

BON SECOURS MERCY HEALTH

Annual Disclosure Information

**Fiscal Year Ended
December 31, 2025**

**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:

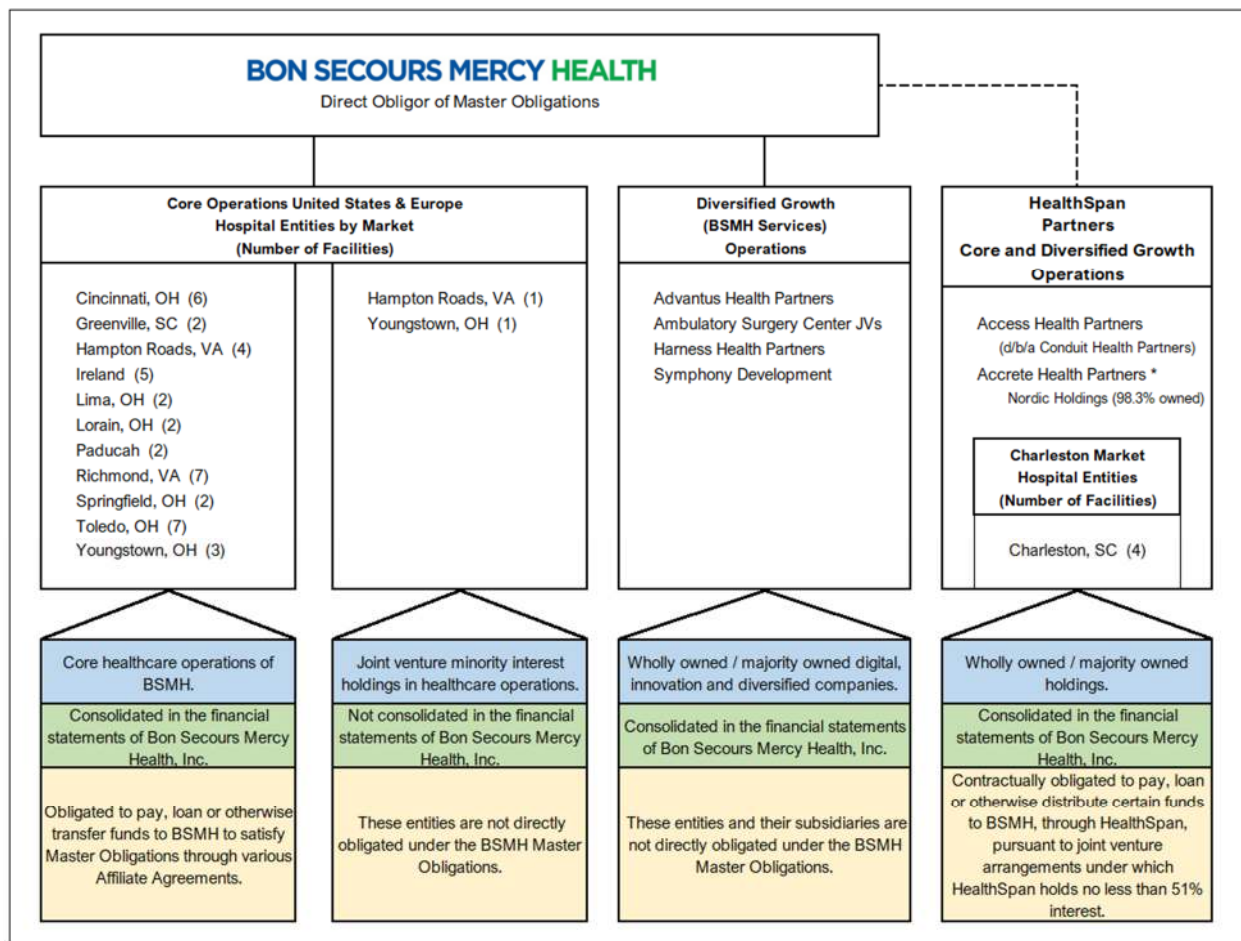
- System Organization and Governance
- System Historical Utilization Data
- System Payer Mix
- Debt Service Coverage
- Debt to Capitalization Ratio
- Consolidated Condensed Balance Sheet Information and Ratios
- Management’s Discussion and Analysis of Recent Financial Performance
- Consolidated Audited 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, and the Republic of Ireland.

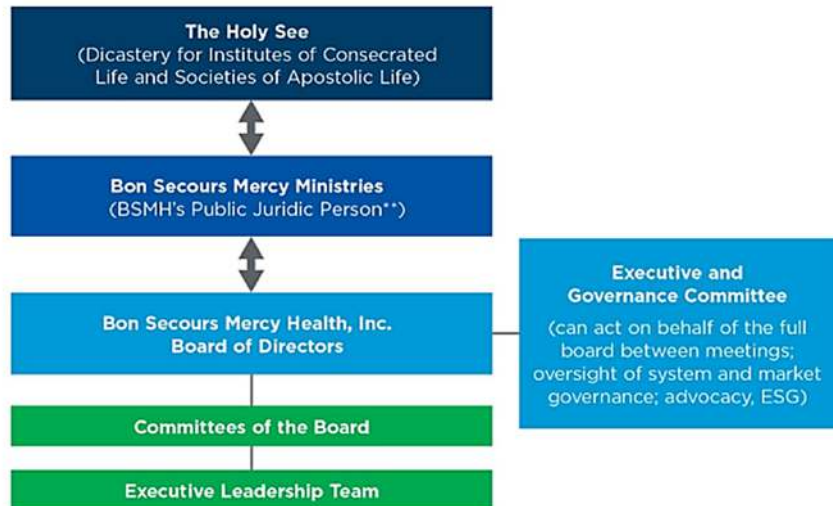


Note: Ensemble Health Partners is not included on the graph above. BSMH holds a joint venture minority interest investment on its balance sheet for Ensemble, accounted for using the equity method. BSMH's share of Ensemble's earnings are classified within the Diversified Growth Business segment of Bon 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, 2024.

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 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

BON SECOURS MERCY HEALTH

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,		
	2025	2024	2023
Utilization Statistics			
Staffed beds - Acute	7,117	7,137	7,193
Staffed beds - Long-Term Care	229	229	229
Admissions - Acute	377,481	370,963	355,641
Admissions - Post-acute	2,660	1,973	2,512
Total Admissions	380,141	372,936	358,153
Observations	69,796	65,748	63,666
Equivalent Inpatient Admissions	939,387	922,213	892,716
Newborn Deliveries	25,599	26,144	26,647
Patient days - Acute	1,609,032	1,608,994	1,562,279
Patient days - Post-acute	21,353	10,412	14,909
Occupancy on staffed beds - Acute	61.9%	61.8%	59.5%
Total Patient Days	1,630,385	1,619,406	1,577,188
Average length of stay - Acute	4.26	4.34	4.39
Emergency Room Visits	1,657,155	1,647,301	1,589,935
Physician Visits	7,963,659	7,791,271	7,230,233
Inpatient surgeries and medical procedures	74,665	74,326	72,919
Outpatient surgeries	223,147	221,232	218,324
Full Time Equivalent Employees	53,302	52,817	54,107
Institutional case mix index	1.654	1.645	1.637
Medicare case mix index	1.752	1.747	1.743

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		
	2025	2024	2023
Medicare - Traditional	17.5%	18.1%	19.3%
Medicare - Managed	19.3%	19.0%	18.1%
Medicaid - Traditional	9.4%	8.2%	7.4%
Medicaid - Managed	7.4%	7.9%	8.4%
Other governmental	2.2%	2.1%	1.9%
Commercial and other third party	43.5%	44.3%	44.3%
Private pay and other	0.7%	0.4%	0.6%
Total Bon Secours Mercy Health	100.0%	100.0%	100.0%

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,

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Income Available for Debt Service			
Excess of revenue over expenses (expenses over revenue)	1,148,624	572,273	222,398
Plus :			
Interest Expense	191,398	194,290	191,286
Total Deprec and Amortization	433,058	440,402	516,052
Impairments of PP&E and Goodwill	3,074	51,336	21,014
Exclude:			
Loss on early extinguishment of debt	(62,993)	-	-
(Gain)/Loss on disposition of assets not made in the ordinary course of business	(15,151)	(1,116)	(3,371)
Unrealized (gains) and losses on marketable securities	(312,531)	(155,272)	(329,746)
Unrealized swap (gain) / loss	(3,097)	(4,406)	(9,243)
Available for Debt Service	<u>1,382,383</u>	<u>1,097,507</u>	<u>608,390</u>
Maximum Annual Debt Service (MADS)	\$337,790	\$314,332	\$317,662
Debt Service Coverage Ratio	<u><u>4.09x</u></u>	<u><u>3.49x</u></u>	<u><u>1.92x</u></u>

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*)

	Years Ended December 31,		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Series 2025 Master obligation debt	\$4,894,175	\$4,516,409	\$4,743,634
Other debt, unamortized original issue (discount) premium and unamortized cost of issuance	121,219	190,150	91,084
Total Debt (a)	<u>\$5,015,394</u>	<u>\$4,706,559</u>	<u>\$4,834,718</u>
Unrestricted Net Assets	<u>9,794,075</u>	<u>8,666,537</u>	<u>8,103,569</u>
Total Capitalization (b)	<u>\$14,809,469</u>	<u>\$13,373,097</u>	<u>\$12,938,287</u>
Debt to Capitalization (a / b)	<u>33.9%</u>	<u>35.2%</u>	<u>37.4%</u>

BON SECOURS MERCY HEALTH

Condensed Balance Sheet Information and Ratios

(\$ in thousands)

	Years Ended December 31,		
	2025	2024	2023
Unrestricted Cash and Cash Equivalents	\$572,240	\$630,701	\$498,569
Unrestricted Investments	\$7,448	\$6,673	\$6,368
Unrestricted Board Designated Funds	\$7,386,689	\$6,852,355	\$6,647,063
Unrestricted Cash	\$7,966,377	\$7,489,729	\$7,151,999
Cash Expense per Day	\$36,277	\$34,420	\$32,410
Days Cash on Hand	220	218	221
Total debt	\$5,015,394	\$4,706,559	\$4,834,718
Cash to debt	159%	159%	148%
Composition of system long term debt excluding derivative agreements:			
Fixed rate	82%	75%	74%
Variable rate	18%	25%	26%

BON SECOURS MERCY HEALTH

Management's Discussion and Analysis Consolidated Audited Financial Statements

**Fiscal Years Ended
December 31, 2025 and 2024**

BON SECOURS MERCY HEALTH

Management's Discussion and Analysis of Recent Financial Performance

Year Ended December 31, 2025

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 six 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 and Ireland, as well as business operations in the Philippines.

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 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.

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.

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 Inc., 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.

SUSTAINABILITY

BSMH has long embraced its role as a responsible caretaker of our common home, with sustainability efforts embedded in the organizations' operations for many years. Building on this established foundation, the system continues to advance a durable sustainability framework supported by clear data reporting and informed decision-making. Ongoing investments in systems, standards, and tools further strengthen resource stewardship across all facilities, ensuring environmental considerations remain fully integrated into everyday operations.

Energy strategies such as geothermal adoption, efficient building design, and optimization efforts illustrate this continuous improvement approach in practice. These efforts also reinforce long-term stability by lowering operating costs, reducing exposure to utility price fluctuations, and creating savings that can be redirected to patient care and mission-focused priorities. Across the Ministry, associates contribute to this ongoing work, turning shared commitment into meaningful action. Through these collective efforts, the Ministry affirms its dedication to supporting a healthier environment while improving operational and financial resilience.

GOVERNANCE AND MANAGEMENT

Bon Secours Mercy Health has 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").

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
Sandra Mackey
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 Marketing Officer
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, MD, FACS (Hon)
Sr. Patricia Eck, CBS (PJP)
Sr. Fran Gorsuch, CBS
Timothy S. Huval
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
Srinivas S. Velamoor

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 annual net operating revenue

MORE THAN **\$400 MILLION** IN
Annual Community Benefits across 5 STATES

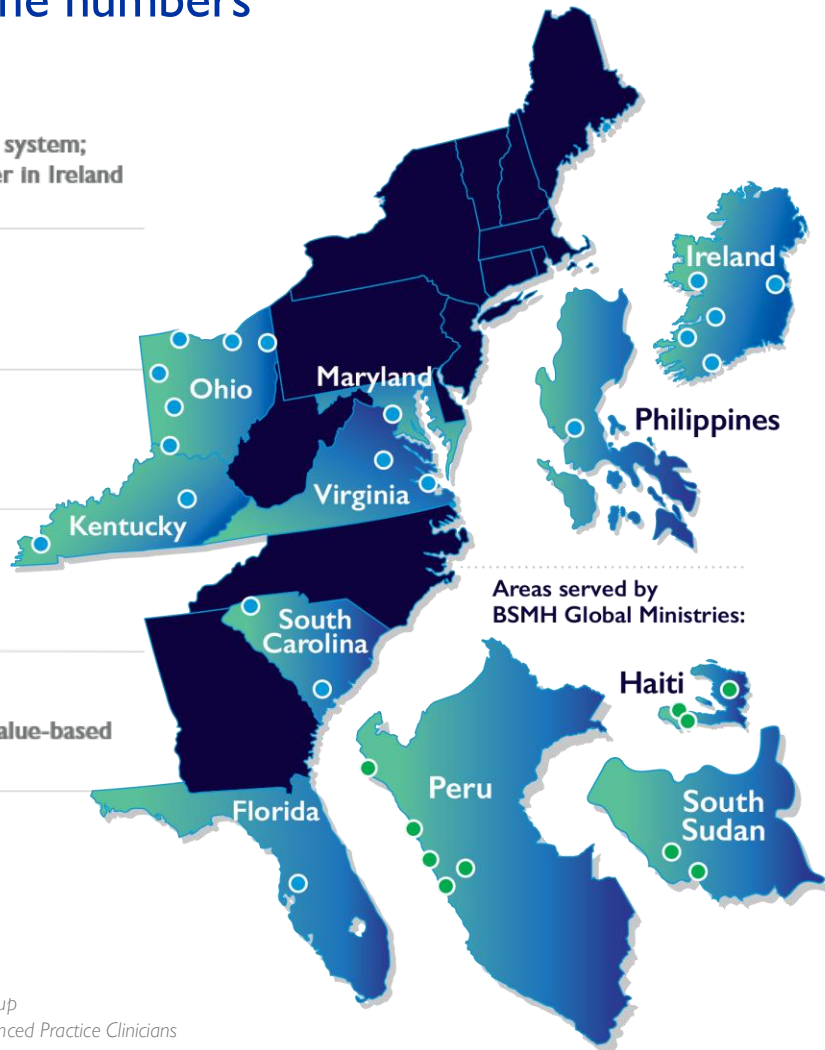


47 HOSPITALS
~730,000 LIVES COVERED through value-based programs

3000* PROVIDERS IN THE US
450 CONSULTANTS IN IRELAND
~60,000 TOTAL ASSOCIATES



**BSMH Medical Group
physicians and Advanced Practice Clinicians*



- Direct health care or business operations support provided by Bon Secours Mercy Health providers, affiliates and JV partners
- BSMH Global Ministries supports partner programs in Haiti, Peru and South Sudan that focus on clean water, health care services, disaster relief, education and migration

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, 2025 and 2024, 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, 2025 and 2024, is consistent with the presentation of BSMH's audited financial statements.

FINANCIAL HIGHLIGHTS AND SUMMARY

Financial performance for the year ended December 31, 2025, improved compared to the prior year. Higher patient volumes and continued financial discipline, particularly efforts focused on run-rate improvement, contributed to increases in total operating revenue, operating EBITDA and operating income. Overall volumes, measured by equivalent inpatient admissions (EIPAs), rose 1.9% year-over-year, while revenue growth outpaced the increase in operating expenses. As a result, overall financial performance strengthened.

Management continued to execute initiatives designed to support the long-term financial sustainability of the health system and its ability to serve the communities it supports. These efforts included enhanced labor utilization and workforce management, as well as strong oversight of compensation rates, and targeted cost reduction initiatives. Supply and pharmaceutical expense savings were also achieved through a combination of price negotiations, improved vendor rebate arrangements, strategic use of bulk purchasing, and efforts to improve utilization efficiency. Collectively, these actions generated run-rate improvements of \$401 million in 2025 and are expected to yield additional run-rate improvements of more than \$350 million in 2026.

Equity investment markets performed favorably during 2025, resulting in net investment gains (realized and unrealized) of \$875.2 million for the investment portfolio. These gains, together with solid operating performance, resulted in an excess of revenue over expenses of \$1.1 billion for the year ended December 31, 2025.

OVERVIEW OF SIGNIFICANT TRANSACTIONS

During 2025, BSMH successfully completed a \$1.5 billion debt issuance. The transactions included the issuance of €250.0 million of euro-denominated debt to support Ireland construction and replace bank loans, tender of \$308.1 million of taxable bonds at a discount, and the issuance of \$1.3 billion of tax-exempt fixed and variable rate debt which was primarily used to refinance higher-cost obligations and reduce overall borrowing costs, as well as repay maturing debt. A total of \$350.0 million of new money was provided by the transactions. BSMH recorded a gain from early extinguishment of debt of \$63.0 million.

In May 2025, BSMH received a cash dividend of \$318.8 million from Ensemble due to a dividend recapitalization financing of Ensemble.

KEY FINANCIAL RATIOS

(\$s in thousands)	Year Ended December 31,			
	2025		2024	
	Amount	Margin	Amount	Margin
Total operating revenue	\$13,998,194		\$13,308,393	
Operating EBITDA	\$976,971	7.0%	927,283	7.0%
Recurring operating income	\$323,957	2.3%	270,249	2.0%
Excess of revenue over expenses	\$1,148,624	7.7%	572,272	4.2%

Total operating revenue increased by \$689.8 million or 5.2% for the year ended December 31, 2025, compared to the prior year. The increase was driven primarily by growth in net patient revenue, reflecting higher patient volumes and increased reimbursement from supplemental state Medicaid programs. Revenue recognized from these supplemental programs totaled \$1.1 billion (before expenses) for the year ended December 31, 2025, compared to \$855.0 million recognized in the prior year. FEMA Public Assistance program funding of \$33.1 million was recognized in other operating revenue for the year ended December 31, 2025, compared to \$60.4 million recognized in the prior year.

Operating EBITDA was \$977.0 million (margin 7.0%) for the year ended December 31, 2025, an improvement compared to the prior year. This improvement was attributed to increased patient volumes and the favorable impact of run-rate improvement efforts. Consistent with these results, the recurring operating income margin increased to 2.3% in 2025, compared to 2.0% in the prior year. Excess of revenue over expenses was \$1.1 billion (margin 7.7%) for the year ended December 31, 2025. These results improved favorably compared to prior year, reflecting stronger operating results and increased gains on investments during 2025.

(\$s in thousands)	Year Ended December 31,	
	2025	2024
	Amount	Amount
Community Benefit	\$415,690	\$524,293

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, 2025, community benefit totaled \$415.7 million 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 \$1.5 billion of total expenses for the year ended December 31, 2025, compared to \$1.4 billion of total operating expenses in the prior year.

LIQUIDITY AND KEY PERFORMANCE INDICATORS

	December 31, 2025	December 31, 2024
Days cash on hand	220	218
Unrestricted cash to debt	158.8%	159.1%
Total debt to capitalization	33.9%	35.2%
Pension funding	94.7%	91.2%

The Company maintains a strong balance sheet characterized by solid liquidity and stable leverage. Days cash on hand increased from 218 days as of the end of 2024 to 220 days as of December 31, 2025. The increase was primarily attributable to positive operating cash flows and investment returns, the Ensemble dividend (9 days), and \$306.6 million in net debt proceeds (9 days), partially offset by cash outflows for capital expenditures and growth in cash expenses (11 days). For the year ended December 31, 2025, capital expenditures were \$1.1 billion (31 days) and included \$344.2 million related to the construction of new hospitals and hospital expansions.

The Company's debt to capitalization ratio improved to 33.9% as of December 31, 2025, compared to 35.2% as of December 31, 2024. This improvement was primarily driven by strong operating performance that increased capitalization through retained earnings, more than offsetting the impact of higher debt balances at the end of 2025.

Pension funding was 94.7% as of December 31, 2025, up 3.5% over the prior year. The increase in funded status was driven by asset performance outpacing the growth in liabilities.

VOLUME TRENDS

As Reported	Year Ended December 31,		
	2025	2024	Change %
Admissions	380,141	372,936	1.9%
Observations	69,796	65,748	6.2%
Deliveries	25,599	26,144	(2.1%)
Inpatient Surgeries	74,665	74,326	0.5%
Outpatient Surgeries	223,147	221,232	0.9%
ER Visits	1,657,155	1,647,301	0.6%
Physician Visits	7,963,659	7,791,271	2.2%

Volumes for the year ended December 31, 2025, were up slightly when compared to the prior year, with increases in several volume indicators and a decrease in deliveries. Overall volumes improved, as measured by EIPAs, supported by outpatient activity. Observations for the year ended December 31, 2025, increased significantly compared to the prior year by 6.2%. Physician visits were 2.2% higher than the prior year. Admissions and emergency room visits for the year ended December 31, 2025, also improved from the prior year with increases of 1.9% and 0.6%, respectively. Outpatient surgeries and inpatient surgeries were 0.9% and 0.5% higher, respectively, than the prior year. Deliveries for the year ended December 31, 2025, declined 2.1% from the prior year.

RESULTS OF OPERATIONS

(\$s in thousands)	Year Ended December 31,	
	2025	2024
Net Patient Service Revenue	\$12,568,499	\$11,905,170
Other Revenue, net ⁽¹⁾	1,429,695	1,403,223
Total Operating Revenue	13,998,194	13,308,393
Employee Compensation	6,505,576	6,315,639
Supplies	2,972,810	2,749,664
Purchased Services	1,970,925	1,882,928
Other Operating Expenses	1,571,913	1,432,880
Depreciation and Amortization	433,058	440,402
Interest Expense	191,398	194,290
Taxes	28,557	22,341
Recurring Operating Income	323,957	270,249
Nonrecurring Operating Losses, Net	(18,383)	(136,963)
Investment Gains	875,182	460,353
Realized and Unrealized Interest Rate Swap Agreements Gains	2,399	2,842
Gain on Defeasance of Debt	62,993	-
Other Nonoperating Activity, Net	(97,524)	(24,209)
Excess of Revenue Over Expenses	\$1,148,624	\$572,272

¹ Other Revenue includes funding of \$33.1 million and \$60.4 million for the FEMA Public Assistance program recognized for the year ended December 31, 2025 and 2024, respectively.

TOTAL OPERATING REVENUE

Total operating revenue increased by \$689.8 million or 5.2% for the year ended December 31, 2025, compared to the prior year. Net patient service revenue grew by \$663.3 million or 5.6% for the year ended December 31, 2025. The growth in net patient service revenue was primarily driven by higher patient volumes and increased reimbursement from supplemental state Medicaid programs. Revenue from supplemental state programs was \$1.1 billion for the year ended December 31, 2025 compared to \$855.0 million in the prior year.

OPERATING EXPENSES

Total operating expenses were \$13.7 billion for the year ended December 31, 2025, an increase of \$636.1 million or 4.9% compared to the prior year. This was primarily driven by higher patient volumes and expenses for supplemental state Medicaid programs. Expenses for supplemental programs totaled \$464.8 million for the year ended December 31, 2025, compared to \$400.5 million recognized in the prior year. These increases in operating expenses were partially offset by the favorable impact of management's run-rate improvement initiatives. The 4.9% increase in operating expenses is below the comparable growth in total operating revenue of 5.2%.

Employee compensation increased by \$189.9 million or 3.0% for the year ended December 31, 2025, compared to the prior year, reflecting higher patient volumes and increased acuity of care. BSMH continued to implement initiatives focused on labor utilization and rates of pay. These initiatives have helped drive an improvement in total employee compensation as a percentage of net patient service revenue from 53.0% for the year ended December 31, 2024, down to 51.8% for 2025.

Supplies expense excluding pharmaceuticals increased by \$94.0 million for the year ended December 31, 2025, largely due to increased patient volumes. Supplies expense excluding pharmaceuticals as a percentage of net patient service revenue was 13.2%, a slight increase from 13.1% for the same period of the prior year. The increase was moderated by management initiatives, including negotiated price reductions, improved vendor rebates, and expanded use of bulk purchasing. For the year ended December 31, 2025, other operating expenses (including professional fees, rent, insurance, utilities, and other operating expenses) as a percentage of net patient service revenue was 12.5%, a slight increase from 12.0% for the same period of the prior year.

NONRECURRING OPERATING LOSSES, NET

Nonrecurring operating losses, net totaled \$18.4 million for the year ended December 31, 2025 compared to \$137.0 million for the year ended December 31, 2024. 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 decrease in nonrecurring operating losses, net in 2025 was largely driven by the lack of certain one-time losses that occurred in the prior year. In 2024 nonrecurring operating losses, net included 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 were positive in 2025, driven by favorable equity market returns. Net investment gains (realized and unrealized) were \$875.2 million for the year ended December 31, 2025, compared to \$460.4 million for the year ended December 31, 2024. The combined operating portfolios (\$7.2 billion) returned 11.0% for the year ended December 31, 2025. The income on interest rate swap agreements was \$2.4 million for the year ended December 31, 2025, compared to \$2.8 million for the year ended December 31, 2024.

Other nonoperating activity, net, resulted in a loss of \$97.5 million for the year ended December 31, 2025, compared to a loss of \$24.2 million in the prior year. The unfavorable variance of \$73.3 million was primarily driven by the absence of significant one-time gains recognized in the prior year. For the year ended December 31, 2024, the Company recognized a non-operating gain of \$91.5 million resulting from the divestiture of its home care and hospice assets, partially offset by a pension settlement loss of \$47.3 million related to pension de-risking activity.

SUBSEQUENT EVENTS

The Company has evaluated and disclosed any subsequent events through March 18, 2026, which is the date the consolidated financial statements were issued and made publicly available.

In February 2026, the Company received a cash dividend of \$426.6 million from Ensemble. In accordance with ASC Topic 323, *Investments – Equity Method and Joint Ventures*, the dividend was recognized in other long-term liabilities on the consolidated balance sheet as of February 28, 2026.

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



BON SECOURS MERCY HEALTH

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

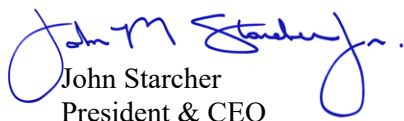
Statement of Management Responsibility

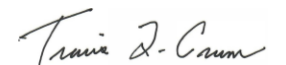
The accompanying consolidated financial statements of Bon Secours Mercy Health (the Company) for the twelve months ended December 31, 2025 were prepared by the Company's management in conformity with U.S. generally accepted accounting principles appropriate in the circumstances.

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, 2025 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 18, 2026



KPMG LLP
Aon Center
Suite 5500
200 E. Randolph Street
Chicago, IL 60601-6436

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, 2025 and 2024, 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, 2025 and 2024, 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 information included in Schedule 1 and Schedule 2 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

Chicago, Illinois
March 18, 2026

BON SECOURS MERCY HEALTH

Consolidated Balance Sheets

December 31, 2025 and 2024

(In thousands)

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 572,240	630,701
Investments	7,448	6,673
Self-insurance and trustee held funds	102,573	62,197
Donor restricted funds	<u>3,401</u>	<u>3,262</u>
Total cash and investments	685,662	702,833
Net patient receivables	1,396,573	1,227,496
Other receivables	273,976	332,783
Inventories	328,040	306,262
Prepaid expenses and other current assets	<u>313,342</u>	<u>307,925</u>
Total current assets	<u>2,997,593</u>	<u>2,877,299</u>
Assets whose use is limited:		
Board designated funds	7,386,689	6,852,355
Self-insurance and trustee held funds	566,382	451,008
Donor restricted funds	<u>78,398</u>	<u>69,206</u>
Total assets whose use is limited	8,031,469	7,372,569
Property and equipment, net	6,162,985	5,405,115
Investments in unconsolidated organizations	250,625	386,827
Operating lease right-of-use assets	432,928	341,360
Retirement assets	24,958	14,740
Goodwill	619,724	586,482
Other long-term assets	<u>526,509</u>	<u>448,962</u>
Total assets	\$ <u>19,046,791</u>	\$ <u>17,433,354</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 753,365	747,714
Current portion of long-term debt	160,537	833,191
Accrued salaries, wages and benefits	744,171	763,088
Current portion of operating lease liabilities	86,003	77,718
Other accrued expenses	<u>97,721</u>	<u>283,566</u>
Total current liabilities	1,841,797	2,705,277
Long-term debt, less current portion	4,854,857	3,873,368
Retirement liabilities	102,689	130,406
Self-insurance liabilities	315,074	355,784
Operating lease liabilities	385,958	299,542
Other long-term liabilities	<u>802,664</u>	<u>550,796</u>
Total liabilities	<u>8,303,039</u>	<u>7,915,173</u>
Net assets without donor restrictions:		
Controlling interest	9,794,075	8,666,537
Noncontrolling interest	<u>580,726</u>	<u>512,643</u>
Total net assets without donor restrictions	10,374,801	9,179,180
Net assets with donor restrictions	<u>368,951</u>	<u>339,001</u>
Total net assets	<u>10,743,752</u>	<u>9,518,181</u>
Total liabilities and net assets	\$ <u>19,046,791</u>	\$ <u>17,433,354</u>

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Statements of Operations
Years Ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Revenues:		
Net patient service revenue	\$ 12,568,499	11,905,170
Other revenue, net	<u>1,429,695</u>	<u>1,403,223</u>
Total operating revenues	<u>13,998,194</u>	<u>13,308,393</u>
Expenses:		
Employee compensation	6,505,576	6,315,639
Supplies	2,972,810	2,749,664
Purchased services	1,970,925	1,882,928
Other operating expenses	1,571,913	1,432,880
Depreciation and amortization	433,058	440,402
Interest expense	191,398	194,290
Taxes	<u>28,557</u>	<u>22,341</u>
Total operating expenses	<u>13,674,237</u>	<u>13,038,144</u>
Recurring operating income	323,957	270,249
Nonrecurring operating losses, net	<u>(18,383)</u>	<u>(136,963)</u>
Operating income	<u>305,574</u>	<u>133,286</u>
Nonoperating gains (losses), net:		
Investment gains	875,182	460,353
Realized and unrealized interest rate swap agreements gains	2,399	2,842
Gain on defeasance of debt	62,993	—
Other nonoperating activities, net	<u>(97,524)</u>	<u>(24,209)</u>
Excess of revenue over expenses	<u>\$ 1,148,624</u>	<u>572,272</u>

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Changes in Net Assets

Years Ended December 31, 2025 and 2024

(In thousands)

	Controlling interest	Noncontrolling interest	Net assets without donor restrictions	Net assets with donor restrictions	Total net assets
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	<u>562,968</u>	<u>80,439</u>	<u>643,407</u>	<u>63,553</u>	<u>706,960</u>
Balance at December 31, 2024	8,666,537	512,643	9,179,180	339,001	9,518,181
Excess of revenues over expenses	1,087,593	61,031	1,148,624	—	1,148,624
Grants and contributions	4,578	15,293	19,871	91,193	111,064
Investment gains	—	—	—	22,480	22,480
Net assets released from restrictions	45,177	—	45,177	(82,925)	(37,748)
Transfer of interest between owners	(27,463)	18,264	(9,199)	—	(9,199)
Distributions to noncontrolling interest owner	—	(22,920)	(22,920)	—	(22,920)
Pension and other postemployment changes	32,961	—	32,961	—	32,961
Other changes, net	(15,308)	(3,585)	(18,893)	(798)	(19,691)
Increase in net assets	<u>1,127,538</u>	<u>68,083</u>	<u>1,195,621</u>	<u>29,950</u>	<u>1,225,571</u>
Balance at December 31, 2025	\$ <u>9,794,075</u>	<u>580,726</u>	<u>10,374,801</u>	<u>368,951</u>	<u>10,743,752</u>

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,225,571	706,960
Depreciation and amortization	433,058	440,402
Amortization of premium on issued debt securities	(14,082)	(13,135)
Gain on defeasance of debt	(62,993)	—
Gain on sale of home health and hospice business	—	(91,458)
Other changes in net assets, net	(121,775)	19,395
Pension and other postemployment adjustments	(32,961)	(89,240)
Contributions restricted by donor	(91,193)	(99,865)
Net gains on investments	(710,700)	(314,960)
Cash (used in) provided by changes in operating assets and liabilities:		
Current assets	(131,681)	(95,555)
Long-term assets	(25,275)	76,961
Current liabilities	(219,801)	121,604
Long-term liabilities	19,675	21,675
Net cash provided by operating activities	<u>267,843</u>	<u>682,784</u>
Cash flows from investing activities:		
Acquisition of subsidiaries, net of cash received	(14,480)	—
Property and equipment additions, net of disposals	(1,067,531)	(837,492)
Purchase of alternative investments and other securities	(273,633)	(324,442)
Sales of alternative investments and other securities	253,471	430,113
Investments and assets whose use is limited, net	8,192	(92,570)
Distribution from equity method investment	318,772	331,332
Purchase of investments in unconsolidated organizations	(10,664)	(33,877)
Sale of equity method investments	17,803	—
Net cash used in investing activities	<u>(768,070)</u>	<u>(526,936)</u>
Cash flows from financing activities:		
Restricted contributions	91,193	99,865
Purchase of interest from noncontrolling interest owners	(9,199)	—
Contribution from noncontrolling interest	15,293	7,566
Distributions to noncontrolling interest	(22,920)	(18,728)
Proceeds from debt issuance	2,043,101	85,854
Repayment of long-term debt	(1,687,875)	(183,092)
Repayment of finance lease	(11,747)	(14,866)
Proceeds from failed sale-leaseback	31,825	—
Cost of long-term debt issuance	(9,799)	—
Net cash provided by (used in) financing activities	<u>439,872</u>	<u>(23,401)</u>
Effect of exchange rates on cash and cash equivalents	1,894	(315)
Net (decrease) increase in cash and cash equivalents	(58,461)	132,132
Cash and cash equivalents, beginning of the year	630,701	498,569
Cash and cash equivalents, end of the year	<u>\$ 572,240</u>	<u>630,701</u>

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

(1) Basis of Presentation

(a) Organizational Structure and Mission

Bon Secours Mercy Health (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. The Company is sponsored by partners in Bon Secours Mercy Ministries (BSMM). BSMM is a public juridic person of the Roman Catholic Church. The Company provides management direction to its Core and Diversified and Digital business units to carry out the mission, vision, and values of the Company. 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 the Company. 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 the Company. 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 three 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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

cash or non-cash collateral for the marketable securities loaned, usually on a short-term basis. The 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, 2025 and 2024, 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. Accounting Standards Codification (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.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

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.

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.

<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

For the years ended December 31, 2025 and 2024

(In thousands)

(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 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 24% and 23% of net patient receivables as of December 31, 2025 and 2024, respectively, while the Medicaid program represented 8% as of December 31, 2025 and 2024. Excluding the Medicare program, no one other payor represents more than 10% of the Company's net patient receivables as of December 31, 2025 and 2024.

Net 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.

Net 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.

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For the years ended December 31, 2025 and 2024

(In thousands)

The Company's net patient service revenues during the years ended December 31, 2025 and 2024 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:

	2025		2024	
Commercial and other third party	\$ 5,462,367	43.5 %	5,270,837	44.2 %
Medicare	4,619,291	36.8	4,415,250	37.1
Medicaid	2,116,096	16.8	1,922,777	16.2
Other governmental	276,760	2.2	252,321	2.1
Self-pay	93,985	0.7	43,985	0.4
Total	\$ 12,568,499	100.0 %	11,905,170	100.0 %

(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. 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.

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Notes to Consolidated Financial Statements

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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 gains (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)).

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, leases, 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 in 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

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(In thousands)

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 impairment in accordance with ASC Topic 321, *Investments - Equity Securities*. The Company classifies distributions from an investee on the cash flow 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.

The Company includes its interest in the excess of revenues over expenses of these investees in its consolidated statements of operations as other revenue, net. Distributions reduce the carrying amount of the investment. If the cumulative distribution exceeds the investment balance, the Company has elected to record a negative investment based on implicit or explicit obligations. Subsequent investee earnings are applied first to reduce the liability, then to increase the investment. If no such obligations exist, any excess distribution is recognized as a gain in the period received.

(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.

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(In thousands)

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

	<u>2025</u>	<u>2024</u>
Goodwill at the beginning of the period	\$ 586,482	595,845
Goodwill related to acquisitions	36,507	2,156
Goodwill related to disposals	(1,889)	(3,766)
Impairment	—	(7,778)
Other	<u>(1,376)</u>	<u>25</u>
Goodwill at the end of the period	\$ <u>619,724</u>	<u>586,482</u>

(l) Other Long-Term Assets

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

	<u>2025</u>	<u>2024</u>
Right-of-use assets – finance	\$ 233,986	207,589
Other	118,871	90,882
Other intangibles, net	97,314	111,471
Notes and other long term receivables	<u>76,338</u>	<u>39,020</u>
Total other long-term assets	\$ <u>526,509</u>	<u>448,962</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

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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.

(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 condition is met. 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

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(In thousands)

revenue and expenses not controlled by the Company, separately in the consolidated balance sheets and the consolidated statements of operations.

(o) Other Long-Term Liabilities

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

	<u>2025</u>	<u>2024</u>
Lease liabilities – finance	\$ 358,997	311,542
Supplemental executive retirement plan liability	157,392	135,187
Ensemble Liability (note 14)	146,598	—
Other	83,217	74,286
Failed sale-leaseback finance liability	32,053	—
Deferred income tax liability	19,445	21,723
Derivative instrument (note 8)	4,962	8,058
Total other long-term liabilities	<u>\$ 802,664</u>	<u>550,796</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, 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

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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.

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

Recurring operating income 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 include 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

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investments, restricted contributions, distributions to noncontrolling interests, certain pension and other postemployment benefit adjustments, and other miscellaneous items as defined under US-GAAP.

(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, 2025 and 2024.

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, 2025 and 2024, the Company has no uncertain tax positions.

The Company's taxable subsidiaries had net operating loss carryforwards for Federal income tax purposes of \$162,539 and \$172,682 as of December 31, 2025 and 2024, 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 \$84,859 and \$106,212 as of December 31, 2025 and 2024, 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, 2025, the Company has placed a partial valuation allowance of \$111,033 and \$29,245 on the gross deferred Federal and state tax assets, respectively. As of December 31, 2024, the Company had placed a partial valuation allowance of \$96,701 and \$23,566 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 \$14,332 and \$5,679 respectively, as of December 31, 2025. 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.

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(In thousands)

(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 \$11,416 and \$43,235 for the years ended December 31, 2025 and 2024, 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 System(s)' 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.

On July 4, 2025, the United States government enacted An Act to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14 (the "OBBBA"), which includes significant changes to health care policy and federal income tax provisions. These changes are expected to reduce federal health care spending, affect Medicaid and insurance coverage obtained through federal- and state-based marketplaces, and modify certain tax provisions, including interest deductibility and bonus depreciation. The Company is currently assessing the provisions of the OBBBA and its potential impact on the Company's consolidated financial statements.

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(In thousands)

(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.

(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, 2025 Edition.

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

	<u>2025</u>	<u>2024</u>
Charitable services and other community benefits:		
Traditional charity care	\$ 144,270	142,374
Unpaid costs of public programs	95,485	217,071
Other community benefit programs	<u>175,935</u>	<u>164,848</u>
Total quantifiable community benefits	<u>\$ 415,690</u>	<u>524,293</u>

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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(In thousands)

(4) Investments and Assets Whose Use is Limited

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

	2025	2024
Board designated funds:		
Cash and cash equivalents	\$ 159,472	99,240
Equity mutual funds	863,471	474,706
Equity commingled funds	562,499	553,346
Common and preferred stocks	650,918	648,927
Fixed income commingled funds	388,354	421,325
Government and agency securities	948,754	1,199,629
Corporate obligations	828,831	865,707
Alternative investments	2,984,390	2,589,475
	7,386,689	6,852,355
Self-insurance and trustee held funds:		
Cash and cash equivalents	137,145	87,176
Equity mutual funds	352,891	280,705
Government and agency securities	113,710	94,437
Corporate obligations	65,209	50,887
	668,955	513,205
Donor restricted funds:		
Cash and cash equivalents	11,155	9,887
Equity mutual funds	10,035	5,672
Equity commingled funds	4,785	4,625
Common and preferred stocks	6,369	6,126
Fixed income commingled funds	4,886	5,044
Government and agency bonds	9,118	10,576
Corporate obligations	6,028	5,885
Alternative investments	29,423	24,653
	81,799	72,468
Investments:		
Cash and cash equivalents	4,094	3,461
Corporate obligations	3,354	3,212
	7,448	6,673
Investments and assets whose use is limited	8,144,891	7,444,701
Available for current liabilities	(113,422)	(72,132)
Long-term assets limited or restricted as to use	\$ 8,031,469	7,372,569

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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:

	<u>2025</u>	<u>2024</u>
Dividends and interest	\$ 186,962	157,991
Net realized gains on securities	375,687	147,090
Net change in unrealized gains on securities	<u>312,533</u>	<u>155,272</u>
	<u>\$ 875,182</u>	<u>460,353</u>

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, 2025 and 2024.

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.

(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

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(In thousands)

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.

BON SECOURS MERCY HEALTH

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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, 2025 using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 572,240	572,240	—	—
Investments:				
Cash and cash equivalents	4,094	4,094	—	—
Corporate obligations	3,354	—	3,354	—
	7,448	4,094	3,354	—
Assets limited or restricted as to use:				
Cash and cash equivalents	307,772	307,772	—	—
Equity mutual funds	1,226,397	979,621	246,776	—
Equity commingled funds	567,284	471,598	—	95,686
Common and preferred stocks	638,170	638,170	—	—
Fixed income commingled funds	393,240	336,315	56,925	—
Government and agency securities	1,071,582	343,945	727,637	—
Corporate obligations	900,068	—	900,068	—
Cash and assets limited or restricted as to use	5,684,201	3,653,755	1,934,760	95,686
Assets whose use is limited under securities lending arrangements	19,117	19,117	—	—
Total cash and assets limited or restricted as to use	\$ 5,703,318	3,672,872	1,934,760	95,686
Liabilities:				
Interest rate swaps	\$ 4,962	—	—	4,962
Total liabilities	\$ 4,962	—	—	4,962

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(In thousands)

	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

Following is the summary of the inputs and valuation techniques utilized to value Level 2 financial instruments as of December 31, 2025 and 2024:

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

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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>2025</u>	<u>2024</u>
Beginning balance	\$ 83,404	79,822
Purchases	15,773	8,445
Sales	(3,561)	(705)
Realized and unrealized gains (losses)	<u>70</u>	<u>(4,158)</u>
Ending balance	\$ <u>95,686</u>	<u>83,404</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 Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820)*. For the years ended December 31, 2025 and 2024, 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, 2025 and 2024, 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.

The following table summarizes the investments measured at NAV, committed capital and associated redemptions as of December 31, 2025:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Alternative investments:				
Private Investments	\$ 1,822,196	635,674	N/A	N/A
Hedge funds	<u>1,191,617</u>	—	Monthly, Quarterly, Annually	2 to 180 days ⁽¹⁾
	\$ <u>3,013,813</u>	<u>635,674</u>		

Investments that are not redeemable as of December 31, 2025 are \$147,539⁽¹⁾.

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For the years ended December 31, 2025 and 2024

(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 ⁽¹⁾
	<u>\$ 2,614,128</u>	<u>652,822</u>		

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

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** – Include 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 includes 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.

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(In thousands)

(6) Property and Equipment, Net

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

	<u>2025</u>	<u>2024</u>
Land	\$ 531,124	537,554
Land improvements	150,508	144,218
Buildings and fixed equipment	6,093,899	5,288,829
Movable equipment	4,081,340	3,929,630
Software	651,360	625,357
Leasehold improvements	267,697	242,371
	<u>11,775,928</u>	<u>10,767,959</u>
Less accumulated depreciation	<u>(6,384,472)</u>	<u>(6,205,670)</u>
	5,391,456	4,562,289
Construction in progress	<u>771,529</u>	<u>842,826</u>
	<u>\$ 6,162,985</u>	<u>5,405,115</u>

As of December 31, 2025, the Company is contractually obligated for construction projects totaling \$501,342 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 \$402,289 and \$397,055 for the years ended December 31, 2025 and 2024, 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.

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(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, 2025	December 31, 2024
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
MH Series 2017A serial and term bonds	3.00-5.00	2047	324,130	360,115
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	634,655	645,120
BSMH Series 2020 taxable bonds	3.46	2030	389,680	389,680
BSMH Series 2020-2 taxable bonds	2.10-3.21	2050	291,943	650,000
BSMH Series 2022A serial and term bonds	5.00	2042	190,775	190,775
BSMH Series 2025A serial and term bonds	5.00-5.25	2048	671,220	—
Adjustable rate Hospital Facilities Revenue and Revenue Refunding and Improvement Bonds:				
MH Series 2008 direct placement (DP) bonds	3.70-4.41	2031	—	94,400
MH Series 2010C demand bonds	0.64-5.21	2034	72,250	72,250
MH Series 2010D DP bonds	2.27-5.08	2034	67,250	67,250
MH Series 2012B demand bonds	1.79-5.24	2036	100,000	100,000
Bon Secours Series 2017 DP bonds	4.61-5.50	2042	—	69,925
MH Series 2018AB commercial paper notes	3.73-5.46		100,000	300,000
BSMH Series 2020B bonds payable	5.00	2048	—	87,380
BSMH Series 2022B bonds payable	5.00	2051	213,320	213,320
BSMH Series 2025B bonds payable	5.00	2049	198,440	—
BSMH Series 2025C demand bonds	1.94-3.72	2050	100,000	—
BSMH Series 2025D demand bonds	0.90-4.30	2050	150,000	—
BSMH Series 2025E DP bonds	2.20-3.90	2044	61,160	—
BSMH Series 2025F DP bonds	2.20-3.90	2046	88,840	—
2018 TD Bank variable rate taxable term loan	4.59-6.07	2029	150,000	150,000
2022 Euro private placement	4.24	2052	188,208	166,656
2023 TD Bank variable rate taxable term loan	5.31-6.35	2033	—	100,000
2023 RBC variable rate taxable term loan	5.52-6.65	2026	—	100,000
2025 Euro denominated taxable term loan	3.38	2032	117,630	—
2025 Euro private placement	4.29	2040	176,445	—
Revolving Credit Agreement debt outstanding	4.55-6.11	2026	190	1,499
Total master trust indenture obligations			4,894,175	4,516,409

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(In thousands)

<u>Long-term debt</u>	<u>Coupon rates</u>	<u>Maturity through</u>	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Ireland variable rate taxable term loan	3.75-5.43	2025	\$ —	91,321
Other debt			<u>45,390</u>	<u>47,827</u>
			4,939,565	4,655,557
Original issue net premium			101,609	71,563
Cost of issuance			<u>(25,780)</u>	<u>(20,561)</u>
			5,015,394	4,706,559
Less current portion of long-term debt			<u>(160,537)</u>	<u>(833,191)</u>
Long-term debt, less current portion			<u>\$ 4,854,857</u>	<u>3,873,368</u>

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.

Pursuant to the issuance of the Series 2022 bond issue, the Company proposed to amend its MTI. The amended MTI became effective August 1, 2025.

On April 11, 2025, the Company executed a term loan agreement with a financial institution in the amount of \$113,549 (€100,000). \$51,157 (€45,000) of the proceeds were used to reduce the balance of a bank term loan for its contractual affiliate, Bon Secours Health System Limited by Guarantee.

On May 7, 2025, the Company issued \$671,220 of tax-exempt fixed rate bond obligations through its Series 2025A (OH, SC and VA) bonds and \$448,440 of tax-exempt adjustable-rate bond obligations through its Series 2025B SC, Series 2025C OH and Series 2025D OH bonds. The proceeds of these bond obligation issues were used to refinance \$94,400 of Series 2008A OH bonds, \$69,925 of Series 2017 SC bonds, \$192,830 of Series 2020-2 bonds which had served as a taxable bridge of Series 2012A OH bonds, reimburse the Company for project expenditures, and pay for associated costs of issuance.

On May 8, 2025, bondholders tendered \$308,057 of Series 2020-2 taxable bond obligations at a discount. The resulting discount, reduced by the write-off of related costs of issuance and fees, resulted in a gain on early extinguishment of debt of approximately \$63,129.

On May 29, 2025, the Company issued \$61,160 of tax-exempt adjustable-rate bond obligations through its Series 2025E bonds. Proceeds were used to refinance \$50,000 of maturing Series 2020-2 bonds which had served as a taxable bridge of Series 2012A OH bonds, reimburse the Company for project expenditures, and pay for associated costs of issuance.

On June 5, 2025, the Company entered into a note purchase agreement for 170,978 (€150,000) with institutional private purchasers. \$78,966 (€67,400) of the proceeds were used to reduce the balance of a bank term loan for its contractual affiliate, Bon Secours Health System Limited by Guarantee.

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On June 10, 2025, the Company defeased \$200,000 of taxable term loan agreements with financial institutions and \$150,000 of Series 2015C taxable bonds. The Company recorded a loss from early extinguishment of debt of \$152.

On July 3, 2025, the Company issued \$88,840 of tax-exempt adjustable-rate bond obligations through its Series 2025F bonds. Proceeds were used to refinance \$87,380 of Series 2020B SC bonds and pay for associated costs of issuance. The Company recorded a gain from early extinguishment of debt of \$16.

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 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, 2025 and December 31, 2024. The Company was in compliance with all restrictive covenants as of December 31, 2025 and December 31, 2024.

The following is a schedule of future minimum payments based on scheduled maturities as of December 31, 2025:

Period	Master trust indenture obligations	European group and other debt
2026	\$ 48,820	12,138
2027	194,910	16,309
2028	352,029	2,941
2029	388,965	9,690
2030	246,150	1,456
Thereafter	<u>3,663,301</u>	<u>2,856</u>
Total minimum payments	<u>\$ 4,894,175</u>	<u>45,390</u>

Interest payments for the years ended December 31, 2025 and 2024 were \$197,183 and \$203,769 respectively.

Unamortized debt issuance costs of \$25,780 and \$20,561 as of December 31, 2025 and December 31, 2024, 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, 2025, the Company has Series 2010C, 2012B, 2025C and 2025D variable rate bond obligations in the total amount of \$422,250 with letter of credit support, Series 2010D, 2025E and 2025F

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(In thousands)

adjustable-rate bonds in the total amount of \$217,250 held under direct purchase agreements with financial institutions, \$150,000 of variable rate taxable term loan agreements with financial institutions and \$117,630 fixed rate taxable term loan agreements with financial institutions. The Company's dedicated liquidity facilities and direct placement agreements have expiration dates that extend from May 2027 to April 2032.

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 \$300,000 and is secured by the MTI. The agreement expires on November 18, 2026. There were \$190 and \$1,499 outstanding on this agreement as of December 31, 2025 and December 31, 2024, respectively.

As of December 31, 2025, the current portion of long-term debt consists of \$100,000 commercial paper notes, (\$140) of discount on commercial paper, \$11,857 of non-master obligation current portion of long-term debt, \$190 outstanding on the revolving credit agreement and \$48,630 of other scheduled principal payments on various remaining debt arrangements disclosed above.

(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, 2025	December 31, 2024	December 31, 2025	December 31, 2024
December 2006 JPM	Pay fixed	3.63%	2033	\$ 124,670	150,330	\$ (3,328)	(3,025)
December 2018 PNC	Pay fixed	3.45	2042	69,925	69,925	(4,407)	(3,776)
December 2007 JPM	Constant maturity	N/A	2027	250,000	250,000	2,685	984
August 2018 JPM	Constant maturity	N/A	2037	150,000	150,000	488	(2,241)
Credit valuation adjustment						(400)	—
						\$ (4,962)	(8,058)

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 \$659 and \$1,718 for the years ended December 31, 2025 and 2024, 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, 2025 and December 31, 2024, 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

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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.

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

	Pension Plans		Postemployment Plans	
	2025	2024	2025	2024
Change in benefit obligation:				
Projected benefit obligation at beginning of year	\$ 1,193,989	1,812,966	11,799	12,813
Service cost	1,364	2,022	301	288
Interest cost	62,695	67,720	595	585
Actuarial loss (gain)	11,493	(118,467)	7,191	(133)
Plan amendments	—	—	—	—
Settlement	5	(469,069)	—	—
Gross benefits paid and expenses	(91,142)	(101,183)	(1,946)	(1,754)
Projected benefit obligation at end of year	<u>1,178,404</u>	<u>1,193,989</u>	<u>17,940</u>	<u>11,799</u>
Change in plan assets:				
Fair value of plan assets at beginning of year	1,088,696	1,654,920	—	—
Actual return on plan assets	119,268	4,128	—	—
Employer contributions	(357)	(100)	1,946	1,754
Gross benefits paid	(91,142)	(101,183)	(1,946)	(1,754)
Settlement	5	(469,069)	—	—
Fair value of plan assets at end of year	<u>1,116,470</u>	<u>1,088,696</u>	<u>—</u>	<u>—</u>
Under funded status	<u>\$ (61,934)</u>	<u>(105,293)</u>	<u>(17,940)</u>	<u>(11,799)</u>

There were no significant gains or losses for the year ended December 31, 2025. 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.

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(In thousands)

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

	Pension Plans		Postemployment Plans	
	2025	2024	2025	2024
Retirement assets	\$ 24,958	14,740	—	—
Current liabilities	—	—	(2,646)	(1,793)
Retirement liabilities	<u>(86,892)</u>	<u>(120,033)</u>	<u>(15,294)</u>	<u>(10,006)</u>
Net amount recognized	<u>\$ (61,934)</u>	<u>(105,293)</u>	<u>(17,940)</u>	<u>(11,799)</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 \$503 and \$367 at December 31, 2025 and 2024, respectively.

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

	Pension Plans		Postemployment Plans	
	2025	2024	2025	2024
Net prior service cost	\$ (16,032)	(18,550)	—	—
Net actuarial (loss) gain	<u>(295,923)</u>	<u>(329,419)</u>	<u>—</u>	<u>3,055</u>
Net amount unrecognized	(311,955)	(347,969)	—	3,055
Cumulative excess (shortfall) of employer contributions over net periodic benefit cost	<u>250,021</u>	<u>242,677</u>	<u>(17,940)</u>	<u>(14,854)</u>
	<u>\$ (61,934)</u>	<u>(105,292)</u>	<u>(17,940)</u>	<u>(11,799)</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 cost is amortized on a straight-line basis over the estimated life of the Plans' participants.

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(In thousands)

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

	<u>Pension Plans</u>		<u>Postemployment Plans</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Amortization of prior service cost (credit) \$	(2,520)	14,327	—	—
Net actuarial loss	(32,335)	(37,985)	—	—
Amortization of net actuarial loss	(1,161)	(65,888)	—	—
Unrecognized prior service cost	—	—	—	—
Other postemployment benefit changes	—	—	(3,055)	(306)
	<u>\$ (36,016)</u>	<u>(89,546)</u>	<u>(3,055)</u>	<u>(306)</u>

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

	<u>Pension benefits</u>		<u>Postemployment benefits</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Service cost \$	1,364	2,022	301	288
Interest cost	62,695	67,720	595	585
Expected return on plan assets	(75,440)	(84,611)	—	—
Curtailment/settlement cost	(50)	47,250	—	—
Amortization of:				
Actuarial loss/(gain)	1,211	1,777	4,136	(440)
Prior service cost	2,519	2,534	—	—
Net periodic benefit (income) cost \$	<u>(7,701)</u>	<u>36,692</u>	<u>5,032</u>	<u>433</u>

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

	<u>Pension Plans</u>		<u>Postemployment Plans</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Discount rate – Church pension and postretirement benefit plans	5.29%	5.52%	—	5.52%
Rate of compensation increase	2.50%	2.50%	N/A	N/A
Cash balance interest crediting rate	4.61% – 5.37%	4.38% – 5.37%	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, 2025 and 2024

(In thousands)

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

	Pension Plans		Postemployment Plans	
	2025	2024	2025	2024
Discount rate	5.52%	4.95% - 4.96%	5.52%	4.96%
Rate of compensation increase	2.50%	2.50%	N/A	N/A
Expected long-term rates of return on plan assets	6.00%	5.30% - 6.50%	N/A	N/A
Cash balance interest crediting rate	4.38% – 6.00%	4.63% - 6.42%	N/A	N/A

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

	2025	2024
Healthcare cost trend rate assumed for next year	7.3% - 9.3%	5.7% - 5.9%
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	2048/2049	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:

	2025	2024
Asset category:		
Equity mutual and commingled funds and securities	31 %	31 %
Fixed income mutual funds and securities	36	35
Alternative investments	29	29
Cash	4	5
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 concentrations of credit at the measurement date. The marketable debt securities within plan assets,

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Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

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, 2025:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 50,091	50,091	—	—
Equity mutual funds	161,737	93,004	68,733	—
Equity commingled funds	90,363	90,363	—	—
Common and preferred stocks	97,632	97,632	—	—
Government and agency bonds	205,086	188,441	16,645	—
Corporate obligations	183,844	—	183,844	—
Total investments	788,753	519,531	269,222	—
Due to broker/custodian for investment activity, net	(1,636)	—	(1,636)	—
Total plan assets	\$ 787,117	519,531	267,586	—

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	—

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Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

The following table summarizes the alternative investments, committed capital and associated redemptions as of December 31, 2025:

	<u>Investments measured at NAV</u>	<u>Committed capital</u>	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Private Investments \$	196,463	59,593	N/A	N/A
Hedge funds	<u>132,890</u>	—	Monthly, Quarterly, Annually	2 to 180 days ⁽¹⁾
\$	<u><u>329,353</u></u>	<u><u>59,593</u></u>		

Investments that are not redeemable as of December 31, 2025 are \$18,726 ⁽¹⁾.

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 ⁽¹⁾
\$	<u><u>311,287</u></u>	<u><u>59,068</u></u>		

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

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** – Include 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 includes 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.

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For the years ended December 31, 2025 and 2024

(In thousands)

The projected benefit payments for the Plans are as follows:

	<u>Pension Plans</u>	<u>Post employment Plans</u>
2026	\$ 112,787	2,646
2027	106,512	2,543
2028	96,733	2,435
2029	95,997	2,330
2030	92,771	2,207
2031–2035	425,786	2,679

The Company does not expect to contribute to the defined benefit pension plans in 2026. The Company does expect to contribute \$2,646 to the postemployment benefit plans in 2026. The Company has several defined contribution benefit plans to assist eligible employees in providing for retirement. Under such plans, the Company recognized expenses of \$181,672 and \$174,746 for the years ended December 31, 2025 and 2024, 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 \$367,428 and \$371,513 as of December 31, 2025 and 2024, respectively. The current portion of such accruals, \$83,594 and \$53,214 as of December 31, 2025 and 2024, respectively, is included in other accrued expenses, and the remainder, \$283,834 and \$318,299 as of December 31, 2025 and 2024, 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 \$44,269 and \$49,854, as of December 31, 2025 and 2024, respectively. The current portion of such accruals, \$13,029 and \$12,369 as of December 31, 2025 and 2024, respectively, is reported as other accrued expenses. The remainder, \$31,240 and \$37,485, 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, 2025 and 2024, 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, 2025 and 2024

(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 \$47,756 and \$60,705, include estimates for claims incurred but not reported as of December 31, 2025 and 2024, 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>2025</u>	<u>2024</u>
Finance lease expense:		
Amortization of ROU assets	\$ 14,221	17,911
Interest on lease liabilities	14,157	15,078
Operating lease expense	97,700	93,550
Short-term lease expense	25,987	29,453
Variable lease expense	39,493	35,417
	<u> </u>	<u> </u>
Total lease cost	\$ <u>191,558</u>	<u>191,409</u>

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of December 31, 2025 are as follows:

	<u>Operating</u>	<u>Finance</u>
2026	\$ 100,155	28,878
2027	87,302	28,801
2028	72,554	28,147
2029	60,938	26,733
2030	49,815	26,711
Thereafter	<u>182,970</u>	<u>627,042</u>
Total	553,734	766,312
Less present value discount	<u>(81,773)</u>	<u>(394,443)</u>
Lease liabilities	\$ <u>471,961</u>	<u>371,869</u>

Other information is as follows as of December 31:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease terms (in years):		
Finance leases	59.82	57.90
Operating leases	7.25	6.82
Weighted average discount rate:		
Finance leases	3.75 %	3.77 %
Operating leases	4.26	4.01

(11) Net Assets with Donor Restrictions

The Company's endowments consist of 395 and 377 individual funds established for a variety of purposes as of December 31, 2025 and 2024. 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 \$120,869 and \$109,335 as of December 31, 2025 and 2024, 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 88 funds with cumulative deficiencies of \$1,141 as of December 31, 2025 and 218 funds with cumulative deficiencies of \$3,702 as of December 31, 2024. The endowment funds with deficiencies had an original gift value of \$9,993 and \$47,862 as of December 31, 2025 and 2024 and a fair value of \$8,852 and \$44,160 as of December 31, 2025 and 2024. These deficiencies resulted from unfavorable market fluctuations.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(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, 2025:

	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	\$ 4,881,218	1,427,523	6,308,741	196,835	6,505,576
Supplies	2,446,831	208,776	2,655,607	317,203	2,972,810
Purchased services	680,277	287,086	967,363	1,003,562	1,970,925
Other operating expenses	1,269,711	111,077	1,380,788	191,125	1,571,913
Depreciation and amortization	304,996	64,023	369,019	64,039	433,058
Interest expense	10,620	180,778	191,398	—	191,398
Taxes	126	9,044	9,170	19,387	28,557
Total recurring expenses	\$ 9,593,779	2,288,307	11,882,086	1,792,151	13,674,237

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

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

	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	\$ 4,724,143	1,414,566	6,138,709	176,930	6,315,639
Supplies	2,244,138	206,689	2,450,827	298,837	2,749,664
Purchased services	620,528	329,441	949,969	932,959	1,882,928
Other operating expenses	1,150,685	99,869	1,250,554	182,326	1,432,880
Depreciation and amortization	299,294	67,926	367,220	73,182	440,402
Interest expense	14,162	178,132	192,294	1,996	194,290
Taxes	136	3,679	3,815	18,526	22,341
	<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>
Total recurring expenses	\$ 9,053,086	2,300,302	11,353,388	1,684,756	13,038,144

(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:

	2025	2024
Cash, cash equivalents and investments	\$ 579,688	637,374
Net patient receivables	1,396,573	1,227,496
Other receivables	273,976	332,783
Assets whose use is limited:		
Board-designated funds	4,306,613	4,179,476
	<u>\$ 6,556,850</u>	<u>6,377,129</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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

operating surplus to an operating reserve, which was \$4,306,613 and \$4,179,476 as of December 31, 2025 and December 31, 2024, respectively. The fund established by the board of directors may be drawn upon, if necessary, to meet unexpected liquidity needs.

(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.

(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, 2025, the Company's ownership interest in Ensemble was 41.4%. In May 2025, the Company received a one-time cash distribution of \$318,772. This cash inflow was recognized as a reduction of \$128,920 to the carrying value of the Company's investment in Ensemble. The excess distribution of \$189,852 was recognized in other long-term liabilities on the balance sheet per ASC Topic 323, *Investments – Equity Method and Joint Ventures*. In July 2024, the Company 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 the Company's investment in Ensemble.

During the years ended December 31, 2025 and 2024, the Company 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 for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Revenue cycle management and consulting services provided by Ensemble to the Company	\$ 625,511	603,461
Leased employees, purchased and other services provided to Ensemble by the Company	(18,356)	(26,946)

The Company owed Ensemble \$76,183 and \$75,162 as of December 31, 2025 and 2024, respectively. The Company did not have any outstanding receivables from Ensemble as of December 31, 2025 and 2024, respectively.

(b) *Sentara Princess Anne*

The Company 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.

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Notes to Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

(In thousands)

There were no related party transactions between the Company and Sentara Princess Anne as of December 31, 2025 and 2024.

(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, the Company and 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 of the Company's home health agencies and eleven hospice operations spanning five states. In consideration of the divestiture of its home care and hospice assets, the Company 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 years ended December 31, 2025 and 2024, the Company 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 for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Leased employees, purchased and other services provided to Compassus by the Company	\$ (4,563)	(7,562)

Compassus did not have any outstanding payables due to the Company as of December 31, 2025. Compassus owed the Company \$3,401 as of December 31, 2024. The Company owed Compassus \$827 as of December 31, 2025. The Company 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:

	<u>2025</u>	<u>2024</u>
Ensemble	\$ —	138,864
Sentara Princess Anne	76,848	59,654
Compassus	110,862	113,210
Other	62,915	75,099
	<u>\$ 250,625</u>	<u>386,827</u>

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(In thousands)

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:

	<u>2025</u>	<u>2024</u>
Ensemble	\$ 124,704	104,839
Sentara Princess Anne	31,872	20,471
Compassus	(12,348)	(11,790)
Other	4,025	4,398
	<u>\$ 148,253</u>	<u>117,918</u>

(15) Subsequent Events

The Company has evaluated and disclosed any subsequent events through March 18, 2026, which is the date the consolidated financial statements were issued and made publicly available.

In February 2026, the Company received a cash dividend of \$426,552 from Ensemble. In accordance with ASC Topic 323, Investments – Equity Method and Joint Ventures, the dividend was recognized in other long-term liabilities on the consolidated balance sheet as of February 28, 2026.

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

BON SECOURS MERCY HEALTH
 Consolidating Schedule – Balance Sheet Information
 December 31, 2025
 (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					
Assets											
Current assets:											
Cash and cash equivalents	\$ 912,869	55,100	31,019	323,789	162,814	—	1,485,591	51,999	(965,350)	—	572,240
Investments	770	3,572	—	—	3,106	—	7,448	—	—	—	7,448
Self-insurance and trustee held funds	—	—	—	—	—	—	—	19	102,554	—	102,573
Donor restricted funds	3,342	—	—	—	—	—	3,342	—	59	—	3,401
Total cash and investments	916,981	58,672	31,019	323,789	165,920	—	1,496,381	52,018	(862,737)	—	685,662
Net patient receivables	1,135,628	149,943	86,604	20,206	775	—	1,393,156	—	3,887	(470)	1,396,573
Other receivables	54,969	11,817	503	7,577	76,763	—	151,629	33,642	285,242	(52)	273,976
Inventories	258,998	24,972	13,513	654	—	—	298,137	—	29,903	—	328,040
Prepaid expenses and other current assets	41,162	18,452	8,997	1,029	13,806	(11,344)	72,102	35,984	216,600	—	313,342
Total current assets	2,407,738	263,856	140,636	353,255	257,264	(11,344)	3,411,405	121,644	(327,105)	(522)	2,997,593
Assets whose use is limited:											
Board designated funds	3,025,369	1,455,804	—	—	35,943	—	4,517,116	10,000	2,859,573	—	7,386,689
Self-insurance and trustee held funds	57	—	—	—	—	—	57	—	566,325	—	566,382
Donor restricted funds	6,170	72,228	—	—	—	—	78,398	—	—	—	78,398
Total assets whose use is limited	3,031,596	1,528,032	—	—	35,943	—	4,595,571	10,000	3,425,898	—	8,031,469
Property and equipment, net	4,151,033	1,051,856	561,699	61,857	15	—	5,826,460	13,060	323,255	3,863	6,162,985
Investments in unconsolidated organizations	102,654	—	7,166	81,735	—	—	191,555	8,000	51,070	—	250,625
Operating lease right-of-use assets	303,752	51,118	6,980	50,517	—	—	412,367	4,620	15,926	—	432,928
Retirement assets	—	—	—	—	—	—	—	—	24,958	—	24,958
Goodwill	161,130	150,932	661	48,111	11,163	—	371,997	247,727	—	—	619,724
Other long-term assets	149,867	130,835	55,875	7,364	436,990	(436,987)	343,944	63,905	4,101,371	4,799	526,509
Total assets	\$ 10,307,770	3,176,629	773,017	602,839	741,375	(448,331)	15,153,299	488,956	7,615,373	8,140	19,046,791
Liabilities and Net Assets											
Current liabilities:											
Accounts payable	\$ 1,223,214	53,853	77,127	(939,993)	(40,683)	—	373,518	(135)	421,041	(48,968)	7,909
Current portion of long-term debt	85	11,344	—	1,786	11,344	(11,341)	13,218	—	158,663	—	(11,344)
Accrued salaries, wages and benefits	228,354	69,733	26,352	36,232	6,720	—	367,391	35,375	341,405	—	744,171
Current portion of operating lease liabilities	61,229	11,209	444	6,075	—	—	78,957	1,763	5,275	—	86,003
Other accrued expenses	(144,903)	13,787	(6,584)	941	152,729	—	15,970	6,059	227,650	(24)	(151,934)
Total current liabilities	1,367,979	159,926	97,339	(894,959)	130,110	(11,341)	849,054	43,062	1,154,034	(48,992)	(155,361)
Long-term debt, less current portion	1,506,238	436,805	405,166	16,892	2,118,822	(436,990)	4,046,933	—	4,821,608	—	(4,013,684)
Retirement liabilities	42,288	—	6	—	—	—	42,294	—	60,395	—	102,689
Self-insurance liabilities	—	—	—	—	—	—	—	—	315,074	—	315,074
Operating lease liabilities	270,876	44,448	6,536	47,384	—	—	369,244	4,287	12,427	—	386,958
Other long-term liabilities	173,239	106,755	176,853	149,868	—	—	606,715	19,445	170,033	6,471	802,664
Total liabilities	3,360,620	747,934	685,900	(680,815)	2,248,932	(448,331)	5,914,240	66,794	6,533,571	(42,521)	(4,169,045)
Net assets without donor restrictions:											
Controlling interest	6,841,762	2,342,341	87,117	1,263,098	(1,971,962)	—	8,562,356	412,880	818,110	50,661	(49,932)
Noncontrolling interest	84,411	2,072	—	20,556	464,405	—	571,444	9,282	—	—	580,726
Total net assets without donor restrictions	6,926,173	2,344,413	87,117	1,283,654	(1,507,557)	—	9,133,800	422,162	818,110	50,661	(49,932)
Net assets with donor restrictions	20,977	84,282	—	—	—	—	105,259	—	263,692	—	368,951
Total net assets	6,947,150	2,428,695	87,117	1,283,654	(1,507,557)	—	9,239,059	422,162	1,081,802	50,661	(49,932)
Total liabilities and net assets	\$ 10,307,770	3,176,629	773,017	602,839	741,375	(448,331)	15,153,299	488,956	7,615,373	8,140	19,046,791

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Schedule - Operating Information
Year Ended December 31, 2025
(In thousands)

	Core Business						Non-Core				
	Core U.S. Total	Roper St. Francis Healthcare	European Group	Diversified Growth	Core Other	Core Eliminations	Core Total	Digital Business	Shared Services & Other	Consolidating Eliminations	Bon Secours Mercy Health
Revenues:											
Net patient service revenue	\$ 10,521,169	1,580,869	551,885	107,935	1,113	—	12,762,971	—	(194,472)	—	12,568,499
Other revenue, net	358,463	147,766	15,378	225,556	145,810	(36,353)	856,620	550,534	2,523,909	(2,501,368)	1,429,695
Total operating revenues	10,879,632	1,728,635	567,263	333,491	146,923	(36,353)	13,619,591	550,534	2,329,437	(2,501,368)	13,998,194
Expenses:											
Employee compensation	4,697,022	741,974	293,917	172,424	39,316	—	5,944,653	447,698	556,316	(443,091)	6,505,576
Purchased services	823,956	214,655	54,429	30,550	17,339	(19,558)	1,121,371	38,129	1,162,380	(350,955)	1,970,925
Supplies	2,146,195	359,985	170,016	19,794	31	—	2,696,021	476	266,477	9,836	2,972,810
Depreciation and amortization	265,139	55,182	21,437	5,659	6	—	347,423	17,675	67,960	—	433,058
Interest expense	1,363	11,337	13,181	1,531	91,934	(16,253)	103,093	47	186,618	(98,360)	191,398
Taxes	5,415	118	—	—	—	—	5,533	3,637	19,387	—	28,557
Other Operating Expenses	2,730,283	250,672	27,074	27,785	6,050	(542)	3,041,322	14,250	135,139	(1,618,798)	1,571,913
Total operating expenses	10,669,373	1,633,923	580,054	257,743	154,676	(36,353)	13,259,416	521,912	2,394,277	(2,501,368)	13,674,237
Recurring operating income (loss)	210,259	94,712	(12,791)	75,748	(7,753)	—	360,175	28,622	(64,840)	—	323,957
Nonrecurring operating gains (losses), net	25,854	(1,927)	(8,647)	(6,696)	(1,953)	—	6,631	(7,443)	(17,571)	—	(18,383)
Operating income (loss)	236,113	92,785	(21,438)	69,052	(9,706)	—	366,806	21,179	(82,411)	—	305,574
Nonoperating gains (losses), net:											
Investment gains (losses)	332,615	171,346	(31)	19	6,574	—	510,523	—	364,659	—	875,182
Realized and unrealized interest rate swap agreements gains	—	—	—	—	—	—	—	—	2,399	—	2,399
Gain on defeasance of debt	—	—	—	—	—	—	—	—	62,993	—	62,993
Other nonoperating activities, net	(36,247)	(9,173)	(2,751)	(21,450)	(40)	—	(69,661)	(893)	(26,970)	—	(97,524)
Excess (deficit) of revenue over expenses	\$ 532,481	254,958	(24,220)	47,621	(3,172)	—	807,668	20,286	320,670	—	1,148,624

See accompanying notes to consolidated financial statements.

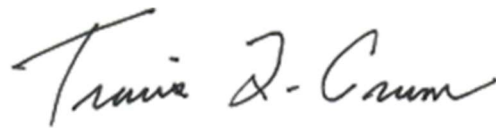
BON SECOURS MERCY HEALTH

ANNUAL OFFICER'S CERTIFICATE

The undersigned hereby certifies that:

- (i) The Debt Service Coverage Ratio, calculated on the basis of the financial statements for the preceding Fiscal Year, was not less than 1.10, as demonstrated in Exhibit A attached hereto, and such calculation is accurate and complete and was made in accordance with GAAP, consistently applied;
- (ii) The Principal Credit Group, as designated in the attached Exhibit B, is responsible for generating at least 60% of the net receivables as reported on the most recent audited financial statements of the Corporation.
- (iii) A review of the activities of the Corporation during the preceding Fiscal Year for the purpose of determining whether the Corporation has complied with all of the material terms, provisions and conditions of the Master Indenture, Related Bond Indentures and Related Loan Documents to which the Corporation is a party, has been made under my supervision;
- (iv) To the best of my knowledge, based on such review, the Corporation has kept, observed, performed and fulfilled in all material respects each and every covenant, condition and other provision of the Master Indenture, Related Bond Indentures and Related Loan Documents to which the Corporation is a party; and
- (v) No Event of Default or Default under the Master Indenture, Related Bond Indentures and Related Loan Documents to which the Corporation is a party has occurred and is continuing.

Dated: March 18, 2026



Travis L. Crum, CPA
Chief Financial Officer

Exhibit A**BON SECOURS MERCY HEALTH****Debt Service Coverage Ratio
For the Period Ended December 31, 2025
(\$ in thousands)**

	<u>Total</u>
Income Available for Debt Service	
Excess of Revenue Over Expenses	\$ 1,148,624
Plus:	
Interest Expense	191,398
Total Deprec and Amortization	433,058
Impairments	3,074
Exclude:	
Loss on early extinguishment of debt	(62,993)
(Gain)/Loss on disposition of assets not made in the ordinary course of business	(15,151)
Unrealized (gains) and losses on marketable securities	(312,531)
Unrealized swap (gain) / loss	(3,097)
Available for Debt Service	<u>\$ 1,382,383</u>
Maximum Annual Debt Service (MADS)	\$ 337,790
Debt Service Coverage Ratio	<u><u>4.09</u> x</u>

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

EXHIBIT B
PRINCIPAL CREDIT GROUP

Mercy Health – St. Vincent Medical Center LLC
Mercy Health – Tiffin Hospital LLC
Mercy Health – Willard Hospital LLC
Mercy Health – Defiance Hospital LLC
Mercy Health – Regional Medical Center LLC
Mercy Health – Allen Hospital LLC
Mercy Health Youngstown LLC
Mercy Health – St. Rita’s Medical Center, LLC
Community Mercy Health Partners
Mercy Health – Fairfield Hospital LLC
Mercy Health – Anderson Hospital LLC
Mercy Health – Clermont Hospital LLC
Mercy Health – West Hospital LLC
Mercy Health – Kings Mills Hospital LLC
Jewish Hospital, LLC
Mercy Health – Lourdes Hospital LLC
Mercy Health – Marcum & Wallace Hospital LLC
Maryview Hospital LLC
Mary Immaculate Hospital LLC
Bon Secours Mercy Health Franklin LLC
Harbour View Medical Center LLC
Bon Secours – St. Mary’s Hospital of Richmond LLC
Bon Secours – Richmond Community Hospital LLC
Bon Secours – St. Francis Medical Center LLC
Bon Secours – Memorial Regional Medical Center LLC
Chesapeake Hospital LLC
Bon Secours Mercy Health Petersburg LLC
Bon Secours Mercy Health Emporia LLC
St. Francis Hospital, Inc.

BON SECOURS MERCY HEALTH

Providers of Liquidity and Credit Support As of December 31, 2025

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

Letter of Credit and Reimbursement Agreement securing the
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds
Series 2025C (Bon Secours Mercy Health, Inc.)

Contact: PNC Bank, N.A.
300 Fifth Avenue
Pittsburgh, Pennsylvania 15219
Attention: Emily Garrison, Senior Vice President
Phone: (412) 762-6546

Letter of Credit and Reimbursement Agreement securing the
County of Allen, Ohio Adjustable Rate Hospital Facilities Revenue Bonds
Series 2025D (Bon Secours Mercy Health, Inc.)

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

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 Harbour View Medical Center

In May 2025, BSMH opened Bon Secours Harbour View Medical Center. The facility is a \$85 million, 100,000 sq. ft., 18 bed facility adjoining the longstanding Bon Secours Health Center at Harbour View, creating a comprehensive, full-service medical campus in Suffolk. In addition to inpatient and surgical services, the facility offers a wide range of specialty and diagnostic services, including women's imaging and breast cancer screenings, orthopedic care and physical therapy, cancer radiation therapy, bariatrics, general surgery, colorectal and breast surgery, urology and state-of-the-art robotic surgery for enhanced precision.

Ensemble Distribution

In May 2025, Bon Secours Mercy Health received a one-time cash dividend of \$318.8 million from Ensemble RCM, LLC d/b/a Ensemble Health Partners ("Ensemble") due to a dividend recapitalization financing of Ensemble.