



PROVIDENCE ST. JOSEPH HEALTH
Combined Financial Statements
December 31, 2024 and 2023
(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
Providence St. Joseph Health:

Opinion

We have audited the combined financial statements of Providence St. Joseph Health (the Health System), which comprise the combined balance sheets as of December 31, 2024 and 2023, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Health System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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



In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Obligated Group Combining Balance Sheets and Statements of Operations Information included on pages 35 and 36 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

KPMG LLP

Seattle, Washington
March 5, 2025

PROVIDENCE ST. JOSEPH HEALTH

Combined Balance Sheets

December 31, 2024 and 2023

(In millions of dollars)

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 1,768	1,468
Accounts receivable	3,513	3,045
Supplies inventory	343	373
Other current assets	2,151	2,430
Current portion of assets whose use is limited	<u>774</u>	<u>701</u>
Total current assets	8,549	8,017
Assets whose use is limited	6,575	7,022
Property, plant, and equipment, net	9,233	9,187
Operating lease right-of-use assets	1,092	1,172
Other assets	<u>2,582</u>	<u>2,906</u>
Total assets	<u>\$ 28,031</u>	<u>28,304</u>
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 184	160
Master trust debt classified as short-term	494	138
Accounts payable	1,604	1,438
Accrued compensation	1,677	1,527
Current portion of operating lease liabilities	196	204
Other current liabilities	<u>2,247</u>	<u>2,393</u>
Total current liabilities	6,402	5,860
Long-term debt, net of current portion	7,495	8,064
Pension benefit obligation	519	660
Long-term operating lease liabilities, net of current portion	1,013	1,107
Other liabilities	<u>1,861</u>	<u>1,624</u>
Total liabilities	<u>17,290</u>	<u>17,315</u>
Net assets:		
Controlling interests	9,172	9,340
Noncontrolling interests	<u>142</u>	<u>145</u>
Net assets without donor restrictions	9,314	9,485
Net assets with donor restrictions	<u>1,427</u>	<u>1,504</u>
Total net assets	<u>10,741</u>	<u>10,989</u>
Total liabilities and net assets	<u>\$ 28,031</u>	<u>28,304</u>

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Operations

Years ended December 31, 2024 and 2023

(In millions of dollars)

	2024	2023
Operating revenues:		
Net patient service revenues	\$ 23,387	21,876
Premium revenues	2,986	2,744
Capitation revenues	1,940	1,947
Other revenues	<u>2,386</u>	<u>2,178</u>
Total operating revenues	<u>30,699</u>	<u>28,745</u>
Operating expenses:		
Salaries and benefits	15,709	15,238
Supplies	4,892	4,521
Purchased healthcare services	2,575	2,462
Interest, depreciation, and amortization	1,210	1,460
Purchased services, professional fees, and other	<u>6,774</u>	<u>6,235</u>
Total operating expenses	<u>31,160</u>	<u>29,916</u>
Deficit of revenue over expenses from operations before restructuring costs and other	(461)	(1,171)
Restructuring costs and other	<u>183</u>	<u>—</u>
Deficit of revenue over expenses from operations	<u>(644)</u>	<u>(1,171)</u>
Net nonoperating gains (losses):		
Investment income, net	488	652
Other	<u>(75)</u>	<u>(77)</u>
Total net nonoperating gains	<u>413</u>	<u>575</u>
Deficit of revenues over expenses	<u>\$ (231)</u>	<u>(596)</u>

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH
 Combined Statements of Changes in Net Assets
 Years ended December 31, 2024 and 2023
 (In millions of dollars)

	Without donor restrictions			Total net assets
	Controlling interests	Noncontrolling interests	With donor restrictions	
Balance, December 31, 2022	\$ 9,818	386	1,387	11,591
(Deficit) excess of revenues over expenses	(619)	23	—	(596)
Contributions, grants, and other	112	(264)	224	72
Net assets released from restriction	—	—	(107)	(107)
Pension related changes	29	—	—	29
Change in net assets	(478)	(241)	117	(602)
Balance, December 31, 2023	<u>9,340</u>	<u>145</u>	<u>1,504</u>	<u>10,989</u>
(Deficit) excess of revenues over expenses	(254)	23	—	(231)
Contributions, grants, and other	(14)	(26)	142	102
Net assets released from restriction	—	—	(219)	(219)
Pension related changes	100	—	—	100
Change in net assets	(168)	(3)	(77)	(248)
Balance, December 31, 2024	<u>\$ 9,172</u>	<u>142</u>	<u>1,427</u>	<u>10,741</u>

See accompanying notes to combined financial statements.

PROVIDENCE ST. JOSEPH HEALTH

Combined Statements of Cash Flows

Years ended December 31, 2024 and 2023

(In millions of dollars)

	2024	2023
Cash flows from operating activities:		
Decrease in net assets	\$ (248)	(602)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	864	1,113
Gain on disaffiliation activities	(426)	(103)
Change in non-controlling interest due to joint venture activities	(9)	264
Restricted contributions and investment income received	(142)	(224)
Net realized and unrealized gains on investments	(294)	(462)
Changes in certain current assets and liabilities	(25)	(1,027)
Change in certain long-term assets and liabilities	96	(75)
Net cash used in operating activities	<u>(184)</u>	<u>(1,116)</u>
Cash flows from investing activities:		
Property, plant, and equipment additions	(858)	(527)
Purchases of alternative investments, commingled funds, and trading securities	(9,523)	(9,499)
Proceeds from sales of alternative investments, commingled funds, and trading securities	10,224	11,351
Net cash received through affiliation and divestiture activities	554	110
Proceeds from sales of warrants	46	—
Other investing activities	68	(87)
Net cash provided by investing activities	<u>511</u>	<u>1,348</u>
Cash flows from financing activities:		
Proceeds from restricted contributions and restricted income	142	224
Debt borrowings	337	1,342
Debt payments	(515)	(1,336)
Other financing activities	9	(57)
Net cash (used in) provided by financing activities	<u>(27)</u>	<u>173</u>
Increase in cash and cash equivalents	300	405
Cash and cash equivalents, beginning of year	<u>1,468</u>	<u>1,063</u>
Cash and cash equivalents, end of year	<u>\$ 1,768</u>	<u>1,468</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 342	337

See accompanying notes to combined financial statements.

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Notes to Combined Financial Statements

December 31, 2024 and 2023

(In millions of dollars)

(1) Basis of Presentation and Significant Accounting Policies

(a) Reporting Entity

Providence St. Joseph Health (the Health System), a Washington nonprofit corporation, is the sole corporate member of Providence Health & Services (PHS) and the St. Joseph Health System (SJHS). PHS, a Washington nonprofit corporation, is a Catholic healthcare system sponsored by the public juridic person, Providence Ministries. SJHS, a California nonprofit public benefit corporation, is a Catholic healthcare system sponsored by the public juridic person, St. Joseph Health Ministry.

The Health System seeks to improve the health of the communities it serves, especially the poor and vulnerable. The Health System operations include 51 hospitals and a comprehensive range of services provided across Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. The Health System also provides population health management through various affiliated licensed insurers and other risk-bearing entities.

The Health System has been recognized as exempt from federal income taxes, except on unrelated business income, under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) and further described as a public charitable organization under Section 509(a)(3). PHS, SJHS, and substantially all of the corporations within the Health System have been granted exemptions from federal income tax under Section 501(a) of the Internal Revenue Code as charitable organizations described in Section 501(c)(3).

(b) Basis of Presentation

The accompanying combined financial statements of the Health System were prepared in accordance with U.S. generally accepted accounting principles and include the assets, liabilities, revenues, and expenses of all wholly owned affiliates, majority-owned affiliates over which the Health System exercises control, and, when applicable, entities in which the Health System has a controlling financial interest. Intercompany balances and transactions have been eliminated in combination.

(c) Performance Indicator

The performance indicator is the deficit of revenues over expenses. Changes in net assets without restrictions that are excluded from the performance indicator include net assets released from restriction for the purchase of property, plant, and equipment, certain changes in funded status of pension and other postretirement benefit plans, net changes in noncontrolling interests in combined joint ventures, and certain other activities.

(d) Operating and Nonoperating Activities

The Health System's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, physician services, long-term care, population health management, and other healthcare and health insurance services. Activities directly associated with the furtherance of this mission are considered to be operating activities. Other activities that result in gains or losses peripheral to the Health System's primary mission are considered to be nonoperating. Nonoperating activities include investment earnings, gains or losses from debt extinguishment, gains or losses from disaffiliation

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activity, certain pension related costs, gains or losses on interest rate swaps, and certain other activities.

(e) Use of Estimates and Assumptions

The preparation of the combined financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions are used for, but not limited to: (1) patient revenue recognition; (2) fair value of acquired assets and assumed liabilities in business combinations; (3) fair value of investments; (4) reserves for self-insured healthcare plans; and (5) reserves for professional, workers' compensation, and general insurance liability risks.

The accounting estimates used in the preparation of the combined financial statements will change as new events occur, additional information is obtained, or the operating environment changes. Assumptions and the related estimates are updated on an ongoing basis, and external experts may be employed to assist in the evaluation, as considered necessary. Actual results could materially differ from those estimates.

(f) Restructuring and Other

Restructuring costs were recorded during the year ended December 31, 2024. The amounts were comprised primarily of asset rationalization and employee reductions, and other items related to restructuring initiatives.

(g) Joint Venture

In October 2023, the Health System and Cedars-Sinai Medical Center jointly opened a new patient-care tower, Providence Cedars-Sinai Tarzana Medical Center ("PCSTMC"), owned and operated by both organizations through joint venture. As a result of the joint venture, in 2023, the Health System's property, plant, and equipment decreased by \$690, noncontrolling net assets decreased by \$264, and controlling assets decreased by \$412. Furthermore, in 2023, the Health System's other assets increased by \$527 as a result of the new investment in joint venture. In 2024, PCSTMC is accounted for as a nonconsolidating joint venture.

(h) Sales of Subsidiaries

The Health System completed the sale of its Acclara and Advata subsidiaries to R1 RCM ("R1") effective January 17, 2024 for cash of \$575 and a warrant valued at \$55 to purchase up to 12.2 million shares of R1 stock at an exercise price of \$10.52, subject to a three-year lock-up period. Upon closing of the transaction in January 2024, the Health System recorded a gain of approximately \$371, which is included in other revenues in the combined statement of operations. The Health System entered into a 10-year agreement for comprehensive revenue cycle services from Acclara that remains in progress. In November 2024, R1 sold all outstanding common shares, and the Health System received \$46 for its warrants.

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The subsidiaries were deemed to be held for sale at December 31, 2023. The total carrying amount of the assets and liabilities of the subsidiaries as of December 31, 2023 are as follows:

Current assets	\$ 139
Long-term assets	<u>255</u>
Total assets	\$ <u>394</u>
Current liabilities	\$ 76
Long-term liabilities	<u>62</u>
Total liabilities	\$ <u>138</u>

(i) Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original or remaining maturity of three months or less when acquired. The Health System maintains cash balances above Federal Deposit Insurance Corporation limits.

(j) Supplies Inventory

Supplies inventory is stated at the lower of cost (first-in, first-out) or market.

(k) Investments Including Assets Whose Use Is Limited

The Health System has classified all of its investments as trading securities. These investments are reported on the combined balance sheets at fair value on a trade-date basis.

Assets whose use is limited primarily include assets held by trustees under indenture agreements and designated assets set aside by management of the Health System for future capital improvements and other purposes, over which management retains control. Assets whose use is limited also include funds held for self-insurance purposes, health plan medical claims payments and other statutory reserve requirements, as well as assets held by related foundations. Temporary cash held by fund managers is considered investing activity for cash flow purposes.

(l) Liquidity

Cash and cash equivalents and accounts receivable are the primary liquid resources used by the Health System to meet expected expenditure needs within the next year. The Health System has credit facility programs, as described in Note 7, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 41% and 45% of noncurrent investments, as stated at December 31, 2024 and 2023, respectively, could be utilized within the next year, if needed.

(m) Derivative Instruments

The Health System allows certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage market risk related to the Health System's equity,

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fixed-income, and commodities holdings. Also, the Health System occasionally uses derivative financial instruments (interest rate swaps) to manage its interest rate exposure and overall cost of borrowing. The interest rate swap agreements did not meet the criteria for hedge accounting and all changes in the valuation are recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations.

(n) Net Assets

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. Amounts related to the Health System's noncontrolling interests in certain joint ventures are included in net assets without donor restrictions.

Net assets with donor restrictions are those whose use by the Health System has been limited by donors to a specific time period, in perpetuity, and/or purpose.

Net assets with donor restrictions are available for the following purposes as of December 31:

	2024	2023
Program support	\$ 1,162	1,274
Capital acquisition	177	133
Low-income housing and other	88	97
Total net assets with donor restrictions	\$ 1,427	1,504

(o) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to the Health System 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 promise to give is no longer conditional. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When the terms of a donor restriction are met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as other operating revenues in the combined statements of operations or as net assets released from restriction in the combined statements of changes in net assets.

(p) Charity Care and Community Benefit

The Health System provides community benefit activities that address significant health priorities within its geographic service areas. These activities include Medicaid and Medicare shortfalls, community health services, education and research, and free and low-cost care (charity care).

Charity care is reported at estimated cost and is determined by multiplying the charges incurred at established rates for services rendered by the Health System's cost-to-charge ratio. The cost of charity care provided by the Health System for the years ended December 31, 2024 and 2023 was \$353 and \$240, respectively.

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(In millions of dollars)

(q) Subsequent Events

The Health System has performed an evaluation of subsequent events through March 5, 2025, the date the accompanying combined financial statements were issued.

(r) Reclassifications

Certain reclassifications, which have no impact on net assets or changes in net assets, have been made to prior year amounts to conform to the current year presentation.

(2) Revenue Recognition

(a) Net Patient Service Revenues

The Health System has agreements with governmental and other third-party payors that provide for payments to the Health System at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods.

Net patient service revenues are recognized at the time services are provided to patients. Revenue is recorded in the amount that the Health System expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Adjustments from finalization of prior years' cost reports and other third-party settlement estimates resulted in an increase in net patient service revenues of \$33 and \$282 for the years ended December 31, 2024 and 2023, respectively. Included in \$282 of the 2023 revenue was \$200 that was due to the 340b settlement with Medicare.

Various states in which the Health System operates have instituted a provider tax on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers of Medicaid services. The taxes are included in purchased services, professional fees, and other expenses in the accompanying combined statements of operations and were \$887 and \$635 for the years ended December 31, 2024 and 2023, respectively. These programs resulted in enhanced payments from these states in the way of lump-sum payments and per claim increases. These enhanced payments are included in net patient service revenues in the accompanying combined statements of operations and were \$1,315 and \$889 for the years ended December 31, 2024 and 2023, respectively.

(b) Premium and Capitation Revenues

Premium and capitation revenues are received on a prepaid basis and are recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the Health System's performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The balance of contract liabilities was \$32 and \$28 as of December 31, 2024 and 2023, respectively, and is included in other current liabilities in the combined balance sheets. The Health System has no material contract assets.

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Notes to Combined Financial Statements

December 31, 2024 and 2023

(In millions of dollars)

(c) Disaggregation of Revenue

The Health System earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

Other revenues are comprised primarily of point of sale for retail pharmacy, cafeteria, grant revenue, and sale of subsidiaries and are recognized in accordance with contract terms.

Operating revenues from contracts with customers by state are as follows for the years ended December 31:

	2024	2023
Alaska	\$ 1,063	1,026
Washington	9,302	8,167
Montana	569	532
Oregon	6,738	6,260
California	9,221	9,274
Texas/New Mexico	<u>1,420</u>	<u>1,308</u>
 Total revenues from contracts with customers	 28,313	 26,567
 Other revenues	 <u>2,386</u>	 <u>2,178</u>
 Total operating revenues	 <u>\$ 30,699</u>	 <u>28,745</u>

Operating revenues from contracts with customers by line of business are as follows for the years ended December 31:

	2024	2023
Hospitals	\$ 19,179	18,008
Health plans and accountable care	3,143	3,035
Physician and outpatient activities	3,520	3,340
Long-term care, home care, and hospice	1,625	1,522
Other	<u>846</u>	<u>662</u>
 Total revenues from contracts with customers	 28,313	 26,567
 Other revenues	 <u>2,386</u>	 <u>2,178</u>
 Total operating revenues	 <u>\$ 30,699</u>	 <u>28,745</u>

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Operating revenues from contracts with customers by payor are as follows for the years ended December 31:

	2024	2023
Commercial	\$ 13,186	12,102
Medicare	9,653	9,794
Medicaid	4,576	3,897
Self-pay and other	898	774
 Total revenues from contracts with customers	 28,313	 26,567
Other revenues	2,386	2,178
 Total operating revenues	 \$ 30,699	 28,745

(3) Fair Value Measurements

ASC Topic 820, *Fair Value Measurements*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs include quoted prices (unadjusted) in active markets for identical assets or liabilities that the Health System has the ability to access at the measurement date.
- Level 2 inputs include inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety.

(a) Assets Whose Use Is Limited

The fair value of assets whose use is limited, other than those investments measured using net asset value per share (NAV) as a practical expedient for fair value, is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable.

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(In millions of dollars)

The composition of assets whose use is limited is set forth in the following tables:

	December 31, 2024	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	\$ 715	715	—	—
Equity securities:				
Domestic	805	805	—	—
Foreign	250	250	—	—
Domestic debt securities:				
State and federal government	1,384	734	650	—
Corporate	491	14	477	—
Other	673	348	325	—
Foreign debt securities	219	3	216	—
Other	29	11	18	—
Investments measured using NAV	<u>1,831</u>			
Total management-designated cash and investments	<u>6,397</u>			
Gift annuities, trusts, and other	544	61	14	469
Funds held by trustee:				
Cash and cash equivalents	48	48	—	—
Domestic debt securities	333	178	155	—
Foreign debt securities	<u>27</u>	—	27	—
Total funds held by trustee	<u>408</u>			
Total assets whose use is limited	\$ <u>7,349</u>			

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(In millions of dollars)

	December 31, 2023	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Management-designated cash and investments:				
Cash and cash equivalents	\$ 852	852	—	—
Equity securities:				
Domestic	1,010	1,010	—	—
Foreign	378	378	—	—
Domestic debt securities:				
State and federal government	1,323	631	692	—
Corporate	508	1	507	—
Other	574	259	315	—
Foreign debt securities	221	2	219	—
Other	59	56	3	—
Investments measured using NAV	<u>1,984</u>			
Total management-designated cash and investments	<u>6,909</u>			
Gift annuities, trusts, and other	421	59	10	352
Funds held by trustee:				
Cash and cash equivalents	40	40	—	—
Domestic debt securities	320	174	146	—
Foreign debt securities	<u>33</u>	—	33	—
Total funds held by trustee	<u>393</u>			
Total assets whose use is limited	\$ <u>7,723</u>			

The Health System participates in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments, provided by the fund managers, are reasonable estimates of fair value.

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(In millions of dollars)

The following table presents information, including unfunded commitments for investments where the NAV was used to estimate the value of the investments as of December 31:

	2024	2023	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds:					
Long/short equity	\$ 94	139	—	Monthly, quarterly, or annually	30–90 days
Credit	113	130	—	Quarterly, semi-annually, or not applicable	45–90 days
Relative value	102	119	—	Quarterly, or not applicable	45–65 days
Global macro	104	157	—	Monthly, or quarterly	5–90 days
Fund of hedge funds	3	3	—	Semi-annually	95 days
Other	50	51	6	Quarterly, semi-annually, or annually	30–90 days
Private equity	1,039	987	357	Not applicable	Not applicable
Private real estate	229	251	130	Not applicable	Not applicable
Real assets	75	46	33	Quarterly, annually, or not applicable	30–90 days or not applicable
Commingled	22	101	—	Daily, weekly, bi-weekly, monthly, or not applicable	3–30 days or not applicable
Total	\$ 1,831	1,984	526		

The following is a summary of the nature of these investments and their associated risks:

Hedge funds are portfolios of investments that use advanced investment strategies, such as long/short equity, credit, relative value, global macro, and fund of hedge funds positions in both domestic and international markets, with the goal of diversifying portfolio risk and generating return. The Health System's investments in hedge funds include certain funds with provisions that limit the Health System's ability to access assets invested. These provisions include lock-up terms that range up to three years from the subscription date or are continuous and determined as a percent of total assets invested. The Health System is in various stages of the lock-up periods dependent on hedge fund and period of initial investments.

Private equity and private real estate funds make opportunistic investments that are primarily private in nature. These investments cannot be redeemed by the Health System; rather the Health System has committed an amount to invest in the private funds over the respective commitment periods. After the commitment period has ended, the nature of the investments in this category is that the distributions are received through the liquidation of the underlying assets.

Real asset strategies invest in securities backed by tangible real assets, with the objective of achieving attractive diversified total returns over the long term, while maximizing the potential for real returns in periods of rising inflation. Real asset investments should provide a return in excess of inflation, and their performance should be sensitive to changes in inflation or expectations for future levels of inflation. The real asset category is made up of many different underlying sectors which may include agriculture, commodities, gold, infrastructure, REITs (Real Estate Investment Trusts), and TIPS.

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(Treasury Inflation Protected Securities). Each of these sectors tends to have a high degree of sensitivity to inflation and be less correlated with traditional equities and fixed income.

Commingled describes a type of fund structure. Commingled funds consist of assets from several accounts that are blended together. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per dollar of investment.

(b) Unsettled Transactions

Investment sales and purchases initiated prior to and settled subsequent to the combined balance sheet date result in amounts due from and to brokers. As of December 31, 2024, the Health System recorded a payable of \$19 for investments purchased but not settled in other current liabilities, respectively, in the accompanying combined balance sheets. As of December 31, 2023, the Health System recorded a receivable of \$61 for investments sold but not settled and a payable of \$45 for investments purchased but not settled in other current assets and other current liabilities, respectively, in the accompanying combined balance sheets.

(c) Derivative Instruments

The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the combined balance sheets as of December 31:

	2024	2023
Derivative assets:		
Futures contracts	\$ 1,090	1,057
Foreign currency forwards and other contracts	185	205
Total derivative assets	<u>\$ 1,275</u>	<u>1,262</u>
Derivative liabilities:		
Futures contracts	\$ (1,090)	(1,057)
Foreign currency forwards and other contracts	(185)	(205)
Total derivative liabilities	<u>\$ (1,275)</u>	<u>(1,262)</u>

The Health System also uses short-term forward purchase and sale commitments of mortgage-backed assets. The total notional derivative amount of mortgage contracts purchased and sold was \$135 and \$11, respectively, as of December 31, 2024. The total notional derivative amount of mortgage contracts purchased and sold was \$202 and \$74, respectively, as of December 31, 2023. These meet the definition of a derivative instrument in cases where physical delivery of the assets is not taken at the earliest available delivery date.

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(d) Investment Income, Net

	2024	2023
Interest and dividend income	\$ 194	190
Net realized gains on sale of trading securities	363	134
Change in net unrealized (losses) gains on trading securities	(69)	328
Investment income, net	<u>\$ 488</u>	<u>652</u>

(e) Assets Measured Using Significant Unobservable Inputs

Level 3 assets include charitable remainder trusts, real property, and equity investments in healthcare technology start-ups through the Health System's innovation venture capital fund. Fair values of real property were estimated using a market approach. Fair values of charitable remainder trusts were estimated using an income approach. Fair value of equity investments in healthcare technology start-ups were estimated using a combination of income and market approach.

(4) Property, Plant, and Equipment, Net

Property, plant, and equipment are stated at cost. Improvements and replacements of plant and equipment are capitalized, and maintenance and repairs are expensed. The provision for depreciation is determined by the straight-line method, which allocates the cost of tangible property equally over its estimated useful life or lease term. Impairment of property, plant, and equipment is assessed when there is evidence that events or changes in circumstances have made recovery of the net carrying value of assets unlikely.

Interest capitalized on amounts expended during construction is a component of the cost of additions to be allocated to future periods through the provision for depreciation. Capitalization of interest ceases when the addition is substantially complete and ready for its intended use.

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Property, plant, and equipment and the total accumulated depreciation are as follows as of December 31:

	Approximate useful life (years)	2024	2023
Land	—	\$ 1,096	1,114
Buildings and improvements	5–60	11,224	10,844
Equipment:			
Fixed	5–25	1,396	1,382
Major movable and minor	3–20	8,273	7,921
Construction in progress	—	1,288	1,208
		23,277	22,469
Less accumulated depreciation		(14,044)	(13,282)
Property, plant, and equipment, net		\$ 9,233	9,187

Construction in progress primarily represents renewal and replacement of various facilities in the Health System's operating divisions, as well as costs capitalized for software development.

(5) Other Assets

Other assets are summarized as follows as of December 31:

	2024	2023
Investment in nonconsolidated joint ventures	\$ 935	926
Goodwill, net of accumulated amortization	154	340
Intangible assets, net of accumulated amortization	108	177
Beneficial interest in noncontrolled foundations	199	329
Other	1,186	1,134
Total other assets	\$ 2,582	2,906

Goodwill is recorded as the excess of cost over fair value of the acquired net assets. Goodwill is amortized over a ten-year period. Goodwill is tested for impairment when a triggering event occurs that indicates that it is more likely than not that the fair value of the reporting unit is below its carrying value. The Health System recorded no goodwill impairment for the years ended December 31, 2024 and 2023.

Indefinite-lived intangible assets are recorded at fair value using various methods depending on the nature of the intangible asset and are tested annually for impairment. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

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(6) Leases

The Health System enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, the Health System records the related right-of-use (ROU) asset and liability at the present value of the lease payments over the contract term using the Health System's incremental borrowing rate. Building lease agreements generally require the Health System to pay maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation. Most leases include one or more options to renew the lease at the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at the Health System's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term.

The components of lease cost are as follows for the years ended December 31:

	2024	2023
Operating lease cost:		
Fixed lease expense	\$ 236	249
Short-term lease expense	3	3
Variable lease expense	<u>177</u>	<u>179</u>
Total operating lease cost	<u><u>\$ 416</u></u>	<u><u>431</u></u>
Finance lease cost:		
Amortization of ROU assets	\$ 102	102
Interest on finance lease liabilities	<u>16</u>	<u>12</u>
Total finance lease cost	<u><u>\$ 118</u></u>	<u><u>114</u></u>

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Supplemental cash flow and other information related to leases as of and for the years ended December 31 are as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 236	249
Operating cash flows from finance leases	16	12
Financing cash flows from finance leases	32	73
Additions to ROU assets obtained from operating leases	135	295
Additions to ROU assets obtained from finance leases	109	196
Weighted-average remaining lease term (in years):		
Operating leases	8	9
Finance leases	14	12
Weighted-average discount rate:		
Operating leases	3.50 %	3.30 %
Finance leases	4.30	3.00

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

	Operating	Finance
2025	\$ 238	116
2026	219	93
2027	187	68
2028	152	62
2029	131	61
Thereafter	<u>466</u>	<u>485</u>
	1,393	885
Less imputed interest	<u>(184)</u>	<u>(272)</u>
Total lease liabilities	1,209	613
Less current portion	<u>(196)</u>	<u>(93)</u>
Long-term portion	<u>\$ 1,013</u>	<u>520</u>

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Lease assets and lease liabilities as of December 31 were as follows:

	Classification	2024	2023
Assets:			
Operating	Operating leases ROU assets	\$ 1,092	1,172
Finance	Property, plant, and equipment, net	563	635
Liabilities:			
Current:			
Operating	Current portion of operating lease liabilities	196	204
Finance	Current portion of long-term debt	93	88
Long-term:			
Operating	Long-term operating lease liabilities, net of current portion	1,013	1,107
Finance	Long-term debt, net of current portion	520	602

(7) Debt

(a) Short-Term and Long-Term Debt

The Health System has borrowed master trust debt issued through the following:

- California Health Facilities Financing Authority (CHFFA)
- Washington Health Care Facilities Authority (WHCFA)
- Oregon Facilities Authority (OFA)
- Wisconsin Public Finance Authority (WPFA)

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Short-term and long-term unpaid principal consists of the following at December 31:

	Maturing through	Coupon rates	Unpaid principal			
			2024	2023		
Master trust debt:						
Fixed rate:						
Series 2009C, CHFFA Revenue Bonds	2034	5.00 %	\$ 35	35		
Series 2009D, CHFFA Revenue Bonds	2034	1.70	36	36		
Series 2011C, OFA Revenue Bonds	2026	3.50–5.00	2	2		
Series 2012A, WHCFA Revenue Bonds	2042	3.00–5.00	404	416		
Series 2013A, OFA Revenue Bonds	2024	5.00	—	9		
Series 2013A, CHFFA Revenue Bonds	2037	4.00–5.00	31	47		
Series 2014A, CHFFA Revenue Bonds	2038	4.00–5.00	132	146		
Series 2014B, CHFFA Revenue Bonds	2044	4.25–5.00	119	119		
Series 2014C, WHCFA Revenue Bonds	2044	4.00–5.00	80	80		
Series 2014D, WHCFA Revenue Bonds	2041	5.00	176	176		
Series 2015A, WHCFA Revenue Bonds	2045	4.00	78	78		
Series 2015C, OFA Revenue Bonds	2045	4.00–5.00	71	71		
Series 2016A, CHFFA Revenue Bonds	2047	2.50–5.00	430	437		
Series 2016B, CHFFA Revenue Bonds	2036	1.25–4.00	95	190		
Series 2016H, Direct Obligation Bonds	2036	2.75	300	300		
Series 2016I, Direct Obligation Bonds	2047	3.74	400	400		
Series 2018A, Direct Obligation Bonds	2048	4.00	350	350		
Series 2018B, WHCFA Revenue Bonds	2033	5.00	142	142		
Series 2019A, Direct Obligation Bonds	2029	2.53	650	650		
Series 2019B, CHFFA Revenue Bonds	2039	5.00	118	118		
Series 2019C, CHFFA Revenue Bonds	2039	5.00	171	171		
Series 2021A, Direct Obligation Bonds	2051	2.70	775	775		
Series 2021B, WHCFA Revenue Bonds	2042	4.00	178	178		
Series 2021C, PFA Revenue Bonds	2041	4.00	102	102		
Series 2023A, Direct Obligation Notes	2028	5.42	110	110		
Series 2023B, Direct Obligation Notes	2033	5.45	85	85		
Series 2023C, Direct Obligation Notes	2043	5.71	188	188		
Series 2023, Direct Obligation Bonds	2033	5.40	585	585		
Total fixed rate			5,843	5,996		

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	Maturing through	Effective interest rate (1)		Unpaid principal	
		2024	2023	2024	2023
Variable rate:					
Series 2016D, WHCFA Revenue Bonds	2036	4.39 %	4.04 %	53	63
Series 2016E, WHCFA Revenue Bonds	2036	4.50	3.90	33	42
Total variable rate				86	105
Wells Fargo Credit Facility	2026	5.96	5.83	932	760
Wells Fargo	2026	5.55	6.10	300	300
PNC Bank	2025	5.90	5.73	200	200
PNC Bank	2027	6.06	5.89	127	127
Unpaid principal, master trust debt				7,488	7,488
Premiums, discounts, and unamortized financing costs, net				71	151
Master trust debt, including premiums and discounts, net				7,559	7,639
Other long-term debt				614	723
Total debt				\$ 8,173	8,362

(1) Variable rate debt and credit facilities carry floating interest rates attached to indexes, which are subject to change based on market conditions.

Short-term master trust debt includes debt issued with final maturity or mandatory redemption within one year of December 31, 2024 and 2023.

In February 2023, the Health System issued the Series 2023A, B, and C private placement notes totaling \$383 million. In May 2023, the Health System closed on its Series 2023 taxable fixed rate refunding bonds totaling \$585 million. The intended uses of funds included refinancing legacy SJHS and PHS master trust debt and refunding an existing term loan and debt services due in 2023.

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The following table reflects classification of long-term debt obligations in the accompanying combined balance sheets as of December 31:

	2024	2023
Current portion of long-term debt	\$ 184	160
Master trust debt classified as short-term	494	138
Long-term debt, classified as a long-term liability	<u>7,495</u>	<u>8,064</u>
Total debt	\$ 8,173	8,362

(b) Other Long-Term Debt

Other long-term debt consists of the following as of December 31:

	2024	2023
Finance leases	\$ 613	690
Notes payable and other	<u>1</u>	<u>33</u>
Total other long-term debt	\$ 614	723

(c) Debt Service

Scheduled principal payments of long-term debt, considering all obligations under the master trust indenture as due according to their long-term amortization schedule, for the next five years and thereafter are as follows:

	Master trust	Other	Total
2025	\$ 586	93	679
2026	1,600	63	1,663
2027	190	40	230
2028	169	35	204
2029	705	37	742
Thereafter	<u>4,238</u>	<u>346</u>	<u>4,584</u>
 Scheduled principal payments of long-term debt	 \$ 7,488	 614	 8,102

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(d) Derivative Instruments

The Health System occasionally used interest rate swap agreements to manage interest rate risk associated with its outstanding debt. As of December 31, 2024 and 2023, the Health System did not have any outstanding interest rate swap contracts. The interest rate swap agreements did not meet the criteria for hedge accounting and all changes in the valuation were recognized as a component of net nonoperating gains (losses) in the accompanying combined statements of operations. Settlements related to these agreements were classified as a component of interest, depreciation, and amortization expense in the accompanying combined statements of operations. For the year ended December 31, 2023, the change in valuation was a gain of \$17. There was no activity in 2024.

Derivative financial instruments were recorded at fair value taking into consideration the Health System's and the counterparties' nonperformance risk. The fair value of the interest rate swaps was based on independent valuations obtained and was determined by calculating the value of the discounted cash flows of the differences between the fixed interest rate of the interest rate swaps and the counterparty's forward London Interbank Offered Rate curve, which was the input used in the valuation, taking also into account any nonperformance risk.

During the fourth quarter of 2023, the Health System terminated interest rate swap agreements with MUFG Bank, Ltd. and Wells Fargo. The final termination costs netted to approximately \$21 million.

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(8) Retirement Plans

(a) Defined Benefit Plans

The Health System sponsors various frozen defined benefit retirement plans. The measurement dates for the defined benefit plans are December 31. A rollforward of the change in projected benefit obligation and change in the fair value of plan assets for the defined benefit plans is as follows:

	2024	2023
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 2,186	2,171
Service cost	9	10
Interest cost	110	117
Actuarial (gain) loss*	(60)	57
Benefits paid and other	(175)	(169)
Projected benefit obligation at end of year	<u>2,070</u>	<u>2,186</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	1,558	1,492
Actual return on plan assets	120	163
Employer contributions	82	72
Benefits paid and other	(175)	(169)
Fair value of plan assets at end of year	<u>1,585</u>	<u>1,558</u>
Funded status	(485)	(628)
Unrecognized net actuarial loss	172	271
Unrecognized prior service cost	1	2
Net amount recognized	<u>\$ (312)</u>	<u>(355)</u>
Amounts recognized in the combined balance sheets consist of:		
Noncurrent assets	\$ 35	33
Current liabilities	(1)	(1)
Noncurrent liabilities	(519)	(660)
Net assets without donor restrictions	<u>173</u>	<u>273</u>
Net amount recognized	<u>\$ (312)</u>	<u>(355)</u>
Weighted average assumptions (projected benefit obligation):		
Discount rate	5.80 %	5.30 %
Rate of increase in compensation levels	4.00	4.00
Cash balance crediting rate	3.53	3.25

* For both years, significant gain/loss was due to the change in the discount rate.

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Net periodic pension cost for the defined benefit plans includes the following components:

	<u>2024</u>	<u>2023</u>
Components of net periodic pension cost:		
Service cost	\$ 9	10
Interest cost	110	117
Expected return on plan assets	(91)	(90)
Recognized net actuarial loss	<u>3</u>	<u>3</u>
Net periodic pension cost	<u>\$ 31</u>	<u>40</u>
Special recognition – settlement expense	\$ 7	9
Weighted Average Assumptions (net periodic pension cost):		
Discount rate	5.30 %	5.60 %
Rate of increase in compensation levels	4.00	6.00
Long-term rate of return on assets	4.75 - 6.75	4.75 - 6.75
Cash balance crediting rate	3.25	3.25

Certain plans sponsored by the Health System allow participants to receive their benefit through a lump-sum distribution upon election. When lump-sum distributions exceed the combined total of service cost and interest cost during a reporting period, settlement expense is recognized. Settlement expense represents the proportional recognition of unrecognized actuarial loss and prior service cost.

Settlement expense for the years ended December 31, 2024 and 2023 is included in net nonoperating gains (losses) in the accompanying combined statements of operations.

The accumulated benefit obligation was \$2,040 and \$2,155 at December 31, 2024 and 2023, respectively.

The following pension benefit payments reflect expected future service. Payments expected to be paid over the next 10 years are as follows:

2025	\$ 175
2026	176
2027	174
2028	174
2029	172
2030-2034	<u>817</u>
	<u>\$ 1,688</u>

The Health System expects to contribute approximately \$89 to the defined benefit plans in 2025.

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The expected long-term rate of return on plan assets is the expected average rate of return on the funds invested currently and on funds to be invested in the future in order to provide for the benefits included in the projected benefit obligation. The Health System used a range of 4.75% to 6.75% in calculating the 2024 and 2023 expense amounts which are based on capital market assumptions and the plan's target asset allocation.

The Health System continues to monitor the expected long-term rate of return. If changes in those parameters cause the expected rate of return to be outside of a reasonable range of expected returns, or if actual plan returns over an extended period of time, suggest that general market assumptions are not representative of expected plan results, the Health System may revise this estimate prospectively.

The target asset allocation and expected long-term rate of return on assets (ELTRA) were as follows at December 31:

	2024 Target	2024 ELTRA	2023 Target	2023 ELTRA
Cash and cash equivalents	0 %	3 %	0 %	3 %
Equity securities	46	7	45	7
Debt securities	34	5	35	5 – 6
Other securities	20	6 – 8	20	6 – 7
Total	<u>100</u>	<u>4.75 – 6.75</u>	<u>100</u>	<u>4.75 – 6.75</u>

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The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2024	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 106	106	—	—
Equity securities:				
Domestic	547	547	—	—
Foreign	274	274	—	—
Domestic debt securities:				
State and government	263	222	41	—
Corporate	165	5	160	—
Other	69	45	24	—
Foreign debt securities	52	—	52	—
Investments measured using NAV	209			
Transactions pending settlement, net	<u>(100)</u>			
Total	\$ <u>1,585</u>			

The following table presents the Health System's defined benefit plan assets measured at fair value:

	December 31, 2023	Fair value measurements at reporting date using		
		Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 132	132	—	—
Equity securities:				
Domestic	401	401	—	—
Foreign	153	153	—	—
Domestic debt securities:				
State and government	231	194	37	—
Corporate	98	—	98	—
Other	166	151	15	—
Foreign debt securities	33	—	33	—
Investments measured using NAV	406			
Transactions pending settlement, net	<u>(62)</u>			
Total	\$ <u>1,558</u>			

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The Health System's defined benefit plans participate in various funds that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds the NAV per share, or its equivalent, reported by each fund manager is used as a practical expedient to estimate the fair value of the Health System's interest therein. Management believes that the carrying amounts of these financial instruments provided by the fund managers are reasonable estimates of fair value.

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of December 31:

	2024	2023	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds:					
Long/short equity	\$ 38	36	—	Monthly, quarterly, annually, or not applicable	30–90 days
Credit and other	171	174	22	Monthly, quarterly, semi-annually, or not applicable	5–90 days or not applicable
Commingled	—	196	—	Daily, bi-weekly, or monthly	3–30 days or not applicable
Total	<u><u>\$ 209</u></u>	<u><u>406</u></u>	<u><u>22</u></u>		

The Health System's defined benefit plans also allow certain investment managers to use derivative financial instruments (futures and forward currency contracts) to manage interest rate risk related to the plans' fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchase and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in the plans' assets as of December 31:

	2024	2023
Derivative assets:		
Futures contracts	\$ 204	278
Foreign currency forwards and other contracts	<u>4</u>	<u>3</u>
Total derivative assets	<u><u>\$ 208</u></u>	<u><u>281</u></u>
Derivative liabilities:		
Futures contracts	\$ (204)	(278)
Foreign currency forwards and other contracts	<u>(4)</u>	<u>(3)</u>
Total derivative liabilities	<u><u>\$ (208)</u></u>	<u><u>(281)</u></u>

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(b) Defined Contribution Plans

The Health System sponsors various defined contribution retirement plans that cover substantially all employees. The plans provide for employer matching contributions in an amount equal to a percentage of employee pretax contributions, up to a maximum amount. In addition, the Health System makes contributions to eligible employees based on years of service. Retirement expense related to these plans was \$709 and \$606 in 2024 and 2023, respectively, and is reflected in salaries and benefit expense in the accompanying combined statements of operations.

(c) Other Plans

The Health System recorded amounts totaling \$771 and \$648 as of December 31, 2024 and 2023, respectively, based on the fair value of various 457 (b) plans' assets. These other plan assets are investments in mutual funds valued using Level 1 fair value measurements and are included in other assets in the accompanying combined balance sheets. The corresponding liability is included in other long term liabilities in the accompanying combined balance sheets.

(9) Self-Insurance Liabilities

The Health System has established self-insurance programs for professional and general liability and workers' compensation insurance coverage. These programs provide insurance coverage for healthcare institutions associated with the Health System. The Health System also operates insurance captives, Providence Assurance, Inc., to self-insure or reinsurance certain layers of professional and general liability risk.

The Health System accrues estimated self-insured professional and general liability and workers' compensation insurance claims based on management's estimate of the ultimate costs for both reported claims and actuarially determined estimates of claims incurred but not reported. Insurance coverage in excess of the per occurrence self-insured retention has been secured with insurers or reinsurers for specified amounts for professional, general, and workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

At December 31, 2024 and 2023, the estimated liability for future costs of professional and general liability claims was \$860 and \$774, respectively. At December 31, 2024 and 2023, the estimated workers' compensation obligation was \$291 and \$307, respectively. Both are recorded in other current liabilities and other liabilities in the accompanying combined balance sheets.

(10) Commitments and Contingencies

(a) Commitments

Purchase commitments at December 31, 2024, primarily related to construction and equipment and software acquisition, are approximately \$983.

(b) Litigation

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. Compliance with these laws and regulations can be subject to future government review

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Notes to Combined Financial Statements

December 31, 2024 and 2023

(In millions of dollars)

and interpretation, as well as regulatory actions unknown or unasserted at this time. Government monitoring and enforcement activity continues with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of patient services previously billed. Institutions within the Health System are subject to similar regulatory reviews.

Management is aware of certain asserted and unasserted legal claims and regulatory matters arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Health System's combined financial statements.

(11) Functional Expenses

Operating expenses classified by their natural classification on the combined statements of operations are presented by their functional classifications as follows for the years ended December 31:

	2024							
	Program activities				Supporting activities			
	Health plans and accountable	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
	Hospitals	care	outpatient	hospice	programs	administrative	Other	expenses
Salaries and benefits	\$ 8,902	219	3,284	869	13,274	2,294	141	2,435
Supplies	3,547	2	298	264	4,111	1	780	781
Purchased healthcare services	245	1,423	637	247	2,552	—	23	23
Interest, depreciation, and amortization	622	11	60	19	712	489	9	498
Purchased services, professional fees and other	3,903	395	896	148	5,342	1,407	25	1,432
Restructuring costs and other	—	—	—	—	—	183	—	183
Total operating expenses	<u>\$ 17,219</u>	<u>2,050</u>	<u>5,175</u>	<u>1,547</u>	<u>25,991</u>	<u>4,374</u>	<u>978</u>	<u>5,352</u>
								<u>31,343</u>

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(In millions of dollars)

	2023								
	Program activities				Supporting activities				
	Hospitals	Health plans and accountable care	Physician and outpatient	Long-term care, home care, and hospice	Total programs	General and administrative	Other	Total supporting	Total operating expenses
Salaries and benefits	\$ 8,715	168	3,117	837	12,837	2,261	140	2,401	15,238
Supplies	3,371	2	307	244	3,924	—	597	597	4,521
Purchased healthcare services	237	1,381	610	214	2,442	—	20	20	2,462
Interest, depreciation, and amortization	736	7	60	19	822	629	9	638	1,460
Purchased services, professional fees and other	3,224	443	924	149	4,740	1,479	16	1,495	6,235
Total operating expenses	<u>\$ 16,283</u>	<u>2,001</u>	<u>5,018</u>	<u>1,463</u>	<u>24,765</u>	<u>4,369</u>	<u>782</u>	<u>5,151</u>	<u>29,916</u>

Supporting activities include costs that are not controllable by operational leadership. Health System leadership drives these costs, which benefit the entire Health System. Costs that are controllable by operational leadership are allocated to the respective program activities.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Balance Sheets Information

December 31, 2024 and 2023

(In millions of dollars)

Assets	2024			2023		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Current assets:						
Cash and cash equivalents	\$ 1,929	(161)	1,768	1,375	93	1,468
Accounts receivable	3,482	31	3,513	2,827	218	3,045
Supplies inventory	329	14	343	353	20	373
Other current assets	1,533	618	2,151	1,889	541	2,430
Current portion of assets whose use is limited	677	97	774	587	114	701
Total current assets	7,950	599	8,549	7,031	986	8,017
Assets whose use is limited	3,373	3,202	6,575	4,024	2,998	7,022
Property, plant, and equipment, net	8,510	723	9,233	8,472	715	9,187
Operating lease right-of-use assets	719	373	1,092	763	409	1,172
Other assets	3,778	(1,196)	2,582	3,693	(787)	2,906
Total assets	\$ 24,330	3,701	28,031	23,983	4,321	28,304
Liabilities and Net Assets						
Current liabilities:						
Current portion of long-term debt	\$ 169	15	184	145	15	160
Master trust debt classified as short-term	494	—	494	138	—	138
Accounts payable	1,425	179	1,604	1,282	156	1,438
Accrued compensation	1,555	122	1,677	1,388	139	1,527
Current portion of operating lease liabilities	135	61	196	138	66	204
Other current liabilities	1,418	829	2,247	1,523	870	2,393
Total current liabilities	5,196	1,206	6,402	4,614	1,246	5,860
Long-term debt, net of current portion	7,302	193	7,495	7,815	249	8,064
Pension benefit obligation	519	—	519	660	—	660
Long-term operating lease liabilities, net of current portion	670	343	1,013	731	376	1,107
Other liabilities	1,247	614	1,861	1,116	508	1,624
Total liabilities	14,934	2,356	17,290	14,936	2,379	17,315
Net assets:						
Net assets without donor restrictions	8,126	1,188	9,314	7,808	1,677	9,485
Net assets with donor restrictions	1,270	157	1,427	1,239	265	1,504
Total net assets	9,396	1,345	10,741	9,047	1,942	10,989
Total liabilities and net assets	\$ 24,330	3,701	28,031	23,983	4,321	28,304

See accompanying independent auditors' report.

PROVIDENCE ST. JOSEPH HEALTH

Supplemental Schedule – Obligated Group Combining Statements of Operations Information

Years ended December 31, 2024 and 2023

(In millions of dollars)

	2024			2023		
	Obligated Group	Nonobligated, Eliminations, and Other	Total combined	Obligated Group	Nonobligated, Eliminations, and Other	Total combined
Operating revenues:						
Net patient service revenues	\$ 22,591	796	23,387	20,741	1,135	21,876
Other revenues	3,040	4,272	7,312	2,579	4,290	6,869
Total operating revenues	<u>25,631</u>	<u>5,068</u>	<u>30,699</u>	<u>23,320</u>	<u>5,425</u>	<u>28,745</u>
Operating expenses:						
Salaries and benefits	13,695	2,014	15,709	13,203	2,035	15,238
Supplies	4,613	279	4,892	4,194	327	4,521
Interest, depreciation, and amortization	1,079	131	1,210	1,305	155	1,460
Purchased services, professional fees, and other	6,142	3,207	9,349	5,369	3,328	8,697
Total operating expenses	<u>25,529</u>	<u>5,631</u>	<u>31,160</u>	<u>24,071</u>	<u>5,845</u>	<u>29,916</u>
Excess (deficit) of revenues over expenses from operations before restructuring costs and other	102	(563)	(461)	(751)	(420)	(1,171)
Restructuring costs and other	183	—	183	—	—	—
Deficit of revenues over expenses from operations	<u>(81)</u>	<u>(563)</u>	<u>(644)</u>	<u>(751)</u>	<u>(420)</u>	<u>(1,171)</u>
Net nonoperating gains (losses):						
Investment income, net	283	205	488	420	232	652
Other	(21)	(54)	(75)	(60)	(17)	(77)
Total net nonoperating gains	<u>262</u>	<u>151</u>	<u>413</u>	<u>360</u>	<u>215</u>	<u>575</u>
Excess (deficit) of revenues over expenses	\$ <u>181</u>	<u>(412)</u>	<u>(231)</u>	<u>(391)</u>	<u>(205)</u>	<u>(596)</u>

See accompanying independent auditors' report.