

RFI Exhibit 6 - Consolidated Reports and
Financial Statements (Consolidated
Reports)

[CONFIDENTIAL IN ITS ENTIRETY]

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MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2025 and 2024

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
MultiCare Health System:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of MultiCare Health System (the Company) (a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule consolidating balance sheet information and supplemental schedule consolidating statement of operations are presented for purposes of additional analysis and are not required parts 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
March 18, 2026

MULTICARE HEALTH SYSTEM

Consolidated Balance Sheets

December 31, 2025 and 2024

(In thousands)

Assets	2025	2024
Current assets:		
Cash and cash equivalents	\$ 612,486	641,644
Accounts receivable	937,093	823,807
Supplies inventory	88,216	91,570
Other current assets, net	<u>263,761</u>	<u>268,932</u>
Total current assets	1,901,556	1,825,953
Donor restricted assets held for long-term purposes	168,614	168,174
Investments	2,360,759	2,269,033
Property, plant, and equipment, net	3,240,600	2,927,783
Right-of-use operating lease asset, net	258,220	268,215
Right-of-use financing lease asset, net	22,462	18,867
Goodwill and intangible assets, net	260,331	260,581
Other assets, net	<u>502,664</u>	<u>471,736</u>
Total assets	<u>\$ 8,715,206</u>	<u>8,210,342</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 543,050	467,526
Accrued compensation and related liabilities	514,906	542,659
Accrued interest payable	30,760	36,469
Line of credit	33,000	63,000
Commercial paper	60,000	—
Current portion of right-of-use operating lease liability	59,629	59,991
Current portion of right-of-use financing lease liability	6,707	7,239
Current portion of long-term debt	33,379	27,863
Other current liabilities	<u>5,987</u>	<u>—</u>
Total current liabilities	1,287,418	1,204,747
Right-of-use operating lease liability, net of current portion	213,315	224,023
Right-of-use financing lease liability, net of current portion	16,855	12,701
Long-term debt, net of current portion	2,310,592	2,213,831
Other liabilities, net	<u>410,682</u>	<u>395,980</u>
Total liabilities	<u>4,238,862</u>	<u>4,051,282</u>
Commitments and contingencies (note 15)		
Net assets:		
Controlling interest	4,231,006	3,915,842
Noncontrolling interest	<u>7,212</u>	<u>18,110</u>
Without donor restrictions	4,238,218	3,933,952
With donor restrictions	<u>238,126</u>	<u>225,108</u>
Total net assets	<u>4,476,344</u>	<u>4,159,060</u>
Total liabilities and net assets	<u>\$ 8,715,206</u>	<u>8,210,342</u>

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM
Consolidated Statements of Operations
Years ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Revenues, gains, and other support without donor restrictions:		
Patient service revenue	\$ 6,738,662	5,496,878
Other operating revenue	434,590	355,174
Net assets released from restrictions for operations	9,916	7,194
Total revenues, gains, and other support without donor restrictions	<u>7,183,168</u>	<u>5,859,246</u>
Expenses:		
Salaries and wages	3,450,704	2,852,014
Employee benefits	511,394	411,175
Supplies	1,195,878	970,671
Purchased services	665,290	561,003
Professional fees	337,422	257,853
Depreciation and amortization	186,085	171,195
Interest	79,628	83,069
Other	820,338	668,779
Total expenses	<u>7,246,739</u>	<u>5,975,759</u>
Deficit of revenues over expenses from operations	<u>(63,571)</u>	<u>(116,513)</u>
Other income (loss):		
Investment income	342,972	210,852
Gain on interest rate swaps, net	1,693	19,114
Inherent contribution	—	395,923
Other income (loss), net	(10,424)	4,831
Total other income, net	<u>334,241</u>	<u>630,720</u>
Excess of revenues over expenses	<u>\$ 270,670</u>	<u>514,207</u>

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM
Consolidated Statements of Changes in Net Assets
Years ended December 31, 2025 and 2024
(In thousands)

	Without donor restrictions		With donor restrictions	Total net assets
	Controlling interests	Noncontrolling interests		
Balance, December 31, 2023	\$ 3,301,130	34,925	260,661	3,596,716
Excess of revenues over expenses	512,663	1,544	—	514,207
Changes in pension assets	(4,015)	—	—	(4,015)
Changes from noncontrolling interest	—	(18,359)	—	(18,359)
Contributions	—	—	33,250	33,250
Other activities and transfers	57,398	—	(50,230)	7,168
Net assets assumed in affiliation	—	—	18,325	18,325
Net assets released from restriction for capital acquisitions	48,666	—	(48,666)	—
Net assets released from restriction for operations	—	—	(7,194)	(7,194)
Gain on investments	—	—	19,694	19,694
Decrease in assets held in trust by others	—	—	(732)	(732)
Change in net assets	<u>614,712</u>	<u>(16,815)</u>	<u>(35,553)</u>	<u>562,344</u>
Balance, December 31, 2024	<u>3,915,842</u>	<u>18,110</u>	<u>225,108</u>	<u>4,159,060</u>
Excess of revenues over expenses	272,808	(2,138)	—	270,670
Changes in pension assets	(11,697)	—	—	(11,697)
Changes from noncontrolling interest	—	(8,760)	—	(8,760)
Contributions	—	—	27,058	27,058
Other activities and transfers	(16,232)	—	56,965	40,733
Net assets released from restriction for capital acquisitions	70,285	—	(70,285)	—
Net assets released from restriction for operations	—	—	(9,916)	(9,916)
Gain on investments	—	—	8,794	8,794
Increase in assets held in trust by others	—	—	402	402
Change in net assets	<u>315,164</u>	<u>(10,898)</u>	<u>13,018</u>	<u>317,284</u>
Balance, December 31, 2025	<u>\$ 4,231,006</u>	<u>7,212</u>	<u>238,126</u>	<u>4,476,344</u>

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM
Consolidated Statements of Cash Flows
Years ended December 31, 2025 and 2024
(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 317,284	562,344
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	186,085	171,195
Amortization of bond premiums, discounts, and issuance costs	(9,023)	(2,270)
Net realized and unrealized gains on investments	(309,094)	(152,961)
Change in fair value of interest rate swap	(1,170)	21,729
Gain on bond refinancing	(34,054)	—
Loss (gain) on disposal of assets, net	(1,151)	3,992
Loss on joint ventures, net	6,432	2,480
Net assets assumed from affiliation	—	(414,248)
Restricted contributions for long-term purposes	(27,058)	(28,126)
Changes in operating assets and liabilities:		
Accounts receivable	(113,286)	(50,651)
Supplies inventory and other current assets	8,525	11,184
Right-of-use lease asset	41,006	46,008
Other assets, net	(22,333)	(48,495)
Accounts payable and accrued expenses and accrued interest payable	69,815	32,390
Accrued compensation and related liabilities	(27,753)	50,732
Right-of-use lease liability	(34,805)	(35,796)
Other liabilities, net	27,697	115,173
Net cash provided by operating activities	<u>77,117</u>	<u>284,680</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(504,281)	(308,269)
Proceeds from disposal of property, plant, and equipment	6,530	1,795
Cash obtained from affiliation	—	11,490
Investments in joint ventures, net	(11,528)	(37,653)
Purchases of investments	(6,370,393)	(6,450,906)
Sales of investments	6,586,484	6,615,265
Change in donor trusts	(2,543)	(7,317)
Net cash used in investing activities	<u>(295,731)</u>	<u>(175,595)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(274,785)	(149,585)
Proceeds from debt issuance	392,959	149,376
Bond issuance premium	25,232	—
Bond cost of issuance	(3,759)	—
Proceeds from issuance of commercial paper	60,000	—
Proceeds from line of credit, net	(30,000)	65
Principal payments on finance lease obligations	(7,249)	(7,499)
Restricted contributions for long-term purposes	27,058	28,126
Net cash provided by financing activities	<u>189,456</u>	<u>20,483</u>
Net change in cash and cash equivalents	(29,158)	129,568
Cash and cash equivalents, beginning of year	<u>641,644</u>	<u>512,076</u>
Cash and cash equivalents, end of year	<u>\$ 612,486</u>	<u>641,644</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amount capitalized	\$ 85,337	73,933
Noncash activities:		
Increase in deferred compensation plans	31,774	14,795
Decrease in accounts payable for purchases of property, plant, and equipment	(2,442)	(8,033)

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(1) Nature of Organization and Summary of Significant Accounting Policies**(a) Organization Description**

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane, Thurston, and Yakima Counties and, with respect to pediatric care, much of the southwest Washington region. As of December 31, 2025, MHS was licensed to operate 2,856 inpatient hospital beds, including 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington. MHS operates eleven acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Hospital, Deaconess Hospital, Valley Hospital, Capital Medical Center, Yakima Memorial Hospital, and Overlake Medical Center) and one behavioral health hospital (Navos). MHS also operates many outpatient surgical sites, free-standing emergency departments, urgent care, primary care, and multispecialty clinics, as well as other post-acute and ancillary services all located throughout the MHS service areas.

The consolidated financial statements include the operations of these facilities and services as well as those of five wholly owned subsidiaries (Greater Lakes Mental Healthcare, Navos, Medis, Inc., MultiCare Rehabilitation Specialists, P.C., and PNW PACE Partners, LLC), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corporation), a wholly owned professional services organization that employs providers for Yakima Memorial Hospital (Memorial Physicians, LLC), a wholly owned accountable care organization (MultiCare Connected Care, LLC), a wholly owned clinically integrated healthcare network (Central Washington Healthcare Partners, LLC dba SignalHealth), a leading population health company (Physicians of Southwest Washington, LLC), a physical, occupational and massage therapy provider (Olympic Sports & Spine), and four fundraising foundations (Overlake Hospital Foundation, Yakima Valley Memorial Hospital Charitable Foundation, Mary Bridge Children's Foundation, and MultiCare Foundations, which is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation, and MultiCare Inland Northwest Foundation).

On October 1, 2024, MHS completed an affiliation of Overlake Medical Center & Clinics (Overlake) and became the sole corporate member. No consideration was exchanged as part of this transaction. Overlake operates an acute care facility, clinics and other services mainly within King County and is the main acute care facility within the new north Puget Sound region. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. The net assets assumed resulted in an inherent contribution of \$395,923 in the consolidated statements of operations. The remaining contribution of \$18,325 was restricted and is included in net assets assumed in affiliation with donor restrictions in the consolidated statements of

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

changes in net assets. The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the acquisition date.

Recognized amounts of identifiable assets acquired and liabilities assumed:	
Cash	\$ 11,490
Accounts receivable	117,022
Other current assets	52,642
Investments	267,371
Land, buildings and equipment	326,615
Other assets	76,167
Accounts payable, accrued compensation and other current liabilities	(131,300)
Long-term debt and other non-current liabilities	<u>(305,759)</u>
Total identifiable net assets assumed	<u>\$ 414,248</u>

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHS after elimination of all significant intercompany accounts and transactions.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

(d) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with maturities of three months or less at the date of purchase. Cash equivalents and investments that are held by outside investment managers or restricted per contractual or regulatory requirements are classified as investments on the consolidated balance sheets.

(e) Accounts Receivable

Accounts receivable are primarily comprised of amounts due for healthcare services from patients and third-party payors and are recorded net of amounts for contractual adjustments and implicit price concessions.

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(f) Supplies Inventory

Supplies inventory consists of pharmaceutical, medical-surgical, and other supplies generally used in the operations of MHS. Supplies inventory is stated at lower of cost or net realizable value using the average cost method, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

(g) Donor Restricted Assets

The majority of the donor restricted assets are invested in MHS' investments and are stated at fair value or estimated fair value. Donor restricted assets that are held separately from MHS' investments include perpetual trusts and charitable remainder unitrusts, where MHS is the beneficiary but not the trustee, that are invested in mutual funds, fixed income securities, and equity securities. Those with readily determinable fair values are stated at fair value. Those investments for which quoted market prices are not readily determinable are carried at values provided by the respective investment managers or trustees, which management believes approximates fair value.

Charitable gift annuities, which are included in donor restricted assets, totaled \$1,960 and \$1,576 at December 31, 2025 and 2024, respectively. MHS has recorded a corresponding payable of \$476 and \$453 at December 31, 2025 and 2024, respectively, to pay for estimated future obligations to beneficiaries. The current portion of these obligations is included in accounts payable and accrued expenses and the long-term portions are included in other liabilities, net in the accompanying consolidated balance sheets. According to Washington State law, MHS, as a distinct legal entity holding charitable gift annuities, is required to maintain unrestricted net assets of at least \$500, which MHS has done for each of the periods presented.

(h) Investments

MHS accounts for its investment portfolio as a trading portfolio, therefore, investments in fixed income securities, equity securities, and commingled trusts with a readily determinable fair value are recorded at fair value, which are determined based on quoted market prices or prices with observable inputs obtained from national securities exchanges or similar sources. Other investments, including limited partnerships, commingled real estate trust funds, limited liability partnerships, and hedge funds are carried at net asset value (NAV) provided by the respective investment managers, which management believes approximates fair value. Valuations provided by investment managers consider variables such as valuation and financial performance of underlying investments, quoted market prices for similar securities, recent sale prices of underlying investments, and other pertinent information. Management reviews the valuations provided by investment managers and believes that the carrying values of these financial instruments are reasonable estimates of fair value.

Realized gains and losses are recorded using the average cost method. Investment income or loss (including realized gains and losses on investments, change in unrealized gains or losses, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(i) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	5–80 years
Land improvements	1–40 years
Equipment	1–45 years

MHS capitalizes all software implementation costs that meet the criteria for capitalization, including those that relate to a service contract (e.g., hosting arrangement). The capitalized software implementation costs are reflected within property, plant and equipment in the consolidated balance sheets. These costs are amortized together with the costs of the related software license; however, the implementation costs related to a service arrangement are amortized over the term of the arrangement. The amortization period for all capitalized implementation costs is generally 10 years.

Maintenance and repairs are charged to operations as they occur. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Gains upon sale or retirement of property, plant, and equipment are included in other operating revenue whereas losses are included in other expenses. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

MHS assesses potential impairments to its long-lived assets as well as its intangible assets, as described below, when there is evidence that events or changes in circumstances indicate that an impairment has been incurred. These changes can include a deterioration in operating performance, a reduction in reimbursement rates from government or third-party payors or a change in business strategy. An impairment charge is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2025 and 2024, there were no impairment charges.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(j) Leases

Management reviews contracts in order to identify leases and properly classify leases as either operating or financing. MHS is a lessee of various equipment and facilities under noncancelable operating and financing leases. Operating and financing right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

information available at the commencement date of the lease in determining the present value of lease payments. Generally, MHS cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, MHS generally uses its incremental borrowing rate as the discount rate for the lease. MHS' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

If a lease contains a renewal option at the commencement date and it is considered reasonably certain that the renewal option will be exercised by management to renew the lease, the renewal option payments are included in MHS' net minimum lease payments used to determine the right-of-use lease liabilities and related lease assets. All other renewal options are included in right-of-use lease liabilities and related lease assets when they are reasonably certain to be exercised.

All lease agreements generally require MHS to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset. Variable lease cost also includes escalating rent payments that are not fixed at 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.

Variable lease payments associated with MHS' leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in other expenses in the consolidated statement of operations and changes in net assets.

MHS has elected the practical expedient to not separate lease components from non-lease components related to its real estate leases.

(k) Goodwill and Intangible Assets

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them.

If it is more likely than not that goodwill is impaired, MHS records the amount that the carrying value exceeds the fair value as an impairment charge. Goodwill is not amortized and along with indefinite-lived intangible assets is evaluated at least annually for impairment. There were no impairment charges recognized during the years ended December 31, 2025 or 2024.

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

The following table summarizes the balances of goodwill and intangible assets at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Goodwill	\$ 234,617	233,852
Intangible assets, net of accumulated amortization of \$7,985 and \$7,177, respectively	<u>25,714</u>	<u>26,729</u>
Total	<u>\$ 260,331</u>	<u>260,581</u>

Amortizing intangible assets are comprised of certificates of need, license agreements, trade names, and lease arrangements, which all have finite useful lives. Amortization expense is recorded on a straight-line basis over the estimated useful life of the assets, which ranges from three to thirty years, associated with the nature of the intangible asset. Amortization expense was \$808 for the years ended December 31, 2025 and 2024.

(l) Investment in Joint Ventures

MHS maintains ownership in certain joint ventures related to imaging, office buildings, behavioral health and other healthcare focused activities and accounts for these joint ventures under the equity method of accounting. As of December 31, 2025 and 2024, MHS held ownership interests in 37 and 35 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. The loss on joint ventures for the years ended December 31, 2025 and 2024 were \$6,432 and \$2,480, respectively, each year associated with several joint ventures. Losses are included in other operating revenue on the consolidated statements of operations.

(m) Estimated Third-Party Payor Settlements

Medicare cost reports are filed annually by MHS with the Medicare intermediary and are subject to audit and adjustment prior to settlement. Estimates of net settlements due to Medicare were \$17,776 and \$11,927 as of December 31, 2025 and 2024, respectively, and have been recorded within accounts payable and accrued expenses in the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, based upon the amount of the final settlements. Patient service revenue increased by \$5,849 and \$4,281 in 2025 and 2024, respectively to reflect changes in the estimated Medicare settlements for prior years.

(n) Interest Rate Swaps

MHS maintains several interest rate swap agreements as a means of hedging its exposure to variable-based interest rates and fluctuations in cash flows as part of its overall interest rate risk management strategy. All MHS interest rate swaps are recorded at fair value. The accounting for changes in the fair value of these swaps depends on whether those had been designated as cash flow hedges. As of December 31, 2025 and 2024, none of MHS' interest rate swaps were designated as cash flow hedges and therefore, the changes in fair value are recognized and included in other income

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(loss) on the consolidated statements of operations. As of December 31, 2025, these swaps have notional amounts totaling \$80,000 and expire in August 2027. The variable rate basis for these interest rate swap agreements is SOFR. The swaps have the economic effect of fixing the SOFR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

Under master netting provisions of the International Swap Dealers Association (ISDA) agreement with each of the counterparties, MHS is permitted to settle with the counterparties on a net basis. However, due to the nature of the specific swap arrangements in MHS' interest rate swap portfolio, the fair value of interest rate swap assets and swap liabilities are presented on a gross basis on the consolidated balance sheets.

(o) Net Assets with Donor Restrictions

Gifts are reported as support with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets to a specific time or purpose or have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are expended for their restricted purposes or by the occurrence of the passage of time, these amounts are released from restrictions for operations and are classified as revenues, gains, and other support without donor restrictions. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2025 and 2024, MHS has recorded \$23,922 and \$27,302, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2025, \$14,374 of pledges are due in one year or less and \$9,548 in two to nine years.

(p) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which MHS expects to receive in exchange for providing patient services. These amounts are due from patients, third-party payors, and others and include the variable consideration for retroactive adjustments to revenue due to final settlement of audits, reviews, and investigations. MHS bills the patient and third-party payors several days after the services are performed or when the patient is discharged from the facility, whichever is later.

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(q) Hospital Safety Net Assessment

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. The program switched retroactively from a state fiscal year to a calendar year in January 2024 after regulatory approval was received in June 2024. In connection with this program, MHS recorded increases in patient service revenue of \$526,665 and \$454,728 for 2025 and 2024, respectively, and incurred assessments of \$221,361 and \$209,328 for 2025 and 2024, respectively, which were recorded in other operating expenses in the accompanying consolidated statements of operations. MHS has outstanding receivables of \$71,335 and \$11,742 associated with this program as of December 31, 2025 and 2024, respectively, which are included with accounts receivable on the consolidated balance sheets.

(r) Uncompensated and Undercompensated Care

MHS provides a variety of uncompensated and undercompensated healthcare services to the communities it serves within the purview of its mission. Because MHS does not pursue collection of amounts determined to qualify as uncompensated care, MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its historical collections from these patients. Patients who meet the criteria of MHS' uncompensated care policy are eligible to receive these services without charge or at an amount less than MHS' established rates. Such amounts determined to qualify as charity care are not reported as revenue. The State provides guidelines for charity care provided by hospitals in the state. Hospitals are recommended to provide full charity care to patients who meet 100% of the federal poverty guidelines and a lesser amount to patients who meet up to 200% of the federal poverty guidelines. MHS provides full charity care to patients who meet 300% of the federal poverty guidelines and also provides uncompensated care on a sliding scale for patients whose income is between 301% and 400% of the federal poverty guidelines for true self-pay patients and patients with deductibles and coinsurance amounts. The estimated cost of charity care provided was approximately \$101,143 and \$88,000 in 2025 and 2024, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately \$389,000 and \$435,000 in 2025 and 2024, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

(s) Other Operating Revenue

Other operating revenue includes revenue from cafeteria sales, retail pharmacy, laboratory revenue from community providers, medical office rental income, contributions without donor restrictions, grant revenue, contracted behavioral healthcare revenue, capitated revenue, and other miscellaneous revenue.

MHS has filed applications and obtained reimbursement of additional expenses from the Federal Emergency Management Agency (FEMA) based on criteria due to the national emergency declaration made due to COVID 19. MHS has submitted funding applications with FEMA that covers costs incurred in order to respond to the COVID 19 pandemic. MHS recognizes FEMA reimbursements as they are

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obligated by the agency. MHS recognized \$1,699 and \$39,404 of FEMA reimbursements for the years ended December 31, 2025 and 2024, respectively, within other operating revenue in the statements of operations.

(t) Excess of Revenues over Expenses

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension asset, net assets assumed in affiliation, net assets released from restrictions for capital expenditures, and capital assets received.

(u) Federal Income Taxes

ASC Subtopic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements. This topic also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, this topic provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Other than Medis, Inc., Physicians of Southwest Washington, LLC and Olympic Sports & Spine, PLLC, which are all taxable entities, all of the other entities have obtained determination letters from the Internal Revenue Service that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income.

(v) Self-Insurance Reserves

MHS is self-insured with respect to professional and general liability, workers' compensation and medical and other health benefits with excess insurance coverage over self-insured retention limits. MHS records insurance liabilities for these specific items by using third party actuarial calculations and certain assumptions and inputs such as MHS historical claims experience and the estimated amount of future claims that will be incurred.

(2) Revenue from Contracts with Customers

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by MHS and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. MHS believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals or clinics receiving inpatient or outpatient services. MHS measures an inpatient performance obligation from time of admission to time of discharge and an outpatient performance obligation from the start of the outpatient service to the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided to patients and customers.

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MHS has elected to apply the optional exemption in ASC 606-10-50-14a as all of MHS' performance obligations are related to contracts with a duration of less than one year. Under this exemption, MHS was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations are completed within days or weeks of the end of the year.

MHS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with MHS policy, and implicit price concessions provided to uninsured patients. MHS determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. MHS determines its estimate of implicit price concessions based on its historical collection experience with each class of patients.

Contractual agreements with third-party payors provide for payments at amounts less than MHS' established charges. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare Severity Diagnosis-Related Groups (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services is reimbursed under a prospective payment methodology, the Ambulatory Payment Classifications (APCs), or fee schedules.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare; however, Medicaid utilizes All Payor Refined Diagnosis-Related Groups (APR-DRGs) as opposed to Medicare's MS-DRGs. The majority of Medicaid outpatient services is reimbursed under a prospective payment methodology, the Enhanced Ambulatory Patient Groups (EAPG), or fee schedules.
- Other – MHS has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements with the government. Compliance with such laws and regulations may also be subject to future government exclusion from the related programs. There can be no assurance that regulatory or governmental authorities will not challenge MHS' compliance with these laws and regulations, and it is not possible to determine the impact, if any, that such claims or penalties would have upon MHS. In addition, the contracts with commercial payors also provide for retroactive audit and review of claims that can reduce the amount of revenue ultimately received.

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Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the current estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled and no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. MHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. MHS estimates the transaction price for patients with deductibles and co-insurance from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for prior years were not significant for 2025 or 2024. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay and deemed uncollectable are recorded as bad debt expense.

Consistent with MHS' mission, care is provided to patients regardless of their ability to pay. MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its collection experience with those patients. Patients who meet the criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as uncompensated care are not reported as revenue.

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MHS has determined that the best depiction of its revenue is by its mix of payors as this shows the amount of revenue recognized from each portfolio. Patient service revenue disaggregated by payor for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Payors:		
Medicare	\$ 1,863,643	1,541,852
Medicaid	1,179,768	1,135,551
Premera	960,916	754,954
Regence	626,749	539,747
Aetna	339,549	240,296
United Healthcare	262,884	217,639
Kaiser Permanente	201,585	140,717
First Choice	164,145	167,750
Self-pay	21,143	23,249
Other	1,118,280	735,123
	<u>\$ 6,738,662</u>	<u>5,496,878</u>

MHS has elected to apply the practical expedient under ASC 340-40-25-4 and therefore, all incremental customer contract acquisition costs are expensed as incurred, as the amortization period of the asset that MHS would have otherwise recognized is one year or less in duration.

(3) Concentration of Credit Risk

MHS grants credit without collateral to its patients, most of whom are residents of the communities it serves and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Medicare	35 %	35 %
Medicaid	18	18
Premera	8	9
Regence	7	7
Self-pay	7	7
First Choice	2	2
Health Care Exchange	2	2
Other commercial insurance	21	20
	<u>100 %</u>	<u>100 %</u>

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(4) Fair Value Measurements**(a) Fair Value Hierarchy**

In accordance with ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes 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 similar 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 are quoted prices (unadjusted) in active markets for identical or similar assets or liabilities that MHS could access at the measurement date. Level 1 securities generally include investments in equity securities, mutual funds and certain fixed income securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are based upon observable market inputs for the asset or liability, either directly or indirectly. Level 2 securities generally include investments in fixed income securities (composed primarily of government, agency and corporate bonds) and interest rate swaps.
- Level 3 inputs are unobservable market inputs for the asset or liability. Level 3 securities include donor trusts where MHS is not the trustee.

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.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHS is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by investment managers consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the redemption price. MHS reviews valuations and assumptions provided by investment managers for reasonableness and believes that the carrying amounts of these financial instruments approximate the estimated fair value of the instruments. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

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The following tables present the placement in the fair value hierarchy of investment assets and liabilities that are measured at fair value on a recurring basis and investments valued at NAV at December 31, 2025 and 2024:

	Fair value measurements at reporting date using			
	December 31, 2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	\$ 1,214,453	1,214,453	—	—
Fixed income bond funds	574,094	574,094	—	—
Fixed income governmental obligations	215,919	176,544	39,375	—
Fixed income other	214,947	—	214,947	—
Donor trusts	42,018	—	—	42,018
Total assets at fair value	2,261,431	\$ 1,965,091	254,322	42,018
Investment assets valued at NAV	200,129			
Total assets at fair value or NAV	\$ 2,461,560			
Liabilities:				
Interest rate swaps	\$ 568	—	568	—

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	Fair value measurements at reporting date using			
	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	\$ 1,142,727	1,142,727	—	—
Fixed income bond funds	485,222	485,222	—	—
Fixed income governmental obligations	208,568	146,275	62,293	—
Fixed income other	265,062	—	265,062	—
Donor trusts	39,475	—	—	39,475
Interest rate swaps	130	—	130	—
	<u>2,141,184</u>	<u>\$ 1,774,224</u>	<u>327,485</u>	<u>39,475</u>
Total assets at fair value				
Investment assets valued at NAV	<u>218,299</u>			
Total assets at fair value or NAV	<u>\$ 2,359,483</u>			
Liabilities:				
Interest rate swaps	\$ 1,869	—	1,869	—

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2025 and 2024:

	NAV December 31, 2025	NAV December 31, 2024	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	\$ 14,702	16,356	1,800	Quarterly	60 or 95 business days prior to valuation date
Common trust funds	162,617	181,275	N/A	Daily	1 or more business valuation date
Limited partnerships	<u>22,810</u>	<u>20,668</u>	<u>5,694</u>	N/A	N/A
Total investments valued at NAV	<u>\$ 200,129</u>	<u>218,299</u>	<u>7,494</u>		

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Hedge funds include investments in hedge fund-of-funds products with certain investment managers. The fair values of the investments in this category have been estimated using the NAV per share of the investment.

Common trust funds include investments in a collective or common trust account that invests funds in an underlying fund or set of funds. The trust account seeks an investment return that approximates the performance of an index as defined by each common trust fund. The fair value of the investments in this category are estimated using the NAV per share of the fund that is derived from the underlying investments in the trust fund.

Limited partnerships include investments in private equity and venture capital funds in both developed and emerging markets. The fair values of the investments in this category have been estimated using the NAV of ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

(b) Interest Rate Swaps

The interest rate swaps are recorded at estimated fair value by using certain observable market inputs that participants would use from closing prices for similar assets. In addition, other valuation techniques and market inputs are used that help determine the fair values of these swaps, which include certain valuation models, current interest rates, forward yield curves, implied volatility and credit default swap pricing.

The fair value of the interest rate swaps liability is included in interest rate swap liabilities on the consolidated balance sheets, and the fair value of the interest rate swap asset is included in other assets, net on the consolidated balance sheets. The fair value changes of these interest rate swaps for the years ended December 31, 2025 and 2024 were a gain of \$1,170 and a loss of \$21,729, respectively, and are included in gain on interest rate swaps, net in other income, net in the consolidated statements of operations. Also included in the gain on interest rate swaps, net is the gain on net cash settlement amounts associated with the swaps of \$523 and \$40,843 for the years ended December 31, 2025 and 2024, respectively.

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The following table represents both the fair value and settlement value for the interest rate swap assets and liabilities as of December 31, 2025 and 2024:

		Asset derivatives					
		2025			2024		
	Balance sheet location	Fair value	Settlement value	Balance sheet location	Fair value	Settlement value	
Derivative instruments:							
Interest rate swaps	Other assets, net	\$ —	—	Other assets, net	\$ 130	110	

		Liability derivatives					
		2025			2024		
	Balance sheet location	Fair value	Settlement value	Balance sheet location	Fair value	Settlement value	
Derivative instruments:							
Interest rate swaps	Interest rate swap liabilities	\$ 568	523	Interest rate swap liabilities	\$ 1,869	2,045	

(5) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2025 and 2024 is as follows:

		December 31, 2025		
		Donor restricted assets	Investments	Total
Mutual funds	\$	40,957	1,173,496	1,214,453
Fixed income securities		14,875	990,085	1,004,960
Hedge funds		178	14,524	14,702
Common trust funds		2,773	159,844	162,617
Limited partnerships		—	22,810	22,810
Donor trusts		42,018	—	42,018
Pledge receivables, net and other		67,813	—	67,813
Total	\$	<u>168,614</u>	<u>2,360,759</u>	<u>2,529,373</u>

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	December 31, 2024		
	Donor restricted assets	Investments	Total
Mutual funds	\$ 35,098	1,107,629	1,142,727
Fixed income securities	13,184	945,668	958,852
Hedge funds	233	16,123	16,356
Common trust funds	2,330	178,945	181,275
Limited partnerships	—	20,668	20,668
Donor trusts	39,475	—	39,475
Pledge receivables, net and other	77,854	—	77,854
Total	<u>\$ 168,174</u>	<u>2,269,033</u>	<u>2,437,207</u>

Fixed income securities include mutual funds, corporate bonds, mortgage-backed securities, asset-backed securities, U.S. government obligations, and state government obligations.

(6) Liquidity and Availability of Financial Assets

MHS actively monitors the availability of resources required to meet its operating obligations and other contractual commitments, while also striving to maximize investment returns of its available funds. To help meet its general obligations, MHS can also access the credit markets as a means of producing liquidity, if needed. MHS draws income, appreciation and distributions from its endowment fund up to 5% of the endowment average account value annually, as applicable donor restrictions are met, as another way of providing liquidity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MHS considers all expenditures related to its ongoing activities to provide integrated healthcare delivery as well as the conduct of services undertaken to support these activities to be general expenditures.

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At December 31, 2025 and 2024, MHS' financial resources are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 612,486	641,644
Accounts receivable	937,093	823,807
Supplies inventory	88,216	91,570
Other current assets, net	263,761	268,932
Donor restricted assets	168,614	168,174
Investments	<u>2,360,759</u>	<u>2,269,033</u>
	4,430,929	4,263,160
Less prepaid assets included in other current assets, net	(113,336)	(92,009)
Less donor restricted assets	(168,614)	(168,174)
Less investments with redemption limitations of greater than one year	<u>(22,810)</u>	<u>(20,668)</u>
Total financial assets available for general expenditures	\$ <u>4,126,169</u>	<u>3,982,309</u>

In addition to financial assets available to meet general expenditures over the next 12 months, MHS operates mostly using revenues, gains, and other support without donor restrictions and anticipates collecting sufficient revenues to cover general expenditures. MHS also has a \$100,000 line of credit available for general expenditures, if needed (note 14).

(7) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 360,853	360,222
Buildings	2,953,513	2,786,807
Equipment	<u>1,464,161</u>	<u>1,327,290</u>
	4,778,527	4,474,319
Less accumulated depreciation	<u>(2,123,084)</u>	<u>(1,956,420)</u>
	2,655,443	2,517,899
Construction in progress	<u>585,157</u>	<u>409,884</u>
Property, plant, and equipment, net	\$ <u>3,240,600</u>	<u>2,927,783</u>

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Total depreciation and amortization expense for the years ended December 31, 2025 and 2024 was \$186,085 and \$171,195, respectively. Depreciation expense charged to operations for the years ended December 31, 2025 and 2024 amounted to \$185,277 and \$170,387, respectively.

(8) Other Assets, Net

Other assets are as follows at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Investment in joint ventures	\$ 142,924	137,735
Deferred compensation plan assets held in trust (note 11)	150,560	119,463
Accrued pension asset (note 11)	63,142	57,446
Self-insured retention receivables, net of current portion (notes 12 and 13)	14,562	15,714
Net investment in lease (note 16(b))	22,848	20,115
Notes receivable (note 9)	81,725	80,467
Interest rate swap asset (note 4(b))	—	130
Other	<u>26,903</u>	<u>40,666</u>
Other assets, net	<u>\$ 502,664</u>	<u>471,736</u>

Deferred compensation plan assets held in trust are participant-managed investments consisting of equity and fixed income mutual funds with prices quoted in active markets.

(9) Notes Receivable

In December 2020, MHS executed a promissory note with Astria Health for a \$75,000 loan. The loan bears a fixed interest rate of 9.5% with payments due June 30 and December 31 of each year.

(10) Other Liabilities, Net

Other liabilities are as follows at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Professional liability, net of current portion (note 12)	\$ 181,304	176,027
Deferred compensation liability (note 11)	151,236	119,463
Workers' compensation liability, net of current portion (note 13)	21,187	21,672
Interest rate swap liability (note 4(b))	568	1,869
Other	<u>56,387</u>	<u>76,949</u>
Other liabilities, net	<u>\$ 410,682</u>	<u>395,980</u>

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(11) Retirement Plans**(a) MHS Defined Benefit Pension Plan**

MHS operates one qualified defined benefit pension plan (the MHS Plan) covering eligible employees. The MHS Plan was closed to new employees effective after July 31, 2002. The benefits are based on years of service and the employee's highest five consecutive years of compensation. Contributions to the MHS Plan are made by MHS, if any, in amounts determined by MHS management with the assistance of its actuary. The unit credit actuarial cost method is used to calculate the funding requirements. MHS had no employer contributions for 2025 and 2024, which met the minimum funding requirements of ERISA, and does not expect to make contributions in the subsequent year. Effective December 31, 2016, participants no longer accrue pension benefits under the Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the MHS Plan, which has measurement dates of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Change in projected benefit obligation:		
Projected benefit obligations at beginning of year	\$ 427,858	455,931
Service cost	750	710
Interest cost	23,814	23,177
Actuarial loss (gain)	11,074	(20,156)
Expected administrative expenses	(750)	(710)
Benefits paid	<u>(37,038)</u>	<u>(31,094)</u>
Projected benefit obligations at end of year	<u>425,708</u>	<u>427,858</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	483,542	505,167
Asset adjustment	(314)	—
Actual gain on plan assets	41,103	10,216
Actual administrative expenses	(706)	(747)
Benefits paid	<u>(37,038)</u>	<u>(31,094)</u>
Fair value of plan assets at end of year	<u>\$ 486,587</u>	<u>483,542</u>
Funded status recognized in consolidated balance sheets consist of:		
Asset for pension benefits	\$ 60,879	55,684
Amount recognized in net assets without donor restrictions:		
Net loss	\$ 98,173	106,948

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	5.60 %	5.80 %

The actuarial gains/losses recognized as part of the change in the projected benefit obligation are due to the update to participant census information and changes in the discount rate seen in each plan year.

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at MHS' determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost (income) are as follows during the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost (income):		
Service cost	\$ 750	710
Interest cost	23,814	23,177
Expected return on plan assets	(29,340)	(31,186)
Amortization of accumulated unrecognized net loss	8,355	—
Amortization of prior service cost	—	112
	<u>\$ 3,579</u>	<u>(7,187)</u>

	<u>2025</u>	<u>2024</u>
Weighted average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.80 %	5.30 %
Expected return on plan assets	6.20	5.80

During the years ended December 31, 2025 and 2024, the MHS Plan made lump-sum cash payments (settlements) to plan participants and in exchange the MHS Plan was relieved of all remaining liabilities of future payments to those plan participants. These settlements are included in benefits paid within the change in projected benefit obligation.

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The accumulated benefit obligation for the MHS Plan was \$425,708 and \$427,858 at December 31, 2025 and 2024, respectively.

(i) *Estimated Future Benefit Payments*

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension benefits</u>
2026	\$ 37,577
2027	37,259
2028	37,449
2029	36,530
2030–35	200,805

(ii) *Plan Assets*

The following tables set forth by level, within the fair value hierarchy, the MHS Plan's investments at fair value:

	<u>Fair value measurements at reporting date using</u>			
	<u>December 31, 2025</u>	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 8,772	8,772	—	—
Trading securities:				
Mutual funds	62,561	62,561	—	—
Fixed income bond funds	60,705	60,483	222	—
Fixed income governmental obligations	224,532	164,681	59,851	—
Fixed income other	152,087	82	152,005	—
	<u>508,657</u>	<u>\$ 296,579</u>	<u>212,078</u>	<u>—</u>
Broker receivables	\$ 47,658			
Broker payables	<u>(119,525)</u>			
Total assets at fair value	436,790			
Investments valued at NAV	<u>49,797</u>			
Total assets at fair value or NAV	<u>\$ 486,587</u>			

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Notes to Consolidated Financial Statements

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(Dollars in thousands)

	Fair value measurements at reporting date using			
	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 10,380	10,380	—	—
Trading securities:				
Mutual funds	40,505	40,505	—	—
Fixed income bond funds	34,969	34,768	201	—
Fixed income governmental obligations	217,980	174,950	43,030	—
Fixed income other	151,566	95	151,471	—
Commingled trust fund – international equity	9,452	—	9,452	—
	<u>464,852</u>	<u>\$ 260,698</u>	<u>204,154</u>	<u>—</u>
Broker receivables	\$ 20,741			
Broker payables	<u>(74,236)</u>			
Total assets at fair value	411,357			
Investments valued at NAV	<u>72,185</u>			
Total assets at fair value or NAV	<u>\$ 483,542</u>			

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2025 and 2024.

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(Dollars in thousands)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2025 and 2024:

	<u>NAV</u> <u>December 31,</u> <u>2025</u>	<u>NAV</u> <u>December 31,</u> <u>2024</u>	<u>Unfunded</u> <u>commitments</u>	<u>Redemption</u> <u>frequency</u> <u>(if currently</u> <u>eligible)</u>	<u>Redemption</u> <u>notice period</u>
Absolute return funds	\$ 49,665	69,151	N/A	Daily	1 or more business days prior to valuation date
Limited partnerships	<u>132</u>	<u>3,034</u>	<u>850</u>	N/A	N/A
Total investments valued at NAV	<u>\$ 49,797</u>	<u>72,185</u>	<u>850</u>		

Absolute return fund investments consist primarily of listed equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles. These investments use derivatives or other instruments for both investment and hedging purposes and may take long and/or short positions, and the derivative investments may include but are not restricted to futures, options, swaps, and forward currency contracts.

Limited partnerships include investments in private equity and venture capital in both developed and emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

The defined benefit plan weighted average asset allocations at December 31, 2025 and 2024 by asset category are as follows:

	<u>2025</u>	<u>2024</u>
Asset category:		
Domestic equities	8 %	6 %
International equities	5	5
Fixed income securities	87	88
Alternative investments	<u>—</u>	<u>1</u>
	<u>100 %</u>	<u>100 %</u>

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(iii) *Investment Objectives*

The target asset allocations for each asset class are set based on the achieved funding levels for the Plan and are summarized below:

	<u>2025</u>	<u>2024</u>
Asset category:		
Domestic equities	6 %	5 %
International equities	4	5
Fixed income securities	<u>90</u>	<u>90</u>
	<u>100 %</u>	<u>100 %</u>

(iv) *Investment Categories*

Equities

The strategic role of domestic equities is to provide higher expected market returns (along with international equities) of the major asset classes; maintain a diversified exposure within the U.S. stock market using multimanager portfolio strategies; and achieve returns in excess of passive indices using active investment managers and strategies.

The strategic role of international equities is to provide higher expected market return premiums (along with domestic equities) of the major asset classes and diversify the Plan's overall equity exposure by investing in non-U.S. stocks that are less than fully correlated to domestic equities with similar return expectations; to maintain a diversified exposure within the international stock market through the use of multimanager portfolio strategies; and to achieve returns in excess of passive indices through the use of active investment managers and strategies.

The strategic role of emerging markets is to diversify the portfolio relative to domestic equities and fixed income investments and to specifically include equity investment in selected global markets and may also include currency hedging for defensive purposes.

Fixed Income

The strategic role of fixed income securities is to diversify the Plan's equity exposure by investing in fixed income securities that exhibit a low correlation to equities and lower volatility; maintain a diversified exposure within the U.S. fixed income market using multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow.

Alternative Investments

The strategic role of alternative investments is for diversification relative to equities and fixed income investments, to add absolute return using hedging strategies, and to achieve expected return premiums over longer holding periods. Alternative investments include investments in equity, equity-related and debt securities, including exchange-traded funds, other securities and other

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pooled investment vehicles, hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

(b) Yakima Defined Benefit Pension Plan

Yakima operates one qualified defined benefit pension plan (the Yakima Plan) covering eligible employees. The Yakima Plan was closed to new employees effective after May 31, 2008. The benefits are based on years of service and the employee's highest five consecutive years of compensation. Contributions to the Yakima Plan are made by MHS, if any, in amounts determined by MHS management with the assistance of its actuary. The unit credit actuarial cost method is used to calculate the funding requirements. There were no employer contributions for 2025 and 2024, which met the minimum funding requirements of ERISA, and MHS does not expect to make contributions in the subsequent year. Effective December 31, 2010 for nonunion participants and December 31, 2011 for union participants, participants no longer accrue pension benefits under the Yakima Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the Yakima Plan, which has measurement dates of December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Change in projected benefit obligation:		
Projected benefit obligations at beginning of year	\$ 104,483	111,744
Interest cost	5,808	5,654
Actuarial loss (gain)	2,969	(3,695)
Benefits paid	<u>(10,724)</u>	<u>(9,220)</u>
Projected benefit obligations at end of year	<u>\$ 102,536</u>	<u>104,483</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 106,245	113,328
Actual gain on plan assets	9,278	2,137
Benefits paid	<u>(10,724)</u>	<u>(9,220)</u>
Fair value of plan assets at end of year	<u>\$ 104,799</u>	<u>106,245</u>
Funded status recognized in consolidated balance sheets consist of:		
Asset for pension benefits	\$ 2,263	1,762
Amount recognized in net assets without donor restrictions:		
Net loss	\$ (4,536)	(4,754)

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(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	5.50 %	5.75 %

The actuarial gains/losses recognized as part of the change in the projected benefit obligation are due to the update to participant census information, updates to demographic assumptions and changes in the discount rate seen in each plan year.

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at Yakima's determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost (income) are as follows during the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Components of net periodic benefit cost (income):		
Interest cost	\$ 5,808	5,654
Expected return on plan assets	<u>(6,527)</u>	<u>(6,268)</u>
	<u>\$ (719)</u>	<u>(614)</u>

	<u>2025</u>	<u>2024</u>
Weighted average assumptions used to determine benefit obligation as of December 31:		
Discount rate	5.75 %	5.25 %
Expected return on plan assets	6.40	5.75

The accumulated benefit obligation for the Yakima Plan was \$102,536 and \$104,483 at December 31, 2025 and 2024, respectively.

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(Dollars in thousands)

(i) Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension benefits
2026	\$ 8,693
2027	8,765
2028	8,728
2029	8,702
2030–2035	49,556

(ii) Plan Assets

The following tables set forth by level, within the fair value hierarchy, the Yakima Plan's investments at fair value:

	Fair value measurements at reporting date using			
	December 31, 2025	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 2,283	2,283	—	—
Trading securities:	—			
Fixed income other	74,844	—	74,844	—
Fixed income governmental obligations	12,643	5,846	6,797	—
Mutual funds	14,151	14,151	—	—
	103,921	\$ 22,280	81,641	—
Broker receivables	887			
Broker payables	(9)			
Total assets at fair value	\$ 104,799			

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(Dollars in thousands)

	Fair value measurements at reporting date using			
	December 31, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 2,820	2,820	—	—
Trading securities:				
Fixed income other	74,130	—	74,130	—
Fixed income governmental obligations	17,937	10,209	7,728	—
Mutual funds	11,538	11,538	—	—
Total assets at fair value	\$ 106,425	24,567	81,858	—

(iii) Investment Categories**Fixed Income**

The strategic role of fixed income securities is to diversify the Plan's equity exposure by investing in fixed income securities that exhibit a low correlation to equities and lower volatility; maintain a diversified exposure within the U.S. fixed income market using multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow.

Equity Securities

The strategic role of equity securities (domestic and international) is to provide higher expected market returns of the major asset classes within the applicable markets and maintain a diversified exposure within the portfolio.

(c) Defined Contribution Plans

MHS currently maintains three defined contribution plans including the MHS 401(a) Retirement Account Plan (RAP), the MHS 403(b) Employee Savings Plan, and the MHS 401(k) Plan.

During 2024, Yakima maintained two defined contribution plans including a 403(b) tax-deferred annuity plan and a 401(k) plan, which was a safe harbor plan. The 403(b) plan was frozen to contributions as of January 1, 2020. The 401(k) plan was funded by both Yakima and employee contributions. In September 2024, these two defined contribution plans for Yakima were terminated and merged into the MHS 401(k) Plan and MHS 403(b) Employee Savings Plan. Subsequent to the plan termination in September 2024, Yakima employees can contribute to the MHS 401(k) Plan.

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Overlake currently maintains a defined contribution plan, the Overlake Hospital Medical Center 403(b) Retirement Plan. Other consolidated entities maintain immaterial defined contribution plans.

The funding for all defined contribution plans is based on certain percentages of the employees' base pay and/or a percentage of their deferred contributions. Total contributions to the defined-contribution plans for 2025 and 2024 were approximately \$94,000 and \$78,000, respectively, which were included with employee benefits in the accompanying consolidated statements of operations.

(d) Other

In addition to the defined benefit and defined contribution plans as described above, MHS and Yakima also maintain several deferred compensation arrangements for the benefit of eligible employees. Substantially all amounts that are deferred under these arrangements are held in trust until such time as these funds become payable to the participating employees.

(12) Professional Liability

MHS maintains a self-insurance program for professional liability with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability as of December 31, 2025 and 2024, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

MHS utilizes a wholly owned insurance captive, Commencement Re (the Captive). On September 15, 2022, the Captive took on the risk to self-insure and reinsure certain layers of professional and general liability risk from MHS. The Captive covers all consolidated entities, including Overlake effective July 1, 2025, which was previously insured separately through a commercial carrier.

At December 31, 2025 and 2024, the estimated gross professional liability (including current and long-term portions) was \$258,494 and \$222,178, respectively. The current portion is included in accounts payable and accrued expenses, and the remainder is included in other liabilities, net in the accompanying consolidated balance sheets. MHS has recorded a receivable for amounts to be received from the excess insurance carriers for their portion of the claims (including current and long-term portions) of \$33,014 and \$12,198 as of December 31, 2025 and 2024, respectively. The current amount is included in other current assets, net, and the remainder is included in other assets, net in the accompanying consolidated balance sheets.

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(13) Workers' Compensation and Employee Health Benefit Programs

MHS maintains a self-insurance program for workers' compensation with excess coverage over self-insured retention limits provided by commercial insurance carriers. This program covers all consolidated entities excluding Overlake, which maintains a separate self-insurance program.

MHS has recorded a liability based on an actuarial estimate of future claims payments. At December 31, 2025 and 2024, the estimated net liability based on future claims cost totaled \$29,487 and \$27,615, respectively. The gross liabilities (including both current and long-term portions) total \$31,220 and \$31,131 as of December 31, 2025 and 2024, respectively. The long-term amounts are included in other liabilities, net, and the current portions are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These liabilities are secured by a letter of credit with the State of Washington. MHS has recorded a receivable for amounts to be received from excess insurance carriers of \$1,733 and \$3,516 as of December 31, 2025 and 2024, respectively, which is included with other current assets, net and other assets, net for the respective estimated current and long-term portions.

MHS maintains a self-insurance program for employee medical and dental insurance, covering all consolidated entities in 2025 excluding Overlake, which maintains a separate self-insurance program. Employees can elect to be included in the self-insurance plan as a part of their fringe benefit package. Premiums deducted from employees' wages are used in paying a portion of members' medical claims. The estimated liability for claims in 2025 and 2024 was \$35,952 and \$36,271, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

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(14) Debt***Long-Term Debt***

The consolidated balance sheet as of December 31, 2025 includes two Obligated Groups: MultiCare Health System (MultiCare) and Overlake Hospital Medical Center (Overlake). Long-term debt consists of the following at December 31, 2025 and 2024:

Obligated Group	Series	2025	2024
MultiCare	WHCFA Revenue bonds, 2025 Series A	\$ 177,880	—
MultiCare	WHCFA Revenue bonds, 2025 Series B	123,135	—
MultiCare	WHCFA Revenue bonds, 2025 Series C	71,115	—
MultiCare	2024 Term Loan	130,170	130,170
MultiCare	WHCFA Revenue bonds, 2022A	49,985	49,985
MultiCare	WHCFA Revenue bonds, 2022B	108,145	108,145
MultiCare	WHCFA Revenue bonds, 2022C	80,000	80,000
MultiCare	WHCFA Revenue bonds, 2022 Taxable Private Placement	430,000	430,000
MultiCare	2020 Taxable bonds	212,633	300,000
MultiCare	OCED financing	107,525	65,824
MultiCare	WHCFA Revenue bonds, 2017 Series A and B	301,495	306,105
MultiCare	WHCFA Revenue bonds, 2017 Series C and D	111,010	111,010
MultiCare	WHCFA Revenue bonds, 2015 Series A and B	108,120	314,265
Overlake	WHCFA Revenue bonds, 2022 Series	50,555	50,555
Overlake	WHCFA Revenue bonds, 2017 Series A and B	156,305	162,010
Overlake	WHCFA Revenue bonds, 2014 Series	33,640	35,470
	Other	22,594	46,366
		<u>2,274,307</u>	<u>2,189,905</u>
	Adjusted for:		
	Current portion	(33,379)	(27,863)
	Bond premiums, discounts, and debt issuance costs	<u>69,664</u>	<u>51,789</u>
	Long-term debt, net of current portion	<u>\$ 2,310,592</u>	<u>2,213,831</u>

(a) WHCFA Revenue Bonds 2025 Series A (MultiCare)

In August 2025, MHS issued \$177,880 of 2025 Series A bonds to refund a portion of 2015 Series A and 2015 Series B bonds that were previously issued in April 2015. The bonds were issued as fixed rate bonds that bear interest of 5.0%. Annual principal payments range from \$15,785 in 2026 to \$22,580 in 2034 with a final payment of \$8,245 in 2035.

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(b) WHCFA Revenue Bonds 2025 Series B (MultiCare)

In June 2025, MHS issued \$123,135 of 2025 Series B bonds to fund a portion of the purchase price of \$87,367 of the taxable 2020 series bonds as discussed below. The bonds were issued as fixed rate bonds that bear interest of 5.0%. Annual principal payments range from \$23,115 in 2053 to \$51,305 in 2050.

(c) WHCFA Revenue Bonds 2025 Series C (MultiCare)

In June 2025, MHS issued \$71,115 of 2025 Series C bonds to fund a portion of the purchase price of \$87,367 of the taxable 2020 series bonds as discussed below. The bonds were issued as fixed rate bonds that bear interest of 5.0%. Annual principal payments range from \$22,840 in 2053 to \$24,580 in 2055.

(d) 2024 Term Loan (MultiCare)

In December 2024, MHS issued a \$130,170 term loan to replace the 2022D Series bonds, with principal due in full in December 2031. The loan bears a fixed interest rate of 4.78% with interest only payments made semiannually in February and August of each year.

(e) Washington Health Care Facility Authority (WHCFA) Revenue Bonds, 2022A (MultiCare)

In August 2022, MHS issued \$49,985 of 2022 Series A bonds. These bonds were issued as variable rate tax exempt private placement debt, with principal payments ranging from \$1,845 in 2040 to final payment of \$20,365 in 2044. The interest rates are based on SIFMA plus a spread.

(f) WHCFA Revenue Bonds, 2022B (MultiCare)

In August 2022, MHS issued \$108,145 of 2022 Series B bonds. These bonds were issued as variable rate tax exempt private placement debt. Principal payments range from \$7,035 in 2040 to \$22,085 in 2045, with a final payment of \$19,715 in 2046 with interest payable semiannually in February and August, based on SOFR plus a spread.

(g) WHCFA Revenue Bonds, 2022C (MultiCare)

In December 2022, MHS issued \$80,000 of 2022 Series C bonds. These bonds were issued as variable rate tax exempt private placement debt. The principal is due in full in 2047 with monthly interest payments based on SIFMA plus a spread.

(h) 2022 Taxable Private Placement (MultiCare)

In August 2022, MHS issued \$430,000 of Series 2022 taxable private placement bonds. The bonds were acquired by various private investors. Included in the issuance are \$130,000 in bonds bearing 4.48% fixed rate interest with principal due in full in 2037, and \$300,000 in bonds bearing 4.75% fixed rate interest with principal due in full in 2052.

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(i) 2020 Taxable Bonds (MultiCare)

In July 2020, MHS issued \$300,000 of taxable 2020 series bonds. These bonds were issued as fixed rate bonds that bear interest of 2.803%. In June 2025, MHS redeemed a portion of these 2020 series bonds using funds from the issuance of the 2025 Series B and 2025 Series C bonds, as discussed above. The remaining principal of \$212,633 is due in 2050, with interest only payments made semiannually in February and August of each year.

(j) OCED Financing (MultiCare)

In June 2020, MHS finalized a sale-leaseback transaction for four off-campus emergency departments (OCED) with total cash proceeds received of \$61,794. In October 2022, MHS finalized a sale-leaseback for three additional OCEDs. Due to the specific terms of the agreements, the leases qualified as financing type leases. The agreements did not meet the criteria for sale-leaseback accounting treatment and instead are considered a financing liability. For the agreement finalized in 2022, cash proceeds are not received until construction commences and repayment of the financing liabilities do not start until construction is completed. Construction of the first OCED was completed in 2023, and construction of the remaining six OCEDs was completed between 2024 and 2025. The 2020 agreement bears an implicit interest rate of 4.64% while the 2022 agreement bears an implicit interest rate of 5.90%. Total annual principal payments range from \$639 in 2040 to \$1,850 in 2044.

(k) WHCFA Revenue Bonds 2017 Series A and B (MultiCare)

In November 2017, MHS issued \$333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from \$4,875 in 2026 to \$62,410 in 2047.

(l) WHCFA Revenue Bonds 2017 Series C and D (MultiCare)

In November 2017, MHS entered into a \$111,010 variable rate private placement agreement (Series C and D). The first annual principal payment of \$55,505 is due in 2048, with a final principal payment of \$55,505 in 2049. The interest rates are based on SOFR plus a spread.

(m) WHCFA Revenue Bonds 2015 Series A and B (MultiCare)

In April 2015, MHS issued \$373,390 of 2015 Series A and B bonds. Series A and B bonds were issued as fixed rate bonds that bear interest ranging from 2.0% to 5.0%. In August 2025, a portion of these bonds were refunded after issuance of 2025 Series A bonds, as discussed above. Annual principal payments range from \$4,295 in 2040 to \$21,035 in 2043 with a final payment of \$8,860 due in 2045.

(n) WHCFA Revenue Bonds, 2022 Series (Overlake)

In December 2022, Overlake issued \$50,555 of 2022 Series bonds. The bonds were issued as variable rate bonds. Annual principal payments range from \$14,360 in 2042 to \$18,405 in 2044.

(o) WHCFA Revenue Bonds, 2017 Series A and B (Overlake)

In December 2017, Overlake issued \$176,785 of 2017 Series A and B bonds. The bonds were issued as fixed rate bonds that bear interest ranging from 4.0% to 5.0%. Annual principal payments range from \$5,995 in 2026 to \$16,215 in 2041 and a final principal payment of \$2,865 in 2042.

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(p) WHCFA Revenue Bonds, 2014 Series (Overlake)

In August 2014, Overlake issued \$53,495 of 2014 Series bonds. The bonds were issued as fixed rate bonds that bear interest ranging from 4.0% to 5.0%. Annual principal payments range from \$1,925 in 2026 to \$3,370 in 2038.

(q) Other

The other debt listed is primarily made up of debt held by Navos. Of the outstanding debt at December 31, 2025, \$16,266 is associated with certain buildings and other capital assets operated by Navos and is subject to provisions whereby the debt will be forgiven upon compliance with those provisions. These provisions state that Navos maintains the assets that were built or purchased with these notes and maintains their usage when the promissory note was signed for the length specified. If these provisions are not met, the note must be repaid based on the terms of the agreement. The forgivable debt is subject to a forgiveness provision in years 2028 through 2068.

(r) Revenue Bonds

Revenue bonds issued by MultiCare through WHCFA are subject to applicable bond indenture agreements, which require that MultiCare satisfy certain measures of financial performance as long as the bonds are outstanding. These measures include a minimum debt service coverage ratio and a condition that the bonds are secured by a gross receivables pledge. Based on management's assessment of these requirements, MultiCare is in compliance with these covenants at December 31, 2025 and 2024.

Each fixed-rate revenue bond requires semiannual interest payments on February 15 and August 15 of each year until maturity. These bonds are subject to early redemption by MHS on or after certain specific dates and at certain specific redemption prices as outlined in each bond agreement.

Principal maturities on long-term debt are as follows:

Year ending December 31:		
2026	\$	33,379
2027		34,901
2028		36,603
2029		38,569
2030		41,278
Thereafter		<u>2,089,577</u>
	\$	<u><u>2,274,307</u></u>

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

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(Dollars in thousands)

A summary of interest costs is as follows during the years ended December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Interest cost:		
Charged to operations	\$ 79,628	83,069
Amortization of bond premiums, discounts, and issuance costs	(17,875)	(9,146)
Capitalized	<u>1,427</u>	<u>612</u>
	<u>\$ 63,180</u>	<u>74,535</u>

Short-Term Debt**(a) Line of Credit (MultiCare)**

In October 2022, MHS entered into a \$200,000 revolving credit agreement with JPMorgan Chase Bank, NA. In October 2024, the agreement was amended to \$100,000. In June 2025, the agreement was further amended to revise certain terms and extend the maturity date. The line of credit matures June 2026 and bears interest at a variable rate based upon SOFR. The balance outstanding was \$33,000 as of December 31, 2025 and \$63,000 as of December 31, 2024.

(b) Commercial Paper (MultiCare)

In August 2025, MHS created a taxable commercial paper program with a maximum issuance of \$250,000. A portion of the commercial paper program proceeds were used to pay down a portion of the amounts drawn on the line of credit discussed above. Notes issued under this program generally have maturities of 90 days or less. As of December 31, 2025, the balance outstanding was \$60,000 with a weighted-average interest rate of 1.89%.

(15) Commitments and Contingencies

Approximately 40% of MHS employees were covered under collective bargaining agreements as of December 31, 2025. These employees provide nursing, nursing support, physician support, advanced practice provider support, pharmacy, imaging, lab, inpatient and outpatient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through February 2029.

(16) Leases**(a) Lessee**

MHS leases various equipment and facilities under noncancelable operating and finance leases. Lease terms for noncancelable operating leases range from 1 to 20 years, and existing leases have expiration dates through 2042. Lease terms for finance leases range from 1 to 20 years, and existing leases have expiration dates through 2040.

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The components of lease cost for the years ended December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 63,465	49,447
Finance lease cost:		
Amortization of right-of-use assets	7,286	7,629
Interest on lease liabilities	<u>855</u>	<u>928</u>
Total finance lease cost	8,141	8,557
Short term lease cost	5,421	1,041
Variable lease cost	44	34
Sublease income	<u>(246)</u>	<u>(287)</u>
Total lease cost	<u>\$ 76,825</u>	<u>58,792</u>

Other information related to leases as of December 31, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (years):		
Operating leases	7.7	8.1
Finance leases	4.8	5.3
Weighted average discount rate:		
Operating leases	4.0 %	4.0 %
Finance leases	4.4	4.4
	<u>2025</u>	<u>2024</u>
Operating cash flows from operating leases	\$ (60,784)	(47,885)
Operating cash flows from finance leases	(855)	(928)
Financing cash flows from finance leases	(7,249)	(7,499)
Right-of-use assets obtained in exchange for new operating lease liabilities	23,088	66,242
Right-of-use assets obtained in exchange for new finance lease liabilities	10,990	6,828

MULTICARE HEALTH SYSTEM
Notes to Consolidated Financial Statements
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Maturities of lease liabilities under noncancelable leases as of December 31, 2025 are as follows:

	<u>Operating leases</u>	<u>Finance leases</u>	<u>Total</u>
For year ended December 31:			
2026	\$ 59,629	6,707	66,336
2027	48,756	6,917	55,673
2028	44,110	5,512	49,622
2029	35,240	2,807	38,047
2030	26,615	624	27,239
Thereafter	104,190	3,563	107,753
Total undiscounted lease payments	318,540	26,130	344,670
Less present value discount	(45,596)	(2,568)	(48,164)
Total lease liabilities	\$ <u>272,944</u>	<u>23,562</u>	<u>296,506</u>

(b) Lessor

MHS leases a building to the Alliance for South Sound Health, which does business under the name Wellfound Behavioral Health Hospital (Wellfound). Wellfound is a related party owned 50 percent by MHS. The leased building is owned solely by MHS and is the only asset that MHS leases out as a lessor. The lease has a 20-year initial lease term, with four 5-year extension options. Due to the related party nature of the lease, MHS considers it reasonably certain that Wellfound will exercise its four lease renewal options, and as such, treats the lease as a 40-year lease. There is no purchase option stated in the lease contract. MHS has determined that the lease is a sales-type financing lease, since the expected lease term spans a major portion of the useful life of the building. The net investment in this lease was \$19,888 and \$20,115 at December 31, 2025 and 2024, respectively, and is included in other assets, net on the consolidated balance sheets.

Revenue from leases for the years ended December 31, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Interest income on net investment in finance leases	\$ 1,001	1,012
Variable lease income	28	28
Total lease income	\$ <u>1,029</u>	<u>1,040</u>

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

Future lease payments receivable as of December 31, 2025 are as follows:

Year ended December 31:		
2026	\$	1,227
2027		1,227
2028		1,227
2029		1,227
2030		1,227
Thereafter		<u>34,763</u>
Total lease payments to be received		40,898
Less unearned interest income		<u>(21,010)</u>
Net investment in lease		<u>\$ 19,888</u>

(17) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Healthcare services	\$ 123,691	82,760
Endowment funds, perpetual trusts and related receivables	71,802	100,338
Purchase of property, plant and equipment	36,693	34,071
Indigent care	2,443	4,974
Health education	<u>3,497</u>	<u>2,965</u>
Total net assets with donor restrictions	<u>\$ 238,126</u>	<u>225,108</u>

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Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(18) Endowment Funds

MHS' endowments consist of over 100 individual funds established for a variety of purposes. They include both endowment funds with donor restrictions and funds designated without donor restrictions by the board of directors of its foundations to function as endowments (board-designated endowments). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions and nature of restrictions, if any.

The following tables present MHS' endowment net asset composition as well as associated changes therein:

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2023	1,972	41,835	43,807
Investment return:			
Investment income	551	2,274	2,825
Net (depreciation) appreciation - realized and unrealized	(454)	178	(276)
Total investment return	97	2,452	2,549
Contributions	6,572	19,110	25,682
Appropriation of endowment assets for expenditure	(228)	(534)	(762)
Endowment net assets, December 31, 2024	\$ 8,413	62,863	71,276
Investment return:			
Investment income	1,370	4,427	5,797
Net (depreciation) appreciation - realized and unrealized	(470)	(771)	(1,241)
Total investment return	900	3,656	4,556
Contributions	15	992	1,007
Appropriation of endowment assets for expenditure	(245)	(574)	(819)
Endowment net assets, December 31, 2025	\$ 9,083	66,937	76,020

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(Dollars in thousands)

Perpetual trusts that are held and managed by third party trustees are recorded as net assets with donor restrictions on the consolidated balance sheets; however, they are not included as endowment net assets with donor restrictions in the above presentation. Those perpetual trusts totaled \$7,920 as of December 31, 2025 and 2024. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling \$5,883 and \$2,010, respectively, as of December 31, 2025 and 2024.

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations accumulated at the funds. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies in 2025 or 2024.

(b) Investment Policy – Including Return Objectives and Strategies to Achieve Objectives

The endowment assets are invested in an investment portfolio, which includes those assets of donor restricted funds that MHS must hold in perpetuity as well as all other foundation-related investment assets. MHS has adopted an investment policy for the foundation investments that intends to provide income to support the spending policy while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate of return objectives, MHS relies on a total return strategy in which investment returns are achieved through both capital appreciation and interest and dividend income. MHS uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. There are some donor restricted funds that are held separately from MHS' pooled investments. These endowments are invested by donors in manners to provide funding for specific purposes as determined by donors.

(c) Spending Policy

In order to provide a stable and consistent level of funding for programs and services supported by the endowments, the foundations have determined that allowing an annual spending rate of the endowment's average account value is prudent. In establishing the spending policies, the foundations considered among other things, the expected total return on its endowments, effect of inflation, duration of the endowments to achieve its objective of maintaining the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts and investment returns.

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(19) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fundraising activities. Certain categories of expenses are attributable to programs and support services. These include salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2025 and 2024:

	2025				
	Program services			Support services	Total
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	
Salaries and wages	\$ 2,237,998	704,997	172,074	335,635	3,450,704
Employee benefits	293,328	103,193	37,848	77,025	511,394
Supplies	970,259	57,414	167,823	382	1,195,878
Purchased services	267,332	94,965	54,499	248,494	665,290
Professional fees	237,372	15,461	37,173	47,416	337,422
Depreciation and amortization	124,944	17,164	12,783	31,194	186,085
Interest	78,162	298	1,168	—	79,628
Other	274,098	73,058	29,247	443,935	820,338
	<u>\$ 4,483,493</u>	<u>1,066,550</u>	<u>512,615</u>	<u>1,184,081</u>	<u>7,246,739</u>
	2024				
	Program services			Support services	Total
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	
Salaries and wages	\$ 1,787,221	576,803	204,379	283,611	2,852,014
Employee benefits	19,059	87,317	49,626	255,173	411,175
Supplies	753,328	48,097	158,754	10,492	970,671
Purchased services	211,649	82,063	72,794	194,497	561,003
Professional fees	190,892	4,111	25,636	37,214	257,853
Depreciation and amortization	115,307	14,613	13,283	27,992	171,195
Interest	78,171	71	212	4,615	83,069
Other	351,868	60,889	105,976	150,046	668,779
	<u>\$ 3,507,495</u>	<u>873,964</u>	<u>630,660</u>	<u>963,640</u>	<u>5,975,759</u>

MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2025 and 2024

(Dollars in thousands)

(20) Litigation and Regulatory Environment

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in the imposition of significant fines and penalties, significant repayments for patient services previously billed, and/or expulsion from government healthcare programs. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MHS is also involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to MHS' financial position.

(21) Subsequent Events

MHS has evaluated the subsequent events through March 18, 2026, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.

MULTICARE HEALTH SYSTEM

Supplemental Schedule – Consolidating Balance Sheet Information

December 31, 2025

(In thousands)

Assets	MultiCare and immaterial affiliates	Overlake Hospital Medical Center	Consolidated
Current assets:			
Cash and cash equivalents	\$ 582,548	29,938	612,486
Accounts receivable	809,339	127,754	937,093
Supplies inventory	70,262	17,954	88,216
Other current assets, net	235,179	28,582	263,761
Total current assets	1,697,328	204,228	1,901,556
Donor restricted assets held for long-term purposes	133,466	35,148	168,614
Investments	2,104,366	256,393	2,360,759
Property, plant, and equipment, net	2,892,453	348,147	3,240,600
Right-of-use operating lease asset, net	217,932	40,288	258,220
Right-of-use financing lease asset, net	22,462	—	22,462
Goodwill and intangible assets, net	258,564	1,767	260,331
Other assets, net	489,173	13,491	502,664
Total assets	\$ 7,815,744	899,462	8,715,206
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	\$ 474,298	68,752	543,050
Accrued compensation and related liabilities	438,471	76,435	514,906
Accrued interest payable	26,067	4,693	30,760
Line of credit	33,000	—	33,000
Commercial paper	60,000	—	60,000
Current portion of right-of-use operating lease liability	51,140	8,489	59,629
Current portion of right-of-use financing lease liability	6,707	—	6,707
Current portion of long-term debt	25,459	7,920	33,379
Other current liabilities	5,987	—	5,987
Total current liabilities	1,121,129	166,289	1,287,418
Right-of-use operating lease liability, net of current portion	179,027	34,288	213,315
Right-of-use financing lease liability, net of current portion	16,855	—	16,855
Long-term debt, net of current portion	2,067,994	242,598	2,310,592
Other liabilities, net	381,824	28,858	410,682
Total liabilities	3,766,829	472,033	4,238,862
Net assets:			
Without donor restrictions	3,838,385	399,833	4,238,218
With donor restrictions	210,530	27,596	238,126
Total net assets	4,048,915	427,429	4,476,344
Total liabilities and net assets	\$ 7,815,744	899,462	8,715,206

See accompanying independent auditors' report.

MULTICARE HEALTH SYSTEM

Supplemental Schedule – Consolidating Statement of Operations

Year ended December 31, 2025

(In thousands)

	MultiCare and immaterial affiliates	Overlake Hospital Medical Center	Consolidated
Revenues, gains, and other support without donor restrictions:			
Patient service revenue	\$ 5,877,796	860,866	6,738,662
Other operating revenue	396,062	38,528	434,590
Net assets released from restrictions for operations	6,812	3,104	9,916
Total revenues, gains, and other support without donor restrictions	<u>6,280,670</u>	<u>902,498</u>	<u>7,183,168</u>
Expenses:			
Salaries and wages	3,004,687	446,017	3,450,704
Employee benefits	405,070	106,324	511,394
Supplies	1,042,358	153,520	1,195,878
Purchased services	599,749	65,541	665,290
Professional fees	305,854	31,568	337,422
Depreciation and amortization	176,584	9,501	186,085
Interest	68,008	11,620	79,628
Other	733,346	86,992	820,338
Total expenses	<u>6,335,656</u>	<u>911,083</u>	<u>7,246,739</u>
Deficit of revenues over expenses from operations	<u>(54,986)</u>	<u>(8,585)</u>	<u>(63,571)</u>
Other income (loss):			
Investment income	312,044	30,928	342,972
Gain on interest rate swaps, net	1,693	—	1,693
Other income (loss), net	(11,176)	752	(10,424)
Total other income, net	<u>302,561</u>	<u>31,680</u>	<u>334,241</u>
Excess of revenues over expenses	<u>\$ 247,575</u>	<u>23,095</u>	<u>270,670</u>

See accompanying independent auditors' report.