

BON SECOURS MERCY HEALTH

Financial Disclosure

For the Third Quarter
Ended September 30, 2025

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Interim Financial Statement Disclaimer

This interim financial reporting for Bon Secours Mercy Health, Inc., a Maryland nonprofit corporation and its affiliates, includes unaudited consolidated financial statements, management's discussion and analysis, utilization statistics and financial ratio analyses. These financial statements have been prepared pursuant to the generally accepted accounting principles in the United States (GAAP).

Management recommends that you read the management discussion and analyses together with the unaudited consolidated financial statements and related notes. Certain statements included in the management discussion and analysis may be considered forward-looking. Actual results may differ significantly from the results discussed in any forward-looking statement as a result of known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Management does not assume any obligation to provide any updates or revisions to such forward-looking statements if or when the expectation, or event, conditions or circumstances on which such statements are based.

BON SECOURS MERCY HEALTH

Management's Discussion and Analysis of Recent Financial Performance

Three and Nine Months Ended September 30, 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 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, a global health and technology consulting company that provides healthcare-focused information technology advisory and staffing consulting services to a global customer base. BSMH has 98% ownership in Nordic Consulting Group Inc., a fully consolidated subsidiary.

GOVERNANCE AND MANAGEMENT

Executive Leadership Council

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

Individual

John M. Starcher, Jr.
 Michael A. Bezney, JD
 David Cannady
 Rev. Joseph P. Cardone, PhD
 Travis L. Crum, CPA
 Joe L. Gage, JD
 Wael Haidar, MD, MBA
 Chris Hilton
 Donald Kline
 Sandra Mackey
 Jason Siegert
 Jason Szczuka

Title

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

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 **\$500 MILLION** IN
Annual Community Benefits across 5 STATES

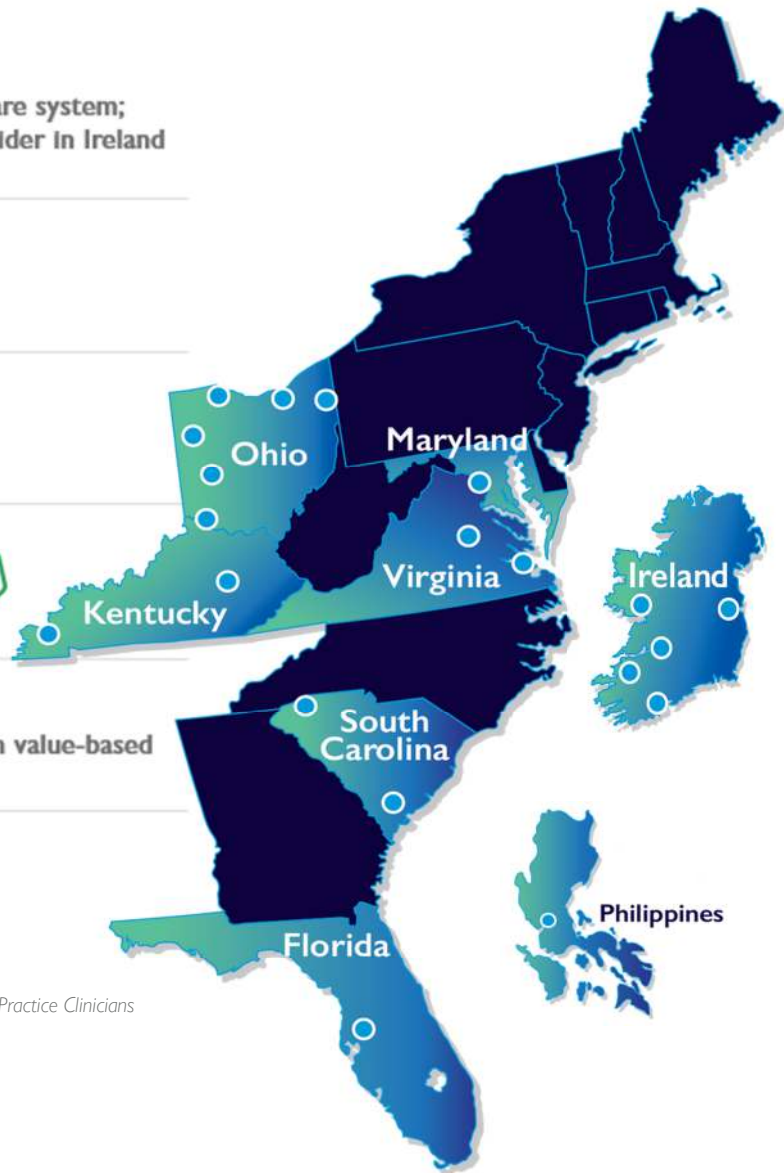


47 HOSPITALS
~730,000 LIVES COVERED through value-based programs

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”)

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

Our Areas of Focus

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



Environmental

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



Social

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

Governance

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") provides additional explanations of the financial condition, operational results, and cash flows of BSMH to assist in an increased understanding of the consolidated financial statements. The financial information as of and for the three and nine months ended September 30, 2025 and 2024, presented below, has been derived from BSMH's internal 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 three and nine months ended September 30, 2025 and 2024, is consistent with the presentation of BSMH's unaudited financial statements.

FINANCIAL HIGHLIGHTS AND SUMMARY

Financial performance for the nine months ended September 30, 2025, improved compared to the same period of the prior year. Higher patient volumes and continued financial discipline, particularly efforts focused on run rate improvement, contributed to increases in both operating EBITDA and EBITDA margin for the three and nine months ended September 30, 2025, compared to the prior year periods. Overall volumes, measured by equivalent inpatient admissions (EIPAs), rose 1.7% year-over-year. Revenue growth outpaced the rise in operating expenses. As a result, overall financial performance strengthened.

Management continues to execute actions to ensure the health system can deliver services to the communities it serves over the long-term. Some key actions include focus on labor utilization and rates of pay. Reductions to supplies and pharmaceutical expenses were also achieved through various initiatives such as negotiating price reductions and improved vendor rebates, leveraging bulk purchasing where appropriate, and pursuing improved utilization efficiency. Management's actions are expected to produce run-rate improvements of more than \$368.0 million in 2025.

Equity investment markets performed favorably during the first nine months of 2025, with BSMH's investment portfolio driving net investment gains (realized and unrealized) of \$723.1 million. The combination of solid operating performance and these investment gains contributed to positive excess of revenue over expenses of \$913.2 million for the nine months ended September 30, 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 \$62.1 million.

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

KEY FINANCIAL RATIOS

Three Months Ended September 30,				(\$s in thousands)	Nine Months Ended September 30,			
2025		2024			2025		2024	
Amount	Margin	Amount	Margin		Amount	Margin	Amount	Margin
\$3,484,427		\$3,266,261		Total operating revenue	\$10,351,962		\$9,813,936	
\$168,142	4.8%	\$147,831	4.5%	Operating EBITDA	\$685,172	6.6%	\$576,578	5.9%
(\$968)	0.0%	(\$38,899)	(1.2%)	Recurring operating (loss) income	\$193,754	1.9%	\$24,478	0.2%
\$281,342	8.1%	\$267,521	8.2%	Excess of revenue over expenses	\$913,207	8.2%	\$522,725	5.1%

Total operating revenue increased by \$218.2 million or 6.7% for the three months ended September 30, 2025, compared to the same period in the prior year. For the nine months ended September 30, 2025, total operating revenue rose by \$538.0 million or 5.5%, year over year. This growth was primarily attributable to higher net patient revenue, reflecting increased patient volumes and increased reimbursement from supplemental state Medicaid programs. Revenue from these supplemental programs totaled \$705.9 million for the nine months ended September 30, 2025, compared to \$593.1 million recognized in the prior year. FEMA Public Assistance program funding of \$33.0 million was recognized in other operating revenue for the nine months ended September 30, 2025, compared to \$39.9 million recognized in the prior year. Other operating revenue also includes a \$66.2 million increase in retail pharmacy revenue, driven by higher prescription volumes during 2025.

Operating EBITDA was \$168.1 million (margin 4.8%) and \$685.2 million (margin 6.6%) for the three and nine months ended September 30, 2025, respectively, an improvement compared to the prior year periods. The improvement was attributed to increased patient volumes and the positive impacts of run-rate improvement efforts. In line with these results, the recurring operating (loss) income margin improved to 1.9% for the first nine months of 2025, up from 0.2% in the prior year. Excess of revenue over expenses was \$281.3 million (margin 8.1%) and \$913.2 million (margin 8.2%) for the three and nine months ended September 30, 2025, respectively. These results represent favorable year over year comparisons, reflecting stronger operating performance and increased gains on investments during 2025.

Three Months Ended September 30,				(\$s in thousands)	Nine Months Ended September 30,			
2025		2024			2025		2024	
Amount	% of Exp	Amount	% of Exp		Amount	% of Exp	Amount	% of Exp
\$147,710	4.2%	\$140,383	4.2%	Community Benefit	\$360,038	3.5%	\$413,789	4.2%

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 nine months ended September 30, 2025, community benefit totaled \$360.0 million or 3.5% 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 \$1.1 billion or 10.5% of total expenses for the nine months ended September 30, 2025, compared to \$1.0 billion or 10.3% of total operating expenses in the same period of the prior year.

LIQUIDITY AND KEY PERFORMANCE INDICATORS

	September 30, 2025	December 31, 2024
Days cash on hand	222	218
Unrestricted cash to debt	157.4%	159.1%
Total debt to capitalization	34.5%	35.2%
Pension funding	92.5%	91.2%

The Company's balance sheet remains strong with solid liquidity and stable leverage. Days cash on hand increased from 218 days as of the end of 2024 to 222 days as of September 30, 2025. The increase was primarily driven by positive cash flows from operating results and investment returns, the Ensemble dividend (9 days), and \$277.6 million in net debt proceeds (10 days), partially offset by cash outflows for capital expenditures and growth in cash expenses (8 days). For the nine months ended September 30, 2025, capital expenditures were \$806.0 million (23 days) and included \$245.4 million related to the construction of new hospitals and hospital expansions. The Company's debt to capitalization ratio was 34.5% as of September 30, 2025, a decrease from 35.2% as of December 31, 2024.

Pension funding was 92.5% as of September 30, 2025, up 1.3% over the prior year. The increase in funded status was driven by asset performance outpacing the growth in liabilities.

VOLUME TRENDS

Three Months Ended September 30,				Nine Months Ended September 30,		
2025	2024	Change %		2025	2024	Change %
94,611	92,662	2.1%	Admissions	284,523	280,231	1.5%
17,927	17,154	4.5%	Observations	53,188	48,191	10.4%
6,630	7,007	(5.4%)	Deliveries	19,366	19,718	(1.8%)
18,999	18,672	1.8%	Inpatient Surgeries	55,566	55,844	(0.5%)
55,071	53,500	2.9%	Outpatient Surgeries	165,294	164,230	0.6%
420,998	415,708	1.3%	ER Visits	1,242,560	1,228,320	1.2%
2,007,194	1,913,732	4.9%	Physician Visits	5,957,274	5,823,596	2.3%

Volumes for the nine months ended September 30, 2025, were mixed when compared to the prior year, with increases in many volume indicators and decreases in deliveries and inpatient surgeries. Overall volumes improved, as measured by EIPAs, supported by outpatient activity. Observations for the nine months ended September 30, 2025, increased significantly compared to the prior year by 10.4%. Admissions and emergency room visits for the nine months ended September 30, 2025, also improved from the prior year with increases of 1.5% and 1.2%, respectively. Physician visits and outpatient surgeries were 2.3% and 0.6% higher, respectively, than the prior year. Deliveries and Inpatient surgeries for the nine months ended September 30, 2025, declined 1.8% and 0.5%, respectively, from the prior year.

RESULTS OF OPERATIONS

Three Months Ended September 30,		(\$s in thousands)	Nine Months Ended September 30,	
2025	2024		2025	2024
\$ 3,116,549	\$ 2,931,060	Net Patient Service Revenue	\$ 9,224,855	\$ 8,814,771
367,878	335,201	Other Revenue, net ⁽¹⁾	1,127,107	999,165
3,484,427	3,266,261	Total Operating Revenue	10,351,962	9,813,936
1,656,188	1,580,934	Employee Compensation	4,862,793	4,743,554
762,848	689,894	Supplies	2,183,143	2,041,977
505,063	467,040	Purchased Services	1,469,852	1,368,560
392,186	380,563	Other Operating Expenses	1,151,001	1,083,268
105,171	131,821	Depreciation and Amortization	317,808	390,187
47,844	48,032	Interest Expense	141,012	146,564
16,095	6,876	Taxes	32,599	15,348
(968)	(38,899)	Recurring Operating (Loss) Income	193,754	24,478
23,178	(7,567)	Nonrecurring Operating Income (Losses), Net	652	(26,819)
279,231	338,739	Investment Gains	723,064	527,897
232	(984)	Realized and Unrealized Interest Rate Swap		
(890)	-	Agreements Gains (Losses)	1,683	(265)
(19,441)	(23,768)	(Loss) Gain on Defeasance of Debt	62,087	-
\$ 281,342	\$ 267,521	Other Nonoperating Activity, Net	(68,033)	(2,566)
		Excess of Revenue Over Expenses	\$ 913,207	\$ 522,725

¹ Other Revenue includes funding of \$33.0 million and \$39.9 million for the FEMA Public Assistance program recognized for the nine months ended September 30, 2025 and 2024, respectively.

TOTAL OPERATING REVENUE

Total operating revenue increased by \$218.2 million or 6.7% for the three months ended September 30, 2025, compared to the same period in the prior year. Total operating revenue increased by \$538.0 million or 5.5% for the nine months ended September 30, 2025, compared to the prior year. Net patient service revenue grew by \$185.5 million or 6.3% for the three months ended September 30, 2025, compared to the prior year and increased by \$410.1 million or 4.7% for the nine months ended September 30, 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 \$705.9 million for the nine months ended September 30, 2025 compared to \$593.1 million in the same period of the prior year. Other revenue, net, increased \$32.7 million or 9.8% for the three months ended September 30, 2025, compared to the prior year. Other revenue, net, increased \$127.9 million or 12.8% for the nine months ended September 30, 2025, compared to the prior year. The increase was largely attributable to a \$66.2 million increase in retail pharmacy revenue, driven by higher prescription volumes during 2025.

OPERATING EXPENSES

Total operating expenses were \$10.2 billion for the nine months ended September 30, 2025, an increase of \$368.8 million or 3.8% compared to the prior year. This was primarily driven by higher patient volumes, partially offset by the favorable impact of management's run-rate improvement initiatives. The 3.8% increase in operating expenses is below the comparable growth in total operating revenue of 5.5%.

Employee compensation increased by \$119.2 million or 2.5% for the nine months ended September 30, 2025, compared to the prior year. BSMH continued to pursue spend reductions related to agency labor during the first nine months of 2025. As a result of these efforts, agency costs declined from \$128.6 million for the nine months ended September 30, 2024, to \$108.4 million for the same period of the current year. This reduction in contract labor has helped drive an improvement in total employee compensation as a percentage of net patient service revenue from 53.8% for the nine months ended September 30, 2024, down to 52.7% for the same period of the current year.

Supplies expense excluding pharmaceuticals increased by \$60.3 million for the nine months ended September 30, 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. For the nine months ended September 30, 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 12.3% for the same period of the prior year.

NONOPERATING GAINS AND LOSSES, NET

Investment results were positive in the first nine months of 2025, driven by favorable equity market returns. Net investment gains (realized and unrealized) were \$723.1 million for the nine months ended September 30, 2025, compared to \$527.9 million for the nine months ended September 30, 2024. The combined operating portfolios (\$8.0 billion) returned 8.6% for the nine months ended September 30, 2025. The income (loss) on interest rate swap agreements was \$1.7 million for the nine months ended September 30, 2025, compared to (\$0.3) million for nine months ended September 30, 2024.

Other nonoperating activity, net, was a loss of \$68.0 million for the nine months ended September 30, 2025, compared to a loss of \$2.6 million in the prior year. The unfavorable variance of \$65.5 million was primarily driven by the absence of significant one-time gains recognized in the prior year. For the nine months ended September 30, 2024, the Company recognized a non-operating gain of \$87.0 million on the divestiture of its home care and hospice assets, partially offset by a pension settlement loss of \$41.8 million related to pension de-risking activity.

SUBSEQUENT EVENTS

The Company has evaluated and disclosed any subsequent events through November 26, 2025, which is the date the consolidated financial statements were issued and made publicly available.

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 (Unaudited)

Nine Months ended September 30, 2025 and 2024

BON SECOURS MERCY HEALTH
Consolidated Balance Sheets
September 30, 2025 (Unaudited) and December 31, 2024
(In thousands)

Assets	September 30, 2025	December 31, 2024
Current assets:		
Cash and cash equivalents	\$ 536,120	630,701
Investments	7,127	6,673
Self-insurance and trustee held funds	74,254	62,197
Donor restricted funds	3,616	3,262
Total cash and investments	621,117	702,833
Net patient receivables	1,398,255	1,227,496
Other receivables	432,940	332,783
Inventories	308,025	306,262
Prepaid expenses and other current assets	311,923	307,925
Total current assets	3,072,260	2,877,299
Assets whose use is limited:		
Board designated funds	7,382,519	6,852,355
Self-insurance and trustee held funds	556,366	451,008
Donor restricted funds	74,841	69,206
Total assets whose use is limited	8,013,726	7,372,569
Property and equipment, net	5,999,766	5,405,115
Investments in unconsolidated organizations	257,708	386,827
Operating lease right-of-use assets	405,312	341,360
Retirement assets	15,742	14,740
Goodwill	609,585	586,482
Other long-term assets	484,994	448,962
Total assets	\$ 18,859,093	17,433,354
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 747,744	747,714
Current portion of long-term debt	161,096	833,191
Accrued salaries, wages and benefits	629,759	763,088
Current portion of operating lease liabilities	88,430	77,718
Other accrued expenses	230,327	283,566
Total current liabilities	1,857,356	2,705,277
Long-term debt, less current portion	4,873,804	3,873,368
Retirement liabilities	126,147	130,406
Self-insurance liabilities	375,912	355,784
Operating lease liabilities	354,165	299,542
Other long-term liabilities	788,254	550,796
Total liabilities	8,375,638	7,915,173
Net assets without donor restrictions:		
Controlling interest	9,545,391	8,666,537
Noncontrolling interest	572,423	512,643
Total net assets without donor restrictions	10,117,814	9,179,180
Net assets with donor restrictions	365,641	339,001
Total net assets	10,483,455	9,518,181
Total liabilities and net assets	\$ 18,859,093	17,433,354

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Statements of Operations
(In thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Revenues:				
Net patient service revenue	\$ 3,116,549	2,931,060	\$ 9,224,855	8,814,771
Other revenue, net	367,878	335,201	1,127,107	999,165
Total operating revenues	3,484,427	3,266,261	10,351,962	9,813,936
Expenses:				
Employee compensation	1,656,188	1,580,934	4,862,793	4,743,554
Supplies	762,848	689,894	2,183,143	2,041,977
Purchased services	505,063	467,040	1,469,852	1,368,560
Other operating expenses	392,186	380,563	1,151,001	1,083,268
Depreciation and amortization	105,171	131,821	317,808	390,187
Interest expense	47,844	48,032	141,012	146,564
Taxes	16,095	6,876	32,599	15,348
Total operating expenses	3,485,395	3,305,160	10,158,208	9,789,458
Recurring operating (loss) income	(968)	(38,899)	193,754	24,478
Nonrecurring operating gains (losses), net	23,178	(7,567)	652	(26,819)
Operating income (loss)	22,210	(46,466)	194,406	(2,341)
Nonoperating gains (losses), net:				
Investment gains	279,231	338,739	723,064	527,897
Realized and unrealized interest rate swap agreements gains (losses)	232	(984)	1,683	(265)
(Loss) gain on defeasance of debt	(890)	-	62,087	-
Other nonoperating activities, net	(19,441)	(23,768)	(68,033)	(2,566)
Excess of revenue over expenses	\$ 281,342	267,521	\$ 913,207	522,725

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Statements of Changes in Net Assets
(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	867,357	45,850	913,207	—	913,207
Grants and contributions	5,579	16,341	21,920	71,286	93,206
Investment gains	—	—	—	17,727	17,727
Net assets released from restrictions	38,107	—	38,107	(61,164)	(23,057)
Transfer of interest between owners	(27,463)	18,264	(9,199)	—	(9,199)
Distributions to noncontrolling interest owner	—	(17,094)	(17,094)	—	(17,094)
Other changes, net	(4,726)	(3,581)	(8,307)	(1,209)	(9,516)
Increase in net assets	<u>878,854</u>	<u>59,780</u>	<u>938,634</u>	<u>26,640</u>	<u>965,274</u>
Balance at September 30, 2025	\$ <u>9,545,391</u>	<u>572,423</u>	<u>10,117,814</u>	<u>365,641</u>	<u>10,483,455</u>

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH
Consolidated Statements of Cash Flows
(In thousands)

Nine months ended September 30,

	2025	2024
Cash flows from operating activities:		
Increase in net assets	\$ 965,274	658,578
Depreciation and amortization	317,808	390,187
Amortization of premium on issued debt securities	(10,591)	(9,976)
Gain on defeasance of debt	(62,087)	—
Gain on sale of home health and hospice business	—	(88,548)
Other changes in net assets, net	(81,977)	(14,049)
Pension and other post employment adjustments	—	(83,895)
Contributions restricted by donor	(71,286)	(81,286)
Net gains on investments	(621,018)	(435,236)
Cash (used in) provided by changes in operating assets and liabilities:		
Current assets	(278,770)	(108,201)
Long-term assets	(23,181)	76,914
Current liabilities	(196,405)	(66,255)
Long-term liabilities	63,638	77,259
Net cash provided by operating activities	1,405	315,492
Cash flows from investing activities:		
Property and equipment additions, net of disposals	(806,005)	(576,675)
Purchase of alternative investments and other securities	(199,773)	(300,949)
Sales of alternative investments and other securities	189,699	346,253
Investments and assets whose use is limited, net	(40,657)	(66,214)
Distribution from equity method investment	318,772	331,332
Purchase of investments in unconsolidated organizations	(5,000)	(28,877)
Net cash used in investing activities	(542,964)	(295,130)
Cash flows from financing activities:		
Restricted contributions	71,286	81,286
Purchase of interest from noncontrolling interest owners	(9,199)	—
Contribution from noncontrolling interest	16,341	6,062
Distributions to noncontrolling interest	(17,094)	(13,839)
Proceeds from debt issuance	1,942,460	3,461
Repayment of long-term debt	(1,571,422)	(112,313)
Repayment of finance lease	(8,724)	(11,732)
Proceeds from failed sale leaseback	31,825	—
Cost of long-term debt issuance	(9,799)	—
Net cash provided by (used in) financing activities	445,674	(47,075)
Effect of exchange rates on cash and cash equivalents	1,304	(1)
Net decrease in cash and cash equivalents	(94,581)	(26,714)
Cash and cash equivalents, beginning of the year	630,701	498,569
Cash and cash equivalents, end of the period	\$ 536,120	471,855

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 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 six months or less at the date of purchase to be cash equivalents. Cash and cash equivalents held by outside investment managers are considered investments and classified as board designated funds. Cash, cash equivalents, and investments that are restricted per contractual or regulatory requirements are classified as donor-restricted or self-insurance and trustee held funds.

(b) Assets Whose Use is Limited

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

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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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

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

Unrealized gains or losses on trading securities are included in investment gains on the consolidated statements of operations. As of September 30, 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 Standard 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 nine months ended September 30, 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.

Nonfinancial assets and liabilities	Input	Valuation methodology
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 nine months ended September 30, 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 account receivables as of September 30, 2025 and December 31, 2024, respectively, while the Medicaid program represented 8% as of September 30, 2025 and December 31, 2024. Excluding the Medicare program, no one other payor represents more than 10% of the Company's net patient receivables as of September 30, 2025 and December 31, 2024.

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

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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

The Company's net patient service revenues during the three and nine months ended September 30, 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:

	Three months ended September 30,			
	2025		2024	
	2025	2024	2025	2024
Commercial and other third party	\$ 1,392,555	44.7 %	1,297,873	44.3 %
Medicare	1,156,673	37.1	1,080,029	36.8
Medicaid	482,170	15.5	479,396	16.4
Other governmental	70,584	2.2	62,345	2.1
Self-pay	14,567	0.5	11,417	0.4
Total	\$ 3,116,549	100.0 %	2,931,060	100.0 %

	Nine months ended September 30,			
	2025		2024	
	2025	2024	2025	2024
Commercial and other third party	\$ 4,020,798	43.5 %	3,859,691	43.7 %
Medicare	3,421,365	37.1	3,295,308	37.4
Medicaid	1,491,146	16.2	1,427,427	16.2
Other governmental	209,817	2.3	190,257	2.2
Self-pay	81,729	0.9	42,088	0.5
Total	\$ 9,224,855	100.0 %	8,814,771	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 10 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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Interest cost is capitalized as part of the cost of constructing capital assets, net of any interest income earned on unexpended bond proceeds borrowed for a specific project, during the construction period. Costs incurred in the development and installation of internal use software are expensed if they are incurred in the preliminary project stage or post implementation stage, while certain costs are capitalized if incurred during the application development stage. Internal use software is amortized over its expected useful life, generally between 3 and 12 years, with amortization beginning when the project is completed, and the software is placed in service.

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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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.

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

(i) Investments in Unconsolidated Organizations

The Company maintains noncontrolling interests in various joint ventures and other companies that do not require consolidation. The majority of these investments are accounted for using the equity method of accounting, as the Company has significant influence, but does not have control, over the operating and financial policies of the investee. For investments whose value is not easily measurable, the Company elected to use the measurement alternative to measure certain investments at cost, less any impairment in accordance with ASC Topic 321, *Investments - Equity Securities*. The Company classifies distributions from an investee on the cashflow statement by evaluating the facts, circumstances and nature of each distribution. Investments in unconsolidated organizations are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

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).

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(k) Goodwill

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

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

	September 30, 2025	December 31, 2024
Goodwill at the beginning of the period	\$ 586,482	595,845
Goodwill related to acquisitions	25,343	2,156
Goodwill related to disposals	(1,889)	(3,766)
Impairment	—	(7,778)
Other	(351)	25
	\$ 609,585	586,482
Goodwill at the end of the period		

(l) Other Long-Term Assets

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

	September 30, 2025	December 31, 2024
Right-of-use assets – finance	\$ 193,984	207,589
Other intangibles, net	99,568	111,471
Other	125,634	90,882
Notes and other long term receivables	65,808	39,020
Total other long-term assets	\$ 484,994	448,962

(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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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

(ii) Professional Liability and General Insurance

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

(iii) Workers Compensation Insurance

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

(iv) Employee Health Insurance

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

(n) Net Assets Including Noncontrolling Interest

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

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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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

(o) Other Long-Term Liabilities

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

	September 30, 2025	December 31, 2024
Lease liabilities – finance	\$ 318,115	311,542
Ensemble Liability (note 14)	175,476	—
Supplemental executive retirement plan liability	151,409	135,187
Other	81,853	74,286
Failed sale-leaseback finance liability	33,783	—
Deferred income tax liability	21,732	21,723
Derivative instrument (note 8)	5,886	8,058
Total other long-term liabilities	\$ 788,254	550,796

(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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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 (Loss) Income

Recurring operating (loss) 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 includes the caption excess of revenues over expenses, which represents the performance indicator for the Company. Consistent with industry practice, changes in net assets which are excluded from the excess of revenues over expenses may include the impact of acquisitions, discontinued operations, change in net unrealized gains on restricted

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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 nine months ended September 30, 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 nine months ended September 30, 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 \$149,859 and \$172,682 as of September 30, 2025 and December 31, 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 \$84,671 and \$106,212 as of September 30, 2025 and December 31, 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 September 30, 2025, the Company has placed a partial valuation allowance of \$95,043 and \$23,191 on the gross deferred Federal and state tax assets, respectively. As of December 31, 2024, the Company has placed a partial valuation allowance of \$96,701 and \$23,566 on the gross deferred Federal and state tax assets, respectively. 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 a decrease in the valuation allowance for gross deferred Federal and state tax assets of \$1,658 and \$375 respectively, as of September 30, 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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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(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 \$1,696 and \$ 1,916 for the three months ended September 30, 2025 and 2024, respectively, and an increase of \$9,251 and \$33,901 for nine months ended September 30, 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 Systems and fee for service payment rates and are based on historical costs.

(v) Use of Estimates

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

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.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(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:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Charitable services and other community benefits:				
Traditional charity care	\$ 38,018	32,060	103,704	108,597
Unpaid costs of public programs	65,564	65,398	130,473	188,442
Other community benefit programs	44,128	42,925	125,861	116,750
Total quantifiable community benefits	<u>\$ 147,710</u>	<u>140,383</u>	<u>360,038</u>	<u>413,789</u>
Percent of total recurring expenses	4.2 %	4.2 %	3.5 %	4.2 %

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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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(4) Investments and Assets Whose Use is Limited

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

	September 30, 2025	December 31, 2024
Board designated funds:		
Cash and cash equivalents	\$ 187,168	99,240
Equity mutual funds	591,242	474,706
Equity commingled funds	566,273	553,346
Common and preferred stocks	787,653	648,927
Fixed income commingled funds	542,445	421,325
Government and agency securities	975,561	1,199,629
Corporate obligations	862,565	865,707
Alternative investments	2,869,612	2,589,475
	7,382,519	6,852,355
Self-insurance and trustee held funds:		
Cash and cash equivalents	102,530	87,176
Equity mutual funds	353,584	280,705
Government and agency securities	109,620	94,437
Corporate obligations	64,886	50,887
	630,620	513,205
Donor restricted funds:		
Cash and cash equivalents	10,411	9,887
Equity mutual funds	7,091	5,672
Equity commingled funds	4,689	4,625
Common and preferred stocks	7,534	6,126
Fixed income commingled funds	6,264	5,044
Government and agency bonds	8,945	10,576
Corporate obligations	6,342	5,885
Alternative investments	27,181	24,653
	78,457	72,468

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

	September 30, 2025	December 31, 2024
Investments:		
Cash and cash equivalents	\$ 3,883	3,461
Corporate obligations	3,244	3,212
	7,127	6,673
Investments and assets whose use is limited	8,098,723	7,444,701
Available for current liabilities	(84,997)	(72,132)
Long-term assets limited or restricted as to use	\$ 8,013,726	7,372,569

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:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Dividends and interest	\$ 44,468	42,708	119,774	105,682
Net realized gains on securities	61,355	25,868	129,018	91,359
Net change in unrealized gains on securities	173,408	270,163	474,272	330,856
	\$ 279,231	338,739	723,064	527,897

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 September 30, 2025 and December 31, 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.

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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(5) Fair Value of Financial Instruments

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

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

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

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

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

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(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 September 30, 2025 using		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 536,120	536,120	—	—
Investments:				
Cash and cash equivalents	3,883	3,883	—	—
Corporate obligations	3,244	—	3,244	—
	7,127	3,883	3,244	—
Assets limited or restricted as to use:				
Cash and cash equivalents	300,190	300,190	—	—
Equity mutual funds	951,917	576,043	375,874	—
Equity commingled funds	570,962	477,362	—	93,600
Common and preferred stocks	775,998	775,998	—	—
Fixed income commingled funds	548,709	492,519	56,190	—
Government and agency securities	1,094,126	326,355	767,771	—
Corporate obligations	933,793	—	933,793	—
Cash and assets limited or restricted as to use	5,718,942	3,488,470	2,136,872	93,600
Assets whose use is limited under securities lending arrangements	19,189	19,189	—	—
Total cash and assets limited or restricted as to use	\$ 5,738,131	3,507,659	2,136,872	93,600
Liabilities:				
Interest rate swaps	\$ 5,886	—	—	5,886
Total liabilities	\$ 5,886	—	—	5,886

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For the nine months ended September 30, 2025 and 2024

(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 September 30, 2025 and December 31, 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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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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

	September 30, 2025	December 31, 2024
Beginning balance	\$ 83,404	79,822
Purchases	10,029	8,445
Sales	—	(705)
Realized and unrealized gains (losses)	167	(4,158)
Ending balance	\$ 93,600	83,404

Investments for which fair value is measured using the Net Asset Value (NAV) as a practical expedient are excluded from the fair value hierarchy in accordance with ASU No. 2015-07, *Fair Value Measurement (Topic 820)*. For the nine months ended September 30, 2025 and year ended December 31, 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 September 30, 2025 and December 31, 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 September 30, 2025:

	Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Alternative investments:				
Private Investments	\$ 1,783,131	664,889	N/A	N/A
Hedge funds	1,113,662	—	Monthly, Quarterly, Annually	2 to 180 days ⁽¹⁾
	\$ 2,896,793	664,889		

Investments that are not redeemable as of September 30, 2025 are \$167,363⁽¹⁾.

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Notes to Consolidated Financial Statements

For the nine months ended September 30, 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** – Includes Private Equity, Real Estate and Private Debt. This category includes investments in funds with multiple opportunistic strategies that are primarily private in nature. These investments cannot be redeemed by the Company; rather, the Company has committed to an amount to invest in the private funds over the respective periods. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that underlying assets will be liquidated over the next 1 to 15 years.
- (b) **Hedge funds** – This category included investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. Distributions will be received as the underlying investments are liquidated.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(6) Property and Equipment, Net

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

	September 30, 2025	December 31, 2024
Land	\$ 539,945	537,554
Land improvements	148,861	144,218
Buildings and fixed equipment	5,379,822	5,288,829
Movable equipment	4,092,946	3,929,630
Software	652,577	625,357
Leasehold improvements	261,063	242,371
	<u>11,075,214</u>	<u>10,767,959</u>
Less accumulated depreciation	<u>(6,469,759)</u>	<u>(6,205,670)</u>
	4,605,455	4,562,289
Construction in progress	<u>1,394,311</u>	<u>842,826</u>
	<u>\$ 5,999,766</u>	<u>5,405,115</u>

As of September 30, 2025, the Company is contractually obligated for construction projects totaling \$392,488 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. Depreciation expense for the Company was \$98,603 and \$120,608 for the three months ended September 30, 2025 and 2024, respectively, and \$294,139 and \$357,016 for the nine months ended September 30, 2025 and 2024, respectively.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(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	September 30, 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	645,120	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	1.76-5.21	2036	100,000	100,000
Bon Secours Series 2017 DP bonds	4.61-5.50	2042	—	69,925
MH Series 2018AB commercial paper notes	4.25-5.5		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	0.90-4.20	2050	150,000	—
BSMH Series 2025E DP bonds	2.20-3.86	2044	61,160	—
BSMH Series 2025F DP bonds	2.20-3.47	2046	88,840	—
2018 TD Bank variable rate taxable term loan	5.02-6.07	2029	150,000	150,000
2022 Euro private placement	4.24	2052	187,600	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	117,250	—
2025 Euro private placement	4.29	2040	175,875	—
Revolving Credit Agreement debt outstanding	5.07-6.11	2025	—	1,499
Total master trust indenture obligations			4,902,892	4,516,409
Ireland variable rate taxable term loan	3.75-5.43	2025	—	91,321
Other debt			52,664	47,827
			4,955,556	4,655,557

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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

<u>Long-term debt</u>	<u>Coupon rates</u>	<u>Maturity through</u>	<u>September 30, 2025</u>	<u>December 31, 2024</u>
Original issue net premium			105,637	71,563
Cost of issuance			<u>(26,293)</u>	<u>(20,561)</u>
			5,034,900	4,706,559
Less current portion of long-term debt			<u>(161,096)</u>	<u>(833,191)</u>
Long-term debt, less current portion			<u>\$ 4,873,804</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 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 (€61,700) 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 June 10, 2025, the Company defeased \$200,000 of taxable term loan agreements with financial institutions and \$150,000 Series 2015C taxable bonds. The Company recorded a loss from early extinguishment of debt of \$152.

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

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 loss from early extinguishment of debt of \$890.

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 September 30, 2025 and December 31, 2024. The Company was in compliance with all restrictive covenants as of September 30, 2025 and December 31, 2024.

The following is a schedule of future minimum payments based on scheduled maturities as of September 30, 2025:

Period	Master trust indenture obligations	European group and other debt
2025	\$ 10,465	11,222
2026	48,630	3,497
2027	194,910	16,471
2028	352,029	1,909
2029	388,965	10,864
Thereafter	3,907,893	8,701
Total minimum payments	\$ 4,902,892	52,664

Interest payments for the three months ended September 30, 2025 and 2024 were \$25,668 and \$35,156, respectively, and \$116,802 and \$138,635 for the nine months ended September 30, 2025 and 2024 respectively.

Unamortized debt issuance costs of \$26,293 and \$20,561 as of September 30, 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 September 30, 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 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 \$117,250 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.

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The Company maintains a revolving credit agreement for purposes of working capital support or capital asset acquisition. This revolving credit agreement has a commitment amount of \$250,000 and is secured by the MTI. The agreement expires on December 11, 2025 and the Company intends to extend it through December 2026. There was no amount outstanding on this agreement as of September 30, 2025. \$1,499 was outstanding on this agreement as of December 31, 2024.

As of September 30, 2025, the current portion of long-term debt consists of \$100,000 commercial paper notes, (\$89) of discount on commercial paper, \$13,985 of non-master obligation current portion of long-term debt and \$47,200 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	
				September 30, 2025	December 31, 2024	September 30, 2025	December 31, 2024
December 2006 JPM	Pay fixed	3.63 %	2033	\$ 128,840	150,330	(3,651)	(3,025)
December 2018 PNC	Pay fixed	3.45	2042	69,925	69,925	(5,010)	(3,776)
December 2007 JPM	Constant maturity	N/A	2027	250,000	250,000	2,737	984
August 2018 JPM	Constant maturity	N/A	2037	150,000	150,000	518	(2,241)
Credit valuation adjustment						(480)	—
						\$ (5,886)	(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 (receipts) were \$228 and (\$116) for the three months ended September 30, 2025 and 2024, respectively and \$676 and \$751 for the nine months ended September 30, 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 September 30, 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 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.

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(In thousands)

(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 amounts are a summary of the components of net periodic benefit cost for the Plans for the:

	Three months ended September 30,			
	Pension benefits		Postemployment benefits	
	2025	2024	2025	2024
Service cost	\$ 341	506	75	72
Interest cost	15,674	16,930	149	146
Expected return on plan assets	(18,860)	(21,153)	—	—
Curtailment/settlement cost	—	—	—	—
Amortization of:				
Actuarial loss/(gain)	303	444	(81)	(110)
Prior service credit	630	634	—	—
Net periodic benefit (income) cost	<u>\$ (1,912)</u>	<u>(2,639)</u>	<u>143</u>	<u>108</u>

	Nine months ended September 30,			
	Pension benefits		Postemployment benefits	
	2025	2024	2025	2024
Service cost	\$ 1,023	1,517	226	216
Interest cost	47,021	50,790	446	438
Expected return on plan assets	(56,580)	(63,458)	—	—
Curtailment/settlement cost	—	41,813	—	—
Amortization of:				
Actuarial loss/(gain)	908	1,332	(243)	(329)
Prior service credit	1,890	1,901	—	—
Net periodic benefit (income) cost	<u>\$ (5,738)</u>	<u>33,895</u>	<u>429</u>	<u>325</u>

An annuity purchase was completed on February 14th, 2024 which resulted in a settlement of \$41,813 that was recognized during the nine months ended September 30, 2024. Additionally, pension assets and liabilities were remeasured as of March 31, 2024 resulting in an increase of net funded status by \$45,485.

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.

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Notes to Consolidated Financial Statements

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(In thousands)

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

	September 30, 2025	December 31, 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, 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 September 30, 2025:

	Fair value	Fair value measurements		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 39,634	39,634	—	—
Equity mutual funds	119,096	49,556	69,540	—
Equity commingled funds	103,502	103,502	—	—
Common and preferred stocks	130,691	130,691	—	—
Government and agency bonds	222,052	207,248	14,804	—
Corporate obligations	182,468	—	182,468	—
Total investments	797,443	530,631	266,812	—
Due from broker/custodian for investment activity, net	2,690	—	2,690	—
Total plan assets	\$ 800,133	530,631	269,502	—

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Notes to Consolidated Financial Statements

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(In thousands)

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

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

The following table summarizes the alternative investments, committed capital and associated redemptions as of September 30, 2025:

	Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Private Investments	\$ 201,915	60,090	N/A	N/A
Hedge funds	120,430	—	Monthly, Quarterly, Annually	2 to 180 days ⁽¹⁾
	\$ 322,345	60,090		

Investments that are not redeemable as of September 30, 2025 are \$19,016⁽¹⁾.

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

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

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

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For the nine months ended September 30, 2025 and 2024

(In thousands)

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

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

The Company does not expect to contribute to the defined benefit pension plans in 2025. The Company does expect to contribute \$1,793 to the post-employment benefit plans in 2025. The Company has several defined contribution benefit plans to assist eligible employees in providing for retirement. Under such plans, the Company recognized expenses of \$50,604 and \$41,674 for the three months ended September 30, 2025 and 2024, respectively, and \$144,116 and \$141,902 for the nine months ended September 30, 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 \$389,531 and \$371,513 as of September 30, 2025 and December 31, 2024, respectively. The current portion of such accruals, \$54,544 and \$53,214 as of September 30, 2025 and December 31, 2024, respectively, is included in other accrued expenses, and the remainder, \$334,987 and \$318,299 as of September 30, 2025 and December 31, 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 \$52,955 and \$49,854, as September 30, 2025 and December 31, 2024, respectively. The current portion of such accruals, \$12,030 and \$12,369 as September 30, 2025 and December 31, 2024, respectively, is reported as other accrued expenses. The remainder, \$40,925 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 September 30, 2025 and December 31, 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.

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(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 \$48,035 and \$60,705, include estimates for claims incurred but not reported as of September 30, 2025 and December 31, 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:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Finance lease expense:				
Amortization of ROU assets	\$ 3,338	3,740	10,195	11,457
Interest on lease liabilities	3,260	3,333	9,635	10,014
Operating lease expense	24,909	23,340	72,657	69,042
Short-term lease expense	6,486	7,082	18,979	21,874
Variable lease expense	10,251	9,927	28,986	29,609
Total lease cost	\$ 48,244	47,422	140,452	141,996

BON SECOURS MERCY HEALTH

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For the nine months ended September 30, 2025 and 2024

(In thousands)

Commitments related to non-cancellable operating and finance leases for each of the next five years and thereafter as of September 30, 2025 are as follows:

	<u>Operating</u>	<u>Finance</u>
2025	\$ 25,764	6,588
2026	93,481	26,520
2027	80,463	26,600
2028	65,690	25,960
2029	53,948	24,593
Thereafter	<u>204,852</u>	<u>588,457</u>
Total	524,198	698,718
Less present value discount	<u>(81,603)</u>	<u>(368,192)</u>
Lease liabilities	\$ <u>442,595</u>	<u>330,526</u>

Other information is as follows as of September 30:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease terms (in years):		
Finance leases	59.67	57.26
Operating leases	7.40	6.90
Weighted average discount rate:		
Finance leases	3.76 %	3.73 %
Operating leases	4.23	3.97

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Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(11) Net Assets with Donor Restrictions

The Company's endowments consist of 389 and 377 individual funds established for a variety of purposes as of September 30, 2025 and December 31, 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 \$117,245 and \$109,335 as of September 30, 2025 and December 31, 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 92 funds with cumulative deficiencies of \$1,232 as of September 30, 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 \$16,937 and \$47,862 as of September 30, 2025 and December 31, 2024 and a fair value of \$15,705 and \$44,160 as of September 30, 2025 and December 31, 2024. These deficiencies resulted from unfavorable market fluctuations.

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.

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(In thousands)

(12) Functional Expenses

The functional breakdown of expenses incurred by the Company in fulfilling its mission is as follows:

	For the three months ended September 30, 2025				
	Program activities			Supporting activities	
	Ancillary			General and administrative	Total
	Healthcare services	services and other	Total		
Employee compensation	\$ 1,248,773	357,434	1,606,207	49,981	1,656,188
Supplies	626,427	59,706	686,133	76,715	762,848
Purchased services	165,505	82,860	248,365	256,698	505,063
Other operating expenses	308,114	29,978	338,092	54,094	392,186
Depreciation and amortization	74,573	15,378	89,951	15,220	105,171
Interest expense	2,325	45,616	47,941	(97)	47,844
Taxes	26	8,221	8,247	7,848	16,095
Total recurring expenses	\$ <u>2,425,743</u>	<u>599,193</u>	<u>3,024,936</u>	<u>460,459</u>	<u>3,485,395</u>

	For the nine months ended September 30, 2025				
	Program activities			Supporting activities	
	Ancillary			General and administrative	Total
	Healthcare services	services and other	Total		
Employee compensation	\$ 3,668,260	1,061,954	4,730,214	132,579	4,862,793
Supplies	1,795,277	150,497	1,945,774	237,369	2,183,143
Purchased services	489,689	246,615	736,304	733,548	1,469,852
Other operating expenses	900,627	89,471	990,098	160,903	1,151,001
Depreciation and amortization	220,675	48,649	269,324	48,484	317,808
Interest expense	6,133	134,879	141,012	—	141,012
Taxes	81	12,614	12,695	19,904	32,599
Total recurring expenses	\$ <u>7,080,742</u>	<u>1,744,679</u>	<u>8,825,421</u>	<u>1,332,787</u>	<u>10,158,208</u>

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(In thousands)

For the three months ended September 30, 2024					
Program activities				Supporting activities	
Ancillary					
Healthcare services	services and other	Total	General and administrative	Total	
Employee compensation	\$ 1,182,853	352,376	1,535,229	45,705	1,580,934
Supplies	560,950	50,670	611,620	78,274	689,894
Purchased services	160,018	86,266	246,284	220,756	467,040
Other operating expenses	293,712	26,978	320,690	59,873	380,563
Depreciation and amortization	94,391	18,039	112,430	19,391	131,821
Interest expense	3,390	44,051	47,441	591	48,032
Taxes	21	2,950	2,971	3,905	6,876
	Total recurring expenses	\$ 2,295,335	581,330	2,876,665	428,495
		3,305,160			

For the nine months ended September 30, 2024					
Program activities				Supporting activities	
Ancillary					
Healthcare services	services and other	Total	General and administrative	Total	
Employee compensation	\$ 3,541,895	1,071,234	4,613,129	130,425	4,743,554
Supplies	1,664,610	156,147	1,820,757	221,220	2,041,977
Purchased services	455,654	257,398	713,052	655,508	1,368,560
Other operating expenses	835,160	77,089	912,249	171,019	1,083,268
Depreciation and amortization	276,300	53,924	330,224	59,963	390,187
Interest expense	11,077	133,686	144,763	1,801	146,564
Taxes	64	2,731	2,795	12,553	15,348
	Total recurring expenses	\$ 6,784,760	1,752,209	8,536,969	1,252,489
		9,789,458			

BON SECOURS MERCY HEALTH

Notes to Consolidated Financial Statements

For the nine months ended September 30, 2025 and 2024

(In thousands)

(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:

	September 30, 2025	December 31, 2024
Cash, cash equivalents and investments	\$ 543,247	637,374
Net patient receivables	1,398,255	1,227,496
Other receivables	432,940	332,783
Assets whose use is limited:		
Board-designated funds	4,419,307	4,179,476
	\$ 6,793,749	6,377,129

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

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in short-term investments and money market funds. Occasionally, the Board designates a portion of any operating surplus to an operating reserve, which was \$4,419,307 and \$4,179,476 as of September 30, 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 September 30, 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 \$331,300 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.

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For the nine months ended September 30, 2025 and 2024

(In thousands)

During the three and nine months ended September 30, 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:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Revenue cycle management and consulting services provided by Ensemble to the Company	\$ 156,608	146,537	459,678	447,426
Leased employees, purchased and other services provided to Ensemble by the Company	(4,646)	(4,802)	(13,464)	(20,342)

The Company owed Ensemble \$70,048 and \$75,162 as of September 30, 2025 and December 31, 2024, respectively. The Company did not have any outstanding receivables from Ensemble as of September 30, 2025 and December 31, 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.

There were no related party transactions between the Company and Sentara Princess Anne as of September 30, 2025 and December 31, 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 \$89,307 which is reflected in the other nonoperating activities, net on the consolidated statements of operations.

BON SECOURS MERCY HEALTH

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(In thousands)

During the three and nine months ended September 30, 2025, 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:

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Leased employees, purchased and other services provided to Compassus by the Company	\$ (740)	(5,417)	(3,750)	(5,417)

Compassus owed the Company \$2,100 and \$3,401 as of September 30, 2025 and December 31, 2024, respectively. The Company did not have any outstanding payables due to Compassus as of September 30, 2025 and December 31, 2024.

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

	September 30, 2025	December 31, 2024
Ensemble	\$ —	138,864
Sentara Princess Anne	68,455	59,654
Compassus	109,040	113,210
Other	80,213	75,099
	<u>\$ 257,708</u>	<u>386,827</u>

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

	Three months ended September 30,		Nine months ended September 30,	
	2025	2024	2025	2024
Ensemble	\$ 31,600	19,572	89,000	65,669
Sentara Princess Anne	6,876	4,357	23,479	14,755
Compassus	(3,453)	(5,818)	(9,170)	(5,818)
Other	(73)	(603)	(540)	(4,408)
	<u>\$ 34,950</u>	<u>17,508</u>	<u>102,769</u>	<u>70,198</u>

(15) Subsequent Events

The Company has evaluated and disclosed any subsequent events through November 26, 2025, which is the date the consolidated financial statements were issued and made publicly available.

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

BON SECOURS MERCY HEALTH

Utilization Statistics

**For the Nine Months Ended
September 30, 2025 and 2024**

and

**For the Twelve Months Ended
December 31, 2024, 2023 and 2022**

BON SECOURS MERCY HEALTH

Consolidated Utilization Statistics (Unaudited)

	Nine Months Ended September 30,		Twelve Months Ended December 31,		
	2025	2024	2024	2023	2022
Utilization Statistics					
Staffed beds - Acute	7,065	7,105	7,137	7,193	6,636
Staffed beds - Long-Term Care	229	229	229	229	255
Admissions - Acute	282,564	278,753	370,963	355,641	332,668
Admissions - Post-acute	1,959	1,478	1,973	2,512	2,726
Total Admissions	284,523	280,231	372,936	358,153	335,394
Observations	53,188	48,191	65,748	63,666	65,734
Equivalent Inpatient Admissions	700,522	688,913	922,213	892,716	826,014
Newborn Deliveries	19,366	19,718	26,144	26,647	27,850
Patient days - Acute	1,216,649	1,212,462	1,608,994	1,562,279	1,568,813
Patient days - Post-acute	10,414	8,329	10,412	14,909	38,193
Occupancy on staffed beds - Acute	63.3%	62.3%	61.8%	59.5%	64.8%
Total Patient Days	1,227,063	1,220,791	1,619,406	1,577,188	1,607,006
Average length of stay - Acute	4.30	4.35	4.34	4.39	4.72
Emergency Room Visits	1,242,560	1,228,320	1,647,301	1,589,935	1,529,142
Physician Visits	5,957,274	5,823,596	7,791,271	7,230,233	6,912,128
Inpatient surgeries and medical procedures	55,566	55,844	74,326	72,919	68,372
Outpatient surgeries	165,294	164,230	221,232	218,324	206,108
Full Time Equivalent Employees	53,292	53,155	52,817	54,107	52,413
Institutional case mix index	1.651	1.638	1.645	1.637	1.667
Medicare case mix index	1.749	1.737	1.747	1.743	1.778

Note:

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

BON SECOURS MERCY HEALTH

Financial Ratios & Analyses

**For the Nine Months Ended
September 30, 2025 and 2024**

and

**For the Twelve Months Ended
December 31, 2024, 2023 and 2022**

BON SECOURS MERCY HEALTH

Consolidated Financial Analyses (Unaudited)

(Dollars in Thousands)

Financial Analyses	Nine Months Ended September 30,		Twelve Months Ended December 31,		
	2025	2024	2024	2023	2022
Operating Margin	1.9%	0.2%	2.0%	(1.0%)	(2.9%)
Excess Margin	8.2%	5.1%	4.2%	1.8%	(11.7%)
Debt Service Coverage - Rolling 12-month Basis ⁽¹⁾	3.52	3.01	3.49	1.92	1.36
Debt Service Coverage YTD ⁽²⁾	3.27	3.08	3.49	1.92	1.36
<i>based on Maximum Annual Debt Service ⁽³⁾ of:</i>	<i>337,571</i>	<i>318,447</i>	<i>\$314,332</i>	<i>\$317,662</i>	<i>\$342,939</i>
<i>adjusted to remove unrealized investments gains (losses) of:</i>	<i>\$474,272</i>	<i>\$330,856</i>	<i>\$155,272</i>	<i>\$329,746</i>	<i>(\$1,060,296)</i>
<i>adjusted to remove unrealized swap gains (losses) of:</i>	<i>\$2,172</i>	<i>\$897</i>	<i>\$4,406</i>	<i>\$9,243</i>	<i>\$68,000</i>
<i>adjusted to remove impairment gains (charges) of:</i>	<i>(\$3,093)</i>	<i>(\$4,014)</i>	<i>(\$51,336)</i>	<i>(\$21,014)</i>	<i>(\$37,596)</i>
<i>adjusted to remove gains (losses) on disposed assets not in ordinary course of:</i>	<i>\$11,010</i>	<i>(\$3,558)</i>	<i>\$1,116</i>	<i>\$3,371</i>	<i>\$1,567</i>
<i>adjusted to remove gain (loss) on early extinguishment of debt of:</i>	<i>\$62,087</i>	<i>\$0</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$328)</i>
Operating EBITDA	\$685,172	\$576,578	\$927,283	\$569,454	\$331,411
Operating EBITDA Margin	6.6%	5.9%	7.0%	4.7%	3.0%
Total Unrestricted Cash ⁽⁴⁾	7,925,766	7,540,294	\$7,489,729	\$7,151,999	\$7,195,078
Days Cash on Hand - YTD basis	222	222	218	221	240
Debt to Capitalization	34.5%	34.7%	35.2%	37.4%	37.0%
Debt to Capitalization (per MTI Indebtedness definition) ⁽⁵⁾	36.0%	36.4%	36.7%	39.0%	38.7%
Net Patient Revenue per EIPA-CMI Adj	\$7,975	\$7,809	\$7,848	\$7,519	\$7,394
Total Community Benefit (TCB) Cost ⁽⁶⁾	\$360,038	\$413,789	\$524,293	\$606,928	\$644,695
TCB Cost as a percent of Total Expense ⁽⁶⁾	3.5%	4.2%	4.0%	4.9%	5.6%
Net Patient Revenue by Payor Type -					
Medicare - Traditional	17.6%	18.3%	18.1%	19.3%	19.6%
Medicare - Managed	19.5%	19.1%	19.0%	18.1%	17.2%
Medicaid - Traditional	8.6%	7.9%	8.2%	7.4%	6.9%
Medicaid - Managed	7.6%	8.3%	7.9%	8.4%	9.0%
Other Governmental	2.3%	2.2%	2.1%	1.9%	1.9%
Commercial	43.5%	43.7%	44.3%	44.3%	44.4%
Self Pay & Other	0.9%	0.5%	0.4%	0.6%	1.0%
Total Net Patient Revenue by Payor Type	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Debt Service Coverage - Rolling 12-month Basis uses the Master Trust Indenture (Amended and Restated) dated as of December 1, 2017 definition.

Interim periods are calculated using a rolling 12-month basis of all factors in this calculation.

MTI covenant compliance is measured on an annual basis based on the Company's fiscal year-end of December 31.

(2) Debt Service Coverage - YTD Basis uses the Master Trust Indenture (Amended and Restated) dated as of December 1, 2017 definition.

Interim periods are calculated using year-to-date factors in this calculation.

(3) Maximum Annual Debt Service ("MADS") represents the greatest annual period of debt service (principal repayment plus interest payment). MADS is determined on the debt service on Indebtedness as defined in the Bon Secours Mercy Health Master Trust Indenture.

(4) Cash excludes trustee held funds and donor restricted funds.

For interim period reporting, cash expense per day is based on a 12-month rolling average.

(5) Indebtedness per the MTI includes financing leases, installment purchase contracts and guarantees of indebtedness in addition to borrowed money.

(6) Includes the unpaid cost of public programs for the treatment of Medicaid and indigent beneficiaries, as well as other costs provided to the broader community. This does not include the unpaid cost for the treatment of Medicare beneficiaries nor does it include bad debts. See Note 3 of the consolidated audited and unaudited financial statements for a thorough discussion of Community Benefits.

BON SECOURS MERCY HEALTH

QUARTERLY OFFICER'S CERTIFICATE

The undersigned hereby certifies that:

- (i) The unaudited financial statements provided hereto have been prepared on substantially the same basis as the financial statements provided previously; and
- (ii) No Event of Default or Default under the MTI or its Supplemental Master Indentures under the MTI exists.

Dated: November 26, 2025

By: /s/ Travis L. Crum
Travis L. Crum, CPA
Chief Financial Officer
Bon Secours Mercy Health