



SAMARITAN HEALTH SERVICES, INC.

Consolidated 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
Samaritan Health Services, Inc.:

Opinion

We have audited the consolidated financial statements of Samaritan Health Services, Inc. and its subsidiaries (the System), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets without donor restrictions, consolidated statements of changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the 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 Consolidated Financial Statements section of our report. We are required to be independent of the 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 consolidated financial statements as a whole. The supplemental schedules of balance sheet information and statement of operations and changes in net assets without donor restrictions information on pages 32-34 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
April 2, 2025

SAMARITAN HEALTH SERVICES, INC.

Consolidated Balance Sheets

December 31, 2024 and 2023

(Dollars in thousands)

Assets	2024	2023
Current assets:		
Cash and cash equivalents	\$ 114,943	191,737
Short-term investments	101,225	98,811
Patient accounts receivable, net	137,999	123,844
Other receivables	60,498	50,173
Inventories	21,104	19,550
Other current assets	13,989	13,686
Total current assets	449,758	497,801
Assets limited as to use:		
Restricted by donor for capital acquisition	2,849	2,849
Restricted by donor for permanent endowment	7,279	6,514
Statutory deposits and other restricted investments	20,530	19,483
Total assets limited as to use	30,658	28,846
Long-term investments	183,143	172,078
Property, plant, and equipment, net	332,421	334,937
Operating lease, right of use assets, net	15,329	15,381
Other assets	18,137	15,427
Total assets	\$ 1,029,446	1,064,470

SAMARITAN HEALTH SERVICES, INC.

Consolidated Balance Sheets

December 31, 2024 and 2023

(Dollars in thousands)

Liabilities and Net Assets	2024	2023
Current liabilities:		
Accounts payable	\$ 86,898	80,692
Accrued salaries, wages, and benefits	77,747	75,674
Estimated third-party payor settlements	22,273	18,419
Liability for unpaid medical claims	55,494	33,845
Other current liabilities	27,513	30,678
Current portion of operating lease liabilities	3,753	3,314
Current portion of long-term debt	10,619	10,206
Total current liabilities	284,297	252,828
Long-term debt, less current portion	171,921	180,644
Long-term operating lease liabilities, less current portion	11,576	12,067
Professional liability, less current portion	18,374	14,852
Pension liability	9,486	12,560
Other liabilities	20,975	18,635
Total liabilities	516,629	491,586
Net assets:		
Controlling interests	491,183	553,508
Noncontrolling interests	674	617
Net assets without donor restrictions	491,857	554,125
Net assets with donor restrictions	20,960	18,759
Total net assets	512,817	572,884
Total liabilities and net assets	\$ 1,029,446	1,064,470

See accompanying notes to consolidated financial statements.

SAMARITAN HEALTH SERVICES, INC.

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended December 31, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Revenue:		
Patient service revenue	\$ 854,615	874,488
Premium revenue	772,124	687,839
Other operating revenue	<u>122,704</u>	<u>129,947</u>
Total revenue	<u>1,749,443</u>	<u>1,692,274</u>
Expenses:		
Salaries and wages	634,037	589,435
Employee benefits	91,640	83,017
Medical services	499,265	422,480
Supplies	251,960	245,775
Purchased services	205,735	200,122
Utilities, insurance, and other	118,368	115,097
Depreciation	35,269	34,367
Interest and amortization	<u>6,754</u>	<u>6,929</u>
Total expenses	<u>1,843,028</u>	<u>1,697,222</u>
(Deficit) of revenue over expenses from operations	<u>(93,585)</u>	<u>(4,948)</u>
Other income (expense), net:		
Investment income (loss)	25,880	24,411
Other (expense) income	<u>(238)</u>	<u>(1,847)</u>
Total other income (expense), net	<u>25,642</u>	<u>22,564</u>
(Deficit) excess of revenue over expenses	(67,943)	17,616
Change in net unrealized gains (losses) on fixed income investments	2,037	6,007
Net assets released from restrictions used for capital acquisition	3,625	1,097
Change in pension liability gain	3,284	2,065
Distributions to noncontrolling interest in consolidated joint ventures	(1,765)	(1,759)
Other	<u>(1,506)</u>	<u>1,079</u>
Change in net assets without donor restrictions	\$ <u><u>(62,268)</u></u>	<u><u>26,105</u></u>

See accompanying notes to consolidated financial statements.

SAMARITAN HEALTH SERVICES, INC.

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2024 and 2023

(Dollars in thousands)

	Net assets without donor restrictions		Net assets with donor restrictions	Total net assets
	Controlling interest	Noncontrolling interest		
December 31, 2022	\$ 527,436	584	17,854	545,874
Excess of revenue over expenses	15,824	1,792	—	17,616
Change in net unrealized gains (losses) on fixed income investments	6,007	—	(774)	5,233
Net assets released from restrictions	1,097	—	(2,198)	(1,101)
Change in pension liability	2,065	—	—	2,065
Distributions to noncontrolling interest in consolidated joint ventures	—	(1,759)	—	(1,759)
Contributions	—	—	3,877	3,877
Other	1,079	—	—	1,079
Change in net assets	26,072	33	905	27,010
December 31, 2023	553,508	617	18,759	572,884
(Deficit) excess of revenue over expenses	(69,765)	1,822	—	(67,943)
Change in net unrealized gains (losses) on fixed income investments	2,037	—	27	2,064
Net assets released from restrictions	3,625	—	(2,326)	1,299
Change in pension liability	3,284	—	—	3,284
Distributions to noncontrolling interest in consolidated joint ventures	—	(1,765)	—	(1,765)
Contributions	—	—	4,500	4,500
Other	(1,506)	—	—	(1,506)
Change in net assets	(62,325)	57	2,201	(60,067)
December 31, 2024	\$ 491,183	674	20,960	512,817

See accompanying notes to consolidated financial statements.

SAMARITAN HEALTH SERVICES, INC.

Consolidated Statements of Cash Flows

Years ended December 31, 2024 and 2023

(Dollars in thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ (60,067)	27,010
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	35,379	34,480
Net realized and unrealized (gains) losses on investments	(13,529)	(12,214)
Loss (gain) on disposal of assets	34	(927)
Equity (gain) loss on joint ventures	(995)	(651)
Distributions to noncontrolling interest	1,765	1,759
Restricted contributions	(4,500)	(3,877)
Changes in operating assets and liabilities:		
Patient accounts receivable	(14,155)	(9,758)
Other receivables	(10,325)	5,064
Inventories	(1,554)	305
Other assets	2,116	(3,181)
Accounts payable	6,206	15,572
Accrued salaries, wages, and benefits	2,073	6,545
Estimated third-party payor settlements	3,854	(2,079)
Liability for unpaid medical claims	21,649	(224)
Professional liability	(15)	(2,551)
Pension liability	(3,074)	(912)
Other liabilities	(2,225)	(2,907)
Net cash (used in) provided by operating activities	<u>(37,363)</u>	<u>51,454</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(32,234)	(31,455)
Proceeds from sale of property, plant, and equipment	23	1,183
Distributions from joint ventures, net	803	830
Purchase of investments	(133,563)	(138,357)
Proceeds from sale of investments	<u>131,801</u>	<u>120,068</u>
Net cash used in investing activities	<u>(33,170)</u>	<u>(47,731)</u>
Cash flows from financing activities:		
Principal payments on long-term debt	(8,996)	(11,520)
Cash received from contributions	4,500	3,877
Distributions to noncontrolling interest in consolidated joint ventures	<u>(1,765)</u>	<u>(1,759)</u>
Net cash used in financing activities	<u>(6,261)</u>	<u>(9,402)</u>
Decrease in cash and cash equivalents	(76,794)	(5,679)
Cash and cash equivalents, beginning of year	<u>191,737</u>	<u>197,416</u>
Cash and cash equivalents, end of year	\$ <u><u>114,943</u></u>	\$ <u><u>191,737</u></u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 5,759	6,350
Noncash transactions:		
Finance and operating lease right of use assets acquired	6,742	6,343
Change in accounts payable related to acquisition of property, plant, and equipment	1,212	1,939

See accompanying notes to consolidated financial statements.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(1) Organization and Basis of Consolidation

Samaritan Health Services, Inc. (SHS) is an Oregon nonprofit corporation formed for the purpose of providing a comprehensive system of healthcare and healthcare-related services to residents of the Willamette Valley, the Oregon coast, and other Oregon communities. The consolidated financial statements include SHS and its direct affiliates, the most significant of which are as follows:

- Good Samaritan Regional Medical Center (GSRMC)
- Mid-Valley Healthcare, Inc. (MVH)
- Samaritan Albany General Hospital (SAGH)
- Samaritan North Lincoln Hospital (SNLH)
- Samaritan Pacific Communities Hospital (SPCH)
- InterCommunity Health Plans (IHP)
- Paradigm Indemnity Corporation (PIC)
- Samaritan Health Plans, Inc. (SHP)
- Samaritan Enterprises, LLC
- Albany General Hospital Foundation
- Good Samaritan Hospital Foundation
- North Lincoln Hospital Foundation
- Lebanon Community Hospital Foundation.

The Obligated Group, which was formed to facilitate borrowing by the health system, includes SHS, GSRMC, MVH, SAGH, and SNLH.

All material interaffiliate accounts and transactions have been eliminated upon consolidation.

(2) Summary of Significant Accounting Policies

(a) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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 revenue and expenses during the reporting period. Key estimates include the valuation allowances for patient accounts receivable, fair value of investments, liability for unpaid medical claims, professional liability, and pension liability. Actual results could differ significantly from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid investments with original maturities of three months or less. Cash equivalents exclude amounts held for donor or trustee restrictions and amounts held within the investment portfolio.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

SHS maintains cash and cash equivalents on deposit at financial institutions, which often exceeds the limits insured by the Federal Deposit Insurance Corporation. This exposes SHS to potential risk of loss in the event the financial institution becomes insolvent.

(c) Inventories

Inventories, consisting principally of surgical, pharmacy, and biomedical supplies, are carried at the lower of cost or market value.

(d) Investments

Investments are measured at fair value in the consolidated balance sheets. Investment income or loss (including realized gains and losses on investments, unrealized gains and losses on equity securities, interest, and dividends) is included in excess of revenue over expenses unless the income or loss is restricted by donor or by law. Unrealized gains and losses on fixed income are excluded from excess of revenue over expenses.

A decline in fair value of a debt security below cost that is deemed to be other than temporary is recorded as an impairment loss and is included in excess of revenue over expenses. A new cost basis is then established for the security. To determine whether impairment is other than temporary, SHS considers whether it has the ability and intent to hold the investment until a market price recovery and whether evidence indicating the cost of the investment is recoverable and outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, and the general market conditions in the geographic area or industry in which the investee operates.

(e) Assets Limited as to Use

Assets limited as to use include assets restricted by donors for capital acquisition and permanent endowment funds, statutory deposits for IHP and SHP, and other restricted investments.

(f) Property, Plant, and Equipment

Property, plant, and equipment acquisitions are recorded at cost. Donated property, plant, and equipment items are recorded on the basis of estimated fair value at the date of donation. Maintenance and repairs are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as operating income or expense.

Depreciation is computed using the straight-line method over estimated useful lives as follows: land improvements, 5 to 20 years; building and improvements, 5 to 70 years; and equipment, 3 to 20 years. Equipment under finance lease obligations or leasehold improvements for operating leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the consolidated statements of operations and changes in net assets without donor restrictions.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

Interest cost incurred on borrowed funds during the period of construction of significant capital assets is capitalized as a component of the cost of acquiring those assets. There were no interest costs capitalized by SHS in either 2024 or 2023.

(g) *Liability for Unpaid Medical Claims and Medical Services Expense*

Medical services expense is recognized in the period in which services are provided. The liability for unpaid medical claims includes an estimate of the cost of services provided that have been incurred but not reported, which is based on actuarial projections of costs using historical paid claims data. Estimates are regularly monitored and reviewed and as settlements are made or estimates adjusted, differences are reflected in current operations. 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 amount of paid claims is dependent on future developments, management is of the opinion that the liability for claims is adequate to cover such claims.

(h) *Professional Liability*

The accrual for estimated professional liability claims includes an estimate of the ultimate costs for both reported claims and claims that have been incurred but not reported, which is based on actuarial projections of costs using historical paid claims data. Estimates are regularly monitored and reviewed, and as settlements are made or estimates adjusted, differences are reflected in current operations. 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 amount of paid claims is dependent on future developments, management is of the opinion that the liability for claims is adequate to cover such claims.

(i) *Impairment of Long-Lived Assets*

Long-lived assets, such as property, plant, and equipment and purchased intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable or the remaining lives should be adjusted. No impairment has been recognized in 2024 or 2023.

(j) *Net Assets with Donor Restrictions*

Net assets with donor restrictions are those whose use has been limited by donors to a specific time period or purpose or maintained in perpetuity. Income on the related investments is accounted for in accordance with donor instructions.

(k) *(Deficit) Excess of Revenue over Expenses from Operations*

(Deficit) excess of revenue over expenses from operations excludes certain items that SHS deems to be outside the scope of its primary business. Investment income includes interest income, dividends, realized gains and losses on investments, and unrealized gains and losses on equity investments. Other income primarily includes net rental income, income from joint ventures and certain expenses associated with the defined benefit pension plan.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(l) (Deficit) Excess of Revenue over Expenses

The performance indicator for SHS is the excess of revenue over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenue over expenses, consistent with industry practice and generally accepted accounting principles, include unrealized gains and losses on fixed income debt investments, permanent transfers of assets to and from affiliates for other than goods and services, contributions of long-lived assets (including assets acquired using contributions, which, by donor restriction, were to be used for the purposes of acquiring such assets), change in pension liability, and distributions to noncontrolling interest in consolidated joint ventures.

(m) Patient Service Revenue and Charity Care

SHS has agreements with third-party payors that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Patient service revenue is recorded at the estimated realizable amounts from patients, third-party payors, and others for services rendered.

Explicit price concessions arising under reimbursement arrangements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SHS provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. SHS provides care to other uninsured or underinsured patients who do not meet the criteria of the charity care policy, which results in payments that are less than established rates. These adjustments represent implicit price concessions.

(n) Premium Revenue

Premium revenue consists of premiums paid to IHP and SHP by individuals and agencies of the federal and state governments for healthcare services as well as commercial businesses on behalf of their employees. Premium revenue is recognized during the month for which the premium is associated.

IHP administers healthcare benefits to certain members of the Oregon Health Plan, placing emphasis on preventative medicine and health education programs for the benefit of the members. During 2012, IHP was selected to provide the infrastructure and delivery system for a community coordinated care organization (CCO). In August 2012, this CCO took over for the previous Medicaid plan managed by IHP. In 2019, the State of Oregon renewed the contract with the CCO to provide care to its members for 5 years beginning January 1, 2020. In 2024, the State of Oregon extended the current contract until January 1, 2027.

SHP premiums include revenue based on predetermined rates under Medicare contracts and large and small group commercial contracts and are subject to audit and possible retroactive adjustments, which represent variable consideration under the contract. Provision has been made for estimated retroactive adjustments. In 2024 and 2023, SHP premium revenue included \$1,309 and \$2,638, respectively, relating to favorable settlements of prior years' reimbursement from Medicare.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(o) Income Taxes

SHS and its affiliates are exempt from taxation under the provisions of the Internal Revenue Code and are generally not subject to federal or state income taxes, except for SHP, which is a taxable Oregon nonprofit corporation, and Samaritan Enterprises, LLC, which is a taxable corporation. Income tax expense of \$85 and \$615 in 2024 and 2023, respectively, has been recorded in utilities, insurance, and other in the consolidated statements of operations and changes in net assets without donor restrictions.

In addition, SHS is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business and, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

U.S. generally accepted accounting principles require SHS' management to evaluate tax positions and recognize a tax liability (or an asset) if SHS has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed tax positions taken by SHS and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or an asset) or disclosure in the consolidated financial statements. SHS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. SHS' management believes it is no longer subject to income tax examinations for years prior to 2021.

(p) Donor-Restricted Gifts

Unconditional promises to give cash and other assets to SHS and its affiliates are reported at fair value at the date the promise is received. 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 a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets without donor restrictions as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are recorded as contributions without donor restrictions.

(3) Patient Service Revenue

SHS has agreements with third-party payors that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

(a) Medicare

Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries at GSRMC and SAGH are paid based on prospectively determined rates. These rates vary according to a patient classification system that is based on the resources used to treat Medicare patients in those classifications. Disproportionate share hospital and graduate medical education adjustments are reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

SAMARITAN HEALTH SERVICES, INC.

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December 31, 2024 and 2023

(Dollars in thousands)

Three of SHS' facilities (MVH, SPCH, and SNLH) are critical access hospitals (CAHs). CAHs are exempt from both inpatient and outpatient prospective payment systems. Inpatient and outpatient services rendered to Medicare program beneficiaries at CAHs are reimbursed based on costs. CAHs are reimbursed based on tentative rates, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary.

(b) Medicaid

Services rendered to Medicaid program beneficiaries at GSRMC and SAGH are paid at prospectively determined rates. The hospitals are reimbursed at a tentative rate for inpatient outlier cases, with final settlement determined after submission of annual cost reports and audits thereof by the state's Medicaid agency.

Inpatient and outpatient services rendered to Medicaid program beneficiaries at CAHs are reimbursed based on costs. CAHs are reimbursed based on tentative rates with final settlement determined after submission of annual cost reports and audits thereof by the state's Medicaid agency.

Revenue from the Medicare and Medicaid programs accounted for approximately 41% and 9%, respectively, of SHS' patient service revenue in 2024, and 42% and 10%, respectively, of SHS' patient service revenue in 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Management records estimates in the amount of related revenues that are probable of not subsequently being reversed. In 2024 and 2023, patient service revenue includes \$5,057 and \$6,307, respectively, relating to favorable settlements of prior years' reimbursement from the Medicare and Medicaid programs.

SHS has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Accounts receivable are reduced for explicit and implicit price concessions. In evaluating the contract price of accounts receivable, SHS analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate contract price. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the reductions to the contract price.

For receivables associated with self-pay patients (which include patients without insurance), SHS records an implicit price concession, in the period of service. Such concessions are based on past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

For third-party receivables associated with services provided to patients who have third-party coverage, SHS analyzes contractually due amounts after explicit price concessions and provides an implicit price concession which primarily relates to self-pay patient balances that will remain after payments from the third-party payor have been collected.

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

Management evaluates revenue by nature in the following categories:

	<u>2024</u>	<u>2023</u>
Patient service revenue by payor:		
Medicare	\$ 347,145	370,916
Medicaid	73,706	90,073
Self-Pay	4,083	3,361
Other third-party payors, primarily commercial	<u>429,681</u>	<u>410,138</u>
	<u>\$ 854,615</u>	<u>874,488</u>
	<u>2024</u>	<u>2023</u>
Total revenue:		
Inpatient revenue	\$ 246,288	257,916
Outpatient revenue	608,327	616,572
Premium revenue	772,124	687,839
Retail pharmacy revenue	101,027	101,307
Other operating revenue	<u>21,677</u>	<u>28,640</u>
	<u>\$ 1,749,443</u>	<u>1,692,274</u>

(4) Samaritan North Lincoln Affiliation Agreement

In February of 2016, North Lincoln Health District (NLH-District) transferred real property, equipment, and assets including control of the NLH-District Foundation to SHS under a Memorandum of Understanding signed in September of 2015. This transfer was subject to commencement of construction of a new CAH to replace the existing North Lincoln Hospital. In addition, the existing lease terminated as part of the agreement and a portion of the tax revenue from the NLH-District will continue to be paid to SHS. The new hospital has been constructed and was opened in February 2020.

Additionally, SNLH has recorded \$1,474 and \$1,363 as other operating revenue related to these property tax operating levy amounts provided by NLH-District during 2024 and 2023, respectively. SNLH has recorded \$1,465 and \$1,333 related to this operating tax levy in other receivables in the consolidated balance sheets as of December 31, 2024 and 2023, respectively.

(5) Samaritan Pacific Communities Affiliation Agreement

On January 1, 2002, SHS entered into a long-term management agreement with Pacific Communities Health District (PCH-District) whereby SHS operates the hospital as Samaritan Pacific Communities Hospital. SHS has agreed to operate SPCH for a period of 30 years, with a termination date of December 31, 2031. Both parties have the right to terminate the agreement without cause with five years' written notice at any time after December 31, 2006. Both parties have the right to terminate the lease for cause with one year's written notice.

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Effective January 1, 2002, PCH-District made a net working capital transfer to SHS of certain current assets and current liabilities related to the operation of SPCH. Upon termination of the agreement, SHS is required to remit the balance of the adjusted net working capital account back to PCH-District and sell to PCH-District all fixed assets acquired after commencement of the agreement at half of net book value. Neither party has elected to terminate the contract as of December 31, 2024. The net working capital transfer balance of \$4,639 and \$4,657 is included in other liabilities in the consolidated balance sheets as of December 31, 2024 and 2023, respectively.

As provided by the agreement, PCH-District is required to make payments to SHS for 70% of PCH-District's maximum annual authorized property tax operating levy. SPCH has recorded \$0 as other operating revenue related to the property tax operating levy amount provided by PCH District during 2024 and 2023.

(6) Charity Care and Other Community Benefit Services

As part of its charitable mission to enhance and improve health in the community, SHS provides healthcare services to people in need, including charity care for those patients needing financial assistance and services to patients covered by Medicare, Medicaid, and other public programs where the costs of care exceed reimbursement from these programs. In addition, SHS sponsors other activities that benefit the community.

The following represents the estimated cost of providing these services and activities, along with descriptions of selected activities during 2024 and 2023:

	Net community benefit costs	
	2024	2023
Charity care and public programs:		
Charity care	\$ 11,743	10,439
Medicaid	49,734	34,476
Medicare	98,656	87,227
Other public programs	10,359	7,535
	<u>\$ 170,492</u>	<u>139,677</u>

(a) Charity Care

Consistent with its charitable mission, SHS provides medically necessary patient care services that are discounted or free of charge to uninsured or underinsured persons who qualify for assistance due to insufficient resources. Charity care is considered the last "payer" when adjudicating a bill. The criteria for charity care assistance is determined based on income, other medical bills and/or other information supporting a patient's ability or inability to pay for services provided. In addition to a 20% discount for all uninsured patients, SHS makes full subsidies available for uninsured and underinsured patients whose household income is at or below 250% of the federal poverty level (FPL); 75% discount of uninsured and underinsured patients whose household income is between 251-300%; 60% discount of uninsured and underinsured patients whose household income is between 301-400% of the FPL.

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In addition to charity care, SHS provides services under various public programs for financially needy patients. The cost of providing services to Medicaid beneficiaries, including patients covered by Oregon's and other states' Medicaid programs, generally exceeds the reimbursement from these programs. SHS serves a significant population of Medicare beneficiaries, including those covered under traditional Medicare as well as Medicare managed care programs. The cost of treating these Medicare patients at certain of SHS' hospitals exceeds government payments received. Other public programs include Tricare, Veteran's Administration, and other government-sponsored programs. The cost of healthcare services for patients covered under these programs generally exceeds reimbursement.

The estimated cost of services provided under these programs is determined based on the relationship of total operating costs to gross charges, called the cost-to-charge ratio. Total operating costs for purposes of this ratio exclude costs associated with community benefit activities, such as community health services, medical education, and cash or in-kind contributions to other charitable organizations, as described below. Total cost is then offset with any related reimbursements to arrive at net community benefit cost.

(b) Other Benefits to the Community

Community health improvement services include community health education and clinics, such as classes and workshops on health topics for little or no charge, health screenings, support groups, resource centers, and medical libraries.

Health professions education includes programs to train medical students, nurses, and other health professionals, including students in imaging, pharmacy, physical rehabilitation, laboratory, and other areas.

Subsidized health services are clinical programs provided despite a financial loss because the service is needed in the community. Examples include emergency and trauma care, hospice and home healthcare, women's and children's services, behavioral health services, and outpatient clinic services.

Cash and in-kind contributions to charitable organizations include grants to community organizations that are selected by SHS through an application process through each hospital's social accountability committee. Applications from community organizations are evaluated based on meeting identified community health needs. Organizations that receive funding are required to report on their use of the funds. Cash contributions also include funds donated to community organizations that provide health-related services in the hospital service areas. In-kind contributions include providing free medications to individuals in need who are identified through community outreach programs and regular free health clinics.

Other community benefit activities include research, community building activities, and community benefit operations. Research includes health-related studies or trials whose results benefit the public. Community building activities include community support, coalition building, and workforce development activities. Community benefit operations include SHS staff whose function is to coordinate and lead efforts to promote and track the organization's community benefit activities.

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(7) Assets limited as to use

Assets limited as to use that are held by trustee include funds held based in health plan statutory deposit requirements.

IHP, as required by the Oregon Health Plan, has deposits with the State of Oregon of \$20,083 and \$19,036 as of December 31, 2024 and 2023, respectively. SHP is required to keep investments on deposit in the states where it is licensed and has deposits of \$275 as of December 31, 2024 and 2023. Additionally, restricted reserves include miscellaneous SHS deposits of \$172 in 2024 and 2023.

(8) Fair Value of Financial Instruments

FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, provides the framework for measuring fair value. That framework provides 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 unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC Topic 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SHS has the ability to access.

Level 2 – Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Cash equivalents: Valued at fair value based on face value or cost plus accrued interest, which approximates fair value because of the short maturity of these investments

Certificates of deposit: Valued at current redemption value

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Mutual funds: Valued at the net asset value (NAV) of shares held at year-end, based on published market quotations on active markets

Fixed income: Valued at fair value based on quoted market prices in active or inactive markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while SHS believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the hierarchy classification below from 2023 to 2024.

The following table presents the balances of financial assets and liabilities measured or disclosed at fair value on a recurring basis at December 31, 2024:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash equivalents	\$ 9,077	9,077	—	—
Certificates of deposit	3,348	—	3,348	—
Mutual funds:				
Domestic equities	34,748	34,748	—	—
International equities	26,154	26,154	—	—
Domestic debt securities	84,926	84,926	—	—
Fixed income:				
U.S. government obligations	32,564	32,564	—	—
Domestic corporate obligations	117,407	—	117,407	—
Municipals	6,802	—	6,802	—
Total assets	<u>\$ 315,026</u>	<u>187,469</u>	<u>127,557</u>	<u>—</u>

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The following table presents the balances of financial assets and liabilities measured or disclosed at fair value on a recurring basis at December 31, 2023:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Cash equivalents	\$ 6,520	6,520	—	—
Certificates of deposit	3,639	—	3,639	—
Mutual funds:				
Domestic equities	32,523	32,523	—	—
International equities	25,751	25,751	—	—
Domestic debt securities	79,103	79,103	—	—
Fixed income:				
U.S. government obligations	29,539	29,539	—	—
Domestic corporate obligations	105,674	—	105,674	—
Municipals	16,986	—	16,986	—
Total assets	<u>\$ 299,735</u>	<u>173,436</u>	<u>126,299</u>	<u>—</u>

(9) Property, Plant, and Equipment

Property, plant, and equipment comprise the following at December 31:

	<u>2024</u>	<u>2023</u>
Land and land improvements	\$ 53,229	52,526
Buildings and leasehold improvements	485,161	476,210
Furniture and equipment	315,876	299,670
Construction in progress	15,253	9,409
	<u>869,519</u>	<u>837,815</u>
Less:		
Accumulated depreciation	<u>537,098</u>	<u>502,878</u>
	<u>\$ 332,421</u>	<u>334,937</u>

There were capital expenditure purchase commitments outstanding as of December 31, 2024 for various construction and equipment projects. The estimated cost to complete such projects at December 31, 2024 was \$18,935, of which \$3,642 was contractually committed.

(10) Line of Credit

SHS may borrow up to \$16,000 under its line of credit agreement. There were no outstanding borrowings against the line at December 31, 2024 and 2023, respectively.

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(11) Long-Term Debt

Long-term debt comprises the following at December 31:

	<u>2024</u>	<u>2023</u>
Oregon Facilities Authority Revenue Bonds, Series 2020A 5.00%, principal maturing in varying annual amounts, and 2020B, due October 2046, secured by an interest in gross revenue	\$ 62,695	66,100
Oregon Facilities Authority Revenue Bonds, Series 2016 5.00%, principal maturing in varying annual amounts, due October 2046, secured by an interest in gross revenue	76,080	77,235
Oregon Facilities Authority Revenue Bonds, Series 2014, 2.3%, principal maturing in varying annual amounts, due December 2039, secured by an interest in gross revenue	12,862	13,572
Oregon Facilities Authority, SNAP Revenue Bond, Series A, 4.69% resetting every seven years, principal maturing in varying monthly amounts, due September 2034, unsecured	6,920	7,484
Loan payable, 4.31%, interest payable monthly, due March 2032, secured by real estate	1,723	1,763
Obligations under finance leases and other, secured by related equipment	9,083	10,130
Other debt	822	1,012
Deferred financing fees	(1,364)	(1,508)
Unamortized premium on bonds, net	13,719	15,062
	<u>182,540</u>	<u>190,850</u>
Less current portion	<u>10,619</u>	<u>10,206</u>
	<u>\$ 171,921</u>	<u>180,644</u>

The Obligated Group is required to satisfy certain measures of financial performance as long as the bonds are outstanding under the Master Trust Indenture. The Obligated Group did not meet the minimum required Income Available for Debt Service covenant of 1.10 times the Debt Service Requirement as of December 31, 2024. The System has engaged a consultant to make recommendations to increase Income Available for Debt Service to the required level of 1.10 times as of December 31, 2025, in order to maintain compliance with the Master Trust Indenture.

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The Oregon Facilities Authority Revenue Bonds, Series 2020A and 2020B (2020 Bonds) were issued in July 2020 in the amount of \$69,465 and generated a premium of \$11,008. Interest is paid semiannually, and principal is paid annually beginning October 2023 and carries an interest rate of 5.00%. The proceeds from the 2020 Bonds were used to refund a portion of the Oregon Facilities Authority Revenue Bonds, Series 2016 (2016 Bonds), and the remainder of the Oregon Facilities Authority Revenue Refunding Bonds, Series 2010 (2010 Bonds) and to pay expenses incurred with the issuance.

The Oregon Facilities Authority Revenue Bonds, Series 2016 (2016 Bonds) were issued in November 2016 in the amount of \$78,265 and generated a premium of \$11,268. Interest is paid semiannually, and principal is paid annually beginning October 2017 and carries an interest rate of 5.00%. The 2016 Bonds maturing in the years 2030, 2035, and 2040 are subject to mandatory redemption and sinking fund requirements beginning October 1, 2026. The proceeds from the 2016 Bonds were used to refund the remainder of the Hospital Facilities Authority of Benton County, Oregon Revenue and Refunding Bonds, Series 1998 (1998 Bonds) and the callable portion of The Oregon Facilities Authority Revenue Refunding Bonds, Series 2010 (2010 Bonds), finance certain capital construction projects, including a replacement CAH in Lincoln City, remodel the MVH emergency room and operating room, private room conversions at GSRMC and AGH, Sexual Assault Nurse Examiners Center, and to pay expenses incurred with the issuance. During 2020, SHS refinanced a portion of the bonds in the amount of \$1,030 as part of the 2020 Bond issue described above.

The Oregon Facilities Authority Revenue Bonds, Series 2014 (2014 Bonds) were issued in December 2014 in the amount of \$19,000. Interest and principal payments on the 2014 Bonds are made monthly to the lender. Interest and principal is paid monthly beginning January 2015 and carries an average interest rate of 2.3%. The 2014 Bonds are paid monthly and mature in 2028. The proceeds from the 2014 Bonds were used to finance certain capital construction projects at GSRMC and to pay expenses incurred with the issuance.

The Oregon Facilities Authority SNAP Revenue Bond, Series A bonds (Samaritan Health Services Project) (2009 Bonds) were issued in September 2009 in the amount of \$15,800. Payments on the 2009 Bonds are made monthly and carry an initial interest rate of 4.4%. In 2017, SHS and the lender agreed to an interest rate of 3.80% per annum for seven years and to adjust the reset period going forward to seven years. The rate was adjusted to 4.69% on July 30, 2024. The proceeds from the 2009 Bonds were restricted for capital expenditures, primarily the construction of a facility that is owned by SHS and leased to Western Health Sciences University, and to pay expenses incurred with the issuance.

Included in debt is \$1,323 and \$2,492 at December 31, 2024 and 2023, respectively, related to a finance lease and debt agreement with Key Government Finance, Inc. for information systems to transform healthcare. The debt is a maximum \$45,045 master lease facility with 51.7% secured under the Master Trust Indenture and 48.3% secured as purchase-money security interest of leased assets under finance lease obligations. Each draw is individually payable over a 10-year period. The interest rate on each draw is 3.24% plus the change in the KeyCorp Cost of Funds Index for 72 months (ranging from 4.12% to 4.97% on the draws outstanding at December 31, 2024).

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Scheduled principal payments on long-term debt and finance lease obligations are as follows:

	Long-term debt	Finance lease obligations
2025	\$ 6,570	3,118
2026	6,849	1,980
2027	7,176	1,515
2028	7,502	1,021
2029	7,842	441
Thereafter	125,163	1,877
	<u>\$ 161,102</u>	<u>9,952</u>
Less amount representing interest under finance lease obligations		<u>(869)</u>
		<u>\$ 9,083</u>

(12) Net Assets with Donor Restrictions

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

	2024	2023
Operating programs support	\$ 10,621	8,059
Capital acquisition	2,849	2,849
Other	7,490	7,851
Total	<u>\$ 20,960</u>	<u>18,759</u>

The foundations' endowments consist of 20 individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and unrestricted funds designated by the boards of trustees of each of the foundations to function as endowments. Net assets associated with endowment funds, including funds designated by the boards of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The foundations have adopted investment and spending policies for endowment assets to ensure appropriations for distributions are consistent with the foundations' objective of maintaining the corpus. These funds included \$7,279 and \$6,514 of net assets with donor restrictions as of December 31, 2024 and 2023, respectively.

The foundations also have board designated endowments of \$6,259 and \$5,826 at December 31, 2024 and 2023, respectively. These funds are managed based on policies adopted by the boards to benefit the mission of SHS. They are classified as net assets without donor restrictions.

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(13) Retirement Plans

(a) Retirement Plan

Employees aged 18 or older and having completed one year of service (12 months with at least 1,000 hours) are eligible to participate in the Samaritan Health Services Retirement Plan (SHS Retirement Plan), a defined-contribution pension plan. Employer contributions are 4% of gross earnings, with an additional 4% of earnings in excess of the FICA wage base.

Employer contributions under this plan were \$21,880 and \$19,762 in 2024 and 2023, respectively, and are included in employee benefits in the consolidated statements of operations and changes in net assets without donor restrictions.

(b) Tax Sheltered Annuity Plan

Employees aged 18 or older and having completed one year of service (12 months with at least 1,000 hours) are eligible to participate in the Samaritan Health Services Tax Sheltered Annuity Plan (SHS TSA Plan). The level of contribution depends on the level of employee contributions to individual tax-sheltered annuity accounts and the employer matches up to 2% of the employees' gross earnings.

Employer contributions under this plan were \$10,230 and \$9,463 in 2024 and 2023, respectively, and are included in employee benefits in the consolidated statements of operations and changes in net assets without donor restrictions.

(c) Defined-Benefit Plan

GSRMC has a noncontributory defined-benefit pension plan (the Plan). The retirement benefits of all participants in the Plan were frozen effective December 31, 2011 (Freeze Date). No benefit service after the Freeze Date will be taken into account in determining a participant's retirement benefits. After the Freeze Date, future retirement benefits are provided by the SHS Retirement Plan and the SHS TSA Plan. GSRMC's policy has been to contribute for each plan year an amount between the minimum and maximum contribution allowed under IRS regulations.

SHS recognizes the funded status of the defined-benefit pension as a net asset or liability on its consolidated balance sheets. Actuarial gains and losses are generally amortized subject to the corridor, over the average remaining service life of the employees.

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The following tables set forth the Plan's funded status at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 111,415	109,141
Interest cost	5,100	5,262
Actuarial (gain) loss	(5,074)	3,911
Benefits paid	<u>(7,199)</u>	<u>(6,899)</u>
Projected benefit obligation at end of year	<u>104,242</u>	<u>111,415</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	98,855	95,669
Actual return on plan assets	715	8,085
Employer contributions	2,385	2,000
Benefits paid	<u>(7,199)</u>	<u>(6,899)</u>
Fair value of plan assets at end of year	<u>94,756</u>	<u>98,855</u>
Funded status	\$ <u>(9,486)</u>	<u>(12,560)</u>
	<u>2024</u>	<u>2023</u>
Amounts recognized as changes in net assets consist of:		
Amortization of net loss	\$ (1,943)	(2,495)
Actuarial (gain) loss	<u>(1,341)</u>	<u>(179)</u>
Net amount recognized	\$ <u>(3,284)</u>	<u>(2,674)</u>
Accumulated benefit obligation at end of year	\$ 104,242	111,415

The following table sets forth the components of net periodic cost in 2024 and 2023, which is included in other nonoperating expense in the consolidated statements of operations and changes in net assets without donor restrictions:

	<u>2024</u>	<u>2023</u>
Interest cost	\$ 5,100	5,262
Expected return on plan assets	(4,448)	(3,995)
Amortization of actuarial loss	<u>1,943</u>	<u>2,495</u>
Net periodic cost	\$ <u>2,595</u>	<u>3,762</u>

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The estimated net actuarial loss that will be amortized from net assets into net periodic pension cost during 2025 is \$2,219.

Assumptions used to determine benefit obligations at December 31 were as follows:

	<u>2024</u>	<u>2023</u>
Benefit obligation:		
Discount rate	5.37 %	4.72 %
Net periodic benefit cost:		
Discount rate	4.72	4.91
Expected long-term rate of return on plan assets	5.25	5.10

The expected long-term rate of return on plan assets is the expected weighted 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 assumptions are based on capital market assumptions and the Plan's target asset allocation. SHS monitors the expected long-term rate of return to determine if changes in those parameters cause the estimate 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 Plan's asset allocation at December 31 was as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>
Fixed equities	14 %	17 %	14 %	17 %
Domestic debt securities	71	70	71	70
International equities	9	9	9	9
Real estate properties	6	4	6	4
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

Pension plan assets are managed according to an investment policy adopted by the Samaritan Health Services, Inc. Retirement Plan Trustees. The board of directors establishes overall investment objectives and delegates the authority for executing the policy to the Retirement Plan Trustees. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objective is to achieve the highest possible total return commensurate with safety and preservation of capital in real, inflation-adjusted terms. The objective includes having funds invested for the long term, which protects the principal and produces returns sufficient to meet future benefit obligations. The investment policy provides for an asset allocation that includes equities, fixed income instruments, and real estate.

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In accordance with FASB ASC Topic 820, financial assets and financial liabilities measured at fair value are grouped in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and associated valuation methodologies are described in note 8. There were no changes in the hierarchy classification below from 2023 to 2024. The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2024:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 626	626	—	—
Mutual funds:				
Domestic equities	13,005	13,005	—	—
International equities	8,213	8,213	—	—
Domestic debt securities	67,618	67,618	—	—
	89,462	\$ 89,462	—	—
Investments measured at NAV per share or its equivalent	5,294			
	\$ 94,756			

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2023:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 619	619	—	—
Mutual funds:				
Domestic equities	13,491	13,491	—	—
International equities	8,725	8,725	—	—
Domestic debt securities	69,987	69,987	—	—
	92,822	\$ 92,822	—	—
Investments measured at NAV per share or its equivalent	6,033			
	\$ 98,855			

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The following table provides information regarding redemption of investments where the NAV has been used as a practical expedient to fair value at December 31, 2024 and 2023:

	Fair value at December 31		Redemption frequency	Redemption period
	2024	2023		
Real estate investment fund	\$ 5,294	6,033	Quarterly	90 days

The ING Clarion Lion Properties Fund is a real estate fund that has a fair value of \$5,294 and \$6,033 as of December 31, 2024 and 2023, respectively, estimated by using NAV as a practical expedient to fair value, and consists of assorted real estate investments around the United States. These underlying properties are valued using a combination of the income, cost, and sales approaches using projected income streams, discount rates, replacement costs, and recent transactions for similar properties depending on the valuation approach utilized. Other factors considered include the operating cash flows and financial performance of the properties, property types and geographic locations, the physical condition of properties, prevailing market capitalization and discount rates, and general and specific economic conditions. The valuation of investments includes reliance on significant unobservable inputs.

SHS expects to contribute \$2,455 to the Plan in 2025.

Benefit payments are expected to be paid as follows:

2025	\$ 8,195
2026	8,413
2027	8,510
2028	8,512
2029	8,469
2030-2034	40,587
	<u>\$ 82,686</u>

(14) Commitments and Contingencies**(a) Professional Liability and Other Claims**

SHS is self-insured for professional and general liability coverage through PIC, a captive insurance company wholly owned by SHS. Insurance coverage in excess of self-insured levels is carried through outside excess commercial reinsurers on a claims-made basis.

There are known claims and incidents that may result in the assertion of additional claims, as well as claims from unknown incidents that may be asserted arising from services provided to patients. SHS has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims. The amount recorded as a liability for estimated losses from professional liability incidents, claims, and other included in other current liabilities and professional liability, less current portion in the

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consolidated balance sheets, was \$23,214 and \$23,229 as of December 31, 2024 and 2023, respectively, and, in management's opinion, provides an adequate reserve for loss contingencies.

(b) Collective Bargaining Agreements

Approximately 34% of SHS employees are covered under collective bargaining agreements, including nurses, professional employees, and service employees, with 14% of SHS employees under contracts expiring in 2025. SHS is currently engaged in contract negotiations on the contracts that are soon to expire.

(c) Litigation

SHS is involved in litigation 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 SHS' future financial position or results from operations.

The healthcare industry is governed by various laws and regulations of federal, state, and local governments. These laws and regulations are subject to ongoing government review and interpretation and include matters, such as licensure, accreditation, reimbursement for patient services, and referrals for Medicare and Medicaid beneficiaries. Compliance with these laws and regulations is required for participation in government healthcare programs. Certain governmental agencies routinely investigate and pursue allegations concerning possible overpayments resulting from violation of fraud and abuse statutes by healthcare providers. These investigations may result in settlements involving fines and penalties as well as repayment of improper reimbursement. SHS has implemented procedures for monitoring and enforcing compliance with laws and regulations and is not aware of instances of noncompliance.

(15) Leases

Relevant leasing information for the year ended December 31, 2024, as determined under ASC 842, is as follows:

SHS leases medical and administrative office buildings, and equipment to support operations. Below is the breakout of operating and finance leases as of December 31, 2024 and 2023:

	2024 Operating leases	2023 Operating leases
Operating lease, right of use assets	\$ 22,082	22,467
Less accumulated amortization/depreciation	(6,753)	(7,086)
Operating lease, right of use assets, net	<u>\$ 15,329</u>	<u>15,381</u>
Current portion of operating lease liabilities	\$ 3,753	3,314
Long-term operating lease liabilities, less current portion	11,576	12,067

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

	2024	2023
	Finance	Finance
	leases	leases
Finance lease right of use assets recorded in property, plant, and equipment, net	\$ 5,760	5,486
Finance lease liabilities recorded in current portion of long-term debt	2,919	2,935
Finance lease liabilities recorded in long-term debt, less current portion	6,164	7,195

The weighted average terms and discount rates for operating and finance leases were 11 and 6 years and 4% and 2%, respectively, as of December 31, 2024. The weighted average terms and discount rates for operating and finance leases were 12 and 7 years and 4% and 3%, respectively, as of December 31, 2023

SHS incurred the following lease expense amounts:

	December 31	
	2024	2023
Operating lease cost:		
Operating lease cost	\$ 5,163	5,163
Finance lease cost:		
Interest expense	187	253
Amortization expense	1,677	1,552

SHS anticipates that operating leases will mature as follows:

	Operating
	leases
2025	\$ 4,449
2026	3,348
2027	2,092
2028	1,420
2029	669
Thereafter	6,749
	18,727
Less amounts attributable to interest	(3,398)
	\$ 15,329

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

(16) Related-Party Disclosures

SHS has invested in certain joint ventures. The following joint ventures are consolidated into the financial statements of SHS and in the aggregate have total assets of \$1,849 and \$1,867 as of December 31, 2024 and 2023, respectively, and earnings of \$4,325 and \$4,250 in 2024 and 2023, respectively.

	<u>Ownership</u>
Corvallis Medical Office Building, LLC	54.5 %
Corvallis MRI Joint Venture	50.0
East Linn MRI, LLC	60.0
Hull Imaging, LLC	60.0

Other joint ventures are accounted for on the equity method and are not material to the consolidated financial statements taken as a whole. They have in the aggregate contributed income of \$995 and \$651 in 2024 and 2023, respectively, which are included in other income (expense), net in the consolidated statements of operations and changes in net assets without donor restrictions.

(17) Functional Expenses

SHS provides healthcare services to residents within its geographic locations. Functional expenses are based on the department they are associated with. Administrative departments are assigned to the management and general category, foundation and auxiliary departments are assigned to the fundraising category, and departments associated with the exempt purposes of the affiliated organizations of Samaritan Health Services are assigned to the program service category. Employee benefits are allocated based on wages. Depreciation, amortization, and interest expense are allocated based on square footage. Expenses related to providing these services are as follows:

	<u>2024</u>			
	<u>Fundraising</u>	<u>Management</u>	<u>Program service</u>	<u>Total</u>
Salaries and wages	\$ 1,555	17,956	614,526	634,037
Employee benefits	225	2,595	88,820	91,640
Medical services	—	—	499,265	499,265
Supplies	285	2,325	249,350	251,960
Purchased services	2,627	10,475	192,633	205,735
Utilities, insurance, and other	59	21,500	96,809	118,368
Depreciation	4	1,697	33,568	35,269
Interest and amortization	—	325	6,429	6,754
Total	\$ <u>4,755</u>	<u>56,873</u>	<u>1,781,400</u>	<u>1,843,028</u>

SAMARITAN HEALTH SERVICES, INC.

Notes to Consolidated Financial Statements

December 31, 2024 and 2023

(Dollars in thousands)

2023				
	Fundraising	Management	Program service	Total
Salaries and wages	\$ 1,590	17,183	570,662	589,435
Employee benefits	224	2,420	80,373	83,017
Medical services	—	—	422,480	422,480
Supplies	260	2,458	243,057	245,775
Purchased services	2,924	5,303	191,895	200,122
Utilities, insurance, and other	58	20,709	94,330	115,097
Depreciation	4	1,449	32,914	34,367
Interest and amortization	—	235	6,694	6,929
Total	\$ <u>5,060</u>	<u>49,757</u>	<u>1,642,405</u>	<u>1,697,222</u>

(18) Liquidity

The table below represents financial assets available for general expenditures within one year:

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 114,943	191,737
Patient accounts receivable, net	137,999	123,844
Investments, including short term	<u>284,368</u>	<u>270,889</u>
Total financial assets	\$ <u>537,310</u>	<u>586,470</u>

SHS has other assets limited to use for donor-restricted purposes, and debt service. Additionally, certain other foundation donor restricted assets are designated for future capital expenditures. These assets limited to use, which are more fully described in note 12, are not available for general expenditure within the next year and are not reflected in the amounts above.

Additionally, SHS maintains a \$16,000 line of credit, as discussed in more detail in note 10. As of December 31, 2024, \$16,000 remained available on the SHS's line of credit.

(19) Subsequent Events

In September of 2024, Santiam Hospital and Clinics and Samaritan Health Services signed a definitive agreement to affiliate, adding Santiam Hospital and Clinics as an affiliate to Samaritan Health Services. The affiliation is currently filed with the Oregon Health Authority for regulatory approval and is awaiting review.

SHS evaluated subsequent events after the consolidated balance sheet date of December 31, 2024 through April 2, 2025 which was the date the consolidated financial statements were issued.

SAMARITAN HEALTH SERVICES, INC.

Supplementary Schedule – Balance Sheet Information

December 31, 2024 and 2023

(Dollars in thousands)

Assets	Obligated group	Nonobligated group	Eliminating entries	2024	2023
Current assets:					
Cash and cash equivalents	\$ 37,265	77,678	—	114,943	191,737
Short-term investments	65,072	36,153	—	101,225	98,811
Patient accounts receivable, net	140,398	14,913	(17,312)	137,999	123,844
Other receivables	32,019	28,593	(114)	60,498	50,173
Receivable from affiliates	(83,627)	83,627	—	—	—
Inventories	19,340	1,764	—	21,104	19,550
Other current assets	13,283	706	—	13,989	13,686
Total current assets	223,750	243,434	(17,426)	449,758	497,801
Assets limited as to use:					
Restricted by donor for capital acquisition	—	2,849	—	2,849	2,849
Restricted by donor for permanent endowment	—	7,279	—	7,279	6,514
Statutory deposits and other restricted investments	172	20,358	—	20,530	19,483
Total assets limited as to use	172	30,486	—	30,658	28,846
Long-term investments	56,306	126,837	—	183,143	172,078
Property, plant, and equipment, net	305,403	27,018	—	332,421	334,937
Operating lease, right of use, net	13,450	1,879	—	15,329	15,381
Other assets	60,128	1,150	(43,141)	18,137	15,427
Total assets	\$ 659,209	430,804	(60,567)	1,029,446	1,064,470

SAMARITAN HEALTH SERVICES, INC.

Supplementary Schedule – Balance Sheet Information

December 31, 2024 and 2023

(Dollars in thousands)

Liabilities and Net Assets	Obligated group	Nonobligated group	Eliminating entries	2024	2023
Current liabilities:					
Accounts payable	\$ 60,993	26,019	(114)	86,898	80,692
Accrued salaries, wages, and benefits	73,950	3,797	—	77,747	75,674
Estimated third-party payor settlements	13,780	8,493	—	22,273	18,419
Liability for unpaid medical claims	8,088	64,718	(17,312)	55,494	33,845
Other current liabilities	4,864	22,649	—	27,513	30,678
Current portion of operating lease liabilities	3,319	434	—	3,753	3,314
Current portion of long-term debt	9,942	677	—	10,619	10,206
Total current liabilities	174,936	126,787	(17,426)	284,297	252,828
Long-term debt, less current portion	167,428	29,593	(25,100)	171,921	180,644
Long-term operating lease liabilities, less current portion	10,131	1,445	—	11,576	12,067
Professional liability, less current portion	4,797	13,577	—	18,374	14,852
Pension liability	9,486	—	—	9,486	12,560
Other liabilities	16,336	4,639	—	20,975	18,635
Total liabilities	383,114	176,041	(42,526)	516,629	491,586
Net assets:					
Controlling interests	257,380	233,803	—	491,183	553,508
Noncontrolling interests	674	—	—	674	617
Net assets without donor restrictions	258,054	233,803	—	491,857	554,125
Net assets with donor restrictions	18,041	20,960	(18,041)	20,960	18,759
Total net assets	276,095	254,763	(18,041)	512,817	572,884
Total liabilities and net assets	\$ 659,209	430,804	(60,567)	1,029,446	1,064,470

See accompanying independent auditors' report.

SAMARITAN HEALTH SERVICES, INC.

Supplementary Schedule – Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Years ended December 31, 2024 and 2023

(Dollars in thousands)

	Obligated group	Nonobligated group	Eliminating entries	2024	2023
Revenue:					
Patient service revenue	\$ 966,574	95,905	(207,864)	854,615	874,488
Premium revenue	33,674	745,233	(6,783)	772,124	687,839
Other operating revenue	138,117	22,865	(38,278)	122,704	129,947
Total revenue	1,138,365	864,003	(252,925)	1,749,443	1,692,274
Expenses:					
Salaries and wages	566,031	68,006	—	634,037	589,435
Employee benefits	77,690	20,734	(6,784)	91,640	83,017
Medical services	63,828	653,600	(218,163)	499,265	422,480
Supplies	231,100	21,499	(639)	251,960	245,775
Purchased services	135,953	85,479	(15,697)	205,735	200,122
Utilities, insurance, and other	88,611	41,354	(11,597)	118,368	115,097
Depreciation	33,453	1,816	—	35,269	34,367
Interest and amortization	6,599	875	(720)	6,754	6,929
Total expenses	1,203,265	893,363	(253,600)	1,843,028	1,697,222
Deficit of revenue over expenses from operations	(64,900)	(29,360)	675	(93,585)	(4,948)
Other income (expense), net:					
Investment income (loss)	13,413	13,187	(720)	25,880	24,411
Other (loss) income	(40)	(243)	45	(238)	(1,847)
Total other income (expense), net	13,373	12,944	(675)	25,642	22,564
Deficit (excess) of revenue over expenses	(51,527)	(16,416)	—	(67,943)	17,616
Change in net unrealized gains and losses on fixed income investments	402	1,635	—	2,037	6,007
Net assets released from restrictions used for capital acquisition	1,968	1,657	—	3,625	1,097
Net assets transferred for capital	451	(1,683)	—	(1,232)	962
Change in pension liability gain	3,284	—	—	3,284	2,065
Distributions to noncontrolling interest in consolidated joint ventures	(1,765)	—	—	(1,765)	(1,759)
Other	(33)	(241)	—	(274)	117
Change in net assets without donor restrictions	\$ (47,220)	(15,048)	—	(62,268)	26,105

See accompanying independent auditors' report.