization	137,462	28,861	166,323
Interest expense	46,904	6,627	53,531
Interest rate swap benefit, net	—	(6,090)	(6,090)
Total fixed expenses	184,366	29,398	213,764
Total expenses	\$ 4,059,306	\$ 631,291	\$ 4,690,597

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

10. Functional Expenses (continued)

	Health Care Services	Support Services	Total
<i>(In Thousands)</i>			
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	<u>\$ 3,507,187</u>	<u>\$ 501,872</u>	<u>\$ 4,009,059</u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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 \$58.1 million and \$82.8 million at December 31, 2024 and 2023, 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	
	2024	2023
	<i>(In Thousands)</i>	
Operating leases:		
Operating lease expense	\$ 39,872	\$ 37,148
Finance leases:		
Amortization of right-of-use assets	7,604	7,316
Interest on finance lease liabilities	3,249	3,429
Total finance lease expense	10,853	10,745
Short-term and variable lease expense	8,049	7,118
Less sublease income	(1,352)	(1,258)
Net lease expense	\$ 57,422	\$ 53,753

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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	
		2024	2023
<i>(In Thousands)</i>			
Assets:			
Operating leases	Operating lease right-of-use assets, net	\$ 177,231	\$ 182,925
Finance leases	Property and equipment, net	<u>52,110</u>	<u>59,714</u>
Total lease right-of-use assets, net		<u><u>\$ 229,341</u></u>	<u><u>\$ 242,639</u></u>
Liabilities:			
Current:			
Operating leases	Current portion of operating lease liability	\$ 28,856	\$ 26,600
Finance leases	Current portion of long-term debt	<u>7,113</u>	<u>8,342</u>
Noncurrent:			
Operating leases	Long-term operating lease liability, net of current portion	<u><u>149,856</u></u>	<u><u>157,444</u></u>
Finance leases	Long-term debt, net of current portion	<u><u>61,552</u></u>	<u><u>67,313</u></u>
Total lease liabilities		<u><u>\$ 247,377</u></u>	<u><u>\$ 259,699</u></u>

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

12. Leases (continued)

Other information related to leases is as follows:

	Year Ended December 31			
	2024	2023		
	<i>(In Thousands)</i>			
Supplemental cash flow information				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	\$ 3,249	\$ 3,634		
Operating cash flows from operating leases	38,345	36,407		
Financing cash flows from finance leases	7,134	6,890		
Right-of-use assets obtained in exchange for new lease obligations				
Operating leases	\$ 37,771	\$ 53,074		
Finance leases	—	3,490		
Weighted average remaining lease term (in years)				
Operating leases	6.9	7.9		
Finance leases	13.2	13.9		
Weighted average discount rate				
Operating leases	3.02%	2.84%		
Finance leases	5.40	5.25		

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

12. Leases (continued)

Commitments relating to non-cancellable operating and finance leases as of December 31, 2024, are as follows:

	Operating	Finance
	<i>(In Thousands)</i>	
2025	\$ 33,624	\$ 10,021
2026	33,534	7,617
2027	29,059	7,753
2028	23,228	7,554
2029	16,708	6,729
Thereafter	<u>64,756</u>	<u>61,540</u>
Total minimum future lease payments	200,909	101,214
Less imputed interest	<u>(22,197)</u>	<u>(32,549)</u>
Total lease liabilities	178,712	68,665
Less current portion	<u>(28,856)</u>	<u>(7,113)</u>
Long-term lease liabilities	<u><u>\$ 149,856</u></u>	<u><u>\$ 61,552</u></u>

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	
	2024	2023
Medicare	25%	25%
Medicaid	25	19
Blue Cross	24	29
Other third-party payors	19	18
Self-pay	7	9
	100%	100%

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

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/Clark) for cash of \$37.4 million. As a result, the Corporation owns 100% of Norton Clark/Clark. Under applicable accounting guidance, the Corporation was required to adjust its historical equity method investment to fair value (\$17.6 million), which resulted in an initial loss of \$8.0 million, recorded in other non-operating gains (losses), net in the combined statement of operations and changes in net assets during the year ended December 31, 2023. Upon finalization of all purchase accounting considerations, the initial valuation of the historical equity method investment was revised during the measurement period, resulting in a \$4.5 million gain recorded in other non-operating gains (losses), net in the combined statement of operations and changes in net assets during the year ended December 31, 2024. 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 final allocation of purchase price to the assets acquired and liabilities assumed at the date of the acquisition is presented in the table below. Management utilized a third-party valuation firm to assist in the determination of acquisition date fair values, and specifically those considered Level 2 and 3 measurements. Management ultimately oversees the third-party valuation firm to ensure that the transaction-specific assumptions are appropriate for the Corporation.

Norton Healthcare, Inc. and Affiliates

Notes to Combined Financial Statements (continued)

14. Acquisitions (continued)

Assets	
Current assets	\$ 11,358
Property and equipment	65,378
Right of use assets	9,030
Liabilities	
Current liabilities	(19,116)
Long-term debt	(2,705)
Long-term operating lease liability	(8,384)
Other long-term liability	(505)
Total consideration	<u>\$ 55,056</u>

The Corporation made certain purchase price adjustments during the measurement period as allowed under ASC 805, which were not material to the combined financial statements.

The total revenue and 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.

The working capital assets and liabilities for the Norton Clark/Scott transaction, 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 3, 2025, 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



**Shape the future
with confidence**

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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 3, 2025

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet

December 31, 2024

	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.	Norton WLH Real Estate, Inc.	Combined Totals
(In Thousands)										
Assets										
Current assets:										
Cash and cash equivalents	\$ 197,331	\$ 8	\$ 61,996	\$ (628)	\$ –	\$ –	\$ 1,586	\$ 31	\$ –	\$ 260,324
Restricted cash	–	–	–	–	–	–	–	–	6,829	– 6,829
Marketable securities and other investments	81,037	–	–	–	–	–	–	–	–	81,037
Patient accounts receivable	23,145	346,490	55,731	69,566	–	–	–	–	–	494,932
Inventory	6,626	74,510	7,745	4,173	–	–	43	147	–	93,244
Prepaid expenses and other	88,515	5,273	2,115	6	390	–	278	–	–	96,577
Due from (to) third party payors, net	3,687	131,049	(6,335)	–	–	–	–	–	–	128,401
Miscellaneous receivables	36,101	1,181	2,929	4,062	184	–	1,846	427	–	46,730
Current portion of assets limited as to use	36,334	–	–	–	–	–	–	–	–	36,334
Total current assets	472,776	558,511	124,181	77,179	574	–	3,753	605	6,829	– 1,244,408
Assets limited as to use, net of current portion	1,914,743	–	221,518	–	–	–	93,106	50,708	–	2,280,075
Property and equipment, net	100,181	890,269	175,844	107,952	223,992	–	65	–	74,246	– 1,572,549
Other assets:										
Investments in joint ventures	21,776	–	2,151	16,416	–	15,005	–	–	(37,989)	17,359
Pledges receivable, net	–	–	–	–	–	–	20,263	8,058	–	28,321
Beneficial interest in trusts held by others	–	–	–	–	–	–	23,115	8,640	–	31,755
Goodwill and indefinite-lived intangible assets	–	7,543	–	14,002	–	–	–	–	–	21,545
Interest rate swaps asset	31,058	–	–	–	–	–	–	–	–	31,058
Operating lease right-of-use assets, net	2,306	6,785	–	–	168,140	–	–	–	–	177,231
Other (liabilities) assets	(148,456)	3,127,190	(650,572)	(2,018,164)	(239,856)	(8,075)	2,032	898	– (422)	64,575
Total other assets	(93,316)	3,141,518	(648,421)	(1,987,746)	(71,716)	6,930	45,410	17,596	– (38,411)	371,844
Total assets	\$ 2,394,384	\$ 4,590,298	\$ (126,878)	\$ (1,802,615)	\$ 152,850	\$ 6,930	\$ 142,334	\$ 68,909	\$ 81,075	\$ (38,411) \$ 5,468,876

¹Includes the balance sheet for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, Norton Brownsboro, and Norton West Louisville 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 buildings; Cardiovascular Diagnostic Centers; and Norton outpatient specialty hospital clinics.

²Includes the balance sheet for Norton - King's Daughters' Health; Norton Clark and Norton Scott Hospitals; Norton Diagnostic Center - Sellersburg; Norton Medical Center; and Norton Clark and Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

Combining Balance Sheet (continued)

December 31, 2024

	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.	Norton WLH Real Estate, Inc.	Combined Totals
(In Thousands)										
Liabilities and net assets										
Current liabilities:										
Accounts payable	\$ 41,504	\$ 133,095	\$ 6,775	\$ 4,812	\$ 1,283	\$ 7	\$ 1,455	\$ 36	\$ –	\$ 188,967
Accrued expenses and other	83,562	45,551	1,330	25,277	1,644	(78)	117	(9)	–	157,394
Current portion of operating lease liability	1,273	1,759	30	–	25,794	–	–	–	–	28,856
Accrued payroll and related items	191,200	8,313	4,159	52,929	–	–	–	–	–	256,601
Accrued interest	12,692	–	–	–	–	–	–	–	–	12,692
Current portion of long-term debt	44,970	–	684	–	6,429	–	–	–	–	52,083
Total current liabilities	375,201	188,718	12,978	83,018	35,150	(71)	1,572	27	–	696,593
Other non-current liabilities:										
Pension liability	38,984	–	–	–	–	–	–	–	–	38,984
Insurance liability	103,124	–	1,410	–	–	–	–	–	–	104,534
Long-term operating lease liability, net of current portion	1,042	5,026	4	–	143,784	–	–	–	–	149,856
Other	112,799	10,392	409	–	4,758	–	2,292	2,387	–	133,037
Total other non-current liabilities	255,949	15,418	1,823	–	148,542	–	2,292	2,387	–	426,411
Long-term debt, net of current portion	1,489,922	–	2,534	–	59,018	–	–	–	31,233	– 1,582,707
Net assets (deficit):										
Without donor restrictions	264,771	4,377,940	(144,452)	(1,889,912)	(89,862)	7,001	37,535	3,759	49,842	(38,411) 2,578,211
With donor restrictions	8,541	8,222	239	4,279	2	–	100,935	62,736	–	184,954
Total net assets (deficit)	273,312	4,386,162	(144,213)	(1,885,633)	(89,860)	7,001	138,470	66,495	49,842	(38,411) 2,763,165
Total liabilities and net assets (deficit)	\$ 2,394,384	\$ 4,590,298	\$ (126,878)	\$ (1,802,615)	\$ 152,850	\$ 6,930	\$ 142,334	\$ 68,909	\$ 81,075	\$ (38,411) \$ 5,468,876

¹Includes the balance sheet for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, Norton Brownsboro, and Norton West Louisville 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 buildings; Cardiovascular Diagnostic Centers; and Norton outpatient specialty hospital clinics.

²Includes the balance sheet for Norton - King's Daughters' Health; Norton Clark and Norton Scott Hospitals; Norton Diagnostic Center - Sellersburg; Norton Medical Center; and Norton Clark and Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

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

Year Ended December 31, 2024

	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.	Norton WLH Real Estate, Inc.	Combined Totals
(In Thousands)										
Revenue:										
Net patient service revenue	\$ 76,196	\$ 3,347,567	\$ 335,342	\$ 870,686	\$ —	\$ —	\$ —	\$ —	\$ (3,345)	\$ 4,626,446
Other revenue	85,763	19,864	2,214	45,104	72,871	1,647	1,014	1,944	—	(116,510) 113,911
Donations and contributions	5,120	6,639	718	4,222	—	—	18,494	10,860	—	(23,189) 22,864
Total revenue	167,079	3,374,070	338,274	920,012	72,871	1,647	19,508	12,804	—	(143,044) 4,763,221
Operating expenses:										
Labor and benefits	322,980	1,068,094	202,299	833,006	3,147	—	2,544	1,033	—	2,433,103
Professional fees	31	117,156	19,242	118,112	—	—	—	—	(4,223)	250,318
Drugs and supplies	74,544	844,452	62,981	84,565	280	—	324	1,233	—	(32) 1,068,347
Fees and special services	116,592	108,974	35,987	21,411	2,252	—	1,738	271	—	(36,223) 251,002
Repairs, maintenance, and utilities	95,197	42,408	20,233	8,637	6,444	—	8	2	—	172,929
Rent and leases	14,686	30,672	3,833	44,999	45,850	—	131	66	—	(79,382) 60,855
Insurance	14,906	15,275	1,811	16,508	374	—	380	87	—	49,341
Provider tax	—	131,672	21,216	—	—	—	—	—	—	152,888
Other	11,512	8,567	3,343	10,282	1,713	—	15,673	10,144	—	(23,184) 38,050
Management allocation	(479,069)	331,582	54,456	87,865	5,166	—	—	—	—	—
Total operating expenses	171,379	2,698,852	425,401	1,225,385	65,226	—	20,798	12,836	—	(143,044) 4,476,833
Earnings (deficit) before fixed expenses and other gains (losses)	(4,300)	675,218	(87,127)	(305,373)	7,645	1,647	(1,290)	(32)	—	286,388
Fixed expenses:										
Depreciation and amortization	26,371	93,757	17,522	14,123	14,196	—	12	3	339	— 166,323
Interest expense	6,090	42,444	1,761	1	3,105	—	—	—	130	— 53,531
Interest rate swap benefit, net	(6,090)	—	—	—	—	—	—	—	—	(6,090)
	26,371	136,201	19,283	14,124	17,301	—	12	3	469	— 213,764

¹Includes the statement of operations and changes in net assets without donor restrictions for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, Norton Brownsboro, and Norton West Louisville 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 buildings; Cardiovascular Diagnostic Centers; and Norton outpatient specialty hospital clinics.

²Includes the statement of operations and changes in net assets without donor restrictions for Norton - King's Daughters' Health; Norton Clark and Norton Scott Hospitals; Norton Diagnostic Center - Sellersburg; Norton Medical Center; and Norton Clark and Scott Physician Practices.

Norton Healthcare, Inc. and Affiliates

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

Year Ended December 31, 2024

	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.	Norton WLH Real Estate, Inc.	Combined Eliminations	Combined Totals
(In Thousands)											
Patient service (deficit) margin	\$ (30,671)	\$ 539,017	\$ (106,410)	\$ (319,497)	\$ (9,656)	\$ 1,647	\$ (1,302)	\$ (35)	\$ (469)	–	\$ 72,624
Investment gain	105,183	54	11,910	–	–	–	2,087	283	–	–	119,517
Operating gain (loss)	74,512	539,071	(94,500)	(319,497)	(9,656)	1,647	785	248	(469)	–	192,141
Non-operating gains (losses):											
Change in net unrealized gains on investments	35,811	–	4,561	–	–	–	825	125	–	–	41,322
Change in fair value of interest rate swaps	1,153	–	–	–	–	–	–	–	–	–	1,153
Petersdorf Fund grants	(509)	–	–	34	–	–	–	–	–	–	(475)
Net periodic pension cost	(2,410)	–	–	–	–	–	–	–	–	–	(2,410)
Other non-operating (losses) gains, net	(36)	(146)	29	(39)	57	4,144	93	13	–	–	4,115
Total non-operating gains (losses), net	34,009	(146)	4,590	(5)	57	4,144	918	138	–	–	43,705
Excess of revenue over expenses (expenses over revenue)	108,521	538,925	(89,910)	(319,502)	(9,599)	5,791	1,703	386	(469)	–	235,846
Change in pension plan assets and obligation	6,979	–	–	–	–	–	–	–	–	–	6,979
Net assets released from restriction for equipment and other	(49,309)	1,119	–	709	–	–	156	(131)	50,311	–	2,855
Increase (decrease) in net assets without donor restrictions	\$ 66,191	\$ 540,044	\$ (89,910)	\$ (318,793)	\$ (9,599)	\$ 5,791	\$ 1,859	\$ 255	\$ 49,842	–	\$ 245,680

¹Includes the statement of operations and changes in net assets without donor restrictions for Norton, Norton Children's, Norton Audubon, Norton Women's and Children's, Norton Brownsboro, and Norton West Louisville 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 buildings; Cardiovascular Diagnostic Centers; and Norton outpatient specialty hospital clinics.

²Includes the statement of operations and changes in net assets without donor restrictions for Norton - King's Daughters' Health; Norton Clark and Norton Scott Hospitals; Norton Diagnostic Center - Sellersburg; Norton Medical Center ; and Norton Clark and Scott Physician Practices.

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

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