BON SECOURS MERCY HEALTH

Financial Disclosure

For the Second Quarter Ended
June 30, 2026

Contents:

BON SECOURS MERCY HEALTH

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 Six Months Ended June 30, 2026

ABOUT BON SECOURS MERCY HEALTH

OUR MISSION

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

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

OUR ORGANIZATION

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

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

Our Values

Human dignity

Integrity

Compassion

Stewardship

Service

Our Vision

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

OUR STRATEGY

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

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

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

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

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

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

BSMH Core and Diversified Business Unit. The business unit focuses 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% ownership in Ensemble.

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

SUSTAINABILITY

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

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

GOVERNANCE AND MANAGEMENT

Bon Secours Mercy Health has a comprehensive governance structure designed to effectively oversee strategy, growth and risk management. Strategies, processes, and activities focused on the ministry's integrity and ethics are monitored by the BSMH's Board of Directors, executive leaders and the Integrity & Stewardship Committee ("ISC").

Executive Leadership Council

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

Individual	Title
John M. Starcher, Jr.	President & Chief Executive Officer
Michael A. Bezney, JD	Chief Legal Officer
David Cannady	Chief Strategy Officer
Rev. Joseph P. Cardone, PhD	Chief Mission Officer
Travis L. Crum, CPA	Chief Financial Officer
Joe L. Gage, JD	Chief Administrative Officer
Wael Haidar, MD, MBA	President Clinical Operations
Chris Hilton	SVP Enterprise Optimization and Integration
Sandra Mackey	Chief Marketing Officer
Jason Siegert	Chief Ventures Officer
Jason Szczuka	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
Srinivas S. Velamoor
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

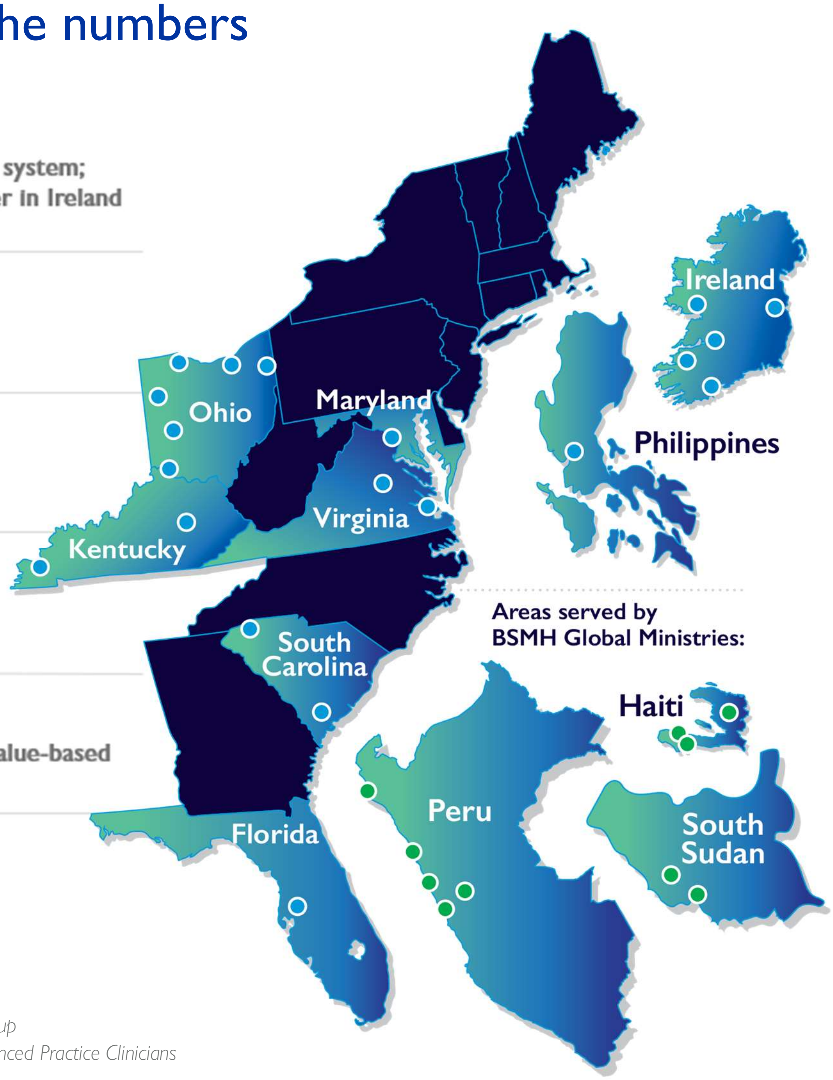
More than **$13 BILLION**
in annual net operating revenue

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

47 HOSPITALS

~730,000 LIVES COVERED through value-based programs

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



*BSMH Medical Group
physicians and Advanced Practice Clinicians

Direct healthcare or business operations support provided by Bon Secours Mercy Health providers, affiliates and JV partners

BSMH Global Ministries supports partner programs in Haiti, Peru and South Sudan that focus on clean water, healthcare services, disaster relief, education and migration

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis ("MD&A") provides additional explanations of the financial condition, operational results, and cash flows of BSMH to assist in an increased understanding of the consolidated financial statements. The financial information as of and for the three and six months ended June 30, 2026 and 2025, 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 six months ended June 30, 2026 and 2025, is consistent with the presentation of BSMH's unaudited financial statements.

FINANCIAL HIGHLIGHTS AND SUMMARY

Financial performance for the six months ended June 30, 2026, improved compared to the same period of the prior year. Consistent financial discipline, particularly efforts focused on performance improvement initiatives, patient volume increases, and reimbursement from supplemental state programs helped drive increases in total operating revenue and operating EBITDA. Overall volumes measured by equivalent inpatient admissions (EIPAs), increased 4.7% year-over-year. Revenue growth outpaced the increase in operating expenses during the first half of 2026, resulting in improved financial performance.

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

Equity investment markets rebounded during the second quarter of 2026, with BSMH's investment portfolio driving net investment gains (realized and unrealized) of $531.7 million. Strong operating performance in the first half of 2026, combined with net investment gains, helped drive a positive excess of revenue over expenses totaling $683.6 million for the six months ended June 30, 2026.

OVERVIEW OF SIGNIFICANT TRANSACTIONS

In February 2026, the Company received a $426.6 million cash distribution from Ensemble, which was recorded as an increase within other long-term liabilities in accordance with ASC Topic 323, *Investments – Equity Method and Joint Ventures,* due to the distribution exceeding the carrying value of the equity method investment.

KEY FINANCIAL RATIOS

Three Months Ended June 30,				($s in thousands)	Six Months Ended June 30,			
2026		2025			2026		2025	
Amount	*Margin*	Amount	*Margin*		Amount	*Margin*	Amount	*Margin*
$3,753,896		**$3,469,170**		**Total operating revenue**	**$7,485,971**		**$6,867,534**	
$288,504	*7.7%*	**$262,814**	*7.6%*	**Operating EBITDA**	**$580,260**	*7.8%*	**$517,030**	*7.5%*
$108,718	*2.9%*	**$96,826**	*2.8%*	**Recurring operating income**	**$224,814**	*3.0%*	**$194,720**	*2.8%*
$613,836	16.4%	**$463,974**	13.4%	**Excess of revenue over expenses**	**$683,580**	*8.6%*	**$631,863**	*8.6%*

Total operating revenue increased by $284.7 million or 8.2% for the three months ended June 30, 2026, compared to the prior year. For the six-month period ended June 30, 2026, total operating revenue increased by $618.4 million or 9.0%, year over year. The increase was driven primarily by growth in net patient revenue, supported by higher reimbursement from supplemental state Medicaid programs and an increase in patient volumes. Revenue recognized from these supplemental programs totaled $762.3 million (before expenses) for the six months ended June 30, 2026, compared to $488.0 million recognized in the same period of the prior year. FEMA Public Assistance program funding of $16.9 million was recognized in other operating revenue for the six months ended June 30, 2026, compared to $28.8 million recognized in the prior year. BSMH continues to address challenges associated with a shifting payor mix, a trend consistent with broader industry dynamics.

Operating EBITDA was $288.5 million (margin 7.7%) and $580.3 million (margin 7.8%) for the three and six months ended June 30, 2026, respectively, an improvement compared to the same period of the prior year. This improvement reflects the Company's disciplined cost-management efforts and favorable impacts of run-rate improvement initiatives. Consistent with these results, the recurring operating income margin increased to 3.0% in the first half of 2026, compared to 2.8% in the prior year. Excess of revenue over expenses was $613.8 million (margin 16.4%) for the three months and $683.6 million (margin 8.6%) for the six months ended June 30, 2026. This year over year improvement reflects a stronger operating performance and increased gains on investments in the first half of 2026.

Three Months Ended June 30,		($s in thousands)	Six Months Ended June 30,	
2026	2025		2026	2025
Amount	Amount		Amount	Amount
$120,413	**$94,171**	**Community Benefit**	**$163,868**	**$212,328**

Community benefit fulfills unmet needs of the communities in which BSMH serves through programs and donations, health education, free care, medical research and other community initiatives. Unsponsored community benefit is measured by the cost to provide services net of one-time reimbursements received. For the six months ended June 30, 2026, community benefit totaled $163.9 million of total operating expenses, a decrease from the prior period largely due to increased reimbursement from supplemental state Medicaid programs in the current year. Excluding this reimbursement and related program expenses, community benefits would be $580.2 million of total expenses for the six months ended June 30, 2026, compared to $495.0 million of total operating expenses in the same period of the prior year.

LIQUIDITY AND KEY PERFORMANCE INDICATORS

	June 30, 2026	December 31, 2025
Days cash on hand	**227**	220
Unrestricted cash to debt	**171.3%**	158.8%
Total debt to capitalization	**32.4%**	33.9%
Pension funding	**99.0%**	94.7%

The Company maintains a strong balance sheet characterized by solid liquidity and stable leverage. Days cash on hand increased from 220 days as of the end of 2025 to 227 days as of June 30, 2026. The increase was primarily attributable to positive operating cash flows and the Ensemble distribution (12 days), partially offset by cash outflows for capital expenditures and growth in cash expenses (9 days). For the six months ended June 30, 2026, capital expenditures were $540.9 million (14 days) and included $124.6 million related to the construction of new hospitals and hospital expansions.

The Company's debt to capitalization ratio decreased slightly to 32.4% as of June 30, 2026, compared to 33.9% as of December 31, 2025. Pension funding was 99.0% as of June 30, 2026, up 4.3% from the prior year end, primarily due to increased asset values.

VOLUME TRENDS

Three Months Ended June 30,				Six Months Ended June 30,		
2026	2025	Change %		2026	2025	Change %
97,703	93,341	4.7%	**Admissions**	**193,577**	189,912	1.9%
17,435	18,242	(4.4%)	**Observations**	**34,313**	35,261	(2.7%)
6,030	6,273	(3.9%)	**Deliveries**	**12,162**	12,736	(4.5%)
19,118	18,706	2.2%	**Inpatient Surgeries**	**37,610**	36,567	2.9%
56,551	56,527	0.0%	**Outpatient Surgeries**	**113,035**	110,223	2.6%
420,523	405,235	3.8%	**ER Visits**	**823,119**	821,562	0.2%
2,096,093	2,004,133	4.6%	**Physician Visits**	**4,140,457**	3,950,080	4.8%

Volumes for the six months ended June 30, 2026, were negatively impacted during the first two months of the year due to a combination of unexpected severe weather events and a milder influenza season than expected. As these factors moderated, volumes improved during the second quarter of 2026.

Despite some of these challenges, overall volumes, as measured by EIPAs, improved compared to the first half of 2025. Admissions and physician visits for the six months ended June 30, 2026, improved from prior year by 1.9% and 4.8%, respectively. Inpatient and outpatient surgeries were 2.9% and 2.6% higher, respectively, than the prior year. While ER visits increased slightly compared to prior year, observations and deliveries for the six months ended June 30, 2026, decreased by 2.7% and 4.5%, respectively.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	($s in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
$3,361,437	$3,060,565	Net Patient Service Revenue	$6,741,324	$6,108,306
392,459	408,605	Other Revenue, Net [1]	744,647	759,228
3,753,896	**3,469,170**	**Total Operating Revenue**	**7,485,971**	**6,867,534**
1,663,825	1,611,190	Employee Compensation	3,325,312	3,206,605
798,675	724,982	Supplies	1,566,755	1,420,295
547,970	489,276	Purchased Services	1,061,659	964,788
454,921	380,908	Other Operating Expenses	951,985	758,817
121,546	107,213	Depreciation and Amortization	240,025	212,637
49,061	48,982	Interest Expense	96,555	93,168
9,180	9,793	Taxes	18,866	16,504
108,718	**96,826**	**Recurring Operating Income**	**224,814**	**194,720**
(13,394)	(21,177)	Nonrecurring Operating Losses, Net	(31,799)	(22,526)
544,772	355,834	Investment Gains	531,718	443,833
(1,370)	907	Realized and Unrealized (Losses) Gains on Interest Rate Swap Agreements	(1,581)	1,451
-	62,978	Gain on Defeasance of Debt	-	62,978
(24,890)	(31,394)	Other Nonoperating Activity, Net	(39,572)	(48,593)
$613,836	**$463,974**	**Excess of Revenue Over Expenses**	**$683,580**	**$631,863**

[1] Other Revenue includes funding of $16.9 million and $28.8 million for the FEMA Public Assistance program recognized for the six months ended June 30, 2026 and 2025, respectively.

TOTAL OPERATING REVENUE

Total operating revenue increased by $284.7 million or 8.2% for the three months ended June 30, 2026, compared to the prior year. Total operating revenue increased by $618.4 million or 9.0% for the six months ended June 30, 2026, compared to the prior year. Net patient service revenue grew by $300.9 million or 9.8% for the three months ended June 30, 2026 and increased by $633.0 million or 10.4% for the six months ended June 30, 2026. The growth in net patient service revenue was primarily driven by increased reimbursement from supplemental state Medicaid programs and an increase in patient volumes. Revenue from supplemental state programs was $762.3 million for the six months ended June 30, 2026, compared to $488.0 million in the prior year.

OPERATING EXPENSES

Total operating expenses were $7.3 billion for the six months ended June 30, 2026, an increase of $588.3 million or 8.8% compared to the prior year. This was primarily a result of higher other operating expenses, driven by increased provider fees related to supplemental state Medicaid programs (more than offset by increased supplemental state program revenue), as well as growth across labor- and volume-sensitive cost categories. These increases in operating expenses were partially offset by the favorable impact of management's run-rate improvement initiatives. The 8.8% increase in operating expenses is below the comparable growth in total operating revenue of 9.0%.

Other operating expenses (including supplemental state program expenses, professional fees, rent, insurance, utilities, and other operating expenses) increased by $193.2 million for the six months ended June 30, 2026 or 25.5% compared to the prior year. Expenses for supplemental state programs totaled $346.1 million and $205.3 million for the six months ended June 30, 2026 and 2025, respectively. As a percentage of net patient service revenue, other operating expenses increased to 14.1%, compared to 12.4% for the same period of the prior year.

Employee compensation increased by $118.7 million or 3.7% for the six months ended June 30, 2026, compared to the prior year, largely due to higher employee health claims. BSMH continues to implement initiatives focused on labor utilization and rates of pay. These initiatives have helped drive an improvement in total employee compensation as a percentage of net patient service revenue from 52.5% for the six months ended June 30, 2025, down to 49.3% for 2026.

Supplies expense including pharmaceuticals increased by $146.5 million for the six months ended June 30, 2026, largely due to increased patient volumes. Supplies expense including pharmaceuticals as a percentage of net patient service revenue was 23.2%, a slight decrease from 23.3% for the same period of the prior year. Continued supply chain and utilization management efforts partially mitigated the impact of increased volumes and inflationary pressures.

NONOPERATING GAINS AND LOSSES, NET

Equity investment markets performed favorably during the second quarter of 2026. Net investment gains (realized and unrealized) were $531.7 million for the six months ended June 30, 2026, compared to a gain of $443.8 million for the six months ended June 30, 2025. The combined operating portfolios ($7.7 billion) returned 5.9% for the six months ended June 30, 2026.

SUBSEQUENT EVENTS

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

On August 3, 2026, Ensemble closed on a strategic recapitalization transaction with a new private equity sponsor. In conjunction with the transaction, BSMH received a net cash distribution of $670.8 million from Ensemble. As of the issuance date of these financial statements, the accounting treatment and related financial statement impact of the distribution had not been finalized.

During August 2026, the Company received funding of $243.5 million related to FEMA Public Assistance Program reimbursements for eligible COVID-related expenditures incurred in various states. Revenue associated with this funding will be recognized during the third quarter of 2026.

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

BON SECOURS MERCY HEALTH

Consolidated Financial Statements (Unaudited)

Six Months ended June 30, 2026 and 2025

BON SECOURS MERCY HEALTH

Consolidated Balance Sheets

June 30, 2026 (Unaudited) and December 31, 2025

(In thousands)

Assets	June 30, 2026	December 31, 2025
Current assets:		
Cash and cash equivalents	$ 622,357	572,240
Investments	7,611	7,448
Self-insurance and trustee held funds	156,333	102,573
Donor restricted funds	7,403	3,401
Total cash and investments	793,704	685,662
Net patient receivables	1,498,360	1,396,573
Other receivables	324,755	273,976
Inventories	331,883	328,040
Prepaid expenses and other current assets	330,594	313,342
Total current assets	3,279,296	2,997,593
Assets whose use is limited:		
Board designated funds	7,942,492	7,386,689
Self-insurance and trustee held funds	651,765	566,382
Donor restricted funds	78,564	78,398
Total assets whose use is limited	8,672,821	8,031,469
Property and equipment, net	6,461,608	6,162,985
Investments in unconsolidated organizations	229,805	250,625
Operating lease right-of-use assets	468,929	432,928
Retirement assets	25,836	24,958
Goodwill	621,747	619,724
Other long-term assets	551,150	526,509
Total assets	$ 20,311,192	19,046,791
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 711,626	753,365
Current portion of long-term debt	165,948	160,537
Accrued salaries, wages and benefits	625,106	744,171
Current portion of operating lease liabilities	84,952	86,003
Other accrued expenses	306,606	97,721
Total current liabilities	1,894,238	1,841,797
Long-term debt, less current portion	4,838,081	4,854,857
Retirement liabilities	102,028	102,689
Self-insurance liabilities	340,102	315,074
Operating lease liabilities	433,707	385,958
Other long-term liabilities	1,250,252	802,664
Total liabilities	8,858,408	8,303,039
Net assets without donor restrictions:		
Controlling interest	10,450,360	9,794,075
Noncontrolling interest	621,001	580,726
Total net assets without donor restrictions	11,071,361	10,374,801
Net assets with donor restrictions	381,423	368,951
Total net assets	11,452,784	10,743,752
Total liabilities and net assets	$ 20,311,192	19,046,791

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Operations

(In thousands)

	Three months ended June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Revenues:				
Net patient service revenue	$ 3,361,437	3,060,565	$ 6,741,324	6,108,306
Other revenue, net	392,459	408,605	744,647	759,228
Total operating revenues	3,753,896	3,469,170	7,485,971	6,867,534
Expenses:				
Employee compensation	1,663,825	1,611,190	3,325,312	3,206,605
Supplies	798,675	724,982	1,566,755	1,420,295
Purchased services	547,970	489,276	1,061,659	964,788
Other operating expenses	454,921	380,908	951,985	758,817
Depreciation and amortization	121,546	107,213	240,025	212,637
Interest expense	49,061	48,982	96,555	93,168
Taxes	9,180	9,793	18,866	16,504
Total operating expenses	3,645,178	3,372,344	7,261,157	6,672,814
Recurring operating income	108,718	96,826	224,814	194,720
Nonrecurring operating losses, net	(13,394)	(21,177)	(31,799)	(22,526)
Operating income	95,324	75,649	193,015	172,194
Nonoperating gains (losses), net:				
Investment (losses) gains	544,772	355,834	531,718	443,833
Realized and unrealized (losses) gains on interest rate swap agreements	(1,370)	907	(1,581)	1,451
Gain on defeasance of debt	-	62,978	-	62,978
Other nonoperating activities, net	(24,890)	(31,394)	(39,572)	(48,593)
Excess of revenue over expenses	$ 613,836	463,974	$ 683,580	631,863

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, 2024	$ 8,666,537	512,643	9,179,180	339,001	9,518,181
Excess of revenues over expenses	1,087,593	61,031	1,148,624	—	1,148,624
Grants and contributions	4,578	15,293	19,871	91,193	111,064
Investment gains	—	—	—	22,480	22,480
Net assets released from restrictions	45,177	—	45,177	(82,925)	(37,748)
Transfer of interest to noncontrolling interest owner	(27,463)	18,264	(9,199)	—	(9,199)
Distributions to noncontrolling interest owner	—	(22,920)	(22,920)	—	(22,920)
Pension and other postemployment changes	32,961	—	32,961	—	32,961
Other changes, net	(15,308)	(3,585)	(18,893)	(798)	(19,691)
Increase in net assets	1,127,538	68,083	1,195,621	29,950	1,225,571
Balance at December 31, 2025	$ 9,794,075	580,726	10,374,801	368,951	10,743,752
Excess of revenues over expenses	645,242	38,338	683,580	—	683,580
Grants and contributions	7,022	—	7,022	22,534	29,556
Investment gains	—	—	—	13,912	13,912
Net assets released from restrictions	9,557	—	9,557	(25,960)	(16,403)
Distributions to noncontrolling interest owner	—	(10,853)	(10,853)	—	(10,853)
Other changes, net	(5,536)	12,790	7,254	1,986	9,240
Increase (decrease) in net assets	656,285	40,275	696,560	12,472	709,032
Balance at June 30, 2026	$ 10,450,360	621,001	11,071,361	381,423	11,452,784

See accompanying notes to consolidated financial statements.

BON SECOURS MERCY HEALTH

Consolidated Statements of Cash Flows

(In thousands)

	Six months ended June 30,	
	2026	**2025**
Cash flows from operating activities:		
Increase in net assets	$ 709,032	665,414
Depreciation and amortization	240,025	212,637
Amortization of premium on issued debt securities	(6,883)	(7,005)
Gain on defeasance of debt	—	(62,978)
Other changes in net assets, net	(22,404)	(30,121)
Contributions restricted by donor	(22,534)	(58,103)
Net gains on investments	(486,243)	(378,784)
Cash (used in) provided by changes in operating assets and liabilities:		
Current assets	(188,528)	(224,048)
Long-term assets	40,311	2,585
Current liabilities	50,884	(312,613)
Long-term liabilities	72,672	92,915
Net cash provided by (used in) operating activities	386,332	(100,101)
Cash flows from investing activities:		
Property and equipment additions, net of disposals	(540,859)	(510,602)
Purchase of alternative investments and other securities	(342,780)	(133,968)
Sales of alternative investments and other securities	230,980	148,471
Investments and assets whose use is limited, net	(115,146)	(177,359)
Distribution from equity method investment	426,552	318,772
Purchase of investments in unconsolidated organizations	(10,000)	—
Net cash used in investing activities	(351,253)	(354,686)
Cash flows from financing activities:		
Restricted contributions	22,534	58,103
Purchase of interest from noncontrolling interest owners	—	(9,199)
Contribution from noncontrolling interest	—	2,686
Distributions to noncontrolling interest	(10,853)	(12,608)
Proceeds from debt issuance	14,862	1,854,940
Repayment of long-term debt	(4,508)	(1,442,969)
Repayment of finance lease	(6,102)	(5,881)
Repayment of other financing liabilities	—	(97)
Cost of long-term debt issuance	—	(9,602)
Net cash provided by financing activities	15,933	435,373
Effect of exchange rates on cash and cash equivalents	(895)	1,724
Net increase (decrease) in cash and cash equivalents	50,117	(17,690)
Cash and cash equivalents, beginning of the year	572,240	630,701
Cash and cash equivalents, end of the period	$ 622,357	613,011

See accompanying notes to consolidated financial statements.

(1) Basis of Presentation

(a) Organizational Structure and Mission

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

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

(2) Significant Accounting Policies

(a) Cash and Cash Equivalents

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

(b) Assets Whose Use is Limited

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

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

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

Unrealized gains or losses on trading securities are included in investment gains on the consolidated statements of operations. As of June 30, 2026 and December 31, 2025, all investments and assets whose use is limited are designated as trading securities, except for certain foundation investments and trustee held funds, which are designated as other than trading securities.

(c) Fair Value Measurement

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

ASC Topic 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 – inputs utilize quoted market prices in active markets for identical assets or liabilities that the Company has the ability to access.

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

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

(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% of net patient receivables as of June 30, 2026 and December 31, 2025, respectively, while the Medicaid program represented 8% as of June 30, 2026 and December 31, 2025, respectively. Excluding the Medicare program, no one other payor represents more than 10% of the Company's net patient receivables as of June 30, 2026 and December 31, 2025.

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

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

(In thousands)

The Company's net patient service revenues during the three and six months ended June 30, 2026 and 2025 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 June 30,			
	2026		2025	
Commercial and other third party	$ 1,410,013	41.9 %	1,323,861	43.3 %
Medicare	1,256,464	37.4	1,127,143	36.8
Medicaid	595,743	17.7	483,541	15.8
Other governmental	75,720	2.3	70,286	2.3
Self-pay	23,497	0.7	55,734	1.8
Total	$ 3,361,437	100.0 %	3,060,565	100.0 %

	Six months ended June 30,			
	2026		2025	
Commercial and other third party	$ 2,783,594	41.3 %	2,628,243	43.0 %
Medicare	2,442,599	36.2	2,264,692	37.1
Medicaid	1,293,488	19.2	1,008,976	16.5
Other governmental	151,152	2.2	139,234	2.3
Self-pay	70,491	1.1	67,161	1.1
Total	$ 6,741,324	100.0 %	6,108,306	100.0 %

(e) Inventories

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

(f) Property and Equipment, Net

Property and equipment, net is recorded at cost or, if donated, at fair value on the date of receipt. Depreciation is calculated over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The estimated useful lives of the assets are as follows:

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

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

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

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

(g) Leases

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

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

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

(h) Asset Impairment

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

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 cash flow statement by evaluating the facts, circumstances and nature of each distribution. Investments in unconsolidated organizations are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of the investment might not be recoverable.

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

(j) Retirement Assets and Liabilities

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

(Continued)

(In thousands)

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. Effective December 31, 2025, the Company's postretirement benefit plans were determined to be immaterial and transitioned to a pay-as-you-go method; costs are expensed as incurred.

(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:

		June 30, 2026	December 31, 2025
Goodwill at the beginning of the period	$	619,724	586,482
Goodwill related to acquisitions		—	36,507
Goodwill related to disposals		—	(1,889)
Other		2,023	(1,376)
Goodwill at the end of the period	$	621,747	619,724

(l) Other Long-Term Assets

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

		June 30, 2026	December 31, 2025
Right-of-use assets – finance	$	253,376	233,986
Other		131,326	118,871
Other intangibles, net		95,899	97,314
Notes and other long term receivables		70,549	76,338
Total other long-term assets	$	551,150	526,509

(m) Accrued Claims Expense and Related Liabilities

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

(i) Self-Insurance

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

(ii) Professional Liability and General Insurance

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

(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.

(In thousands)

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

The consolidated financial statements include all assets, liabilities, revenue, and expenses of less than 100% owned entities that the Company controls in accordance with applicable accounting guidance. Accordingly, the Company has reflected a noncontrolling interest for the portion of the Company's 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:

		June 30, 2026	December 31, 2025
Ensemble Liability (note 14)	$	581,742	146,598
Lease liabilities – finance		364,325	358,997
Supplemental executive retirement plan liability		167,132	157,392
Other		79,987	83,217
Property sale and leaseback transaction - financing		31,431	32,053
Deferred income tax liability		19,440	19,445
Derivative instrument (note 8)		6,195	4,962
Total other long-term liabilities	$	1,250,252	802,664

(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 and Community Benefit

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.

Charity care represents health services provided under the Company's financial assistance policy to patients who meet established eligibility criteria and are unable to pay for all or a portion of the care received. Charity care costs are estimated based on multiplying the ratio of costs to gross charges for health services qualifying as charity care under the Company's financial assistance policy by the revenue recognized and written off for health services provided to persons who cannot afford to pay. Charity care is recorded as a deduction to gross patient revenue.

In addition to charity care, the Company provides community benefit programs that support the poor, underserved, and broader community.

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

(i) Financial Assistance (Charity Care) – Financially Disadvantaged Persons

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

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) Government-Sponsored Means-Tested Health Care 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.

The estimated unreimbursed costs of providing services under these programs are reported as a community benefit but are not classified as charity care.

(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:

- Community Health Improvement Services – Activities designed to improve health in the community, often addressing the root causes of health issues, such as screenings, vaccinations, and education.
- Subsidized Health Services – Clinical services that are provided despite a financial loss, which are necessary to meet community needs including primary care access.
- Research – Clinical and community health research that provides benefits to the public.
- Cash and In-Kind Contributions – Financial donations, equipment or staff time donated to community organizations.
- Health Professions Education – Costs of training health professionals, including nurses, doctors and technicians.
- Community Benefit Operations – Dedicated staff and resources used to plan, manage, and report on community benefit activities.
- Leadership activities – a full-time community health leader is provided in each community served who works to expand community capacity, identify community health needs, and address social health conditions.

(r) Recurring Operating Income

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

(s) Performance Indicator

The consolidated statements of operations include the caption excess of revenues over expenses, which represents the performance indicator for the Company. Consistent with industry practice, changes in net assets which are excluded from the excess of revenues over expenses may include the impact of acquisitions, discontinued operations, change in net unrealized gains on restricted 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 six months ended June 30, 2026 and 2025.

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 six months ended June 30, 2026 and 2025, the Company has no uncertain tax positions.

The Company's taxable subsidiaries had net operating loss carryforwards for Federal income tax purposes of $158,603 and $162,539 as of June 30, 2026 and December 31, 2025, 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 $89,194 and $84,859 as of June 30, 2026 and December 31, 2025, 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 June 30, 2026, the Company has placed a partial valuation allowance of $101,544 and $28,028 on the gross deferred Federal and state tax assets, respectively. As of December 31, 2025, the Company had placed a partial valuation allowance of $111,033 and $29,245 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 tax assets and gross deferred state tax assets of $9,489 and $1,217 respectively, as of June 30, 2026. There was an increase in the valuation allowance for gross deferred Federal and state tax assets of $14,332 and $5,679 respectively, as of December 31, 2025.

(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.

(Continued)

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 $3,563 and $7,265 for the three months ended June 30, 2026 and 2025, respectively and an increase of $5,260 and $7,555 for the six months ended June 30, 2026 and 2025, 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 evaluating the potential impact of the legislation on patient volumes, payer mix, reimbursement, uncompensated care, operations, financial condition, and cash flows. The ultimate impact will depend on future regulatory guidance, state-level implementation activities, and other factors that cannot currently be estimated.

(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.

(In thousands)

(3) Community Benefits (Unaudited)

The following is a summary of the Company's community benefit 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 June 30,		Six months ended June 30,	
		2026	**2025**	**2026**	**2025**
Charitable services and other community benefits:					
Traditional charity care	$	60,641	34,153	98,765	65,685
Unpaid costs of public programs [(1)]		10,014	15,302	(31,336)	64,909
Other community benefit programs		49,758	44,716	96,439	81,734
Total quantifiable community benefits	$	120,413	94,171	163,868	212,328

[(1)] Negative community benefits due to supplemental Medicaid program reimbursements exceeding the estimated cost of care associated with certain programs.

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.

(In thousands)

(4) Investments and Assets Whose Use is Limited

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

	June 30, 2026	December 31, 2025
Board designated funds:		
Cash and cash equivalents	$ 46,402	159,472
Equity mutual funds	1,085,173	863,471
Equity commingled funds	592,554	562,499
Common and preferred stocks	591,107	650,918
Fixed income commingled funds	368,741	388,354
Government and agency securities	995,967	948,754
Corporate obligations	880,700	828,831
Alternative investments	3,381,848	2,984,390
	7,942,492	7,386,689
Self-insurance and trustee held funds:		
Cash and cash equivalents	194,391	137,145
Equity mutual funds	404,890	352,891
Government and agency securities	124,571	113,710
Corporate obligations	84,246	65,209
	808,098	668,955
Donor restricted funds:		
Cash and cash equivalents	14,457	11,155
Equity mutual funds	11,985	10,035
Equity commingled funds	4,714	4,785
Common and preferred stocks	5,385	6,369
Fixed income commingled funds	4,449	4,886
Government and agency bonds	8,780	9,118
Corporate obligations	5,302	6,028
Alternative investments	30,895	29,423
	85,967	81,799
Investments:		
Cash and cash equivalents	4,461	4,094
Corporate obligations	3,150	3,354
	7,611	7,448
Investments and assets whose use is limited	8,844,168	8,144,891
Available for current liabilities	(171,347)	(113,422)
Long-term assets limited or restricted as to use	$ 8,672,821	8,031,469

(Continued)

(In thousands)

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 June 30,		Six months ended June 30,	
		2026	2025	2026	2025
Dividends and interest	$	33,349	35,026	59,387	75,307
Net realized gains on securities		122,726	58,498	178,769	67,662
Net change in unrealized gains on securities		388,697	262,310	293,562	300,864
	$	544,772	355,834	531,718	443,833

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 June 30, 2026 and December 31, 2025.

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

(5) Fair Value of Financial Instruments

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

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

(Continued)

(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 measurements at June 30, 2026 using		
	Fair value	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 622,357	622,357	—	—
Investments:				
Cash and cash equivalents	4,461	4,461	—	—
Corporate obligations	3,150	—	3,150	—
	7,611	4,461	3,150	—
Assets limited or restricted as to use:				
Cash and cash equivalents	255,250	255,250	—	—
Equity mutual funds	1,502,048	1,154,056	347,992	—
Equity commingled funds	597,268	497,203	—	100,065
Common and preferred stocks	522,708	522,708	—	—
Fixed income commingled funds	373,190	315,159	58,031	—
Government and agency securities	1,129,318	414,908	714,410	—
Corporate obligations	970,248	—	970,248	—
Cash and assets limited or restricted as to use	5,979,998	3,786,102	2,093,831	100,065
Assets whose use is limited under securities lending arrangements	73,784	73,784	—	—
Total cash and assets limited or restricted as to use	$ 6,053,782	3,859,886	2,093,831	100,065
Liabilities:				
Interest rate swaps	$ 6,195	—	—	6,195
Total liabilities	$ 6,195	—	—	6,195

(In thousands)

	Fair value	Fair value measurements at December 31, 2025 using Level 1	Level 2	Level 3
Cash and cash equivalents	$ 572,240	572,240	—	—
Investments:				
Cash and cash equivalents	4,094	4,094	—	—
Corporate obligations	3,354	—	3,354	—
	7,448	4,094	3,354	—
Assets limited or restricted as to use:				
Cash and cash equivalents	307,772	307,772	—	—
Equity mutual funds	1,226,397	979,621	246,776	—
Equity commingled funds	567,284	471,598	—	95,686
Common and preferred stocks	638,170	638,170	—	—
Fixed income commingled funds	393,240	336,315	56,925	—
Government and agency securities	1,071,582	343,945	727,637	—
Corporate obligations	900,068	—	900,068	—
Cash and assets limited or restricted as to use	5,684,201	3,653,755	1,934,760	95,686
Assets whose use is limited under securities lending arrangements	19,117	19,117	—	—
Total cash and assets limited or restricted as to use	$ 5,703,318	3,672,872	1,934,760	95,686
Liabilities:				
Interest rate swaps	$ 4,962	—	—	4,962
Total liabilities	$ 4,962	—	—	4,962

Following is the summary of the inputs and valuation techniques utilized to value Level 2 financial instruments as of June 30, 2026 and December 31, 2025:

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

(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:

		June 30, 2026	December 31, 2025
Beginning balance	$	95,686	83,404
Purchases		4,390	15,773
Sales		—	(3,561)
Realized and unrealized (losses) gains		(11)	70
Ending balance	$	100,065	95,686

Investments for which fair value is measured using the Net Asset Value (NAV) as a practical expedient are excluded from the fair value hierarchy in accordance with Accounting Standards Update (ASU) No. 2015-07, *Fair Value Measurement (Topic 820)*. For the six months ended June 30, 2026 and the year ended December 31, 2025, 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 June 30, 2026 and December 31, 2025, 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 June 30, 2026:

		Investments measured at NAV	Committed capital	Redemption frequency	Redemption notice period
Alternative investments:					
Private Investments	$	1,898,269	598,772	N/A	N/A
Hedge funds		1,514,474	—	Monthly, Quarterly, Annually	2 to 180 days [1]
	$	3,412,743	598,772		

(In thousands)

Investments that are not redeemable as of June 30, 2026 are $126,219 [1].

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

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

Investments that are not redeemable as of December 31, 2025 are $147,539 [1].

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

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

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

(In thousands)

(6) Property and Equipment, Net

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

	June 30, 2026	December 31, 2025
Land	$ 533,176	531,124
Land improvements	150,631	150,508
Buildings and fixed equipment	5,919,080	6,093,899
Movable equipment	4,279,783	4,081,340
Software	673,536	651,360
Leasehold improvements	286,186	267,697
	11,842,392	11,775,928
Less accumulated depreciation	(6,593,727)	(6,384,472)
	5,248,665	5,391,456
Construction in progress	1,212,943	771,529
	$ 6,461,608	6,162,985

As of June 30, 2026 the Company is contractually obligated for construction projects totaling $1,019,088 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 proceeds from tax-exempt bond obligations, assets whose use is limited and operating cash flow. Depreciation expense for the Company was $114,135 and $99,189 for the three months ended June 30, 2026 and 2025, respectively and $227,812 and $195,536 for the six months ended June 30, 2026 and 2025, respectively.

(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	June 30, 2026	December 31, 2025
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 2017A serial and term bonds	3.00-5.00	2047	324,130	324,130
MH Series 2017C taxable bonds	3.56	2027	143,150	143,150
MH Series 2018A taxable bonds	4.30	2028	305,684	305,684
BSMH Series 2020A serial and term bonds	4.00-5.00	2049	634,655	634,655
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	291,943
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	671,220
Adjustable rate Hospital Facilities Revenue and				
Revenue Refunding and Improvement Bonds:				
MH Series 2010C demand bonds	0.46-5.16	2034	72,250	72,250
MH Series 2010D DP bonds	1.93-5.06	2034	67,250	67,250
MH Series 2012B demand bonds	1.44-4.69	2036	100,000	100,000
MH Series 2018AB commercial paper notes	3.73-4.65		100,000	100,000
BSMH Series 2022B bonds payable	5.00	2051	213,320	213,320
BSMH Series 2025B bonds payable	5.00	2049	198,440	198,440
BSMH Series 2025C demand bonds	1.64-3.93	2050	100,000	100,000
BSMH Series 2025D demand bonds	0.45-4.30	2050	150,000	150,000
BSMH Series 2025E DP bonds	1.86-4.23	2044	61,160	61,160
BSMH Series 2025F DP bonds	1.86-4.23	2046	88,840	88,840
2018 TD Bank variable rate taxable term loan	4.33-5.27	2029	150,000	150,000
2022 Euro private placement	4.24	2052	182,512	188,208
2025 Euro denominated taxable term loan	3.38	2032	114,070	117,630
2025 Euro private placement	4.29	2040	171,105	176,445
Revolving Credit Agreement debt outstanding	4.38-5.13	2026	2,758	190
Total master trust indenture obligations			4,882,147	4,894,175

(In thousands)

Long-term debt	Coupon rates	Maturity through		June 30, 2026	December 31, 2025
Other debt				52,891	45,390
				4,935,038	4,939,565
Original issue net premium				93,744	101,609
Cost of issuance				(24,753)	(25,780)
				5,004,029	5,015,394
Less current portion of long-term debt				(165,948)	(160,537)
Long-term debt, less current portion			$	4,838,081	4,854,857

The Company's master trust indenture (the MTI) provides that Bon Secours Mercy Health is the sole obligor on all outstanding indebtedness incurred under the MTI. All bond obligations of the Company have been evidenced by obligations issued under the MTI.

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

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

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

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

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

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

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

(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 gain from early extinguishment of debt of $16.

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

The Company is subject to certain restrictive covenants under the MTI, revolving credit agreements, reimbursement agreements and irrevocable letters of credit as of December 31, 2025. The Company was in compliance with all restrictive covenants as of June 30, 2026 and December 31, 2025.

The following is a schedule of future minimum payments based on scheduled maturities as of June 30, 2026:

Period		Master trust indenture obligations	Other Debt
2026	$	51,388	14,256
2027		194,910	15,773
2028		352,029	3,507
2029		388,965	9,701
2030		246,150	1,456
Thereafter		3,648,705	8,198
Total minimum payments	$	4,882,147	52,891

Interest payments for the three months ended June 30, 2026 and 2025 were $75,765 and $60,825, respectively and $100,391 and $91,438 for the six months ended June 30, 2026 and 2025, respectively.

Unamortized debt issuance costs of $24,753 and $25,780 as of June 30, 2026 and December 31, 2025, 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 June 30, 2026, 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 $114,070 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.

(In thousands)

The Company maintains a revolving credit agreement for purposes of working capital support or capital asset acquisition. This revolving credit agreement has a commitment amount of $300,000 and is secured by the MTI. The agreement expires on November 18, 2026. There was $2,758 and $190 outstanding on this agreement as of June 30, 2026 and December 31, 2025, respectively.

As of June 30, 2026, the current portion of long-term debt consists of $100,000 commercial paper notes, ($149) of discount on commercial paper, $14,709 of non-master obligation current portion of long-term debt, $2,758 outstanding on the revolving credit agreement and $48,630 of other scheduled principal payments on various remaining debt arrangements disclosed above.

(8) Derivatives and Interest Rate Swap Agreements

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

Interest rate swap agreement	Transaction type	Payment rate/basis	Termination date	Notional amount June 31, 2026	Notional amount December 31, 2025	Valuation amount June 31, 2026	Valuation amount December 31, 2025
December 2006 JPM	Pay fixed	3.63%	2033	$ 103,100	124,670	(1,906)	(3,328)
December 2018 PNC	Pay fixed	3.45	2042	69,925	69,925	(3,577)	(4,407)
December 2007 JPM	Constant maturity	N/A	2027	250,000	250,000	897	2,685
August 2018 JPM	Constant maturity	N/A	2037	150,000	150,000	(1,349)	488
Credit valuation adjustment						(260)	(400)
						$ (6,195)	(4,962)

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 (receipts)/payments were $(43) and $187 for the three months ended June 30, 2026 and 2025, respectively and $396 and $448 for the six months ended June 30, 2026 and 2025, 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 June 30, 2026 and December 31, 2025, 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.

(Continued)

(In thousands)

(9) Pension Plans

The Company recognizes in the consolidated balance sheets the funded status of its defined benefit pension plans, measured as the difference between the fair value of plan assets and the projected benefit obligation. 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 defined benefit pension plans for the:

	Three months ended June 30,	
	2026	**2025**
Service cost	$ 320	341
Interest cost	14,839	15,674
Expected return on plan assets	(17,496)	(18,860)
Curtailment/settlement cost	—	—
Amortization of:		
Actuarial loss	1,024	303
Prior service credit	619	630
Net periodic benefit income	$ (694)	(1,912)

	Six months ended June 30,	
	2026	**2025**
Service cost	$ 640	682
Interest cost	29,677	31,347
Expected return on plan assets	(34,992)	(37,720)
Curtailment/settlement cost	—	—
Amortization of:		
Actuarial loss	2,048	605
Prior service credit	1,238	1,260
Net periodic benefit income	$ (1,389)	(3,826)

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.

(Continued)

(In thousands)

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

	June 30, 2026	December 31, 2025
Asset category:		
Equity mutual and commingled funds and securities	30 %	31 %
Fixed income mutual funds and securities	35	36
Alternative investments	32	29
Cash	3	4
Total	100 %	100 %

The Company maintains diversification in its plan assets by allocating assets to various asset classes and market segments and retaining multiple professional investment firms with different philosophies, styles and approaches. Accordingly, based on this diversification, management does not believe there are any 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 June 30, 2026:

		Fair value measurements		
	Fair value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 35,628	35,628	—	—
Equity mutual funds	183,606	121,038	62,568	—
Equity commingled funds	82,128	82,128	—	—
Common and preferred stocks	78,479	78,479	—	—
Government and agency bonds	200,298	188,846	11,452	—
Corporate obligations	186,352	—	186,352	—
Total investments	766,491	506,119	260,372	—
Due to broker/custodian for investment activity, net	5,005	—	5,005	—
Total plan assets	$ 771,496	506,119	265,377	—

(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, 2025:

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

The following table summarizes the alternative investments, committed capital and associated redemptions as of June 30, 2026:

	Investments measured at NAV	**Committed capital**	**Redemption frequency**	**Redemption notice period**
Private Investments	$ 198,707	59,297	N/A	N/A
Hedge funds	164,018	—	Monthly, Quarterly, Annually	2 to 180 days [1]
	$ 362,725	59,297		

Investments that are not redeemable as of June 30, 2026 are $15,161 [1].

(In thousands)

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

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

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

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

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

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

The Company does not expect to contribute to the defined benefit pension plans in 2026. The Company has several defined contribution benefit plans to assist eligible employees in providing for retirement. Under such plans, the Company recognized expenses of $49,654 and $41,885 for the three months ended June 30, 2026 and 2025, respectively, and $100,151 and $93,512 for the six months ended June 30, 2026 and 2025, 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 $389,958 and $367,428 as of June 30, 2026 and December 31, 2025, respectively. The current portion of such accruals, $83,350 and $83,594 as of June 30, 2026 and December 31, 2025, respectively, is included in other accrued expenses, and the remainder, $306,608 and $283,834 as of June 30, 2026 and December 31, 2025, 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 $46,522 and $44,269, as of June 30, 2026 and December 31, 2025, respectively. The current portion of such accruals $13,029 as of June 30, 2026 and December 31, 2025, respectively, is reported as other accrued expenses. The remainder, $33,494 and $31,240, is reported within self-insurance liabilities in the accompanying consolidated balance sheets, which include estimates for incidents incurred but not reported, as of June 30, 2026 and December 31, 2025, 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.

(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 $50,591 and $47,756, include estimates for claims incurred but not reported as of June 30, 2026 and December 31, 2025, 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.

(In thousands)

(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 June 30,		Six months ended June 30,	
	2026	**2025**	**2026**	**2025**
Finance lease expense:				
Amortization of ROU assets	$ 4,393	3,323	6,500	6,857
Interest on lease liabilities	4,196	3,192	7,648	6,375
Operating lease expense	25,246	24,393	49,886	47,748
Short-term lease expense	6,552	6,726	13,363	12,493
Variable lease expense	11,694	9,844	24,441	18,735
Total lease cost	$ 52,081	47,478	101,838	92,208

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of June 30, 2026 are as follows:

	Operating	Finance
2026	$ 53,975	15,384
2027	99,988	30,518
2028	85,955	29,945
2029	74,990	28,539
2030	64,135	28,556
Thereafter	232,920	632,150
Total	611,963	765,092
Less present value discount	(93,304)	(386,876)
Lease liabilities	$ 518,659	378,216

Other information is as follows as of June 30:

	2026	2025
Weighted average remaining lease terms (in years):		
Finance leases	54.46	60.13
Operating leases	7.43	7.25
Weighted average discount rate:		
Finance leases	3.79 %	3.73 %
Operating leases	4.24	4.18

(11) Net Assets with Donor Restrictions

The Company's endowments consist of 395 individual funds established for a variety of purposes as of June 30, 2026 and December 31, 2025 respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions and the nature of the restrictions, if any. The Company's endowment net assets were $131,367 and $120,869 as of June 30, 2026 and December 31, 2025, 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 47 funds with cumulative deficiencies of $869 as of June 30, 2026 and 88 funds with cumulative deficiencies of $1,141 as of December 31, 2025. The endowment funds with deficiencies had an original gift value of $5,417 and $9,993 as of June 30, 2026 and December 31, 2025 and a fair value of $4,548 and $8,852 as of June 30, 2026 and December 31, 2025. 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.

(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 June 30, 2026				
	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$ 1,260,264	347,206	1,607,470	56,355	1,663,825
Supplies	651,321	62,298	713,619	85,056	798,675
Purchased services	185,798	103,014	288,812	259,158	547,970
Other operating expenses	362,648	35,527	398,175	56,746	454,921
Depreciation and amortization	92,038	11,343	103,381	18,165	121,546
Interest expense	3,548	45,513	49,061	-	49,061
Taxes	22	1,523	1,545	7,635	9,180
Total recurring expenses	$ 2,555,639	606,424	3,162,063	483,115	3,645,178

	For the six months ended June 30, 2026				
	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$ 2,511,335	700,381	3,211,716	113,596	3,325,312
Supplies	1,279,083	123,319	1,402,402	164,353	1,566,755
Purchased services	360,379	198,295	558,674	502,985	1,061,659
Other operating expenses	718,550	69,312	787,862	164,123	951,985
Depreciation and amortization	183,239	22,149	205,388	34,637	240,025
Interest expense	7,339	89,216	96,555	-	96,555
Taxes	47	3,273	3,320	15,546	18,866
Total recurring expenses	$ 5,059,972	1,205,945	6,265,917	995,240	7,261,157

(Continued)

(In thousands)

	For the three months ended June 30, 2025				
	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$ 1,220,001	355,267	1,575,268	35,922	1,611,190
Supplies	597,962	46,903	644,865	80,117	724,982
Purchased services	157,732	89,853	247,585	241,691	489,276
Other operating expenses	298,952	28,396	327,348	53,560	380,908
Depreciation and amortization	73,726	16,659	90,385	16,828	107,213
Interest expense	2,053	46,832	48,885	97	48,982
Taxes	31	2,017	2,048	7,745	9,793
Total recurring expenses	$ 2,350,457	585,927	2,936,384	435,960	3,372,344

	For the six months ended June 30, 2025				
	Program activities			Supporting activities	
	Healthcare services	Ancillary services and other	Total	General and administrative	Total
Employee compensation	$ 2,419,270	704,738	3,124,008	82,597	3,206,605
Supplies	1,168,826	90,814	1,259,640	160,655	1,420,295
Purchased services	324,053	163,885	487,938	476,850	964,788
Other operating expenses	592,472	59,536	652,008	106,809	758,817
Depreciation and amortization	146,102	33,271	179,373	33,264	212,637
Interest expense	3,808	89,263	93,071	97	93,168
Taxes	55	4,393	4,448	12,056	16,504
Total recurring expenses	$ 4,654,586	1,145,900	5,800,486	872,328	6,672,814

(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:

		June 30, 2026	December 31, 2025
Cash, cash equivalents and investments	$	629,968	579,688
Net patient receivables		1,498,360	1,396,573
Other receivables		324,755	273,976
Assets whose use is limited:			
Board-designated funds		4,460,579	4,306,613
	$	6,913,662	6,556,850

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 $4,460,579 and $4,306,613 as of June 30, 2026 and December 31, 2025, 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 June 30, 2026, the Company's ownership interest in Ensemble was 41.4%. In February 2026, the Company received a cash distribution of $426,552. The distribution was recognized in other long-term liabilities on the balance sheet. In May 2025, the Company received a 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 thousands)

During the three months ended June 30, 2026 and 2025, 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 June 30,		Six months ended June 30,	
		2026	**2025**	**2026**	**2025**
Revenue cycle management and consulting services provided by Ensemble to the Company	$	160,530	154,076	315,146	303,069
Leased employees, purchased and other services provided to Ensemble by the Company		(3,462)	(4,934)	(6,295)	(8,818)

The Company owed Ensemble $63,917 and $76,183 as of June 30, 2026 and December 31, 2025, respectively. The Company did not have any outstanding receivables from Ensemble as of June 30, 2026 and December 31, 2025, 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 June 30, 2026 and December 31, 2025.

(c) FC Compassus, LLC (Compassus)

The Company and Compassus, a for-profit company that provides innovative home-based healthcare services, are in 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 multiple home health agencies and hospice operations spanning five states. The Company holds the remaining 50% noncontrolling ownership in the joint venture which is accounted for using the equity method. Additionally, the Company has a 4.1% equity ownership in the Compassus parent company, which is accounted for using the cost method measurement alternative.

(In thousands)

During the three months ended June 30, 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 June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Leased employees, purchased and other services provided to Compassus by the Company	$ (831)	(1,360)	(1,638)	(3,010)

Compassus did not have any outstanding payables due to the Company as of June 30, 2026 and December 31, 2025. The Company owed Compassus $2,988 as of June 30, 2026 and $827 as of December 31, 2025.

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

	June 30, 2026	December 31, 2025
Sentara Princess Anne	57,351	76,848
Compassus	114,940	110,862
Other	57,514	62,915
	$ 229,805	250,625

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 June 30, 2026	Three months ended June 30, 2025	Six months ended June 30, 2026	Six months ended June 30, 2025
Ensemble	$ 35,190	18,414	54,144	42,614
Sentara Princess Anne	7,225	5,859	22,985	16,603
Compassus	(2,799)	(159)	(5,922)	(5,717)
Other	2,143	297	(771)	(467)
	$ 41,759	24,411	70,436	53,033

(15) Subsequent Events

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

On August 3, 2026, Ensemble closed on a strategic recapitalization transaction with a new private equity sponsor. In conjunction with the transaction, BSMH received a net cash distribution of $670,788 from Ensemble. As of the issuance date of these financial statements, the accounting treatment and related financial statement impact of the distribution had not been finalized.

During August 2026, the Company received funding of $243,511 related to FEMA Public Assistance Program reimbursements for eligible COVID-related expenditures incurred in various states. Revenue associated with this funding will be recognized during the third quarter of 2026.

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

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: August 18, 2026

Travis L. Crum, CPA
Chief Financial Officer
Bon Secours Mercy Health

BON SECOURS MERCY HEALTH

Utilization Statistics

For the Six Months Ended
June 30, 2026 and 2025
and
For the Twelve Months Ended
December 31, 2025, 2024 and 2023

BON SECOURS MERCY HEALTH

Consolidated Utilization Statistics (Unaudited)

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2026	2025	2025	2024	2023
Utilization Statistics					
Staffed beds - Acute	7,097	7,121	7,117	7,137	7,193
Staffed beds - Long-Term Care	100	229	229	229	229
Admissions - Acute	192,148	188,542	377,481	370,963	355,641
Admissions - Post-acute	1,429	1,370	2,660	1,973	2,512
Total Admissions	193,577	189,912	380,141	372,936	358,153
Observations	34,313	35,261	69,796	65,748	63,666
Equivalent Inpatient Admissions	485,993	464,183	939,387	922,213	892,716
Newborn Deliveries	12,162	12,736	25,599	26,144	26,647
Patient days - Acute	827,677	817,415	1,609,032	1,608,994	1,562,279
Patient days - Post-acute	6,934	6,608	21,353	10,412	14,909
Occupancy on staffed beds - Acute	64.4%	63.4%	61.9%	61.8%	59.5%
Total Patient Days	834,611	824,023	1,630,385	1,619,406	1,577,188
Average length of stay - Acute	4.24	4.33	4.26	4.34	4.39
Emergency Room Visits	823,119	821,562	1,657,155	1,647,301	1,589,935
Physician Visits	4,140,457	3,950,080	7,963,659	7,791,271	7,230,233
Inpatient surgeries and medical procedures	37,610	36,567	74,665	74,326	72,919
Outpatient surgeries	113,035	110,223	223,147	221,232	218,324
Full Time Equivalent Employees	54,043	53,132	53,302	52,817	54,107
Institutional case mix index	1.642	1.651	1.654	1.645	1.637
Medicare case mix index	1.737	1.744	1.752	1.747	1.743

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

BON SECOURS MERCY HEALTH

Financial Ratios & Analyses

For the Six Months Ended

June 30, 2026 and 2025

and

For the Twelve Months Ended

December 31, 2025, 2024 and 2023

BON SECOURS MERCY HEALTH

Consolidated Financial Analyses (Unaudited)

(Dollars in Thousands)

	Six Months Ended June 30,		Twelve Months Ended December 31,		
	2026	**2025**	**2025**	**2024**	**2023**
Financial Analyses					
Operating Margin	3.0%	2.8%	2.3%	2.0%	(1.0%)
Excess Margin	8.6%	8.6%	7.7%	4.2%	1.8%
Debt Service Coverage - Rolling 12-month Basis[(1)]	4.49	3.21	4.09	3.49	1.92
Debt Service Coverage YTD [(2)]	4.33	3.36	4.09	3.49	1.92
based on Maximum Annual Debt Service [(3)] of:	*339,814*	*351,358*	*$337,790*	*$314,332*	*$317,662*
adjusted to remove unrealized investments gains (losses) of:	*$293,491*	*$300,864*	*$312,531*	*$155,272*	*$329,746*
adjusted to remove unrealized swap gains (losses) of:	*($1,234)*	*$1,929*	*$3,097*	*$4,406*	*$9,243*
adjusted to remove impairment gains (charges) of:	*($748)*	*($2,865)*	*($3,074)*	*($51,336)*	*($21,014)*
adjusted to remove gains (losses) on disposed assets not in ordinary course of:	*($1,650)*	*($11,479)*	*$15,151*	*$1,116*	*$3,371*
adjusted to remove gain (loss) on early extinguishment of debt of:	*$0*	*$62,978*	*$62,993*	*$0*	*$0*
Operating EBITDA	$580,260	$517,030	$976,971	$927,283	$569,454
Operating EBITDA Margin	7.8%	7.5%	7.0%	7.0%	4.7%
Total Unrestricted Cash[(4)]	8,572,461	7,954,957	$7,966,377	$7,489,729	$7,151,999
Days Cash on Hand - YTD basis	227	226	220	218	221
Debt to Capitalization	32.4%	35.4%	33.9%	35.2%	37.4%
Net Patient Revenue per EIPA-CMI Adj	$8,448	$7,969	$8,088	$7,848	$7,519
Total Community Benefit (TCB) Cost[(5)]	$163,868	$212,328	$415,690	$524,293	$606,928
Net Patient Revenue by Payor Type -					
Medicare - Traditional	17.4%	17.6%	17.5%	18.1%	19.3%
Medicare - Managed	18.8%	19.5%	19.3%	19.0%	18.1%
Medicaid - Traditional	12.1%	8.9%	9.4%	8.2%	7.4%
Medicaid - Managed	7.1%	7.6%	7.4%	7.9%	8.4%
Other Governmental	2.2%	2.3%	2.2%	2.1%	1.9%
Commercial	41.3%	43.0%	43.5%	44.3%	44.3%
Self Pay & Other	1.1%	1.1%	0.7%	0.4%	0.6%
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) 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.