

**BON SECOURS MERCY HEALTH**

**Annual Disclosure Information**

**Fiscal Year Ended  
December 31, 2024**

**In compliance with  
Certificates to Provide Continuing Disclosure  
And SEC Rule 15c2-12**

## BON SECOURS MERCY HEALTH

Bon Secours Mercy Health, Inc., provides annual disclosure of specified financial information (the “annual disclosure”) in compliance with the Continuing Disclosure Certificates as required by Rule 15c2-12 of the Securities Exchange Act of 1934, as amended. The annual disclosure is related to certain bonds issued for the benefit of the Corporation and secured by the organization’s Master Trust Indenture (Amended and Restated) dated as of December 1, 2017 (the “MTI”). The annual disclosure undertaking is filed with the Municipal Securities Rulemaking Board (“MSRB”) on its Electronic Municipal Market Access (“EMMA”) website.

The attached annual disclosure is based on the consolidated financial statements of Bon Secours Mercy Health, Inc. This annual disclosure includes the following materials:

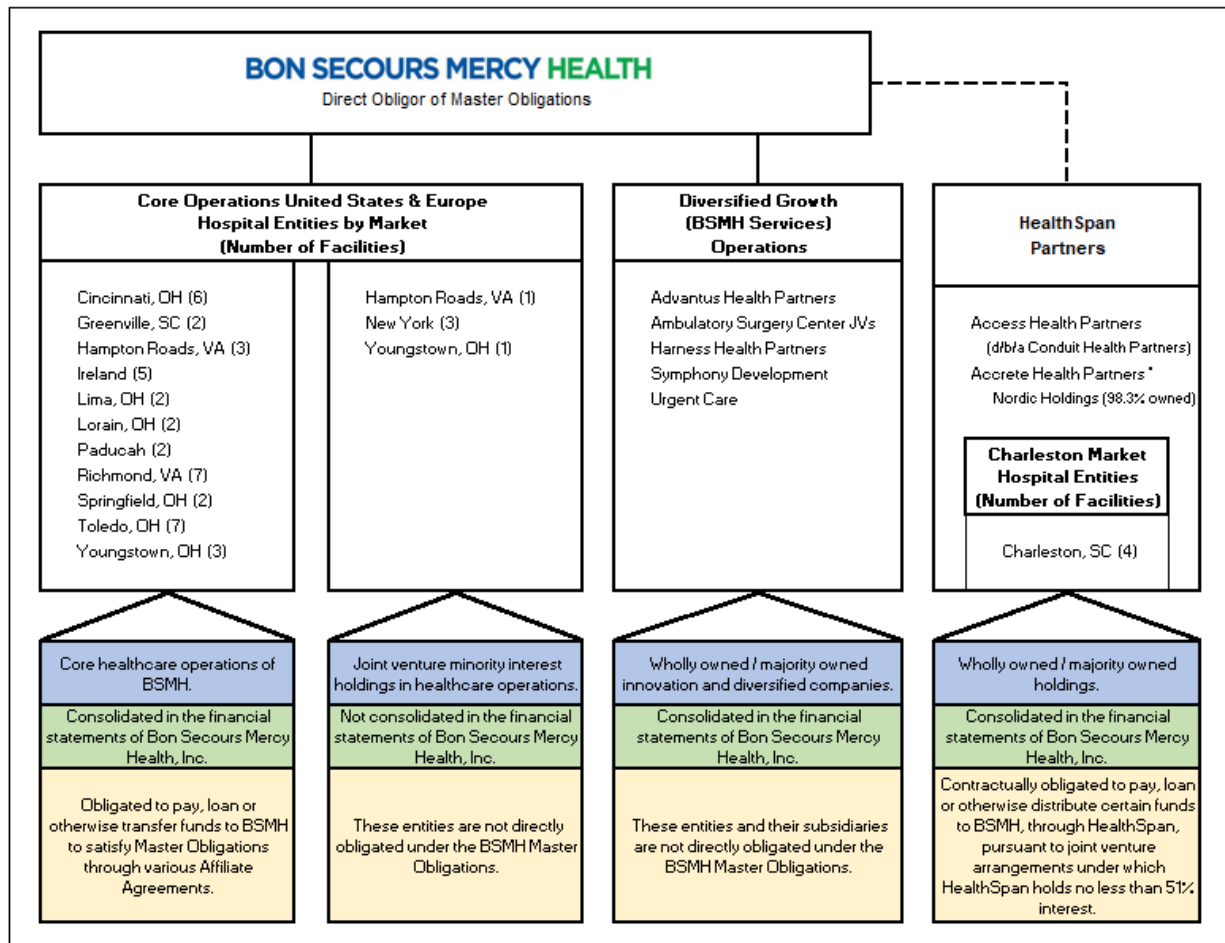
- System Organization and Governance
- System Historical Utilization Data
- System Payer Mix
- Debt Service Coverage
- Debt to Capitalization Ratio
- Consolidated Condensed Balance Sheet Information and Ratios
- Management’s Discussion and Analysis of Recent Financial Performance
- Consolidated Audited Financial Statements
- Providers of Liquidity and Credit Support
- Recent Developments

Throughout this disclosure, reference to “Ireland” refers to five hospitals located in the Republic of Ireland which are consolidated into the BSMH financial statements. Reference to “HealthSpan” refers to an Affiliate corporation that is not a subsidiary of BSMH but is included in the consolidated financial statements of BSMH. Reference to “Ensemble” refers to Ensemble Health Partners, a revenue cycle company in which BSMH sold its majority interest in 2019 but still retains a minority interest of 41.4%. Reference to “Nordic” refers to Nordic Consulting Group, Inc, a global health and technology consulting company in which BSMH owns 98.3%.

# System Organization and Governance

## SYSTEM ORGANIZATION

Bon Secours Mercy Health, Inc. (“BSMH”) is one of the largest Catholic non-profit healthcare systems in the United States. BSMH, together with certain of its affiliated entities, owns, leases, invests in or manages acute care hospitals, behavioral health facilities, long-term care and rehabilitation facilities, home health agencies, nursing registries, physician clinics, hospice facilities, clinical laboratories, ambulatory surgery centers, urgent care centers, home medical equipment supply services, charitable foundations, a revenue cycle management company, a captive insurance company and accountable care organizations that participate in the Medicare Shared Savings Program. BSMH serves communities throughout Florida, Kentucky, Maryland, Ohio, South Carolina, Virginia, New York, and the Republic of Ireland.

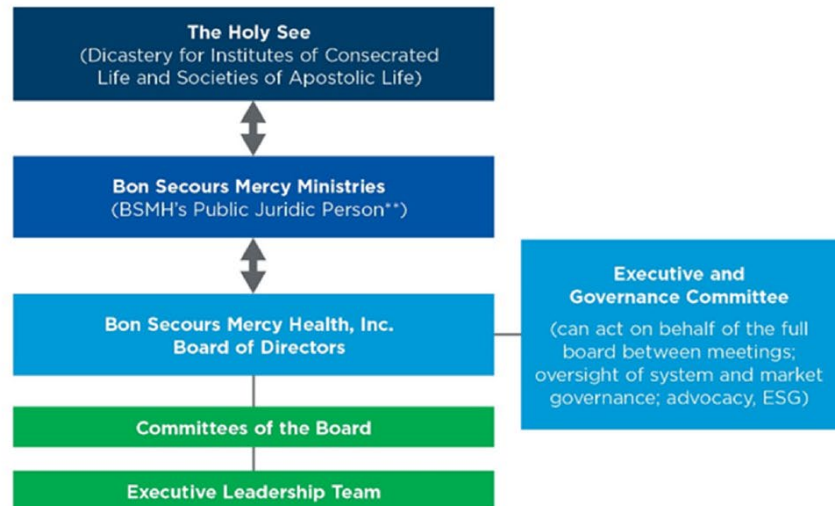


Note: Ensemble Health Partners is not included on the graph above. BSMH holds a joint venture minority interest investment on its balance sheet for Ensemble, accounted for using the equity method. BSMH's share of Ensemble's earnings are classified within the Diversified Growth Business segment of Bon Secours Mercy Health. Ensemble operations are not consolidated in the financial statements of BSMH nor is Ensemble obligated under BSMH Master Obligations.

\* Accrete Health Partners is a wholly-owned diversified growth subsidiary that was moved under HealthSpan Partners effective January 1, 2025.

# BON SECOURS MERCY HEALTH

## GOVERNANCE



The BSMH ministry is directed by the canonical sponsorship of Bon Secours Mercy Ministries (“BSMM”), a public juridic person (“PJP”); “Public Juridic Person” below. BSMM traces its roots back through over 280 years of service by congregations of women religious, is a ministry of the Catholic Church that provides health care services.

BSMM carries out its apostolic work through three congregations of religious women: the Sisters of Bon Secours USA; the Sisters of the Humility of Mary; and the Sisters of Mercy of the Americas, South Central Community. Each congregation is a Participating Entity of BSMM which as such has accepted canonical responsibility for the activities of BSMM. Each Participating Entity has designated one member of its congregation to exercise that Participating Entity’s vote as to BSMM matters. Reserved powers at the Participating Entities level include amendment to PJP bylaws and governing documents, and addition of any other congregations in the future as Participating Entities.

## PUBLIC JURIDIC PERSON

Bon Secours Mercy Ministries is a public juridic person established by a December 14, 2018, decree by the Congregation for Institutes of Consecrated Life and Societies of Apostolic Life. BSMM is solely a canonical entity. BSMM was not created under, nor does it have, a counterpart under civil law.

**BSMM IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON ANY OBLIGATION ISSUED**

## **BON SECOURS MERCY HEALTH**

UNDER THE MASTER INDENTURE OR ANY INDEBTEDNESS EVIDENCED AND SECURED THEREBY.

Likewise, neither the Sisters of Bon Secours USA, the Sisters of the Humility of Mary, the Sisters of Mercy of the Americas, South Central Community nor any other their ministries or affiliates are liable for the payment of the principal of or redemption premium, if any, or interest on bonds or any obligation under the Master Indenture. BSMM acts through its members, who are seven individuals appointed by the Participating Entities, the majority of whom are currently women religious.

### **BSMH BOARD OF DIRECTORS**

The corporate Bylaws of BSMH permit not fewer than nine and not more than 19 board members. A listing of the members of the Board of Directors can be found in Management's Discussion and Analysis along with a listing of the members of the Executive Leadership Team.

### **HEALTHSPAN PARTNERS**

HealthSpan Partners is an Ohio nonprofit corporation, which supports the mission of BSMH. There is no corporate member of HealthSpan Partners. Rather, in accord with provisions of Ohio law, the members of the Board of Directors of HealthSpan Partners exercise the rights and privileges of members. The members on the HealthSpan Partners Board of Directors are the same as BSMH's Board of Directors, with the exception of PJP members of the BSMH Board of Directors and BSMH's President and CEO. HealthSpan Partners is an Affiliate of BSMH and is consolidated in BSMH's financials. HealthSpan holds an 80% interest in Roper St. Francis Healthcare (Charleston, SC Market).

## BON SECOURS MERCY HEALTH

### Consolidated Utilization Statistics (Unaudited)

	Twelve Months Ended December 31,		
	2024	2023	2022
<b>Utilization Statistics</b>			
Staffed beds - Acute	7,137	7,193	6,636
Staffed beds - Long-Term Care	229	229	255
Admissions - Acute	370,963	355,641	332,668
Admissions - Post-acute	1,973	2,512	2,726
Total Admissions	372,936	358,153	335,394
Observations	65,748	63,666	65,734
Equivalent Inpatient Admissions	922,213	892,716	826,014
Newborn Deliveries	26,144	26,647	27,850
Patient days - Acute	1,608,994	1,562,279	1,568,813
Patient days - Post-acute	10,412	14,909	38,193
Occupancy on staffed beds - Acute	61.3%	59.5%	64.8%
Total Patient Days	1,619,406	1,577,188	1,607,006
Average length of stay - Acute	4.34	4.39	4.72
Emergency Room Visits	1,647,301	1,589,935	1,529,142
Physician Visits	7,791,271	7,230,233	6,912,128
Inpatient surgeries and medical procedures	74,326	72,919	68,372
Outpatient surgeries	221,232	218,324	206,108
Full Time Equivalent Employees	52,817	54,107	52,413
Institutional case mix index	1.645	1.637	1.667
Medicare case mix index	1.747	1.743	1.778

Note:

(1) Acute staffed beds includes psychiatric and physical rehabilitation beds.

## BON SECOURS MERCY HEALTH

### System Payer Mix Based on Net Patient Service Revenue

Payer	Year ended December 31		
	2024	2023	2022
Medicare - Traditional	18.1%	19.3%	19.6%
Medicare - Managed	19.0%	18.1%	17.2%
Medicaid - Traditional	8.2%	7.4%	6.9%
Medicaid - Managed	7.9%	8.4%	9.0%
Other governmental	2.1%	1.9%	1.9%
Commercial and other third party	44.3%	44.3%	44.4%
Private pay and other	0.4%	0.6%	1.0%
<b>Total Bon Secours Mercy Health</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Payer mix is based on net patient service revenue excluding the elimination for employee charges paid by Bon Secours Mercy Health's self-insurance plans.

## BON SECOURS MERCY HEALTH

### Debt Service Coverage Ratio (*\$ in thousands*)

	Years Ended December 31,		
	2024	2023	2022
<b>Income Available for Debt Service</b>			
Excess of revenue over expenses (expenses over revenue)	572,273	222,398	(1,204,784)
Plus :			
Interest Expense	194,290	191,286	141,702
Total Deprec and Amortization	440,402	516,052	500,607
Impairments of PP&E and Goodwill	51,336	21,014	37,596
Exclude:			
Loss on early extinguishment of debt	-	-	328
(Gain)/Loss on disposition of assets not made in the ordinary course of business	(1,116)	(3,371)	(1,567)
Unrealized (gains) and losses on marketable securities	(155,272)	(329,746)	1,060,296
Unrealized swap (gain) / loss	(4,406)	(9,243)	(68,000)
Available for Debt Service	1,097,507	608,390	466,178
<b>Maximum Annual Debt Service (MADS)</b>	\$314,332	\$317,662	\$342,939
 <b>Debt Service Coverage Ratio</b>	<b>3.49x</b>	<b>1.92x</b>	<b>1.36x</b>

Note: Calculation of the Debt Service Coverage Ratio is performed in accordance with the terms of the Master Trust Indenture

**BON SECOURS MERCY HEALTH**

**Debt to Capitalization Ratio**  
*(\$ in thousands)*

		<b>Years Ended December 31,</b>		
		<b>2024</b>	<b>2023</b>	<b>2022</b>
Series 2025				
Master obligation debt		\$4,516,409	\$4,743,634	\$4,200,884
Other debt, unamortized original issue (discount) premium and unamortized cost of issuance		190,150	91,083	456,371
Total Debt	(a)	<u>\$4,706,559</u>	<u>\$4,834,717</u>	<u>\$4,657,255</u>
Unrestricted Net Assets		<u>8,666,537</u>	<u>8,103,569</u>	<u>7,943,628</u>
Total Capitalization	(b)	<u>\$13,373,097</u>	<u>\$12,938,286</u>	<u>\$12,600,882</u>
Debt to Capitalization	(a / b)	<u><b>35.2%</b></u>	<u><b>37.4%</b></u>	<u><b>37.0%</b></u>

# BON SECOURS MERCY HEALTH

## Condensed Balance Sheet Information and Ratios

(\$ in thousands)

	Years Ended December 31,		
	2024	2023	2022
Unrestricted Cash and Cash Equivalents	\$630,701	\$498,569	\$506,242
Unrestricted Investments	\$6,673	\$6,368	\$35,233
Unrestricted Board Designated Funds	\$6,857,182	\$6,647,063	\$6,653,603
<b>Unrestricted Cash</b>	<b>\$7,494,556</b>	<b>\$7,151,999</b>	<b>\$7,195,078</b>
<b>Cash Expense per Day</b>	<b>\$34,420</b>	<b>\$32,410</b>	<b>\$29,936</b>
<b>Days Cash on Hand</b>	<b>218</b>	<b>221</b>	<b>240</b>
Total debt	\$4,706,559	\$4,834,717	\$4,657,255
Cash to debt	159.2%	147.9%	154.5%
Composition of system long term debt excluding derivative agreements:			
Fixed rate	75%	74%	79%
Variable rate	25%	26%	21%

BON SECOURS MERCY HEALTH

# Management's Discussion and Analysis of Recent Financial Performance

*Year Ended December 31, 2024*

# ABOUT BON SECOURS MERCY HEALTH

## OUR MISSION

Bon Secours Mercy Health (“BSMH”, the “Company” or the “Ministry”) is one of the nation’s largest Catholic nonprofit healthcare systems, providing healthcare services across seven states and five cities in Ireland. Through hospitals, physician clinics, a variety of care delivery sites and social services programs, we improve the health of entire communities. Bon Secours Mercy Health is sponsored by Bon Secours Mercy Ministries, a public juridic person of the Roman Catholic Church.

BSMH’s Mission is “to extend the compassionate ministry of Jesus by improving the health and well-being of our communities and bring good help to those in need, with emphasis on people who are poor, dying and underserved.”

## OUR ORGANIZATION

Bon Secours Mercy Health has a deep commitment to corporate and financial responsibility. Our senior leaders set the tone for the entire organization, reinforcing our commitment to "doing the right thing," which is rooted in our religious heritage and core values. Almost two centuries ago, the historical founders of BSMH established congregations dedicated to providing care to those in need. BSMH continues their legacy, providing high-quality, compassionate and affordable healthcare services. That commitment is fulfilled by more than 60,000 employees serving communities throughout Florida, Kentucky, Maryland, Ohio, South Carolina, Virginia, New York and Ireland.

Bon Secours Mercy Health, together with certain of its affiliated entities, owns, leases, invests in or manages acute care hospitals, behavioral health facilities, long-term care and rehabilitation facilities, home health agencies, nursing registries, physician clinics, hospice facilities, clinical laboratories, ambulatory surgery centers, urgent care centers, home medical equipment supply services, charitable foundations, a revenue cycle management company, a captive insurance company and accountable care organizations that participate in the Medicare Shared Savings Program.

## OUR STRATEGY

BSMH is committed to leading the way in healthcare by establishing a best-in-class core healthcare delivery system and dedicating resources to fuel growth efforts. To support the Mission, the Ministry’s Strategic Plan is built on four pillars of growth: Strengthen the Core, Pivot the Ministry, Expand the Ministry, Transform the Ministry. These pillars are described below.

### *Strengthen the Core*

BSMH strives to protect and grow the existing core operations and capabilities to fulfill the Ministry’s Mission and provide the highest level of care to the patients and communities the Ministry serves.

### *Pivot the Ministry*

BSMH aims to invest in businesses adjacent to core acute offerings such as ambulatory services and scale in order to serve the communities while driving meaningful diversified revenue beyond core markets.

### *Expand the Ministry*

BSMH strives to leverage scale to develop and commercialize the Ministry’s service offerings.

### *Transform the Ministry*

BSMH strives to harness innovative and bold growth opportunities that sit outside of the Ministry’s traditional operations.

### Our Values

Human dignity  
Integrity  
Compassion  
Stewardship  
Service

### Our Vision

Inspired by God’s hope for the world, we will be a ministry where associates want to work, clinicians want to practice, people seek wellness and communities thrive.

BSMH is structured under two distinct, yet complementary business units, aligned to enable agility and empowerment to advance BSMH’s strategy. Each business unit has its own leadership team focused on driving the operations. Collectively, these businesses continue to support growth of the BSMH balance sheet, allowing the Ministry to compassionately serve patients with dignity and respect while continuing to grow, innovate and evolve.

**BSMH Core and Diversified Business Unit.** The business unit is focused on clinical care including acute care, urgent care and ambulatory ventures. BSMH, through this unit also seeks to diversify its offerings and services to create new sources of revenue and earnings to reinvest into its core acute care markets through investments in areas such as revenue cycle management. The highlight of the diversification strategy in this business unit is Ensemble Health Partners Holdings, LLC (Ensemble), a company providing revenue cycle management and consulting services to hospitals and health systems. BSMH has 41.4% ownership in Ensemble.

**BSMH Digital Business Unit.** The unit is focused on health system information and technology services, personalized data and analytics services, digital product development and strategic investments, to provide digital solutions and services to other organizations, and continue to increase internal capabilities. This strategy is driven mainly through Nordic Consulting Group, a global health and technology consulting company that provides healthcare-focused information technology advisory and staffing consulting services to a global customer base. BSMH has 98% ownership in Nordic Consulting Group Inc., a fully consolidated subsidiary.

## GOVERNANCE AND MANAGEMENT

### Executive Leadership Council

The Executive Leadership Council (“ELC”) at Bon Secours Mercy Health embodies our Mission of improving the health of the communities we serve. ELC members are listed below:

#### Individual

John M. Starcher, Jr.  
 Michael A. Bezney, JD  
 David Cannady  
 Rev. Joseph P. Cardone, PhD  
 Travis L. Crum, CPA  
 Joe L. Gage, JD  
 Wael Haidar, MD, MBA  
 Chris Hilton  
 Donald Kline  
 Sandra Mackey  
 Veronica Scott-Fulton, DNP, MBA-c, MPH, BSN, BA, NEA-BC  
 Jason Siegert  
 Jason Szczuka

#### Title

President & Chief Executive Officer  
 Chief Legal Officer  
 Chief Strategy Officer  
 Chief Mission Officer  
 Chief Financial Officer  
 Chief Administrative Officer  
 President Clinical Operations  
 SVP Enterprise Optimization and Integration  
 Chief Operating Officer  
 Chief Marketing Officer  
 Chief Nurse Executive  
 Chief Ventures Officer  
 Chief Digital Officer

### Board of Directors

The Bon Secours Mercy Health Board of Directors provides overall system direction, approves appointments to market boards and appoints and evaluates the system CEO. The members of the Board of Directors are listed below:

#### Board of Directors

Jennifer O’Brien, JD, Chair  
 Janet B. Reid, PhD, Vice Chair  
 Katherine A. Arbuckle, CPA  
 Patrick J. Broe  
 Sr. Patricia Eck, CBS (PJP)  
 Sr. Fran Gorsuch, CBS  
 Peter F. Maddox  
 Raja Rajamannar  
 Colleen Scanlon, RN, JD (PJP) ex-officio  
 Myles N. Sheehan, SJ, MD (PJP)  
 John M. Starcher, Jr. ex-officio  
 Katherine W. Vestal, PhD

# Bon Secours Mercy Health by the numbers

FIFTH LARGEST U.S. Catholic health care system;  
the LARGEST not-for-profit private provider in Ireland



MORE THAN **1,200** SITES OF CARE  IN THE US  
AND IRELAND



More than **\$13 BILLION**  
in net operating revenue

MORE THAN **\$500 MILLION** IN  
ANNUAL COMMUNITY BENEFITS ACROSS **5** STATES 

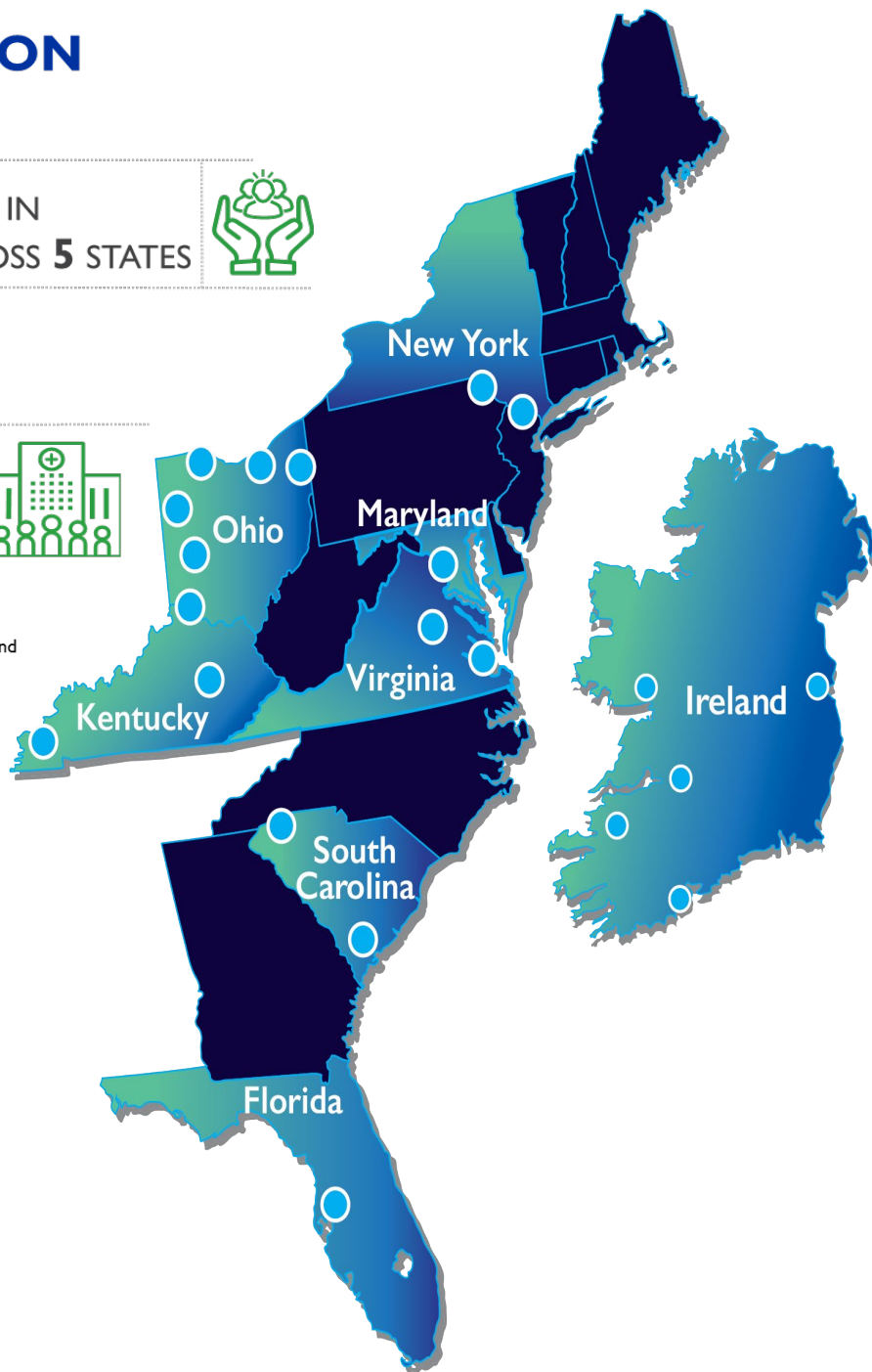


**50** HOSPITALS

**3,000\*** PROVIDERS IN THE US  
**450** CONSULTANTS IN IRELAND  
**60,000** TOTAL ASSOCIATES



\*BSMH Medical Group physicians and  
Advanced Practice Clinicians



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

At Bon Secours Mercy Health, we are purposeful about our commitment to sustainability and driving change that will improve the environment, address social determinants of health and ensure there is effective governance oversight that creates accountability while aligning with Catholic social teachings.

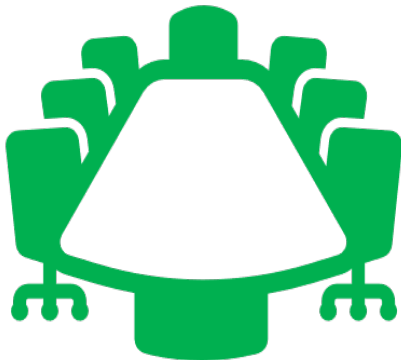
### Our Areas of Focus

Through three foundational pillars, Environmental, Social and Governance, we have prioritized initiatives that will have the greatest impact, while establishing a framework that will guide us well into the future.



#### Environmental

Bon Secours Mercy Health is innovatively and effectively enhancing its ability to safeguard the earth and its resources through ministry-wide strategies, the commitment of associates in our facilities and strategic alignment with other health systems and organizations. BSMH has implemented initiatives in energy efficiency such as geothermal systems, green building design, waste management and water conservation. BSMH is leading the way as one of the first healthcare systems to submit for IRA tax credits for a geothermal system. Our dedication to sustainability earned us prestigious awards from Practice Greenhealth, the leading organization in healthcare sustainability.



#### Social

Bon Secours Mercy Health is focused on helping people live healthier lives as we extend healthcare access and safety for patients and community stakeholders. BSMH is strategically focused on a range of initiatives. Providing Community Benefit is just one of the ways BSMH assists individuals and enhances health and well-being for patients and communities. BSMH is also supporting diverse suppliers in our communities through our supply chain management company, Advantus Health Partners. We have also invested more than \$47 million in local communities to address social determinants or drivers of health (SDOH). In addition, BSMH’s Foundation supports individuals and programs in twelve communities in five states where our markets provide comprehensive healthcare services.



#### Governance

The ministry has mature processes in place that promote strategic oversight of the ministry’s ESG efforts, especially emerging priorities as identified by the Church, government and/or societal needs, such as pay equity and risk management, specifically cybersecurity. Bon Secours Mercy Health implemented a comprehensive governance structure designed to effectively oversee strategy, growth and risk management. Strategies, processes, and activities focused on the ministry’s integrity and ethics are monitored by the BSMH’s Board of Directors, executive leaders and the Integrity & Stewardship Committee (“ISC”).

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") provides additional explanations of the financial condition, operational results, and cash flows of BSMH to assist in an increased understanding of the consolidated financial statements. The financial information as of and for the years ended December 31, 2024 and 2023, presented below, has been derived from BSMH's audited financial information. This document is incorporated herein by reference and is available for review on the Electronic Municipal Market Access ("EMMA") website operated by the Municipal Securities Rulemaking Board ("MSRB"). In conformity with U.S. generally accepted accounting principles, the consolidated financial statements and this Management's Discussion and Analysis include the financial position, results of operations, changes in net assets, and cash flows of Bon Secours Mercy Health, HealthSpan Partners, and subsidiaries. Information as of and for the years ended December 31, 2024 and 2023, is consistent with the presentation of BSMH's audited financial statements.

## FINANCIAL HIGHLIGHTS AND SUMMARY

Financial performance for the year ended December 31, 2024, showed significant improvement compared to the prior year. Improved patient volumes and continued financial discipline, focused on run rate improvement, resulted in higher operating EBITDA and EBITDA margin for the year ended December 31, 2024, compared to the prior year. The positive revenue impacts from these volume improvements during 2024 were only partially offset by increased operating expenses. Operating expense increases for the year ended December 31, 2024, were driven by the favorability in patient volumes and the continued impacts of inflation.

Management continues to execute actions to right-size operating expenses to ensure that the health system can deliver services to the communities it serves. Some examples of these specific actions include focus on labor utilization and rates of pay. Reductions to supplies and pharmaceutical expenses were also achieved through various initiatives such as negotiating price reductions and improved vendor rebates, leveraging bulk purchasing where appropriate, and pursuing improved utilization efficiency. In total, management's actions have resulted in run-rate improvements of nearly \$438 million in 2024 and are expected to produce additional run-rate improvements of more than \$360 million in 2025.

Investment equity markets performed well during 2024, resulting in investment gains (realized and unrealized) of \$460.4 million for BSMH. The favorable operating results for 2024, combined with net investment gains, led to positive excess of revenue over expenses of \$572.3 million.

## OVERVIEW OF SIGNIFICANT TRANSACTIONS

BSMH completed an annuity purchase of \$469.1 million on February 14, 2024, as part of its defined benefit pension de-risking strategy. As a result of the annuity purchase, a third-party insurer assumed responsibility for the retirement benefit payments for specific retirement plans on May 1, 2024, the insurer benefit commencement date. The pension derisking initiatives resulted in a noncash pension settlement loss in the amount of \$47.3 million. Additionally, pension assets and liabilities have been remeasured as of December 31, 2024, resulting in an improvement in net funded status of \$52.8 million.

On May 1, 2024, Bon Secours Mercy Health completed an agreement with the Medical Society of South Carolina to restructure Roper St. Francis Healthcare, a BSMH consolidated subsidiary. Through a restructuring capital contribution, BSMH increased its ownership interest in the joint venture from 51% to 80% equity.

On May 1, 2024, Bon Secours Mercy Health and FC Compassus, LLC (Compassus), a for-profit company that provides innovative home-based healthcare services, completed the execution of a 50/50 joint venture partnership for home care and hospice. Under the joint venture, Compassus owns a 50% interest and manages the operations for ten Bon Secours Mercy Health home health agencies and eleven hospice operations spanning five states. In consideration of the divestiture of its home care and hospice assets, BSMH received a 4.1% equity ownership in the Compassus parent company and the remaining 50% noncontrolling ownership in the joint venture. The divestiture resulted in a non-operating gain of \$91.5 million for the year ended December 31, 2024.

During July 2024, Bon Secours Mercy Health received a one-time cash distribution of \$331.3 million dividend from Ensemble. This cash inflow was recognized in July 2024 as a reduction to the carrying value of BSMH's investment in Ensemble.

On November 26, 2024, Hamilton County finalized its agreement to purchase the property currently serving as BSMH's primary corporate administrative space. The closing triggered the termination of BSMH's long-term lease for the site, resulting in a one-time termination fee of \$31.5 million being paid to the county and derecognition of related assets and liabilities. The resulting loss of \$20.7 million was recognized in Nonrecurring Losses, Net in the income statement.

## KEY FINANCIAL RATIOS

(\$s in thousands)	Year Ended December 31,							
	2024				2023			
	Reported		Adjusted <sup>(1)</sup>		Reported		Adjusted <sup>(1)</sup>	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
<b>Net operating revenue</b>	<b>13,308,393</b>		<b>13,217,280</b>		<b>12,221,752</b>		<b>12,127,251</b>	
<b>Operating EBITDA</b>	<b>927,283</b>	7.0%	<b>836,170</b>	6.3%	<b>569,454</b>	4.7%	<b>479,513</b>	4.0%
<b>Recurring operating income (loss)</b>	<b>270,249</b>	2.0%	<b>179,136</b>	1.4%	<b>(123,855)</b>	(1.0%)	<b>(213,795)</b>	(1.8%)
<b>Excess of revenue over expenses</b>	<b>572,272</b>	4.2%	<b>481,160</b>	3.5%	<b>222,398</b>	1.8%	<b>132,458</b>	1.1%

<sup>1</sup> The financial results have been adjusted to exclude CMS settlements for prior year Federal 340B activity, U.S. CARES Act stimulus and FEMA Public Assistance program.

Net operating revenue grew by \$1.1 billion or 8.9% for the year ended December 31, 2024, compared to the prior year. The growth in net operating revenue was primarily attributable to growth in net patient revenue driven by increased patient volumes and increased reimbursement from supplemental state Medicaid programs. Supplemental state programs revenue was \$855.0 million for the year ended December 31, 2024 compared to \$726.5 million recognized in the prior year. FEMA Public Assistance program funding of \$60.4 million was recognized in other operating revenue for the year ended December 31, 2024, compared to \$0.5 million recognized in the prior year.

Operating EBITDA was \$927.3 million (margin 7.0%) for the year ended December 31, 2024, an improvement when compared to the prior period. The improvement was attributed to increased patient volumes and the positive impacts of run-rate improvement efforts. Consistent with the improvement in operating EBITDA, the recurring operating income (loss) margin of 2.0% for the year ended 2024 also improved from the prior year (-1.0%). Excess of revenue over expenses was \$572.3 million (margin 4.2%) for the year ended December 31, 2024, favorable as compared to the prior year as a result of the improved operating performance in 2024 as well as significant investment gains during 2024.

(\$s in thousands)	Year Ended December 31,			
	2024		2023	
	Amount	% of Exp	Amount	% of Exp
<b>Community Benefit</b>	<b>\$524,293</b>	4.0%	<b>\$606,928</b>	4.9%

Community benefit fulfills unmet needs of the communities in which BSMH serves through programs and donations, health education, free care, medical research and more. Unsponsored community benefit is measured by the cost to provide services net of one-time reimbursements received. For the year ended December 31, 2024, community benefit totaled \$524.3 million or 4.0% of total operating expenses, a decrease from the prior period largely due to increased reimbursement from supplemental state Medicaid programs in the current year. Excluding this reimbursement, community benefits would be \$1.4 billion or 10.6% of total expenses for the year ended December 31, 2024, compared to \$1.3 billion or 10.8% of total operating expenses in the prior year.

## LIQUIDITY AND KEY PERFORMANCE INDICATORS

	December 31, 2024	December 31, 2023
<b>Days cash on hand</b>	<b>218</b>	221
<b>Unrestricted cash to debt</b>	<b>159.1%</b>	147.9%
<b>Total debt to capitalization</b>	<b>35.2%</b>	37.4%
<b>Pension funding</b>	<b>91.2%</b>	91.2%

The Company's balance sheet remains strong with solid liquidity and stable leverage. Days cash on hand decreased from 221 days as of the end of 2023 to 218 days as of December 31, 2024, primarily as a result of capital expenditures and growth in cash expenses (13 days) offset by positive cash flows from operating results, investment income and the Ensemble dividend. For the year ended December 31, 2024, capital expenditures were \$837.5 million (24 days) and included \$357.7 million related to the construction of new hospitals and hospital expansions. The Company's debt to capitalization ratio was 35.2% as of December 31, 2024, a decrease from 37.4% as of December 31, 2023, largely driven by the net gains for the period and \$185.7 million of debt repayments.

Pension funding stayed consistent at 91.2% as of December 31, 2024 when compared to prior year. During 2024, the Company executed a de-risking strategy related to its defined benefit pension obligations. Actions related to this pension de-risking strategy triggered the recognition of noncash pension settlement losses during 2024 totaling \$47.3 million. Additionally, pension assets and liabilities were remeasured as of December 31, 2024, improving net funded status by \$52.8 million. Primarily driven by the pension de-risking activity, pension liabilities decreased from \$1.8 billion as of December 31, 2023, to \$1.2 billion as of December 31, 2024.

## VOLUME TRENDS

As Reported	Year Ended December 31,		
	2024	2023	Change %
<b>Admissions</b>	<b>372,936</b>	358,153	4.1%
<b>Observations</b>	<b>65,748</b>	63,666	3.3%
<b>Deliveries</b>	<b>26,144</b>	26,647	(1.9%)
<b>Inpatient Surgeries</b>	<b>74,326</b>	72,919	1.9%
<b>Outpatient Surgeries</b>	<b>221,232</b>	218,324	1.3%
<b>ER Visits</b>	<b>1,647,301</b>	1,589,935	3.6%
<b>Physician Visits</b>	<b>7,791,271</b>	7,230,233	7.8%

Volumes for the year ended December 31, 2024, improved when compared to the prior year. Admissions and physician visits for the year ended December 31, 2024, increased significantly compared to the prior year by 4.1% and 7.8%, respectively. Emergency room visits and inpatient surgeries in the year ended December 31, 2024, also improved from the prior year with increases of 3.6% and 1.9%, respectively. Observations were 3.3% higher than the prior year. Deliveries declined compared to the prior year but remained above pre-pandemic levels.

## RESULTS OF OPERATIONS

(\$s in thousands)	Year Ended December 31,	
	2024	2023
Net Patient Service Revenue <sup>(1)</sup>	\$11,905,170	\$10,988,422
Other Operating Revenue <sup>(2)</sup>	1,403,223	1,233,330
<b>Net Operating Revenue</b>	<b>13,308,393</b>	<b>12,221,752</b>
Employee Compensation	6,315,639	6,175,213
Purchased Services	1,882,928	1,659,619
Pharmaceuticals & Supplies	2,749,664	2,502,404
Depreciation and Amortization	440,402	516,052
Interest Expense	194,290	191,286
Other Operating Expenses	1,455,221	1,301,033
<b>Recurring Operating Income (Loss)</b>	<b>270,249</b>	<b>(123,855)</b>
Nonrecurring Losses, Net	(136,963)	(48,518)
Investment Gains, Net	460,353	531,339
Interest Rate Swap Agreements Gains	2,842	13,205
Other Nonoperating Losses, Net	(24,209)	(149,773)
<b>Excess of Revenue Over Expenses</b>	<b>\$572,272</b>	<b>\$222,398</b>

<sup>1</sup> Net Patient Service Revenue for 2023 includes a benefit of \$82.5 million resulting from CMS settlements related to prior year Federal 340B activity.

<sup>2</sup> Other Operating Revenue includes stimulus revenue of \$30.7 million and \$11.5 million U.S. CARES Act and funding of \$60.4 million and \$0.5 million for the FEMA Public Assistance program recognized for the years ended December 31, 2024 and 2023, respectively.

## NET OPERATING REVENUE

Net operating revenue increased by \$1.1 billion or 8.9% for the year ended December 31, 2024, compared to the prior year. Net patient service revenue increased by \$916.7 million or 8.3% for the year ended December 31, 2024, compared to the prior year. The growth in net patient service revenue was primarily due to higher patient volumes and increased reimbursement from supplemental state Medicaid programs for the year ended December 31, 2024. Supplemental state programs revenue was \$855.0 million for the year ended December 31, 2024 compared to \$726.5 million in the prior year.

Other operating revenue increased \$169.9 million or 13.8% for the year ended December 31, 2024, compared to the prior year. The increase was mainly driven by FEMA Public Assistance program funding of \$60.4 million for the year ended December 31, 2024 that was recognized in other operating revenue, compared to \$0.5 million recognized in the prior year. Other operating revenue also benefited from a \$77.0 million increase in retail pharmacy revenue due to higher volumes, as well as a \$49.5 million increase in BSMH's share of income from its investment in Ensemble Health Partners.

## OPERATING EXPENSES

Total operating expenses were \$13.0 billion for the year ended December 31, 2024, an increase of \$692.5 million or 5.6% from the prior year. This was primarily driven by increased patient volumes, partially offset by the positive impacts of management's run-rate improvement action plans. The 5.6% increase in operating expenses is below the comparable growth in net operating revenue of 8.9%. Employee compensation increased \$140.4 million or 2.3% from the prior year, driven by the increased patient volumes in 2024. These increases were partially offset by reductions in agency labor expense for the year ended December 31, 2024, compared to the prior year, as a result of successful efforts to transition contract labor roles to full-time employees. Agency costs declined from \$256.2 million in 2023, to \$167.3 million in 2024. This reduction in contract labor has helped drive an improvement in total employee compensation as a percentage of net patient service revenue from 56.2% for 2023 down to 53.1% for 2024. For the year ended December 31, 2024, pharmaceuticals and supplies expense as a percentage of net patient service revenue was 23.1%, compared to 22.8% for the prior year. Pharmaceuticals and supplies expense grew by \$247.3 million for the year ended December 31, 2024, largely due to increased patient volumes. For the year ended December 31, 2024, other operating expenses (including professional fees, rent, insurance, utilities, and other operating expenses) as a percentage of net patient service revenue was 12.2%, a slight increase from 11.8% in the prior year.

## **NONRECURRING LOSSES, NET**

Nonrecurring losses, net were \$137.0 million for the year ended December 31, 2024 compared to \$48.5 million for the year ended December 31, 2023. Losses in each period included certain nonrecurring activity such as restructuring charges, asset impairments and gains or losses resulting from the sale or disposal of operating assets. The increase in nonrecurring losses in 2024 was largely driven by a \$21.1 million abandonment loss related to property and equipment, a \$20.7 million loss on lease termination and a \$15.0 million obsolescence loss on property and equipment.

## **NONOPERATING GAINS AND LOSSES, NET**

Investment results continued to be positive in 2024 primarily due to strong public equity returns in the year. Net investment gains (realized and unrealized) were \$460.4 million for the year ended December 31, 2024, compared to \$531.3 million for the year ended December 31, 2023. The combined operating portfolios (\$6.6 billion) returned 7.6% for the year ended December 31, 2024. The income on interest rate swap agreements was \$2.8 million for the year ended December 31, 2024, compared to income of \$13.2 million for the year ended December 31, 2023.

Other nonoperating losses, net, were \$24.2 million for the year ended December 31, 2024 compared to \$150.0 million for the year ended December 31, 2023. In consideration of the divestiture of its home care and hospice assets, the Company recognized a non-operating gain of \$91.5 million for the year ended December 31, 2024. BSMH continues to execute on its pension de-risking strategy related to its defined benefit pension obligations. Actions related to this strategy triggered the recognition of pension settlement losses during 2024 and 2023 totaling \$47.3 million and \$61.8 million, respectively.

## **SUBSEQUENT EVENTS**

There were no recognized or unrecognized subsequent events identified for recognition or disclosure in the consolidated financial statements.

# **BON SECOURS MERCY HEALTH**

## **Consolidated Audited Financial Statements**

**Fiscal Years Ended  
December 31, 2024 and 2023**



**BON SECOURS MERCY HEALTH**

Consolidated Financial Statements

Years Ended December 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

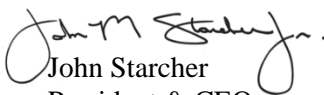
## Statement of Management Responsibility

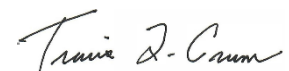
The accompanying consolidated financial statements of Bon Secours Mercy Health (the Company) for the twelve months ended December 31, 2024 were prepared by the Company's management in conformity with U.S. generally accepted accounting principles appropriate in the circumstances.

Management of the Company is responsible for the integrity and objectivity of the consolidated financial statements, which are presented using the accrual basis of accounting and, accordingly, include some amounts based on judgments and estimates. The accounting procedures and related system of internal control are designed to ensure the books and records reflect the transactions of the Company in accordance with established policies and procedures as implemented by qualified personnel. The system of internal control over financial reporting is designed to provide reasonable assurance to the Company's Management and Board of Trustees regarding the safeguarding of assets against unauthorized acquisition, the use of or disposition of the Company's assets and the preparation of reliable published consolidated financial statements. Even effective internal control, no matter how well designed, have inherent limitations – including the possibility of the circumvention or overriding of controls – and, therefore, can provide only reasonable assurance with respect to consolidated financial statement preparation. Further, because of changes in conditions, internal control effectiveness may vary over time.

The Board of Directors of the Company, through its Finance and Investment Committee, reviews the financial and accounting operations of the Company, including the review and discussion of periodic consolidated financial statements and the evaluation and adoption of budgets. The Board of Directors of the Company, through its Integrity and Stewardship Committee, reviews the accuracy and integrity of financial reporting processes, oversees compliance and auditing functions and reviews the basis of the audit engagement and reports of independent auditors.

KPMG LLP, the independent auditors, have audited the consolidated financial statements of the Company for the twelve months ended December 31, 2024 and their report thereon is included herein. The independent auditors meet with members of the Integrity and Stewardship Committee of the Board of Trustees of the Company, in the absence of Management personnel, to discuss the results of their audit and are afforded the opportunity to present their comments with respect to the conduct of the audit engagement.

  
John Starcher  
President & CEO

  
Travis L. Crum  
Chief Financial Officer

March 14, 2025



KPMG LLP  
750 East Pratt Street, 18th Floor  
Baltimore, MD 21202

## Independent Auditors' Report

The Board of Directors  
Bon Secours Mercy Health:

### *Opinion*

We have audited the consolidated financial statements of Bon Secours Mercy Health (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company 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 Consolidated Financial Statements*

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating balance sheet and operating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*KPMG LLP*

Baltimore, Maryland  
March 14, 2025

**BON SECOURS MERCY HEALTH**

Consolidated Balance Sheets

December 31, 2024 and 2023  
(In thousands)

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 630,701	498,569
Investments	6,673	6,368
Self-insurance and trustee held funds	62,197	95,982
Donor restricted funds	3,262	5,299
Total cash and investments	<u>702,833</u>	<u>606,218</u>
Net patient receivables	1,227,496	1,151,496
Other receivables	332,783	385,345
Inventories	306,262	289,107
Prepaid expenses and other current assets	307,925	266,565
Total current assets	<u>2,877,299</u>	<u>2,698,731</u>
Assets whose use is limited:		
Board designated funds	6,852,355	6,647,063
Self-insurance and trustee held funds	451,008	349,234
Donor restricted funds	69,206	51,493
Total assets whose use is limited	<u>7,372,569</u>	<u>7,047,790</u>
Property and equipment, net	5,405,115	5,043,041
Investments in unconsolidated organizations	386,827	539,666
Operating lease right-of-use assets	341,360	328,552
Retirement assets	14,740	131,071
Goodwill	586,482	595,845
Other long-term assets	448,962	503,342
Total assets	<u>\$ 17,433,354</u>	<u>16,888,038</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 747,714	666,712
Current portion of long-term debt	833,191	585,966
Accrued salaries, wages and benefits	763,088	684,545
Current portion of operating lease liabilities	77,718	78,177
Other accrued expenses	283,566	332,546
Total current liabilities	<u>2,705,277</u>	<u>2,347,946</u>
Long-term debt, less current portion	3,873,368	4,248,751
Retirement liabilities	130,406	300,985
Self-insurance liabilities	355,784	343,190
Operating lease liabilities	299,542	273,208
Other long-term liabilities	550,796	562,737
Total liabilities	<u>7,915,173</u>	<u>8,076,817</u>
Net assets without donor restrictions:		
Controlling interest	8,666,537	8,103,569
Noncontrolling interest	512,643	432,204
Total net assets without donor restrictions	<u>9,179,180</u>	<u>8,535,773</u>
Net assets with donor restrictions	339,001	275,448
Total net assets	<u>9,518,181</u>	<u>8,811,221</u>
Total liabilities and net assets	<u>\$ 17,433,354</u>	<u>16,888,038</u>

See accompanying notes to consolidated financial statements.

**BON SECOURS MERCY HEALTH**  
Consolidated Statements of Operations  
Years Ended December 31, 2024 and 2023  
(In thousands)

	<b>2024</b>	<b>2023</b>
<b>Revenues:</b>		
Net patient service revenue	\$ 11,905,170	10,988,422
Other revenue, net	1,403,223	1,233,330
Total operating revenues	13,308,393	12,221,752
<b>Expenses:</b>		
Employee compensation	6,315,639	6,175,213
Purchased services	1,882,928	1,659,619
Supplies	2,749,664	2,502,404
Depreciation and amortization	440,402	516,052
Interest expense	194,290	191,286
Other operating expenses	1,455,221	1,301,033
Total operating expenses	13,038,144	12,345,607
Recurring operating income (loss)	270,249	(123,855)
Nonrecurring operating (losses), net	(136,963)	(48,518)
Operating income (loss)	133,286	(172,373)
<b>Nonoperating gains (losses), net:</b>		
Investment gains	460,353	531,339
Realized and unrealized interest rate swap agreements gains	2,842	13,205
Other nonoperating activities, net	(24,209)	(149,773)
Excess of revenue over expenses	\$ 572,272	222,398

See accompanying notes to consolidated financial statements.

**BON SECOURS MERCY HEALTH**

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2024 and 2023

(In thousands)

	<b>Controlling interest</b>	<b>Noncontrolling interest</b>	<b>Net assets without donor restrictions</b>	<b>Net assets with donor restrictions</b>	<b>Total net assets</b>
Balance at December 31, 2022	\$ 7,943,628	416,939	8,360,567	257,627	8,618,194
Excess of revenues over expenses	191,119	31,279	222,398	—	222,398
Grants and contributions	6,726	705	7,431	59,408	66,839
Investment gains	—	—	—	10,966	10,966
Net assets released from restrictions	9,873	—	9,873	(50,018)	(40,145)
Distributions to noncontrolling interest owner	—	(16,406)	(16,406)	—	(16,406)
Pension and other postemployment changes	(50,067)	—	(50,067)	—	(50,067)
Other changes, net	2,290	(313)	1,977	(2,535)	(558)
Increase in net assets	159,941	15,265	175,206	17,821	193,027
Balance at December 31, 2023	8,103,569	432,204	8,535,773	275,448	8,811,221
Excess of revenues over expenses	520,276	51,996	572,272	—	572,272
Grants and contributions	2,151	7,566	9,717	99,865	109,582
Investment gains	—	—	—	12,597	12,597
Net assets released from restrictions	13,613	—	13,613	(45,637)	(32,024)
Transfer of interest to noncontrolling interest owner	(38,385)	38,385	—	—	—
Distributions to noncontrolling interest owner	—	(18,728)	(18,728)	—	(18,728)
Pension and other postemployment changes	89,240	—	89,240	—	89,240
Other changes, net	(23,927)	1,220	(22,707)	(3,272)	(25,979)
Increase in net assets	562,968	80,439	643,407	63,553	706,960
Balance at December 31, 2024	\$ 8,666,537	512,643	9,179,180	339,001	9,518,181

See accompanying notes to consolidated financial statements.

## BON SECOURS MERCY HEALTH

### Consolidated Statements of Cash Flows

Years Ended December 31, 2024 and 2023  
(In thousands)

	2024	2023
Cash flows from operating activities:		
Increase in net assets	\$ 706,960	193,027
Depreciation and amortization	440,402	516,052
Amortization of premium on issued debt securities	(13,135)	(14,061)
Gain on sale of home health and hospice business	(91,458)	—
Other changes in net assets, net	19,395	25,484
Pension and other post employment adjustments	(89,240)	50,067
Contributions restricted by donor	(99,865)	(59,408)
Net gains on investments	(314,960)	(426,544)
Cash (used in) provided by changes in operating assets and liabilities:		
Current assets	(95,555)	(224,674)
Long-term assets	76,961	30,160
Current liabilities	121,604	(12,931)
Long-term liabilities	21,675	36,753
Net cash provided by operating activities	682,784	113,925
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash received	—	(21,774)
Property and equipment additions, net of disposals	(837,492)	(703,353)
Purchase of alternative investments and other securities	(324,442)	(274,795)
Sales of alternative investments and other securities	430,113	173,421
Investments and assets whose use is limited, net	(92,570)	509,357
Distribution from equity method investment	331,332	—
Purchase of investments in unconsolidated organizations	(33,877)	(2,837)
Net cash used in investing activities	(526,936)	(319,981)
Cash flows from financing activities:		
Restricted contributions	99,865	59,408
Contribution from noncontrolling interest	7,566	705
Distributions to noncontrolling interest	(18,728)	(16,406)
Proceeds from debt issuance	85,854	738,545
Repayment of long-term debt	(183,092)	(567,681)
Repayment of finance lease	(14,866)	(16,196)
Cost of long-term debt issuance	—	(256)
Net cash (used in) provided by financing activities	(23,401)	198,119
Effect of exchange rates on cash and cash equivalents	(315)	264
Net increase (decrease) in cash and cash equivalents	132,132	(7,673)
Cash and cash equivalents, beginning of the year	498,569	506,242
Cash and cash equivalents, end of the year	\$ 630,701	498,569

See accompanying notes to consolidated financial statements.

## **BON SECOURS MERCY HEALTH**

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

### **(1) Basis of Presentation**

#### **(a) Organizational Structure and Mission**

Bon Secours Mercy Health (BSMH or the Company) is a nonprofit, nonstock membership Catholic health organization, supervising market delivery consisting of hospitals, physician clinics, and other organizations providing health-related services. BSMH is sponsored by partners in Bon Secours Mercy Ministries (BSMM). BSMM is a public juridic person of the Roman Catholic Church. BSMH provides management direction to its Core and Diversified and Digital business units to carry out the mission, vision, and values of BSMH. The Core and Diversified business is focused on the delivery of patient care and encompasses clinical care including acute care, urgent care and ambulatory ventures within Kentucky, Ohio, South Carolina, Virginia and Ireland. The Digital business is focused on research, innovation and digital strategy in the healthcare industry. The mission of the Company is to extend the compassionate ministry of Jesus by improving the health and well-being of our communities and bringing good help to those in need, especially people who are poor, dying and underserved.

The consolidated financial statements include the accounts of all members of the corporate group controlled by BSMH. As required, in conformity with U.S. generally accepted accounting principles (US-GAAP), the consolidated financial statements include the balance sheets, results of operations and changes in net assets, and cash flows of BSMH. Investments in entities where the Company holds a noncontrolling interest are recorded under the equity or cost method of accounting. The Company has included its equity share of income or losses and changes in net assets from investments in unconsolidated affiliates in other revenue, net in the accompanying consolidated statements of operations. All material intercompany transactions and account balances have been eliminated in consolidation.

### **(2) Significant Accounting Policies**

#### **(a) Cash and Cash Equivalents**

The Company considers highly liquid investments with a maturity of six months or less at the date of purchase to be cash equivalents. Cash and cash equivalents held by outside investment managers are considered investments and classified as board designated funds. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as donor-restricted or self-insurance and trustee held funds.

#### **(b) Assets Whose Use is Limited**

Assets whose use is limited include assets held by trustees under indentures, self-insurance trust arrangements, securities on loan under securities lending arrangements, assets related to donor-restricted net assets, and assets designated by the board of directors over which it retains control and may, at its discretion, use for other purposes. Investments consist of marketable equity securities, corporate bonds, U.S. government and government-related marketable debt securities, alternative investments, money market funds and non-government-related marketable debt securities.

The Company participates in securities lending arrangements with its custodian whereby the Company lends a portion of its marketable securities to various brokers or financial institutions in exchange for cash or non-cash collateral for the marketable securities loaned, usually on a short-term basis. The

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

initial collateral provided by brokers or financial institutions is maintained at levels of at least 100% of the fair value of the marketable securities on loan and is adjusted for market fluctuations. The Company maintains effective control of the loaned marketable securities through its custodian during the term of the arrangement in that they or similar securities may be recalled at any time. Under the terms of the arrangement, the borrower must return the same, or substantially the same, marketable securities that were borrowed. Cash collateral received in connection with the securities lending arrangements is invested in a short-term pooled fund (Pooled Fund) maintained by the Company's custodian (State Street Bank and Trust Company).

The fair value of cash collateral held for loaned marketable securities is reported as assets whose use is limited under securities lending arrangements under self-insurance and trustee held funds on the consolidated balance sheets. The Company is required to fund any decline in the underlying market value of invested collateral below the initial amount provided by the various brokers or financial institutions upon exit from the securities lending arrangements. A corresponding payable is reported for repayment of such collateral upon settlement of the securities lending arrangements.

Unrealized gains or losses on trading securities are included in investment gains on the consolidated statements of operations. As of December 31, 2024 and 2023, all investments and assets whose use is limited are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

#### **(c) Fair Value Measurement**

The carrying values of financial instruments classified as current assets and current liabilities approximate fair values. The fair values of assets limited or restricted as to use, with the exception of alternative investments, are based on quoted market prices or other observable inputs. Alternative investments are recorded under the equity method, but approximate fair value. The Company elected to record its investments in equity and fixed income commingled funds at fair value. See note 4 for additional disclosures of investments and assets whose use is limited. ASC Topic 820, *Fair Value*, emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

ASC Topic 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 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 that the Company has the ability to access.

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 assumptions, as there is little, if any, related market activity.

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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 Company'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 Topic 820, the Company utilizes three basic valuation approaches (cost, market, and income) to determine the fair value of its assets and liabilities required to be recorded at fair value. The cost approach is generally the value a market participant would expect to replace the respective asset or liability.

The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Company, including those traded on exchanges, to determine value.

The income approach uses estimation techniques to determine the estimated future cash flows of the Company'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).

The Company's nonfinancial assets and liabilities not permitted or required to be measured at fair value on a recurring basis typically relate to assets and liabilities acquired in a business combination and long-lived assets and liabilities held for sale. The Company is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a nonrecurring basis. In general, nonrecurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to nonfinancial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets, and historical cash payment trends. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows.

#### **(d) Net Patient Service Revenue and Net Patient Receivables**

In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, the Company records patient service revenue at the transaction price estimated by the Company to reflect the total consideration due from patients and third-party payors (including commercial payors and government programs) and others, and they include variable consideration for retroactive revenue adjustments. Revenue is recognized as performance obligations that are satisfied in exchange for providing goods and services in patient care. Revenue is recorded as these goods and services are provided. The transaction price, which involves significant estimates, is determined based on the Company's standard charges for the goods and services provided, with a reduction recorded for price concessions related to third party contractual arrangements as well as patient discounts and other patient price concessions. Patient service revenue for services provided to patients who have third party payor coverage is recognized based on contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, the Company recognizes revenue when services are provided. Based on

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historical experience, a significant portion of the Company's uninsured patients (self-pay) will be unable or unwilling to pay for the services provided.

The Company's concentration of credit risk related to net patient receivables is limited due to the diversity of patients and payors. Net patient receivables consist of amounts due from government programs (primarily Medicare and Medicaid), private insurance companies, managed care programs and patients themselves. The Medicare program represented 23% and 24% of net patient account receivables as of December 31, 2024 and 2023, respectively while the Medicaid program represented 8% as of December 31, 2024 and 2023. Excluding the Medicare program, no one other payor represents more than 10% of the Company's net patient receivables as of December 31, 2024 and 2023.

Patient receivables are recorded at net realizable value based on certain assumptions determined by payor class. For third party payors including Medicare, Medicaid, and commercial insurance, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by the payor. For self-pay receivables, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends.

Patient receivables can be impacted by the effectiveness of the Company's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of patient receivables. The Company also continually reviews the net realizable value of patient receivables by monitoring historical cash collections as a percentage of trailing net operating revenue, as well as by analyzing current period net patient service revenue and admissions by payor classification, aged receivables by the payor and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third party insured receivables.

The Company's net patient service revenues during the years ended December 31, 2024 and 2023 have been presented in the following table based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage:

	<u>2024</u>		<u>2023</u>	
Commercial and other third party	\$ 5,270,837	44.2 %	4,867,334	44.3 %
Medicare	4,415,250	37.1	4,110,250	37.4
Medicaid	1,922,777	16.2	1,738,641	15.8
Other governmental	252,321	2.1	207,569	1.9
Self-pay	43,985	0.4	64,628	0.6
Total	<u>\$ 11,905,170</u>	<u>100.0 %</u>	<u>10,988,422</u>	<u>100.0 %</u>

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#### **(e) Inventories**

Inventories, consisting primarily of pharmacy drugs and medical and surgical supplies are stated at the lower of cost or net realizable value and are valued principally by the weighted average method.

#### **(f) Property and Equipment, Net**

Property and equipment, net is recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is calculated over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. During 2024, the Company conducted a study to reassess the estimated remaining useful lives of its property and equipment. As a result of this study, the Company prospectively adjusted the estimated remaining useful lives of its assets. The estimated useful lives of the assets are as follows:

Buildings	20 to 80 years
Fixed equipment	10 to 20 years
Movable equipment	3 to 20 years
Software	3 to 12 years

Gifts of long-lived assets, such as land, buildings, or equipment are reported as unrestricted support and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit donor 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. 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 3 and 12 years, with amortization beginning when the project is completed, and the software is placed in service.

The cost and related accumulated depreciation of property and equipment that is sold or retired is removed from the respective accounts and the resulting gain or loss is recorded in nonrecurring operating (losses), net.

#### **(g) Leases**

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, current portion of operating lease liabilities and operating lease liabilities on the consolidated balance sheets. Finance leases are included in other long-term assets (note 2(l)), other accrued expenses, and other long-term liabilities (note 2(o)).

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Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term using the Company's incremental borrowing rate based on the information available at commencement. The ROU asset is derived from the lease liability and also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in other operating expenses but are not included in the ROU assets or lease liability balances. Lease agreements may include one or more renewal options which are at the Company's sole discretion. The Company does not currently consider the renewal options to be reasonably likely to be exercised, therefore they are not included in ROU assets and lease liabilities. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term for operating leases in other operating expenses.

In accordance with ASC 842, the Company has elected to not recognize ROU assets and lease liabilities for short-term leases with a lease term of 12 months or less. The Company recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term in other operating expenses. Variable lease payments associated with these leases are recognized and presented in the same manner as all other leases.

#### **(h) Asset Impairment**

The Company regularly evaluates whether events or changes in circumstances have occurred that could indicate impairment in the value of long-lived assets. In accordance with the provisions of the ASC Topic 360-10, *Impairment or Disposal of Long-Lived Assets*, if events or changes in circumstances indicate that the carrying value of an asset is not recoverable, the Company's management estimates the projected undiscounted cash flows, excluding interest and taxes, of the related individual facilities to determine if an impairment loss should be recognized. The amount of impairment loss is based on the excess of a reporting unit's carrying amount over its fair value. Fair value is determined through an evaluation of the recent and projected financial performance of facilities using standard industry valuation techniques. Asset impairment for the year ended December 31, 2024 can be found at note 6.

In addition to consideration of impairment upon the events or changes in circumstances described above, management regularly evaluates the remaining lives of its long-lived assets. If estimates are changed, the carrying value of affected assets is allocated over the remaining lives. In estimating the future cash flows for determining whether an asset is impaired and if expected future cash flows used in measuring assets are impaired, the Company groups their assets at the lowest level for which there are identifiable cash flows independent of other groups of assets.

#### **(i) Investments in Unconsolidated Organizations**

The Company maintains noncontrolling interests in various joint ventures and other companies that do not require consolidation. The majority of these investments are accounted for using the equity method of accounting, as the Company has significant influence, but does not have control, over the operating and financial policies of the investee. For investments whose value is not easily measurable, the Company elected to use the measurement alternative to measure certain investments at cost, less any

## BON SECOURS MERCY HEALTH

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impairment in accordance with ASC Topic 321, *Investments - Equity Securities*. The Company classifies distributions from an investee on the cashflow statement by evaluating the facts, circumstances and nature of each distribution. Investments in unconsolidated organizations are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

#### **(j) Retirement Assets and Liabilities**

The Company has several defined benefit pension plans covering the majority of employees who qualify according to age and length of service. The Company funds actuarially determined pension amounts in accordance with a long-term funding policy to ensure the defined benefit pension plans maintain adequate funding over time. In addition, the Company has several defined contribution plans.

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension and other postemployment plans (collectively, referred to as the Plans), measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for other postemployment benefit plans).

#### **(k) Goodwill**

Goodwill is an asset representing the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. Goodwill is evaluated for impairment annually using qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

The following is the carrying amount and changes in the carrying amount of goodwill as of December 31:

	<u>2024</u>	<u>2023</u>
Goodwill at the beginning of the period	\$ 595,845	574,113
Goodwill related to acquisitions	2,156	22,212
Goodwill related to disposals	(3,766)	—
Impairment	(7,778)	—
Other	25	(480)
Goodwill at the end of the period	<u>\$ 586,482</u>	<u>595,845</u>

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#### (l) **Other Long-Term Assets**

Other long-term assets, net consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Right-of-use assets – finance	\$ 207,589	215,083
Other intangibles, net	111,471	140,502
Other	90,882	102,684
Notes and other long term receivables	<u>39,020</u>	<u>45,073</u>
Total other long-term assets	<u>\$ 448,962</u>	<u>503,342</u>

#### (m) **Accrued Claims Expense and Related Liabilities**

Accrued claims expense and related liabilities consist of insurance reserves and unpaid expenses. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Such estimates are subject to the impact of changes in the regulatory environment and economic conditions. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate number of paid claims is dependent on future developments, management is of the opinion that the reserves for claims are adequate to cover such claims. The current portion and long-term portion of accrued claims and related liabilities are recorded in other accrued expenses and self-insurance liabilities, respectively, in the accompanying consolidated balance sheets.

##### (i) *Self-Insurance*

Under the Company's self-insurance programs (professional/general liability, workers' compensation, and employee health benefits), claims are reflected based upon actuarial estimation, including both reported and incurred but not reported claims, taking into consideration the severity of incidents and the expected timing of claim payments. The Company shares certain insurance risks it has underwritten through the use of reinsurance contracts. Amounts that can be claimed from the Company's reinsurers are valued by an independent actuary and are included as receivables in other long-term assets. Should the Company's reinsurers be unable to reimburse the Company for recoverable claims, the Company would still be liable to pay the claims; however, the Company contracts with various highly rated insurance carriers to mitigate this risk.

##### (ii) *Professional Liability and General Insurance*

The Company's hospital professional liability (HPL) and hospital general liability (HGL) exposures are covered primarily through the Captive. The Captive is an offshore insurance company domiciled in the Cayman Islands and 100% owned by the Company. In addition to providing HPL and HGL coverage to its insureds, the Captive provides policies for certain employed physician, commercial insurance deductibles, and the Company's fleet property damage coverage, with excess layers reinsured through commercial carriers under policies written on a claims-made basis.

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(In thousands)

*(iii) Workers Compensation Insurance*

The Company's workers' compensation program primarily consists of self-insurance programs in various states with excess coverage through a commercial insurer.

*(iv) Employee Health Insurance*

Employee health benefits of the Company are principally provided through the Company's self-insurance program. Accrued claims associated with this program are reported as other accrued expenses in the accompanying consolidated balance sheets.

***(n) Net Assets Including Noncontrolling Interest***

The Company classifies net assets based on the existence or absence of donor-imposed restrictions. Net assets without donor restrictions represent contributions, gifts, and grants that have no donor-imposed restrictions or that arise as a result of operations. Net assets with donor restrictions are subject to donor-imposed restrictions that must be met either by satisfying a specific purpose, passage of time and/or are to be maintained by the Company in perpetuity. Net assets with donor restrictions primarily consist of pledges and funds received for capital projects, various healthcare programs, and community outreach programs.

Unconditional promises to give cash and other assets to the Company 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 gift is received. The gifts are reported as donor-restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is satisfied, these restricted net assets are reclassified as assets without donor restrictions and reported in the accompanying consolidated statements of operations and statements of changes in net assets as net assets released from restrictions. Such amounts are classified as other revenue, net or transfers for additions to property and equipment. Donor-restricted contributions whose restrictions are satisfied within the same year as received are reported as unrestricted contributions in the accompanying consolidated financial statements.

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned entities that the Company controls in accordance with applicable accounting guidance. Accordingly, the Company has reflected a noncontrolling interest for the portion of the Company's revenue and expenses not controlled by the Company, separately in the consolidated balance sheets and the consolidated statements of operations.

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#### **(o) Other Long-Term Liabilities**

Other long-term liabilities consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Lease liabilities – finance	\$ 311,542	339,512
Supplemental executive retirement plan liability	135,187	114,415
Other	74,286	72,219
Deferred income tax liability	21,723	24,127
Derivative instrument (note 8)	<u>8,058</u>	<u>12,464</u>
Total other long-term liabilities	<u>\$ 550,796</u>	<u>562,737</u>

#### **(p) Other Revenue**

Other revenue, net, within operating revenue includes income from equity investments in joint ventures (note 14), professional services contract revenue from the Digital business, grant revenues including the FEMA assistance program, stimulus funding provided by the CARES Act, reimbursements, revenues from corporate services, earnings on funds held by bond trustees and cafeteria and meal sales.

#### **(q) Charity Care**

The Company exists to benefit the people in the communities it serves. In pursuing its mission, the Company advocates for and provides services to help meet healthcare and related socio-economic needs of poor and disadvantaged individuals and the broader community. The Company provides services in the communities served by holistically ministering to its patients with respect and without regard to their ability to pay. Programs and services for the uninsured and underinsured represent the financial commitment of the Company to the communities they serve.

Charity care costs are estimated based on multiplying the ratio of costs to gross charges for all payments not attributable to other community benefits programs by the revenue recognized and written-off for health services provided to persons who cannot afford to pay. Charity care amounts are not recorded as net patient service revenue.

The categories included as programs and services for the poor and disadvantaged are as follows:

##### **(i) Charitable Services – Financially Disadvantaged Persons**

The Company provides care to patients regardless of their ability to pay for all or a portion of the charges incurred. This care is classified as charity care based on the Company's established policies. In accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the Company's criteria for financial assistance.

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In assessing a patient's ability to pay, the Company utilizes generally recognized poverty income levels, financially supporting 100% of the healthcare services provided to patients with annual family income at or below 200% of the federal poverty guidelines. Patients with annual family income above 200% and below 400% are eligible for a prorated reduction in charges for medically necessary services through a sliding scale applicable to the respective market area.

*(ii) Charitable Services – State Programs*

The Company provides services to indigent patients under various state programs, including state Medicaid, that generally pay healthcare providers amounts that are less than the cost of the services provided to the recipients. Estimated unreimbursed costs of the care provided to these disadvantaged patients are also reported as charitable services.

*(iii) Other Community Benefits*

Other community benefits include community services for the poor and disadvantaged as well as the broader community. The programs cover a broad spectrum of services and are financially supported by the Company:

- Primary care access – providing free community-based preventive and primary care services through free-standing clinics and mobile health vehicles;
- Health screenings and immunizations – provision of free health screenings and immunizations for a variety of health conditions for women, children, and senior residents;
- Child programs – providing oral healthcare, asthma and childhood obesity interventions;
- Caregiver and senior programs – focused on support, health screenings, and services to assist older adult populations;
- Education – providing medical and other health professional programs;
- Leadership activities – a full-time community health leader is provided in each community served who works to expand community capacity, identify community health needs, and address social health conditions.

***(r) Recurring Operating Income (Loss)***

Recurring operating income (loss) includes financial results of operating entities, but excludes certain nonrecurring activities such as restructuring, asset impairments, transaction costs for mergers and acquisitions and gains/losses on operating asset sales/disposals.

***(s) Performance Indicator***

The consolidated statements of operations includes the caption excess of revenues over expenses, which represents the performance indicator for the Company. Consistent with industry practice, changes in net assets which are excluded from the excess of revenues over expenses may include the impact of acquisitions, discontinued operations, change in net unrealized gains on restricted investments, restricted contributions, distributions to noncontrolling interests, certain pension and other postemployment benefit adjustments, and other miscellaneous items as defined under US-GAAP.

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### (t) *Income Taxes*

The Company and most of its subsidiaries (including certain joint venture entities) are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Their related income is exempt from federal income tax under Section 501(A). Some of the subsidiaries are taxable entities, and some of the income of the tax-exempt entities is subject to taxation as unrelated business taxable income. The Company and its subsidiaries file U.S. federal income tax returns, and they also file in various state and foreign jurisdictions.

The Company accounts for uncertain tax positions in accordance with ASC Topic 740, *Income Taxes*. The Company accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company has determined that no significant unrecognized tax benefits or liabilities exist for the years ended December 31, 2024 and 2023.

Accounting for uncertainty in income taxes, ASC Topic 740-10 prescribes a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Company is subject to routine audits by taxing jurisdictions. There are no current audits in progress. For the years ended December 31, 2024 and 2023, the Company has no uncertain tax positions.

The Company's taxable subsidiaries had net operating loss carryforwards for Federal income tax purposes of \$172,682 and \$182,444 as of December 31, 2024 and 2023, respectively, which are available to offset future Federal taxable income subject to various limitations. The Company had net operating loss carryforwards for state income tax purposes of \$106,212 and \$119,717 as of December 31, 2024 and 2023, respectively, which are available to offset future state taxable income subject to various limitations. The Company accounts for income taxes under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect during the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Interest and penalties related to income taxes are accounted for as income tax expense. As of December 31, 2024, the Company has placed a partial valuation allowance of \$96,701 and \$23,566 on the gross deferred Federal and state tax assets, respectively. As of December 31, 2023, the Company has placed a partial valuation allowance of \$83,168 and \$18,945 on the gross deferred Federal and state tax assets, respectively. When determining the valuation allowance for deferred tax assets, the Company annually considers whether it is more likely than not that these amounts will not be utilized in future periods. There was an increase in the valuation allowance for gross deferred Federal and state tax assets of \$13,533 and \$4,621, respectively, as of December 31, 2024. There was a decrease in the valuation allowance for gross deferred Federal and state tax assets of \$73,370 and \$84,451, respectively, as of December 31, 2023.

## **BON SECOURS MERCY HEALTH**

Notes to Consolidated Financial Statements

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### **(u) Medicare and Medicaid Programs**

The Company renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Payment for the majority of Medicare and Medicaid services is based on a prospectively determined fixed price, according to a patient classification, based on clinical and other diagnostic factors.

Amounts earned under these contractual arrangements are subject to review and final determination by Medicare and Medicaid intermediaries and other appropriate governmental authorities or their agents and may be adjusted in future periods as settlements are determined.

In the opinion of management, adequate provision has been made in the consolidated financial statements for any adjustments resulting from the respective intermediary reviews. The Company received settlements related to prior years' cost reports and other third-party contracts, which resulted in an increase in net patient service revenue of \$43,235 and \$30,638 for the years ended December 31, 2024 and 2023, respectively.

In the healthcare industry, laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Failure to comply with such laws and regulations can result in significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. The Company also has certain portions of Medicare payments, which are outside of the Progressive Payment Systems and fee for service payment rates and are based on historical costs.

### **(v) Use of Estimates**

The preparation of financial statements in conformity with US-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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include, but are not limited to: contractual revenue adjustments, fair value of acquired assets and liabilities in business combinations, fair value of investments, risk and assumptions for measurement of pension and self-insurance liabilities and evaluation of long-lived assets for impairment. Management relies on historical experience and other assumptions believed to be reasonable in making its judgments and estimates. Actual results could differ materially from those estimates.

### **(w) Contingencies**

During the normal course of business, the Company may become involved in litigation. Management assesses the probable outcome of unresolved litigation and records estimated settlements, if applicable. It is not possible to determine the eventual outcome of any presently unresolved litigation. However, after consultation with legal counsel, management believes that these matters will be resolved without material adverse impact on the consolidated financial position or results of operations of the Company.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

#### (3) Community Benefits (Unaudited)

The following is a summary of the Company's community service as measured by services provided to the poor, medically underserved, and broader community. The summary has been prepared in accordance with the Catholic Health Association (CHA) of the United States document, A Guide for Planning and Reporting Community Benefit, 2022 Edition.

The following represents unsponsored community benefit expense at cost for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Charitable services and other community benefits:		
Traditional charity care	\$ 142,374	110,323
Unpaid costs of public programs	217,071	318,563
Other community benefit programs	<u>164,848</u>	<u>178,042</u>
Total quantifiable community benefits	<u>\$ 524,293</u>	<u>606,928</u>
Percent of total recurring expenses	4.0 %	4.9 %

Community benefits include the provision of health services to uninsured persons who cannot afford to pay for their care, participation in government programs for low-income persons that reimburse services at less than cost, education of healthcare professionals, community health education, activities to identify and manage chronic health conditions and other healthcare and community supportive services.

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### (4) Investments and Assets Whose Use is Limited

The composition of assets whose use is limited consists of the following as of December 31:

	2024	2023
Board designated funds:		
Cash and cash equivalents	\$ 99,240	106,501
Equity mutual funds	474,706	774,435
Equity commingled funds	553,346	665,703
Common and preferred stocks	648,927	717,939
Fixed income mutual funds	—	26,341
Fixed income commingled funds	421,325	70,622
Government and agency securities	1,199,629	941,986
Corporate obligations	865,707	878,176
Alternative investments	2,589,475	2,465,360
	6,852,355	6,647,063
Self-insurance and trustee held funds:		
Cash and cash equivalents	87,176	114,729
Equity mutual funds	280,705	218,622
Government and agency securities	94,437	70,340
Corporate obligations	50,887	41,525
	513,205	445,216
Donor restricted funds:		
Cash and cash equivalents	9,887	8,073
Equity mutual funds	5,672	9,363
Equity commingled funds	4,625	9,653
Common and preferred stocks	6,126	3,167
Fixed income mutual funds	—	4,673
Fixed income commingled funds	5,044	963
Government and agency bonds	10,576	—
Corporate obligations	5,885	—
Alternative investments	24,653	20,900
	72,468	56,792

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	<b>2024</b>	<b>2023</b>
Investments:		
Cash and cash equivalents	\$ 3,461	3,307
Corporate obligations	3,212	3,061
	6,673	6,368
Investments and assets whose use is limited	7,444,701	7,155,439
Available for current liabilities	(72,132)	(107,649)
Long-term assets limited or restricted as to use	\$ 7,372,569	7,047,790

Interest and dividend earnings (net of expenses), net realized gains and losses on investments and the net change in unrealized gains and losses on investments are considered investment income and are included and primarily recorded in investment gains on the consolidated statements of operations.

The following is a summary of nonoperating investment gains, for the years ended December 31:

	<b>2024</b>	<b>2023</b>
Dividends and interest	\$ 157,991	115,761
Net realized gains on securities	147,090	85,832
Net change in unrealized gains on securities	155,272	329,746
	\$ 460,353	531,339

The Company's ability to generate investment income is dependent in large measure on market conditions. The market value of the Company's investment portfolio, as well as the Company's investment income, have fluctuated significantly in the past and are likely to continue to fluctuate in the future. The Company's investment portfolio assets are designated as trading securities as discussed in ASC Topic 320, *Investments – Debt and Equity Securities*. The Company's entire portfolio is actively managed by third-party investment managers. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. As required by US-GAAP, realized and unrealized gains and losses on an investment portfolio, designated as a trading portfolio, are accounted for as nonoperating gains (losses), net and are included in excess of revenues over expenses. Because of this designation as a trading portfolio, management anticipates fluctuations in excess of revenues over expenses. Accordingly, based on this diversification, management does not believe there are any material concentrations of credit as of December 31, 2024 and 2023.

The Company, through its professional investment managers, enters into derivative transactions (primarily in the form of money market, equity index and government futures), which are used in conjunction with the Company's portfolio of marketable debt securities to economically hedge various investment risks.

## BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

### (5) Fair Value of Financial Instruments

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used, including discount rates and estimates of the amount and timing of future cash flows. Care should be exercised in deriving conclusions about the Company's business, its value or consolidated financial position based on the fair value information of financial assets presented below.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

Fair values for the Company's fixed maturity securities are based on prices provided by its investment managers and its custodian bank. Both the investment managers and the custodian bank use a variety of pricing sources to determine market valuations and designate specific pricing services or indexes for each sector of the market based upon the provider's expertise. The Company's fixed maturity securities portfolio is highly liquid, which allows for a high percentage of the portfolio to be priced through pricing services.

Fair values of equity securities have been determined by the Company from observable market quotations, when available. Private placement securities and other equity securities where a public quotation is not available are valued by using broker quotes.

Fair values for the Company's interest rate swaps have been determined using pricing models developed based on the Secured Overnight Financing Rate (SOFR) swap rates and other observable market data. The values were determined after considering the potential impact of collateralization and netting agreements, adjusted to reflect nonperformance risk of both the counterparty and the Company.

#### *Nonrecurring Fair Value Measurements*

The Company is required to provide additional disclosures about fair value measurements as part of the consolidated financial statements for each major category of assets and liabilities measured at fair value on a nonrecurring basis. In general, nonrecurring fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities, which generally are not applicable to nonfinancial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets, and historical cash payment trends. Fair values determined by Level 3 inputs are unobservable

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

data points for the asset or liability and include situations where there is little, if any, market activity for the asset or liability, such as internal estimates of future cash flows.

<u>Nonfinancial assets and liabilities</u>	<u>Input</u>	<u>Valuation methodology</u>
Current assets	Estimate of replacement cost	Cost
Inventories	Estimate of replacement cost	Cost
Property and equipment, net	Estimate of replacement cost	Cost
Other long term assets	Estimate of replacement cost	Cost
Identifiable intangible assets	Discounted cash flows	Income
Current liabilities	Estimate of replacement cost	Cost
Long-term liabilities	Estimate of replacement cost	Cost

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of:

	Fair value	Fair value measurements at December 31, 2024 using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 630,701	630,701	—	—
Investments:				
Cash and cash equivalents	3,461	3,461	—	—
Corporate obligations	3,212	—	3,212	—
	6,673	3,461	3,212	—
Assets limited or restricted as to use:				
Cash and cash equivalents	196,303	196,303	—	—
Equity mutual funds	761,083	403,289	357,794	—
Equity commingled funds	557,971	414,195	60,372	83,404
Common and preferred stocks	645,843	645,843	—	—
Fixed income commingled funds	426,369	298,147	128,222	—
Government and agency securities	1,304,642	366,115	938,527	—
Corporate obligations	922,479	—	922,479	—
Cash and assets limited or restricted as to use	5,452,064	2,958,054	2,410,606	83,404
Assets whose use is limited under securities lending arrangements	9,210	9,210	—	—
Total cash and assets limited or restricted as to use	\$ 5,461,274	2,967,264	2,410,606	83,404
Liabilities:				
Interest rate swaps	\$ 8,058	—	—	8,058
Total liabilities	\$ 8,058	—	—	8,058

**BON SECOURS MERCY HEALTH**

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(In thousands)

	Fair value	Fair value measurements at December 31, 2023 using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 498,569	498,569	—	—
Investments:				
Cash and cash equivalents	3,307	3,307	—	—
Corporate obligations	3,061	—	3,061	—
	6,368	3,307	3,061	—
Assets limited or restricted as to use:				
Cash and cash equivalents	229,303	229,303	—	—
Equity mutual funds	1,002,420	576,005	426,415	—
Equity commingled funds	675,356	513,465	82,069	79,822
Common and preferred stocks	697,215	697,215	—	—
Fixed income commingled funds	71,585	2,348	69,237	—
Government and agency securities	1,012,326	343,442	668,884	—
Corporate obligations	919,701	—	919,701	—
Fixed income mutual funds	31,014	31,014	—	—
Cash and assets limited or restricted as to use	5,143,857	2,894,668	2,169,367	79,822
Assets whose use is limited under securities lending arrangements	23,891	23,891	—	—
Total cash and assets limited or restricted as to use	\$ 5,167,748	2,918,559	2,169,367	79,822
Liabilities:				
Interest rate swaps	\$ 12,464	—	—	12,464
Total liabilities	\$ 12,464	—	—	12,464

Following is the summary of the inputs and valuation techniques utilized to value Level 2 financial instruments as of December 31, 2024 and 2023:

Financial instrument	Input	Valuation
Government and agency securities	Matrix	Market/income
Corporate obligations	Broker/dealer	Market
Commingled and mutual funds	Matrix	Market/income

## BON SECOURS MERCY HEALTH

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(In thousands)

The changes in the fair value of the assets measured using significant unobservable inputs (Level 3) consisted of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 79,822	66,191
Purchases	8,445	17,513
Sales	(705)	(2,474)
Impairment loss	—	(1,281)
Realized and unrealized losses	<u>(4,158)</u>	<u>(127)</u>
Ending balance	<u>\$ 83,404</u>	<u>79,822</u>

Investments for which fair value is measured using the Net Asset Value (NAV) as a practical expedient are excluded from the fair value hierarchy in accordance with ASU No. 2015-07, *Fair Value Measurement (Topic 820)*. For the years ended December 31, 2024 and 2023, investments measured at NAV consist of fixed income commingled funds and alternative investments. The fixed income commingled investment funds are valued at NAV provided by the respective fund administrators. Management has determined that the NAV is an appropriate estimate of the fair value of the commingled investment funds as of December 31, 2024 and 2023, since the commingled investment funds are audited and accounted for at fair value by the administrators of the respective commingled investment funds.

Alternative investments are not necessarily readily marketable and may include short sales on securities and trading in futures contracts, options, foreign currency contracts, other derivative instruments, and private equity investments. Alternative investments can be divested only at specified times in accordance with the terms of the partnership agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution while the underlying investments are liquidated. These redemptions are subject to lock-up provisions that are generally imposed upon initial investment in the fund. Private equity funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The following table summarizes the investments measured at NAV, committed capital and associated redemptions as of December 31, 2024:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Alternative investments:				
Private Investments	\$ 1,605,862	652,822	N/A	N/A
Hedge funds	<u>1,008,266</u>	<u>—</u>	Monthly, Quarterly, Annually	2 to 180 days <sup>(1)</sup>
	<u>\$ 2,614,128</u>	<u>652,822</u>		

Investments that are not redeemable as of December 31, 2024 are \$99,350<sup>(1)</sup>.

The following table summarizes the investments measured at NAV, committed capital and associated redemptions as of December 31, 2023:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Fixed income commingled funds	\$ 51,181	—	Monthly	10 days
Alternative investments:				
Private Investments	1,489,370	653,119	N/A	N/A
Hedge funds	<u>945,709</u>	<u>—</u>	Monthly, Quarterly, Annually	2 to 180 days
	<u>\$ 2,486,260</u>	<u>653,119</u>		

There were no non-redeemable investments as of December 31, 2023.

Categorization of alternative investments with respect to investee strategies and redemptions for those funds whose fair value is estimated based on NAVs are as follows:

- (a) **Private investments** – Includes Private Equity, Real Estate and Private Debt. This category includes investments in funds with multiple opportunistic strategies that are primarily private in nature. These investments cannot be redeemed by the Company; rather, the Company has committed to an amount to invest in the private funds over the respective periods. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that underlying assets will be liquidated over the next 1 to 15 years.

## BON SECOURS MERCY HEALTH

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(In thousands)

- (b) **Hedge funds** – This category included investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. Distributions will be received as the underlying investments are liquidated.

#### (6) Property and Equipment, Net

Property and equipment, net consists of the following as of December 31:

	2024	2023
Land	\$ 537,554	525,768
Land improvements	144,218	126,949
Buildings and fixed equipment	5,288,829	5,024,394
Movable equipment	3,929,630	3,980,907
Software	625,357	628,719
Leasehold improvements	242,371	252,486
	10,767,959	10,539,223
Less accumulated depreciation	(6,205,670)	(6,291,370)
	4,562,289	4,247,853
Construction in progress	842,826	795,188
	\$ 5,405,115	5,043,041

As of December 31, 2024 and 2023, the Company is contractually obligated for construction projects totaling \$282,369 and \$382,838 at current construction cost levels. It is expected that these costs will be incurred in the next twelve months. The Company intends to finance these construction projects through the use of tax-exempt bond obligations proceeds, assets whose use is limited and operating cash flow. During the year ended December 31, 2024, the Company identified construction projects that were no longer feasible. The Company derecognized the cumulative costs and recorded an abandonment of \$14,536 in nonrecurring operating losses, net on the consolidated statements of operations.

Depreciation expense for the Company was \$397,055 and \$464,231 for the years ended December 31, 2024 and 2023, respectively. During 2024, the Company conducted a study to reassess the estimated remaining useful lives of its property and equipment. Obsolete assets were identified during the study and a \$15,001 loss was recorded in nonrecurring operating losses, net on the consolidated statements of operations for the year ended December 31, 2024.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

#### (7) Long-Term Debt

The following is a summary of the Company's long-term debt:

Long-term debt	Coupon rates	Maturity through	December 31, 2024	December 31, 2023
Master trust indenture obligations:				
Fixed rate Hospital Facilities Revenue and Revenue Refunding and Improvement Bonds:				
MH Series 2015A term bonds	4.00-5.00	2045	159,205	159,205
MH Series 2015C taxable bonds	3.38	2025	150,000	150,000
MH Series 2017A serial and term bonds	3.00-5.00	2047	360,115	389,005
MH Series 2017C taxable bonds	3.56	2027	143,150	143,150
MH Series 2018A taxable bonds	4.30	2028	305,684	305,684
BSMH Series 2020A serial and term bonds	4.00-5.00	2049	645,120	656,835
BSMH Series 2020 taxable bonds	3.46	2030	389,680	389,680
BSMH Series 2020-2 taxable bonds	1.35-3.21	2050	650,000	650,000
BSMH Series 2022A serial and term bonds	5.00	2042	190,775	190,775
Adjustable rate Hospital Facilities Revenue and Revenue Refunding and Improvement Bonds:				
MH Series 2008 direct placement (DP) bonds	3.25-4.41	2031	94,400	103,400
MH Series 2010C demand bonds	0.86-5.36	2034	72,250	75,050
MH Series 2010D DP bonds	2.19-5.08	2034	67,250	70,050
MH Series 2012B demand bonds	2.36-5.01	2036	100,000	100,000
Bon Secours Series 2017 (SC) DP bonds	4.37-5.50	2042	69,925	69,925
MH Series 2018AB commercial paper notes	4.27-5.5		300,000	300,000
BSMH Series 2020B bonds payable	5.00	2048	87,380	87,380
BSMH Series 2022B bonds payable	5.00	2051	213,320	213,320
2018 TD Bank variable rate taxable term loan	4.97-6.07	2029	150,000	150,000
2022 Euro private placement	4.24	2052	166,656	177,568
2023 TD Bank variable rate taxable term loan	5.56-6.35	2033	100,000	100,000
2023 RBC variable rate taxable term loan	5.55-6.65	2026	100,000	100,000
Revolving Credit Agreement debt outstanding	5.0-6.13	2025	1,499	64,939
Total master trust indenture obligations			4,516,409	4,645,966
Ireland variable rate taxable term loan	1.89-5.47	2025	91,321	97,303
Other debt			47,827	27,568
			4,655,557	4,770,837
Original issue net premium			71,563	86,445
Cost of issuance			(20,561)	(22,565)
			4,706,559	4,834,717
Less current portion of long-term debt			(833,191)	(585,966)
Long-term debt, less current portion			\$ 3,873,368	4,248,751

## **BON SECOURS MERCY HEALTH**

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

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The Company's master trust indenture (the MTI) provides that Bon Secours Mercy Health is the sole obligor on all outstanding indebtedness incurred under the MTI. All bond obligations of the Company have been evidenced by obligations issued under the MTI. In addition, the Company has issued a master obligation guaranty under the MTI for a bank term loan of its contractual affiliate, Bon Secours Health System Limited by Guarantee, the principal amount of which is \$91,321 as of December 31, 2024.

On January 5, 2023, the Company completed the issuance of \$169,278 (€160,000) of 4.24% Senior Secured Notes due October 1, 2052, to institutional private purchasers. The proceeds of these notes will be used for the construction of a new hospital in Limerick, Ireland and for general corporate purposes.

On February 16, 2023, the Company entered into a 10-year taxable term loan agreement with a financial institution in the amount of \$100,000. The proceeds of this borrowing were used for general corporate purposes.

On December 15, 2023, the Company entered into a 2.5-year taxable term loan agreement with a financial institution in the amount of \$100,000. The proceeds of this borrowing were used for general corporate purposes.

Pursuant to the issuance of the Series 2022 bond issue, the Company proposed to amend its MTI. The amended MTI will not become effective until the Company's Master Trustee receives the consent of the Company's Master Obligation debt holders of not less than a majority of the Company's aggregate debt. Until the conditions of the amendment to the MTI are met, the existing MTI remains in effect.

The Company's MTI obligations mature at various dates through 2052 and are subject to optional and mandatory redemption features. While only Bon Secours Mercy Health, Inc. (as successor to Mercy Health) is obligated under the terms of the MTI, the Company has covenanted to cause some controlled affiliates and certain contractual affiliates to transfer such funds to as necessary to pay amounts due under the MTI. Certain controlled affiliates of the Company have entered into agreements obligating them to make these transfers at the request of the Company.

The Company is subject to certain restrictive covenants under the MTI, revolving credit agreements, reimbursement agreements and irrevocable letters of credit as of December 31, 2024 and December 31, 2023. The Company was in compliance with all restrictive covenants as of December 31, 2024 and December 31, 2023.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

The following is a schedule of future minimum payments based on scheduled maturities as of December 31, 2024:

Period	Master trust indenture obligations	European group and other debt
2025	\$ 255,949	103,869
2026	157,530	2,589
2027	203,810	14,803
2028	366,429	1,864
2029	404,565	9,882
Thereafter	3,128,126	6,141
Total minimum payments	\$ 4,516,409	139,148

Interest payments for the years ended December 31, 2024 and 2023 were \$203,769 and \$188,339, respectively.

Unamortized debt issuance costs of \$20,561 and \$22,565 as of December 31, 2024 and December 31, 2023, respectively, represent costs related to the issuance of bond obligations and are being amortized over the terms of the related bond obligations at amounts approximating the effective interest method.

As of December 31, 2024, the Company has Series 2010C and 2012B variable rate bond obligations in the total amount of \$172,250 with letter of credit support, Series 2008A, 2010D and 2017 adjustable-rate bonds in the total amount of \$231,575 held under direct purchase agreements with financial institutions and \$441,321 of variable rate taxable term loan agreements with financial institutions. The Company's dedicated liquidity facilities and direct placement agreements have expiration dates that extend from August 2025 to February 2033.

The Company maintains a revolving credit agreement for purposes of working capital support or capital asset acquisition. This revolving credit agreement has a commitment amount of \$250,000 and is secured by the MTI. The agreement expires on December 11, 2025. \$1,499 and \$64,939 were outstanding on this agreement as of December 31, 2024 and December 31, 2023.

As of December 31, 2024, the current portion of long-term debt consists of \$300,000 commercial paper notes, \$177,721 for private placement agreements that expire within one year, \$87,380 put bonds with mandatory tender date within one year, \$1,499 on the revolving credit agreement, (\$407) of discount on commercial paper, \$12,548 of non-master obligation current portion of long-term debt and \$254,450 of other scheduled principal payments on various remaining debt arrangements disclosed above.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

#### (8) Derivatives and Interest Rate Swap Agreements

The following table includes the notional and valuation amounts (parenthetical amounts represent liabilities) of the Company's interest rate swap agreements:

Interest rate swap agreement	Transaction type	Payment rate/basis	Termination date	Notional amount		Valuation amount	
				December 31, 2024	December 31, 2023	December 31, 2024	December 31, 2023
December 2006 JPM	Pay fixed	3.63 %	2033	\$ 150,330	169,420	(3,025)	(5,515)
December 2018 PNC	Pay fixed	3.45	2042	69,925	69,925	(3,776)	(6,797)
December 2007 JPM	Constant maturity	N/A	2027	250,000	250,000	984	(762)
August 2018 JPM	Constant maturity	N/A	2037	150,000	150,000	(2,241)	(1,160)
Credit valuation adjustment						—	1,770
						\$ (8,058)	(12,464)

All changes in the fair value of the Company's interest rate swap agreements are recognized in realized and unrealized interest rate swap agreements gains in the consolidated statements of operations. The differences between settlement payments made and settlement payments received on all interest rate swap agreements are included in realized and unrealized interest rate swap agreements gains on the consolidated statements of operations. The net swap payments were \$1,718 and \$1,046 for the years ended December 31, 2024 and 2023, respectively.

The Company's interest rate swap agreements include certain collateralization requirements based on the market value of these transactions. The amount required for collateral is determined daily based on the current market value of the interest rate swap agreements.

The Company has not posted collateral with designated custodians as of December 31, 2024 and December 31, 2023, commensurate with the valuation of the interest rate swap agreements. All collateral posted is in the form of cash and cash equivalents and is included within donor restricted funds on the consolidated balance sheets. Interest earned while collateralized funds are held by the custodian is shown in nonoperating gains (losses), net on the consolidated statements of operations.

#### (9) Pension and Postemployment Plans

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension and other postemployment plans (collectively, referred to as the Plans), measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for defined benefit pension plans and accumulated benefit obligation for other postemployment benefit plans). Further, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic benefit cost in the same periods will be recognized as a component of unrestricted net assets.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The following is a summary of the components of the change in benefit obligation and plan assets for the Plans as of December 31:

	<u>Pension Plans</u>		<u>Postemployment Plans</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$ 1,812,966	2,050,307	12,813	13,524
Service cost	2,022	2,141	288	274
Interest cost	67,720	102,415	585	651
Actuarial (gain) loss	(118,467)	113,776	(133)	(69)
Plan amendments	—	—	—	—
Settlement	(469,069)	(329,487)	—	—
Gross benefits paid and expenses	<u>(101,183)</u>	<u>(126,186)</u>	<u>(1,754)</u>	<u>(1,567)</u>
Projected benefit obligation at end of year	<u>1,193,989</u>	<u>1,812,966</u>	<u>11,799</u>	<u>12,813</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	1,654,920	1,975,281	—	—
Actual return on plan assets	4,128	115,312	—	—
Employer contributions	(100)	20,000	1,754	1,567
Gross benefits paid	(101,183)	(126,186)	(1,754)	(1,567)
Settlement	<u>(469,069)</u>	<u>(329,487)</u>	<u>—</u>	<u>—</u>
Fair value of plan assets at end of year	<u>1,088,696</u>	<u>1,654,920</u>	<u>—</u>	<u>—</u>
Under funded status	<u>\$ (105,293)</u>	<u>(158,046)</u>	<u>(11,799)</u>	<u>(12,813)</u>

An annuity purchase was completed on February 14, 2024 which resulted in a settlement of \$469,069 that was recognized during the year ended December 31, 2024. The actuarial gain on the benefit obligation for the year ended December 31, 2024, was due primarily to a significant increase in the discount rate. A settlement of \$329,487 was recognized during the year ended December 31, 2023 as a result of a one-time lump sum window offered in 2023. The actuarial loss on the benefit obligation for the year ended December 31, 2023 was due primarily to a decrease in the discount rate. In addition, the benefit obligation increased in 2023 due to an adjustment to reflect an estimate of the cost of purchasing annuities for remaining participants.

**BON SECOURS MERCY HEALTH**

Notes to Consolidated Financial Statements

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Amounts recognized in the consolidated financial statements consist of the following as of December 31:

	Pension Plans		Postemployment Plans	
	2024	2023	2024	2023
Retirement assets	\$ 14,740	131,071	—	—
Current liabilities	—	—	(1,793)	(1,753)
Retirement liabilities	<u>(120,033)</u>	<u>(289,117)</u>	<u>(10,006)</u>	<u>(11,060)</u>
Net amount recognized	\$ <u>(105,293)</u>	<u>(158,046)</u>	<u>(11,799)</u>	<u>(12,813)</u>

In addition to amounts recognized in the consolidated financial statements related to the Plans, retirement liabilities on the consolidated balance sheets includes other retirement liabilities, consisting primarily of accrued contributions to defined contribution plans, of \$367 and \$808 at December 31, 2024 and 2023, respectively.

Included in unrestricted net assets are the following amounts that have not yet been recognized in net periodic benefit cost (income) for the years ended December 31:

	Pension Plans		Postemployment Plans	
	2024	2023	2024	2023
Net prior service cost (credit)	\$ (18,550)	(4,224)	—	—
Net actuarial (loss) gain	<u>(329,419)</u>	<u>(433,291)</u>	<u>3,055</u>	<u>3,361</u>
Net amount unrecognized	(347,969)	(437,515)	3,055	3,361
Cumulative excess (shortfall) of employer contributions over net periodic benefit cost	<u>242,677</u>	<u>279,469</u>	<u>(14,854)</u>	<u>(16,174)</u>
	\$ <u>(105,292)</u>	<u>(158,046)</u>	<u>(11,799)</u>	<u>(12,813)</u>

Net actuarial (loss) gain is amortized as a component of net periodic benefit cost (income), only if the losses exceed 10% of the greater of the projected benefit obligation or the fair value of plan assets. Net prior service credit (cost) is amortized on a straight-line basis over the estimated life of the Plans' participants.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

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(In thousands)

The following amounts related to pension and other postemployment benefit activity has been recognized as the change in unrestricted net assets for the years ended December 31:

	<b>Pension Plans</b>		<b>Postemployment Plans</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Amortization of prior service cost (credit)	\$ 14,327	(2,751)	—	—
Net actuarial (loss) gain	(37,985)	115,360	—	—
Amortization of net actuarial loss	(65,888)	(63,110)	—	—
Unrecognized prior service cost	—	—	—	—
Other postemployment benefit changes	—	—	(306)	(567)
	<u>\$ (89,546)</u>	<u>49,499</u>	<u>(306)</u>	<u>(567)</u>

The following amounts are a summary of the components of net periodic benefit cost for the Plans for the years ended December 31:

	<b>Pension benefits</b>		<b>Postemployment benefits</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Service cost	\$ 2,022	2,141	288	274
Interest cost	67,720	102,415	585	651
Expected return on plan assets	(84,611)	(116,897)	—	—
Curtailment/settlement cost	47,250	61,785	—	—
Amortization of:				
Actuarial loss/(gain)	1,777	1,325	(440)	(636)
Prior service cost	2,534	2,751	—	—
Net periodic benefit cost	<u>\$ 36,692</u>	<u>53,520</u>	<u>433</u>	<u>289</u>

The following weighted average assumptions were used to determine the benefit obligation as of December 31:

	<b>Pension Plans</b>		<b>Postemployment Plans</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Discount rate – Church pension and postretirement benefit plans	5.52%	4.95% – 4.96%	5.52%	4.96%
Rate of compensation increase	2.50%	2.50%	N/A	N/A
Cash balance interest crediting rate	4.38% - 5.37%	4.63% - 6.42%	N/A	N/A
Mortality table	Pri-2012	Pri-2012	Pri-2012	Pri-2012
Generational scale	MP-2021	MP-2021	MP-2021	MP-2021

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The following weighted average assumptions were used to determine the net periodic benefit cost as of December 31:

	Pension Plans		Postemployment Plans	
	2024	2023	2024	2023
Discount rate	4.95% - 4.96%	5.20% – 5.21%	4.96%	5.21%
Rate of compensation increase	2.50%	2.50%	N/A	N/A
Expected long-term rates of return on plan assets	5.30% - 6.50%	4.50% – 6.20%	N/A	N/A
Cash balance interest crediting rate	4.63% - 6.42%	2.38% - 6.00%	N/A	N/A

The following healthcare cost trend rate assumptions were used in determining the benefit obligation of the post-employment healthcare benefits as of December 31:

	2024	2023
Healthcare cost trend rate assumed for next year	5.7% - 5.9%	6.0% - 6.2%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)	4.0%	4.0%
Year the rate reaches the ultimate trend rate	2045/2046	2045/2046

In selecting the expected long-term return on plan assets, the Company considered the average rate of earnings on the assets invested or to be invested to provide the benefits for the defined benefit pension plans. This included considering the target asset allocation and the expected returns likely to be earned over the life of the defined benefit pension plans.

The Company's defined benefit pension plans targeted asset allocations, by asset category, are as follows as of December 31:

	2024	2023
Asset category:		
Equity mutual and commingled funds and securities	31 %	22 %
Fixed income mutual funds and securities	35	55
Alternative investments	29	19
Cash	5	4
Total	100 %	100 %

The Company maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

concentrations of credit at the measurement date. The marketable debt securities within plan assets, including mortgage-backed and asset-backed obligations, are actively traded and the fair value reflects current market conditions.

The following is a summary of the plan assets measured at fair value on a recurring basis based on the fair value hierarchy as of December 31, 2024:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 55,679	55,679	—	—
Equity mutual funds	136,476	72,031	64,445	—
Equity commingled funds	102,319	89,846	12,473	—
Common and preferred stocks	102,163	102,163	—	—
Government and agency bonds	226,730	210,953	15,777	—
Corporate obligations	165,928	—	165,928	—
Total investments	789,295	530,672	258,623	—
Due to broker/custodian for investment activity, net	(11,886)	—	(11,886)	—
Total plan assets	\$ 777,409	530,672	246,737	—

The following is a summary of the plan assets measured at fair value on a recurring basis based on the fair value hierarchy as of December 31, 2023:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 63,084	63,084	—	—
Equity mutual funds	161,697	93,175	68,522	—
Equity commingled funds	82,092	70,520	11,572	—
Common and preferred stocks	111,270	111,270	—	—
Government and agency bonds	218,233	181,706	36,527	—
Corporate obligations	676,159	—	676,159	—
Total investments	1,312,535	519,755	792,780	—
Due from broker/custodian for investment activity, net	22,541	—	22,541	—
Total plan assets	\$ 1,335,076	519,755	815,321	—

## BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023  
(In thousands)

The following table summarizes the alternative investments, committed capital and associated redemptions as of December 31, 2024:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private Investments	\$ 206,240	59,068	N/A	N/A
Hedge funds	<u>105,047</u>	—	Monthly, Quarterly, Annually	2 to 180 days <sup>(1)</sup>
	<u>\$ 311,287</u>	<u>59,068</u>		

Investments that are not redeemable as of December 31, 2024 are \$12,095 <sup>(1)</sup>.

The following table summarizes the alternative investments, committed capital and associated redemptions as of December 31, 2023:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private Investments	\$ 234,149	62,376	N/A	N/A
Hedge funds	<u>85,695</u>	—	Monthly, Quarterly, Annually	2 to 180 days
	<u>\$ 319,844</u>	<u>62,376</u>		

There were no non-redeemable investments as of December 31, 2023 <sup>(1)</sup>.

Categorization of alternative investments with respect to investee strategies and redemptions for those funds whose fair value is estimated based on NAVs are as follows:

- (a) **Private investments** – Includes Private Equity, Real Estate and Private Debt. This category includes investments in funds with multiple opportunistic strategies that are primarily private in nature. These investments cannot be redeemed by the Company; rather, the Company has committed to an amount to invest in the private funds over the respective periods. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that underlying assets will be liquidated over the next 1 to 15 years.
- (b) **Hedge funds** – This category included investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. Distributions will be received as the underlying investments are liquidated.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The projected benefit payments for the Plans are as follows:

	Pension Plans	Post employment Plans
2025	\$ 115,416	1,793
2026	110,615	1,849
2027	97,621	1,135
2028	96,551	1,105
2029	95,326	1,051
2030–2034	435,585	4,357

The Company does not expect to contribute to the defined benefit pension plans in 2025. The Company does expect to contribute \$1,793 to the post-employment benefit plans in 2025. The Company has several defined contribution benefit plans to assist eligible employees in providing for retirement. Under such plans, the Company recognized expenses of \$174,746 and \$194,228 for the years ended December 31, 2024 and 2023, respectively, related to employer contributions, which is included in employee compensation in the consolidated statements of operations.

#### (10) Other Commitments and Contingent Liabilities

##### **(a) General and Professional Liability Insurance**

The provision for claims and related funding levels for the HPL/HGL Program is established annually based upon the recommendations of consulting actuaries. The Company has accrued claims including liabilities for incidents incurred but not reported of approximately \$371,513 and \$365,621 as of December 31, 2024 and 2023, respectively. The current portion of such accruals, \$53,214 and \$72,718 as of December 31, 2024 and 2023, respectively, is included in other accrued expenses, and the remainder, \$318,299 and \$292,903 as of December 31, 2024 and 2023, respectively, is included within self-insurance liabilities in the accompanying consolidated balance sheets. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial estimate.

##### **(b) Workers' Compensation Insurance**

Accrued workers' compensation claims were \$49,854 and \$51,434, as of December 31, 2024 and 2023, respectively. The current portion of such accruals, \$12,369 and \$1,147 as of December 31, 2024 and 2023, respectively, is reported as other accrued expenses. The remainder, \$37,485 and \$50,287, is reported within self-insurance liabilities in the accompanying consolidated balance sheets, which include estimates for incidents incurred but not reported, as of December 31, 2024 and 2023, respectively. Amounts recorded for unpaid claims are based upon the estimated present value of future claim payments and such amounts are undiscounted and based upon an actuarial central estimate.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

#### **(c) Employee Health Insurance**

Accrued claims associated with this program, which are reported as other accrued expenses in the accompanying consolidated balance sheets, of approximately \$60,705 and \$50,089, include estimates for claims incurred but not reported as of December 31, 2024 and 2023, respectively.

#### **(d) Litigation**

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. The Company's compliance with these laws and regulations can be subject to periodic governmental review and interpretation, which can result in regulatory action unknown or unasserted at this time. Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the ordinary course of business but cannot reasonably predict any particular outcomes or operational or financial effects from these matters at this time.

#### **(e) Leases**

The Company's leases primarily consist of real estate leases for medical and administrative office buildings. The leases have lease terms of 1 year to 119 years, some of which include options to extend the leases for up to 30 years, and some of which include options to terminate the leases within 1 year. The following is the lease expense for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Finance lease expense:		
Amortization of ROU assets	\$ 17,911	20,671
Interest on lease liabilities	15,078	13,754
Operating lease expense	93,550	93,986
Short-term lease expense	29,453	25,973
Variable lease expense	<u>35,417</u>	<u>34,053</u>
Total lease cost	<u>\$ 191,409</u>	<u>188,437</u>

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

Commitments related to non-cancellable operating and finance leases for each of the next five years and thereafter as of December 31, 2024 are as follows:

	<b>Operating</b>	<b>Finance</b>
2025	\$ 91,224	27,967
2026	75,197	26,272
2027	62,457	26,358
2028	49,980	25,724
2029	38,064	24,362
Thereafter	123,145	538,124
Total	440,067	668,807
Less present value discount	(62,807)	(342,008)
Lease liabilities	\$ 377,260	326,799

Other information is as follows as of December 31:

	<b>2024</b>	<b>2023</b>
Weighted average remaining lease terms (in years):		
Finance leases	57.90	56.89
Operating leases	6.82	6.44
Weighted average discount rate:		
Finance leases	3.77 %	3.72 %
Operating leases	4.01	3.82

### (11) Net Assets with Donor Restrictions

The Company's endowments consist of 377 and 370 individual funds established for a variety of purposes as of December 31, 2024 and 2023, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and the nature of the restrictions, if any. The Company's endowment net assets were \$109,335 and \$95,296 as of December 31, 2024 and 2023, respectively.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or Uniform Prudent Management of Institutional Funds Act requires the Company to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were 218 funds with cumulative deficiencies of \$3,702 as of December 31, 2024 and 257 funds with cumulative deficiencies of \$6,573 as of December 31, 2023. The endowment funds with deficiencies had an original gift value of \$47,862 and \$53,851 as of December 31, 2024 and 2023 and a fair value of \$44,160 and \$47,278 as of December 31, 2024 and 2023. These deficiencies resulted from unfavorable market fluctuations.

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The Company has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Company must hold in perpetuity or for a donor specified period. The practice allows the endowment assets to be invested in a manner that is intended to produce investment returns that exceed the price and yield the results of the allocation index while assuming a moderate level of investment risk. The Company expects its endowment funds to provide a rate of return that preserves the gift and generates earnings to achieve the endowment purpose.

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and interest and dividend income. The Company uses diversified asset allocation to achieve its long-term return objectives within prudent risk constraints to preserve capital.

The Company has a practice of distributing the major portion of current year earnings on the endowment funds if the restrictions have been met. This is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment returns.

### (12) Functional Expenses

The functional breakdown of expenses incurred by the Company in fulfilling its mission is as follows for the year ended December 31, 2024:

	<u>Program activities</u>			<u>Supporting activities</u>	
	<u>Healthcare services</u>	<u>Ancillary services and other</u>	<u>Total</u>	<u>General and administrative</u>	<u>Total</u>
Employee compensation	\$ 4,724,143	1,414,566	6,138,709	176,930	6,315,639
Purchased services	620,528	329,441	949,969	932,959	1,882,928
Supplies	2,244,138	206,689	2,450,827	298,837	2,749,664
Depreciation and amortization	299,294	67,926	367,220	73,182	440,402
Interest	14,162	178,132	192,294	1,996	194,290
Other operating expenses	1,150,821	103,548	1,254,369	200,852	1,455,221
Total recurring expenses	\$ <u>9,053,086</u>	<u>2,300,302</u>	<u>11,353,388</u>	<u>1,684,756</u>	<u>13,038,144</u>

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

The functional breakdown of expenses incurred by the Company in fulfilling its mission is as follows for the year ended December 31, 2023:

	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	\$ 4,629,119	1,431,475	6,060,594	114,619	6,175,213
Purchased services	582,841	321,239	904,080	755,539	1,659,619
Supplies	2,106,317	209,877	2,316,194	186,210	2,502,404
Depreciation and amortization	355,572	75,365	430,937	85,115	516,052
Interest	14,524	174,237	188,761	2,525	191,286
Other operating expenses	1,072,027	94,572	1,166,599	134,434	1,301,033
Total recurring expenses	\$ <u>8,760,400</u>	<u>2,306,765</u>	<u>11,067,165</u>	<u>1,278,442</u>	<u>12,345,607</u>

### (13) Liquidity and Capital Resources

Financial assets available for general expenditure within one year of the balance sheet date consist of the following as of December 31:

	2024	2023
Cash, cash equivalents and investments	\$ 637,374	504,937
Net patient receivables	1,227,496	1,151,496
Other receivables	332,783	385,345
Assets whose use is limited:		
Board-designated funds	4,179,476	4,101,881
	\$ <u>6,377,129</u>	<u>6,143,659</u>

The Company has certain board-designated funds, which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Company has other assets whose use is limited for donor-restricted purposes, debt service, and for the professional and general liability Captive insurance program which have been excluded. Additionally, certain other board-designated assets are designated for future capital expenditures and an operating reserve. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. However, the board-designated amounts could be made available, if necessary.

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was \$4,179,476 and \$4,101,881 as of December 31, 2024 and 2023, respectively. The fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

## BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

### (14) Investments in Unconsolidated Organizations and Related Party Transactions

The Company has invested in a number of joint ventures, limited liability corporations and other entities to provide specialty healthcare services or engage in other activities. The most significant of these investments are presented below. The Company accounts for its interest in these entities under the cost method measurement alternative or equity method of accounting. For the investments accounted for under the equity method, the Company includes its interest in the excess of revenues over expenses of these entities in its consolidated statements of operations as other revenue, net.

#### (a) *Ensemble*

Ensemble is a Delaware limited liability company providing revenue cycle management and consulting services to hospitals and health systems. As of December 31, 2024, BSMH's ownership interest in Ensemble was 41.4%. In July 2024, Bon Secours Mercy Health received a one-time cash distribution totaling \$331,332 related to a dividend recapitalization financing of the Ensemble joint venture. This cash inflow was recognized as a reduction to the carrying value of BSMH's investment in Ensemble.

During the years ended December 31, 2024 and 2023, BSMH and Ensemble engaged in various transactions. These transactions were not eliminated because Ensemble is not consolidated. The following is a summary of the related party transactions and balances for:

	<u>2024</u>	<u>2023</u>
Revenue cycle management and consulting services provided by Ensemble to BSMH	\$ 603,461	570,126
Leased employees, purchased and other services provided to Ensemble by BSMH	(26,946)	(81,400)

BSMH owed Ensemble \$75,162 and \$61,837 as of December 31, 2024 and 2023, respectively. BSMH did not have any outstanding receivables from Ensemble as of December 31, 2024 and 2023, respectively.

#### (b) *Sentara Princess Anne*

BSMH and Sentara Healthcare (Sentara) are members in a Virginia not-for-profit, nonstock, corporation that owns and operates Sentara Princess Anne Hospital located in Virginia Beach, Virginia. Sentara holds a 70% membership interest and the Company holds a 30% membership interest in the corporation. The joint venture is managed by Sentara and the agreements provide the members with the rights to "put" and "call" the Company's membership interest at fair market value terms upon the occurrence of certain events and dates.

There were no related party transactions between BSMH and Sentara Princess Anne as of December 31, 2024 and 2023.

#### (c) *FC Compassus, LLC (Compassus)*

On May 1, 2024, as part of a full divestiture plan of all operations and facilities that involve home health and hospice, Bon Secours Mercy Health and Compassus, a for-profit company that provides innovative

## BON SECOURS MERCY HEALTH

### Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

home-based healthcare services, completed the execution of a 50/50 joint venture partnership for home care and hospice. Under the joint venture, Compassus owns a 50% interest and manages the operations for ten Bon Secours Mercy Health home health agencies and eleven hospice operations spanning five states. In consideration of the divestiture of its home care and hospice assets, BSMH received a 4.1% equity ownership in the Compassus parent company, which was accounted for using the cost method measurement alternative. Additionally, under the equity method, the Company received the remaining 50% noncontrolling ownership in the joint venture. The divestiture resulted in a gain of \$91,458 which is reflected in the other nonoperating activities, net on the consolidated statements of operations.

During the year ended December 31, 2024, BSMH and Compassus engaged in various transactions. These transactions were not eliminated because Compassus is not consolidated. The following is a summary of the related party transactions and balances for:

	<b>2024</b>	<b>2023</b>
Leased employees, purchased and other services provided to Compassus by BSMH	\$ (7,562)	—

Compassus owed BSMH \$3,401 as of December 31, 2024. BSMH did not have any outstanding payables due to Compassus as of December 31, 2024.

The following is a summary of the investments in unconsolidated organizations as of December 31:

	<b>2024</b>	<b>2023</b>
Ensemble	\$ 138,864	429,035
Sentara Princess Anne	59,654	51,537
Compassus	113,210	—
Other	75,099	59,094
	\$ 386,827	539,666

The following is a summary of the income (loss) from unconsolidated organizations, which is included in other operating revenue, net for the years ended December 31:

	<b>2024</b>	<b>2023</b>
Ensemble	\$ 104,839	55,371
Sentara Princess Anne	20,471	17,369
Compassus	(11,790)	—
Other	4,398	825
	\$ 117,918	73,565

**BON SECOURS MERCY HEALTH**

Notes to Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

(In thousands)

**(15) Subsequent Events**

The Company has evaluated and disclosed any subsequent events through March 14, 2025 which is the date the consolidated financial statements were issued and made publicly available.

There were no recognized or unrecognized subsequent events identified for recognition or disclosure in the consolidated financial statements.

**BON SECOURS MERCY HEALTH**  
Consolidating Schedule – Balance Sheet Information  
December 31, 2024  
(In thousands)

	Core Business							Digital Business	Shared Services & Other	Discontinued Operations	Consolidating Eliminations	Bon Secours Mercy Health
	Core U.S. Total	Roper St. Francis Healthcare	European Group	Diversified Growth	Core Other	Core Eliminations	Core Total					
<b>Assets</b>												
Current assets:												
Cash and cash equivalents	\$ 1,353,406	59,884	1,851	231,768	132,050	—	1,778,959	16,862	(1,165,007)	(113)	—	630,701
Investments	682	3,233	—	—	3,009	—	6,924	—	(251)	—	—	6,673
Self-insurance and trustee held funds	—	—	—	—	—	—	—	19	62,178	—	—	62,197
Donor restricted funds	3,127	—	—	—	—	—	3,127	—	135	—	—	3,262
Total cash and investments	1,357,215	63,117	1,851	231,768	135,059	—	1,789,010	16,881	(1,102,945)	(113)	—	702,833
Net patient receivables	1,011,112	127,289	80,301	14,321	124	—	1,233,147	—	(5,188)	(463)	—	1,227,496
Other receivables	56,506	25,853	193	9,216	92,341	—	184,109	45,545	223,985	(52)	(120,804)	332,783
Inventories	253,744	22,852	11,244	225	—	—	288,065	—	18,197	—	—	306,262
Prepaid expenses and other current assets	60,986	18,560	10,404	512	11,851	(10,945)	91,368	40,115	188,233	—	(11,791)	307,925
Total current assets	2,739,563	257,671	103,993	256,042	239,375	(10,945)	3,585,699	102,541	(677,718)	(628)	(132,595)	2,877,299
Assets whose use is limited:												
Board designated funds	2,701,290	1,434,069	—	—	32,169	—	4,167,528	10,000	2,674,827	—	—	6,852,355
Self-insurance and trustee held funds	39	—	—	—	—	—	39	—	450,969	—	—	451,008
Donor restricted funds	5,563	63,643	—	—	—	—	69,206	—	—	—	—	69,206
Total assets whose use is limited	2,706,892	1,497,712	—	—	32,169	—	4,236,773	10,000	3,125,796	—	—	7,372,569
Property and equipment, net	3,721,843	864,555	432,142	49,569	21	—	5,068,130	14,223	320,702	3,965	(1,905)	5,405,115
Investments in unconsolidated organizations	83,017	132	7,804	223,445	—	—	314,398	8,000	64,429	—	—	386,827
Operating lease right-of-use assets	231,616	52,757	6,561	37,270	—	—	328,204	5,218	7,923	—	15	341,360
Retirement assets	—	—	—	—	—	—	—	—	14,740	—	—	14,740
Goodwill	163,019	150,932	1,126	23,369	—	—	338,446	248,036	—	—	—	586,482
Other long-term assets	170,827	106,258	12,928	4,849	448,335	(448,334)	294,863	95,749	3,798,204	4,773	(3,744,627)	448,962
Total assets	\$ 9,816,777	2,930,017	564,554	594,544	719,900	(459,279)	14,166,513	483,767	6,654,076	8,110	(3,879,112)	17,433,354
<b>Liabilities and Net Assets</b>												
Current liabilities:												
Accounts payable	\$ 1,152,058	92,387	62,384	(715,625)	(32,966)	—	558,238	(1,574)	233,106	(51,196)	9,140	747,714
Current portion of long-term debt	35	10,945	100,427	4,686	10,945	(10,945)	116,093	845	728,044	—	(11,791)	833,191
Accrued salaries, wages and benefits	218,721	66,946	20,573	35,926	832	—	342,998	37,706	382,384	—	—	763,088
Current portion of operating lease liabilities	56,072	13,291	380	3,642	—	—	73,385	1,490	2,835	—	8	77,718
Other accrued expenses	52,302	16,765	4,143	779	76,253	—	150,242	12,553	196,417	607	(76,253)	283,566
Total current liabilities	1,479,188	200,334	187,907	(670,592)	55,064	(10,945)	1,240,956	51,020	1,542,786	(50,589)	(78,896)	2,705,277
Long-term debt, less current portion	1,496,372	448,142	146,515	21,683	2,115,334	(448,334)	3,779,712	2,998	3,838,470	—	(3,747,812)	3,873,368
Retirement liabilities	44,561	—	19	—	—	—	44,580	—	85,826	—	—	130,406
Self-insurance liabilities	—	—	—	—	—	—	—	—	355,784	—	—	355,784
Operating lease liabilities	203,235	43,335	6,181	35,859	—	—	288,610	5,692	5,240	—	—	299,542
Other long-term liabilities	149,709	98,415	117,988	6,753	—	—	372,865	21,723	149,396	6,812	—	550,796
Total liabilities	3,373,065	790,226	458,610	(606,297)	2,170,398	(459,279)	5,726,723	81,433	5,977,502	(43,777)	(3,826,708)	7,915,173
Net assets without donor restrictions:												
Controlling interest	6,342,697	2,059,662	105,944	1,195,547	(1,866,813)	—	7,837,037	393,391	436,626	51,887	(52,404)	8,666,537
Noncontrolling interest	80,074	2,017	—	5,294	416,315	—	503,700	8,943	—	—	—	512,843
Total net assets without donor restrictions	6,422,771	2,061,679	105,944	1,200,841	(1,450,498)	—	8,340,737	402,334	436,626	51,887	(52,404)	9,179,180
Net assets with donor restrictions	20,941	78,112	—	—	—	—	99,053	—	239,948	—	—	339,001
Total net assets	6,443,712	2,139,791	105,944	1,200,841	(1,450,498)	—	8,439,790	402,334	676,574	51,887	(52,404)	9,518,181
Total liabilities and net assets	\$ 9,816,777	2,930,017	564,554	594,544	719,900	(459,279)	14,166,513	483,767	6,654,076	8,110	(3,879,112)	17,433,354

See accompanying notes to consolidated financial statements.

**BON SECOURS MERCY HEALTH**

Consolidated Schedule - Operating Information

Year Ended December 31, 2024

(In thousands)

	Core Business							Digital Business	Non-Core Shared Services & Other	Consolidating Eliminations	Bon Secours Mercy Health
	Core U.S. Total	Roper St. Francis Healthcare	European Group	Diversified Growth	Core Other	Core Eliminations	Core Total				
<b>Revenues:</b>											
Net patient service revenue	\$ 10,004,430	1,533,871	505,071	56,701	226	—	12,100,299	—	(195,129)	—	11,905,170
Other revenue, net	368,218	132,109	16,121	198,381	180,014	(83,545)	811,298	534,194	2,460,662	(2,402,931)	1,403,223
Total operating revenues	10,372,648	1,665,980	521,192	255,082	180,240	(83,545)	12,911,597	534,194	2,265,533	(2,402,931)	13,308,393
<b>Expenses:</b>											
Employee compensation	4,651,883	717,887	262,054	141,394	38,557	—	5,811,775	463,464	491,363	(450,963)	6,315,639
Purchased services and other	769,476	216,089	49,378	28,188	75,589	(64,674)	1,074,046	4,410	1,080,130	(275,658)	1,882,928
Supplies	1,957,973	353,475	150,365	9,303	43	2	2,471,161	572	268,932	8,999	2,749,664
Depreciation and amortization	266,348	52,427	18,329	4,448	7	(1)	341,558	23,252	75,592	—	440,402
Interest expense	489	17,162	9,571	1,216	90,124	(18,058)	100,504	648	183,486	(90,348)	194,290
Other Operating Expenses	2,591,170	222,518	23,952	22,256	5,811	(815)	2,864,892	27,335	157,927	(1,594,933)	1,455,221
Total operating expenses	10,237,339	1,579,558	513,649	206,805	210,131	(83,546)	12,663,936	519,681	2,257,430	(2,402,903)	13,038,144
Recurring operating (loss) income	135,309	86,422	7,543	48,277	(29,891)	1	247,661	14,513	8,103	(28)	270,249
Nonrecurring operating gains (losses), net	(48,227)	(1,880)	(6,640)	(1,887)	—	(1)	(58,635)	(23,498)	(54,830)	—	(136,963)
Operating (loss) income	87,082	84,542	903	46,390	(29,891)	—	189,026	(8,985)	(46,727)	(28)	133,286
<b>Nonoperating gains (losses), net:</b>											
Investment gains (losses)	190,853	95,025	(36)	—	5,352	—	291,194	—	169,159	—	460,353
Realized and unrealized interest rate swap agreements gains	—	—	—	—	—	—	—	—	2,842	—	2,842
Other nonoperating activities, net	(35,568)	(1,707)	(4)	(18,330)	(76)	—	(55,685)	(2,519)	33,995	—	(24,209)
Excess (deficit) of revenue over expenses	\$ 242,367	177,860	863	28,060	(24,615)	—	424,535	(11,504)	159,269	(28)	572,272

See accompanying notes to consolidated financial statements.

## BON SECOURS MERCY HEALTH

# Providers of Liquidity and Credit Support As of December 31, 2024

The following obligations are secured by a provider of liquidity or credit support.

Letter of Credit and Reimbursement Agreement securing the  
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds  
Series 2010C (Catholic Healthcare Partners)

Contact: Truist Bank  
8044 Montgomery Road, Suite 340  
Cincinnati, Ohio 45236  
Attention: Benjamin Willingham, Relationship Manager  
Phone: (513) 289-8822

Letter of Credit and Reimbursement Agreement securing the  
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds  
Series 2012B (Catholic Health Partners)

Contact: TD Bank, N.A.  
1 Vanderbilt Ave, 14th Fl  
New York, NY 10017  
Attn: Efrain Zamora, Managing Director, Non-Profit Healthcare  
Phone: (646) 408-5041

Credit Agreement for the benefit of Bon Secours Mercy Health relating to  
Mercy Health Taxable Commercial Paper Notes  
Series 2018A and Series 2018B (Bon Secours Mercy Health)

Contact: Truist Bank  
8044 Montgomery Road, Suite 340  
Cincinnati, Ohio 45236  
Attention: Benjamin Willingham, Relationship Manager  
Phone: (513) 289-8822

Working Capital Line of Credit

Contact: Fifth Third Bank  
38 Fountain Square Plaza  
Cincinnati, OH 45202  
Attention: Eric O'Driscoll, Managing Partner  
Phone: (513) 534-6218

*Note: also see Footnote (7) in the Consolidated Audited Financial Statements*

## **Recent Developments**

### ***Bon Secours Mercy Health Kings Mills Hospital***

In January 2024, BSMH opened Mercy Health Kings Mills hospital. The facility is a \$200 million, 172,500 sq. ft., 60 bed facility built to serve the greater Cincinnati area. The facility focuses on providing emergency care and general and orthopedic surgery and offers opportunity for future campus expansion. It includes a level II cath lab, four operating rooms and two procedure suites. The facility will also be home to a medical office building located adjacent to the hospital.

### ***Defined Benefit Plan Annuity Purchase***

BSMH completed an annuity purchase of \$469.1 million on February 14, 2024, as part of its defined benefit pension de-risking strategy. As a result of the annuity purchase, a third-party insurer assumed responsibility for the retirement benefit payments for specific retirement plans on May 1, 2024, the insurer benefit commencement date.

### ***Roper St. Francis Healthcare Ownership Restructuring***

On May 1, 2024, BSMH and HealthSpan completed an agreement with the Medical Society of South Carolina to restructure Roper St. Francis Healthcare, a BSMH consolidated subsidiary. Through a restructuring capital contribution, HealthSpan increased its ownership interest in the joint venture from 51% to 80% equity.

### ***Compassus Joint Venture***

In May of 2024, BSMH announced a joint venture partnership with Compassus, a home-based care company. This partnership transfers BSMH's home health and hospice operations in five states over to Compassus in a 50-50 joint venture.

### ***Ensemble Distribution***

During July 2024, Bon Secours Mercy Health received a one-time cash distribution of \$331.3 million from Ensemble RCM, LLC d/b/a Ensemble Health Partners ("Ensemble"). This cash inflow was recognized in July 2024 as a reduction to the carrying value of BSMH's investment in Ensemble.

### ***BSMH Corporate Office Sale***

On November 26, 2024, Hamilton County finalized its agreement to purchase the property currently serving as BSMH's primary corporate administrative space. The closing triggered the termination of BSMH's long-term lease for the site, resulting in a one-time termination fee of \$31.5 million being paid to the county and derecognition of related assets and liabilities. The resulting loss of \$20.7 million was recognized in Nonrecurring Losses, Net in the income statement.

### ***Realignment of Accrete***

Effective January 1, 2025, BSMH re-aligned Accrete Health Partners under HealthSpan Partners and dissolved the Innovation LLC entity within which Accrete previously resided.