

Advocate Aurora Health, Inc.

Consolidated Financial Statements and Supplementary Information
As of and for the Years Ended December 31, 2024 and 2023



ADVOCATE AURORA HEALTH, INC.
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Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

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Report of Independent Auditors

The Board of Directors
Advocate Health, Inc.

Opinion

We have audited the consolidated financial statements of Advocate Aurora Health, Inc. (the Organization), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2024 and 2023, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 Financial Statements

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.



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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.

Other information

Management is responsible for the other information. The other information comprises the Annual Disclosure Statements but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst + Young LLP

April 9, 2025

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 716,506	\$ 857,599
Assets limited as to use	179,057	179,288
Patient accounts receivable	2,009,794	1,906,747
Other current assets	1,085,336	1,093,683
Total current assets	<u>3,990,693</u>	<u>4,037,317</u>
Noncurrent assets		
Assets limited as to use	21,553,860	11,863,519
Property and equipment, net	6,079,747	5,919,233
Operating lease right-of-use assets	280,150	305,114
Other noncurrent assets	562,080	872,637
Total other assets	<u>28,475,837</u>	<u>18,960,503</u>
Total assets	<u>\$ 32,466,530</u>	<u>\$ 22,997,820</u>
Liabilities		
Current liabilities		
Long-term debt, current portion	\$ 343,589	\$ 527,479
Operating lease liabilities, current portion	67,961	69,062
Accrued salaries and employee benefits	1,400,664	1,245,445
Accounts payable and other accrued liabilities	1,536,611	1,401,812
Third-party payors payables	423,230	404,496
Total current liabilities	<u>3,772,055</u>	<u>3,648,294</u>
Noncurrent liabilities		
Long-term debt, less current portion	3,061,905	2,939,221
Operating lease liabilities, less current portion	249,594	273,134
Obligations under swap agreements	19,566	31,681
Due to related party - investment pool	7,945,909	—
Other noncurrent liabilities	1,869,124	1,846,436
Total noncurrent liabilities	<u>13,146,098</u>	<u>5,090,472</u>
Total liabilities	16,918,153	8,738,766
Net assets		
Without donor restrictions		
Controlling interest	15,088,922	13,823,021
Noncontrolling interests in subsidiaries	203,353	191,582
Total net assets without donor restrictions	<u>15,292,275</u>	<u>14,014,603</u>
With donor restrictions	256,102	244,451
Total net assets	<u>15,548,377</u>	<u>14,259,054</u>
Total liabilities and net assets	<u>\$ 32,466,530</u>	<u>\$ 22,997,820</u>

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	<u>Year Ended December 31, 2024</u>	<u>Year Ended December 31, 2023</u>
Revenue		
Patient service revenue	\$ 14,127,471	\$ 12,987,089
Capitation revenue	1,185,242	1,206,918
Other revenue	1,530,804	1,559,047
Total revenue	<u>16,843,517</u>	<u>15,753,054</u>
Expenses		
Salaries, wages and benefits	9,538,896	8,975,567
Supplies and drugs	3,419,075	3,063,799
Purchased services and other	2,316,500	2,359,535
Contracted medical services	502,220	542,880
Depreciation and amortization	558,606	614,084
Interest	121,293	125,568
Total expenses	<u>16,456,590</u>	<u>15,681,433</u>
Operating income	<u>386,927</u>	<u>71,621</u>
Nonoperating income		
Investment income, net	1,322,601	819,180
Other nonoperating loss, net	(432,807)	(57,951)
Total nonoperating income, net	<u>889,794</u>	<u>761,229</u>
Revenue in excess of expenses	<u>1,276,721</u>	<u>832,850</u>
Less income attributable to noncontrolling interests	(68,801)	(58,518)
Revenue in excess of expenses - attributable to controlling interest	<u>\$ 1,207,920</u>	<u>\$ 774,332</u>

(Continued)

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net assets without donor restrictions, controlling interest		
Revenue in excess of expenses - attributable to controlling interest	\$ 1,207,920	\$ 774,332
Pension-related changes other than net periodic pension costs	56,068	9,311
Net assets released from restrictions for purchase of property and equipment	4,830	7,319
Other, net	(2,917)	(5,521)
Increase in net assets without donor restrictions, controlling interest	<u>1,265,901</u>	<u>785,441</u>
Net assets without donor restrictions, noncontrolling interests		
Revenues in excess of expenses	68,801	58,518
Distributions to noncontrolling interests	(57,030)	(38,727)
Increase in net assets without donor restrictions, noncontrolling interests	<u>11,771</u>	<u>19,791</u>
Net assets with donor restrictions		
Contributions	22,962	17,861
Investment income, net	8,032	8,737
Net assets released from restrictions for operations	(13,183)	(13,060)
Net assets released from restrictions for purchase of property and equipment	(4,830)	(7,319)
Other, net	(1,330)	56
Increase in net assets with donor restrictions	<u>11,651</u>	<u>6,275</u>
Increase in net assets	1,289,323	811,507
Net assets at beginning of period	14,259,054	13,447,547
Net assets at end of period	<u>\$ 15,548,377</u>	<u>\$ 14,259,054</u>

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash flows from operating activities		
Increase in net assets	\$ 1,289,323	\$ 811,507
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation, amortization and accretion	547,503	603,847
Noncash lease expense	65,417	59,697
Gain on sale of disposal group	(88,163)	—
Pension-related changes other than net periodic pension cost	(56,068)	(9,311)
Distribution to noncontrolling interests	54,483	37,539
Distribution from unconsolidated entities	8,727	11,265
Other	14,324	588
Changes in operating assets and liabilities		
Trading securities, net	(9,690,474)	(469,458)
Patient accounts receivable	(103,047)	(110,248)
Third-party payors receivables and payables, net	82,492	(30,238)
Due to related party	7,881,787	(6,766)
Other assets and liabilities, net	469,125	213,526
Net cash provided by operating activities	<u>475,429</u>	<u>1,111,948</u>
Cash flows from investing activities		
Capital expenditures	(681,508)	(521,414)
Cash received from sale of disposal group	184,298	—
Investments in unconsolidated entities, net	(11,009)	(18,504)
Purchases of investments designated as non-trading	(46,766)	(51,331)
Sales of investments designated as non-trading	46,896	51,239
Other	87	(105)
Net cash used in investing activities	<u>(508,002)</u>	<u>(540,115)</u>
Cash flows from financing activities		
Repayments of long-term debt, net	(124,403)	(51,000)
Proceeds from issuance of long-term debt	70,006	—
Distribution to noncontrolling interests	(54,483)	(37,539)
Proceeds from restricted contributions and income on investments	360	1,407
Net cash used in financing activities	<u>(108,520)</u>	<u>(87,132)</u>
Net (decrease) increase in cash and cash equivalents	(141,093)	484,701
Cash and cash equivalents at beginning of period	857,599	372,898
Cash and cash equivalents at end of period	<u>\$ 716,506</u>	<u>\$ 857,599</u>
Supplemental disclosures of noncash information		
Operating lease right-of-use assets in exchange for new operating lease liabilities	\$ 44,510	\$ 59,500

See accompanying notes to consolidated financial statements.

ADVOCATE AURORA HEALTH, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(dollars in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

Advocate Aurora Health, Inc., a Delaware nonprofit nonstock corporation (the "Parent Corporation"), owns and operates primarily not-for-profit healthcare facilities in Illinois and Wisconsin. The Parent Corporation is the sole corporate member of Advocate Health Care Network, an Illinois not-for-profit corporation ("Advocate") and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation ("Aurora"). The Parent Corporation, Advocate, Aurora and their controlled subsidiaries are collectively referred to herein as the "System." The System was formed in furtherance of the parties' common and unifying charitable health care mission to promote and improve the quality and expand the scope and accessibility of affordable health care and health care-related services for the communities they serve.

The System and Atrium Health, Inc., a North Carolina not-for-profit corporation, ("AHI") entered into a joint operating agreement pursuant to which they created Advocate Health, Inc. ("Advocate Health"), a Delaware nonprofit nonstock corporation, to manage and oversee an integrated health care delivery and academic system which focuses on meeting patients' needs by redefining how, when and where care is delivered. The System and AHI are the two corporate members of Advocate Health. The System maintains its separate legal existence and no sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of Advocate Health.

The System provides a continuum of care through its 25 acute care hospitals, an integrated children's hospital, a psychiatric hospital, primary and specialty physician services, outpatient centers, physician office buildings, pharmacies, rehabilitation and home health and hospice care in northern Illinois and eastern Wisconsin.

Principles of Consolidation

Included in the System's consolidated financial statements are all of its wholly owned or controlled subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

2. SIGNIFICANT EVENTS

On December 15, 2023, the System approved the sale of SH Corporate Company, Inc. and SHF Acquisition Company, Inc. (collectively "Senior Helpers") and MobileHelp Group Holdings, LLC ("MobileHelp") as they no longer fit the strategic priorities of Advocate Health. As of December 31, 2023, the related disposal group for Senior Helpers and MobileHelp was reclassified to held for sale. A majority of the disposal group consisted of goodwill and intangible assets, \$192,323 and \$161,497, respectively. The System recorded an impairment of \$150,000 related to the expected sale that is included in purchased services and other expenses in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2023. The sales of Senior Helpers and MobileHelp closed in 2024, which resulted in a gain, net of transaction costs, of \$88,163 recorded in purchased services and other expenses in the accompanying consolidated statements of operations and changes in net assets for the year ended December 31, 2024.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and amounts disclosed in the notes to the consolidated financial statements at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased, other than those included in the investment portfolio, to be cash equivalents.

Investments

The System has designated substantially all its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or otherwise observable inputs. Investments in private equity limited partnerships and derivative products (hedge funds) are reported at fair value using net asset value as a practical expedient. Commingled funds are carried at fair value based on other observable inputs. Investment income or loss (including realized gains and losses, interest, dividends and unrealized gains and losses) is included in the nonoperating section of the accompanying consolidated statements of operations and changes in net assets, unless the income or loss is restricted by donor or law or is related to assets designated for self-insurance programs. Investment income on self-insurance trust funds is reported in other revenue in the accompanying consolidated statements of operations and changes in net assets. Investment income or loss that is restricted by donor or law is reported as a change in net assets with donor restrictions.

Assets Limited as to Use

Assets limited as to use consist of investments set aside by the System for future capital improvements and certain medical education and other health care programs. The System retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees or in trust under debt agreements, self-insurance trusts, retirement plan assets, assets held in reinsurance trust accounts and donor-restricted funds.

Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs and excludes revenues for services provided to patients under capitated arrangements) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

Revenue is recognized as performance obligations are satisfied. Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or

actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The System measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

As the System's performance obligations relate to contracts with a duration of less than one year, the System has applied the optional exemption provided in the guidance and, therefore, is 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. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which typically occurs within days or weeks of the end of the reporting period.

The System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, the System believes revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy and/or implicit price concessions based on the historical collection experience of patient accounts. The System determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies and historical experience. For uninsured patients who do not qualify for charity care, the System determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet the System's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

The System does not incur significant incremental costs in obtaining contracts with patients. Any costs incurred are expensed in the period of occurrence, as the amortization period of any asset that the System would have recognized is one year or less in duration.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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 estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure 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 new information becomes available or as years are settled or are no longer subject to such audits, reviews and investigations. As a result, there is a possibility that recorded estimates will change by a material amount.

For the years ended December 31, 2024 and 2023, changes in the System's estimates of implicit price concessions, discounts and contractual adjustments or other changes to expected payments for performance obligations related to prior years were not significant.

In the normal course of business, the System does receive payments in advance for certain services provided and would consider these amounts to represent contract liabilities. The contract liabilities received in the normal course of business at December 31, 2024 and 2023 were not material.

The System does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component, due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

The System has entered into payment arrangements with patients that allow for payments over a term in excess of one year. The System has evaluated historical collections in excess of one year and current market interest rates to determine whether a significant financing component exists that would require an adjustment to the promised amount of consideration from patients and third-party payors. The System has determined that the impact of implicit financing arrangements for payment agreements in excess of one year is insignificant to the accompanying consolidated statements of operations and changes in net assets.

Inventories

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost or net realizable value. Inventories are included in other current assets in the accompanying consolidated balance sheets.

Reinsurance Receivables

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts. Reinsurance receivables are included in other current assets in the accompanying consolidated balance sheets.

Asset Impairment

The System considers whether indicators of impairment are present and, if indicators are present, performs the necessary tests to determine if the carrying value of an asset is recoverable. Impairment write-downs are recognized in the accompanying consolidated statements of operations and changes in net assets as a component of operating expense at the time the impairment is identified. As described in Note 2. SIGNIFICANT EVENTS, for the year ended December 31, 2023, an impairment of \$150,000 related to the disposal group classified as held for sale was included in purchased services and other expenses in the accompanying consolidated statements of operations and change in net assets. There were no material impairment charges recorded for the year ended December 31, 2024.

Property and Equipment, Net

Property and equipment are reported at cost or, if donated, at fair value at the date of the gift. Costs of computer software developed or obtained for internal use, including external and internal direct costs

of materials and labor directly associated with internal-use software development projects, are capitalized during the application development stage and included in property and equipment. Internal labor and interest expense incurred during the period of construction of significant capital projects are capitalized as a component of the costs of the asset.

Property and equipment capitalized under direct financing leases are recorded at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Property and equipment capitalized under direct financing leases are amortized using the straight-line method over the related lease term. Amortization of property and equipment under financing leases is included in the accompanying consolidated statements of operations and changes in net assets in depreciation and amortization expense.

Property and equipment assets are depreciated on the straight-line method over the following estimated useful lives:

	Estimated Useful Life in Years
Land improvements	2-25
Buildings and other improvements	2-80
Fixed and movable equipment	2-25

Operating Lease Right-of-use Assets

The System records an operating lease right-of-use asset (an asset that represents the System's right to use the leased asset for the lease term) for leases that do not meet the criteria as a sales-type lease or a direct financing lease.

The System records operating lease right-of-use assets at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Operating lease right-of-use assets are amortized using the straight-line method over the related lease term. Amortization of operating lease right-of-use assets is included in purchased services and other expense in the accompanying consolidated statements of operations and changes in net assets.

Goodwill and Intangible Assets, Net

Goodwill of \$36,543 and \$44,096 and intangible assets of \$13,012 and \$12,842 are included in other noncurrent assets in the accompanying consolidated balance sheets as of December 31, 2024 and 2023, respectively. The System has elected to amortize goodwill using the straight-line method over a 10-year period. Intangible assets with expected useful lives are amortized over that period. Amortization is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets. Amortization expense was \$8,636 and \$55,591 for the years ended December 31, 2024 and 2023, respectively.

Investments in Unconsolidated Entities

Investments in unconsolidated entities are included in other noncurrent assets in the accompanying consolidated balance sheets and are accounted for using the equity method or as an equity security without a readily determinable fair value. The System applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and the System has the ability to exercise significant influence over the operating and financial policies of the investee. The income (loss) on health-related unconsolidated entities is included in other revenue

in the accompanying consolidated statements of operations and changes in net assets. The income (loss) on non-health-related unconsolidated entities is included in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets. All other unconsolidated entities are accounted for as an equity security without a readily determinable fair value. These unconsolidated entities are initially recorded at cost, tested for impairment at least annually and adjusted as market transactions occur that would indicate a fair value adjustment is needed. The income (loss) on these unconsolidated entities is included in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets.

Derivative Financial Instruments

The System enters into transactions to manage its interest rate, credit and market risks. Derivative financial instruments, including exchange-traded and over-the-counter derivative contracts and interest rate swaps, are recorded as either assets or liabilities at fair value. Subsequent changes in a derivative's fair value are recognized in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method and are included in long-term debt, less current portion in the accompanying consolidated balance sheets.

General and Professional Liability Risks

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. The System measures the cost of its unfunded obligations under such programs based upon actuarial calculations and records a liability on a discounted basis.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets whose use by the System has been limited by donors to a specific time period or purpose or consist of gifts with corpus values that have been restricted by donors to be maintained in perpetuity. Net assets with donor restrictions are used in accordance with the donor's wishes primarily to purchase property and equipment, to fund medical education or to fund health programs.

Assets released from restrictions to fund purchases of property and equipment are reported as increases to net assets without donor restrictions in the accompanying consolidated statements of operations and changes in net assets. Those assets released from restriction for operating purposes are reported in the accompanying consolidated statements of operations and changes in net assets as other revenue. When restricted, earnings are recorded as net assets with donor restrictions until amounts are expended in accordance with the donor's specifications.

Capitation Revenue

The System has agreements with various managed care organizations under which the System provides or arranges for medical care to members of the organizations in return for a monthly payment per member. Revenue is earned each month as a result of the System agreeing to provide or arrange for their medical care.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which the System expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include retail pharmacy revenue, clinical integration revenue, managed care risk/quality shared savings revenue and other miscellaneous revenue.

Other Nonoperating Loss, Net

Revenues and expenses related to the delivery of health care services are reported in operations. Income and losses that arise from transactions that are peripheral or incidental to the System's main purpose are included in other nonoperating loss, net. Other nonoperating loss, net includes an offset to investment income representing AHI's share of the change in fair value of the investment pool (see Note 6. INVESTMENTS), fund-raising expenses, income taxes, unrealized changes in fair value of swaps and the net non-service components of the periodic benefit expense of the System's pension plans.

Revenue in Excess of Expenses and Changes in Net Assets

The accompanying consolidated statements of operations and changes in net assets includes the revenue in excess of expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenue in excess of expenses, primarily include contributions of long-lived assets (including assets acquired using contributions, which by donor restriction were to be used for the purposes of acquiring such assets), pension-related changes other than net periodic pension costs and distributions to noncontrolling interests.

Accounting Pronouncements Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for applying current GAAP to contracts, hedging relationships and other transactions affected by the transition from the use of London Interbank Offered Rate ("LIBOR") to an alternative reference rate. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which adds implementation guidance to ASU 2020-04 to clarify certain optional expedients in Topic 848. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which deferred the sunset date of Topic 848 to December 31, 2024. The System adopted these standards for the year ended December 31, 2024. The guidance did not have a material impact on the System's accompanying consolidated financial statements.

Reclassifications in the Consolidated Financial Statements

Certain reclassifications were made to the 2023 consolidated financial statements to conform to the classifications used in 2024. There was no impact on previously reported 2023 net assets or revenues in excess of expenses.

4. COMMUNITY BENEFIT

The System provides health care services without charge or at discounted rates to patients who meet the criteria of its financial assistance policies. Charity care services are not reported as patient service revenue, because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Qualifying patients can receive up to 100% discounts from charges and

extended payment plans. The System's cost of providing charity care was approximately \$160,000 and \$110,000 for the years ended December 31, 2024 and 2023, respectively, as determined using total cost to charge ratios.

In addition to the provision of charity care, the System provides significant financial support to its communities to sustain and improve health care services.

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.
- The cost of providing services that are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients, as well as the broader community, but are not expected to be financially self-supporting.
- Other community benefits, which include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

5. REVENUE AND RECEIVABLES

Patient service revenue

The composition of patient service revenue by payor is as follows:

	Year Ended December 31, 2024		Year Ended December 31, 2023	
Managed care	\$ 7,525,366	53 %	\$ 6,738,790	52 %
Medicare	4,513,293	32 %	4,197,545	32 %
Medicaid	1,720,313	12 %	1,668,531	13 %
Self-pay and other	368,499	3 %	382,223	3 %
	<u>\$ 14,127,471</u>	<u>100 %</u>	<u>\$ 12,987,089</u>	<u>100 %</u>

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table above.

Revenue disaggregated by state and service line is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Illinois	\$ 6,459,073	\$ 5,920,220
Wisconsin	7,668,398	7,066,869
Total patient service revenue	<u>\$ 14,127,471</u>	<u>\$ 12,987,089</u>
Hospital	\$ 10,545,547	\$ 9,772,918
Clinic	3,240,291	2,914,123
Other	341,633	300,048
Total patient service revenue	<u>\$ 14,127,471</u>	<u>\$ 12,987,089</u>

Currently, the State of Illinois utilizes supplemental reimbursement programs to increase reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare & Medicaid Services

and are funded with a combination of state and federal resources, including assessments levied on the providers. Under these supplemental programs, the System recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured. Reimbursement and the assessment under these programs are reflected in the accompanying consolidated statements of operations and changes in net assets as follows:

	Classification	Year Ended December 31, 2024	Year Ended December 31, 2023
Reimbursement	Patient service revenue	\$ 381,290	\$ 410,119
Assessment	Purchased services and other	217,317	216,793

The State of Wisconsin assesses a fee or tax on gross patient service revenue. The revenues from this assessment are used to increase payments made to hospitals for services provided to Medicaid and other medically indigent patients. The System's patient service revenue reflects this increase in payment for services to Medicaid and other medically indigent patients and hospital tax assessment expense reflects the fees assessed by the State. Reimbursement and the assessment under these programs are reflected in the accompanying consolidated statements of operations and changes in net assets as follows:

	Classification	Year Ended December 31, 2024	Year Ended December 31, 2023
Reimbursement	Patient service revenue	\$ 130,586	\$ 120,033
Assessment	Purchased services and other	101,736	100,668

There are no assurances regarding future reimbursement related to these Medicaid supplemental programs as they are subject to annual legislative and regulatory approvals that could be materially modified in the future.

Patient accounts receivable

The composition of patient accounts receivable is summarized as follows:

	December 31, 2024		December 31, 2023	
Managed care	\$ 907,753	45 %	\$ 877,778	46 %
Medicare	537,627	27 %	475,482	25 %
Medicaid	165,931	8 %	164,872	9 %
Self-pay and other	398,483	20 %	388,615	20 %
	<u>\$ 2,009,794</u>	<u>100 %</u>	<u>\$ 1,906,747</u>	<u>100 %</u>

The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, installment payment plans and amounts due from patients without insurance.

6. INVESTMENTS

The System has a pooled investment fund ("pool") where all of the pool investments are owned by a subsidiary of the System. Each participant in the pool is an affiliate of the subsidiary. Per the Investment Agreement, each participant in the pool has no ownership interest in the pool's investment assets. The participant receives a commensurate value in units of the pool, which is adjusted each month to the current market value. If redemption is sought under the terms of the agreement, the participant is only entitled to receive the fair market value of its units in cash. In April 2024, AHI became a participant in the pool. At December 31, 2024, AHI's interest in the pool is \$7,945,909, which is included in the consolidated balance sheets as due to related party- investment pool. The change in

fair value of the entire investment pool for the year ended December 31, 2024 is included in investment income, net in the consolidated statement of operations and changes in net assets. The change in fair value attributable to AHI's interest in the investment pool for the same period of \$411,408 is recorded as an offset in other nonoperating loss, net.

The pool invests in a diversified portfolio of investments, including alternative investments, such as real asset funds, equity funds, hedge funds and private equity limited partnerships, whose fair value was \$10,873,558 and \$6,309,366 at December 31, 2024 and 2023, respectively. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods typically ranging from 1 to 90 days. Certain of these investments have redemption restrictions that may restrict redemption for up to 15 years. However, the potential for the System to sell its interest in these funds in a secondary market prior to the end of the fund term does exist for prices at or other than the carrying value.

At December 31, 2024, the System had additional commitments to fund alternative investments, including callable distributions of \$2,771,805 over the next seven years.

In the normal course of operations and within established investment policy guidelines, the System may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the System's strategic asset allocation and hedge security price movements. These instruments require the System to deposit cash or securities collateral with the broker or custodian. Collateral provided was \$5,933 and \$17,089 at December 31, 2024 and 2023, respectively. The gross notional value of the derivatives outstanding was \$149,464 and \$220,940 at December 31, 2024 and 2023, respectively.

By using derivative financial instruments, the System exposes itself to credit and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes the System, which creates credit risk for the System. When the fair value of a derivative contract is negative, the System owes the counterparty and, therefore, it does not possess credit risk. The System minimizes the credit risk in derivative instruments by entering into transactions that may require the counterparty to post collateral for the benefit of the System based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a financial instrument that results from a change in the underlying reference security. The market risk associated with market changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Receivables and payables for investment trades not settled are presented within other current assets and accounts payable and other accrued liabilities in the accompanying consolidated balance sheets. Unsettled sales resulted in receivables due from brokers of \$6,119 and \$61,462 at December 31, 2024 and 2023, respectively. Unsettled purchases resulted in payables due to brokers of \$28,198 and \$102,517 at December 31, 2024 and 2023, respectively.

Investment returns for assets limited as to use and cash and cash equivalents are composed of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Interest income and dividends	\$ 300,541	\$ 162,493
Income from alternative investments	458,052	260,904
Net realized gains (losses)	187,913	(22,992)
Net unrealized gains	427,528	474,143
Total	<u>\$ 1,374,034</u>	<u>\$ 874,548</u>

Investment returns are included in the accompanying consolidated statements of operations and changes in net assets as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Other revenue	\$ 43,401	\$ 46,631
Investment income, net	1,322,601	819,180
Net assets with donor restrictions	8,032	8,737
Total	<u>\$ 1,374,034</u>	<u>\$ 874,548</u>

The assets limited as to use presented within the accompanying consolidated balance sheets are comprised of the following:

	December 31, 2024	December 31, 2023
Internally designated for capital and other	\$ 20,545,013	\$ 10,822,009
Held for self-insurance	554,835	687,997
Donor restricted	111,146	106,325
Funds held under retirement plans	502,965	412,776
Investments under securities lending program	18,958	13,700
Total assets limited as to use	<u>21,732,917</u>	<u>12,042,807</u>
Assets limited as to use, current	179,057	179,288
Assets limited as to use, noncurrent	<u>\$ 21,553,860</u>	<u>\$ 11,863,519</u>

As part of the management of the investment portfolio, the System has entered into an arrangement whereby securities owned by the System are loaned primarily to brokers and investment banks. The loans are arranged through a bank. Borrowers are required to post collateral for securities borrowed equal to no less than 102% of the value of the security on a daily basis, at a minimum. The bank is responsible for reviewing the creditworthiness of the borrowers. The System has also entered into an arrangement whereby the bank is responsible for the risk of borrower bankruptcy and default. At December 31, 2024 and 2023, the System loaned \$18,958 and \$13,700, respectively, in securities and accepted collateral for these loans in the amount \$19,964 and \$14,557, respectively, which represents cash and governmental securities, and are included in other current liabilities and other current assets in the accompanying consolidated balance sheets.

7. FAIR VALUE

The System accounts for certain assets and liabilities at fair value and categorizes assets and liabilities measured at fair value in the accompanying consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity.

Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs that are unobservable for the asset or liability for which there is little or no market data.

The following section describes the valuation methodologies used by the System to measure financial assets and liabilities at fair value. In general, where applicable, the System uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments, such as domestic and international equities, exchange-traded funds and agency securities.

If quoted prices in active markets for identical assets and liabilities are not available to determine the fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, fixed-income securities, including fixed-income government obligations, commercial paper and certain agency, United States and international equities, which are not traded on an active exchange. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry-standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include adjustments related to the System's credit risk.

Investments owned by the System are exposed to various kinds and levels of risk. Equity securities and equity funds expose the System to market risk, performance risk and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed-income securities and fixed-income mutual funds expose the System to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

The carrying values of cash and cash equivalents, accounts receivable and payable, other current assets and accrued liabilities are reasonable estimates of their fair values, due to the short-term nature of these financial instruments.

The fair values of financial assets and liabilities measured at fair value on a recurring basis are as follows:

	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and short-term investments	\$ 257,884	\$ 234,216	\$ 23,668	\$ —
Corporate bonds and other debt securities	1,498,905	—	1,498,905	—
United States government bonds	1,266,608	—	1,266,608	—
Bond and other debt security funds	125,104	117,399	7,705	—
Non-government fixed-income obligations	63,140	—	63,140	—
Equity securities	1,846,361	1,831,700	14,661	—
Equity funds	5,274,833	2,362,328	2,912,505	—
Funds held under retirement plans	502,965	101,981	400,984	—
	<u>10,835,800</u>	<u>\$ 4,647,624</u>	<u>\$ 6,188,176</u>	<u>\$ —</u>
Investments at net asset value				
Alternative investments	<u>10,897,117</u>			
Total investments	<u>\$ 21,732,917</u>			
Collateral proceeds received under securities lending program	<u>\$ 19,964</u>		<u>\$ 19,964</u>	
Liabilities				
Obligations under swap agreements	<u>\$ (19,566)</u>		<u>\$ (19,566)</u>	
Liabilities under retirement and benefit plans	<u>\$ (502,965)</u>		<u>\$ (502,965)</u>	
Obligations to return capital under securities lending program	<u>\$ (19,964)</u>		<u>\$ (19,964)</u>	

	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Cash and short-term investments	\$ 255,203	\$ 240,517	\$ 14,686	\$ —
Corporate bonds and other debt securities	719,092	—	719,092	—
United States government bonds	652,278	—	652,278	—
Bond and other debt security funds *	116,796	109,367	7,429	—
Non-government fixed-income obligations	31,706	—	31,706	—
Equity securities	819,568	804,152	15,416	—
Equity funds *	924,961	140,723	784,238	—
Funds held under retirement plans	412,776	85,091	327,685	—
	<u>3,932,380</u>	<u>\$ 1,379,850</u>	<u>\$ 2,552,530</u>	<u>\$ —</u>
Investments at net asset value				
Alternative investments	8,110,427			
Total investments	<u>\$ 12,042,807</u>			
Collateral proceeds received under securities lending program	<u>\$ 14,557</u>		<u>\$ 14,557</u>	
Liabilities				
Obligations under swap agreements	<u>\$ (31,681)</u>		<u>\$ (31,681)</u>	
Liabilities under retirement and benefit plans	<u>\$ (412,776)</u>		<u>\$ (412,776)</u>	
Obligations to return capital under securities lending program	<u>\$ (14,557)</u>		<u>\$ (14,557)</u>	

*Leveling was updated from Level 2 to investments at net asset value based on further analysis of the investments.

8. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are summarized as follows:

	December 31, 2024	December 31, 2023
Land and improvements	\$ 509,690	\$ 493,107
Buildings and other improvements	8,662,172	8,467,723
Fixed and movable equipment	3,101,227	2,877,402
Construction-in-progress	575,090	391,764
	<u>12,848,179</u>	<u>12,229,996</u>
Accumulated depreciation and amortization	(6,768,432)	(6,310,763)
Property and equipment, net	<u>\$ 6,079,747</u>	<u>\$ 5,919,233</u>

During 2024, the System wrote off fully depreciated property and equipment totaling \$74,717.

Property and equipment, net include assets recorded as finance leases and under other financing arrangements. See additional disclosure in Note 9. LEASES.

Depreciation expense was \$549,970 and \$558,493 for the years ended December 31, 2024 and 2023, respectively.

9. LEASES

The System leases office and clinical space, land and equipment. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheets. The System combines lease and non-lease components, except for medical equipment leases.

The depreciable lives of assets are limited by the expected lease terms. Most leases include options to renew. The majority of leases do not provide an implicit rate; therefore, the System has elected to use its incremental borrowing rate, which is the interest rate the System would borrow on a collateralized basis over a similar term, as the discount rate.

Operating and finance leases are classified as follows within the accompanying consolidated balance sheets:

Leases	Classification	December 31, 2024	December 31, 2023
Assets			
Operating	Operating lease right-of-use assets	\$ 280,150	\$ 305,114
Finance	Property and equipment, net	187,955	207,232
Total lease assets		<u>\$ 468,105</u>	<u>\$ 512,346</u>
Liabilities			
Current			
Operating	Operating lease liabilities, current portion	\$ 67,961	\$ 69,062
Finance	Long-term debt, current portion	21,188	20,330
Noncurrent			
Operating	Operating lease liabilities, less current portion	249,594	273,134
Finance	Long-term debt, less current portion	216,011	234,016
Total lease liabilities		<u>\$ 554,754</u>	<u>\$ 596,542</u>

Finance lease assets are recorded net of accumulated amortization of \$138,538 and \$114,889 as of December 31, 2024 and 2023, respectively.

Lease costs are classified as follows within the accompanying consolidated statements of operations and changes in net assets:

Lease cost	Classification	December 31, 2024	December 31, 2023
Operating lease cost	Purchased services and other	\$ 72,896	\$ 79,919
Short term and variable lease cost	Purchased services and other	54,747	59,573
Finance lease cost			
Amortization of lease assets	Depreciation and amortization	23,649	24,677
Interest on lease liabilities	Interest	17,911	18,824
Sublease income	Other revenue	(188)	(372)
Net lease cost		<u>\$ 169,015</u>	<u>\$ 182,621</u>

Lease terms, discount rates and other supplemental information are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Weighted average remaining lease term (in years)		
Operating	5.8	6.0
Finance	7.9	8.7
Weighted average discount rate		
Operating	2.78 %	2.65 %
Finance	8.25 %	8.22 %
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 76,908	\$ 91,424
Operating cash flows from finance leases	17,911	18,824
Financing cash flows from finance leases	21,671	19,676

Future maturities of lease liabilities at December 31, 2024 are as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2025	\$ 75,603	\$ 36,483	\$ 112,086
2026	70,179	39,289	109,468
2027	53,196	38,606	91,802
2028	43,622	45,543	89,165
2029	31,106	45,580	76,686
Thereafter	72,032	123,558	195,590
Future minimum lease payments	345,738	329,059	674,797
Less remaining imputed interest	28,183	91,860	120,043
Total	<u>\$ 317,555</u>	<u>\$ 237,199</u>	<u>\$ 554,754</u>

10. INTEREST IN MASONIC FAMILY HEALTH FOUNDATION

The System has an interest in the net assets of the Masonic Family Health Foundation ("MFHF"), an independent organization, under the terms of an asset purchase agreement (the "Agreement"). Substantially all of MFHF's net assets are designated to support the operations and/or capital needs of one of the System's medical facilities. Additionally, 90% of MFHF's investment yield, net of expenses, on substantially all of MFHF's investments is designated for the support of one of the System's medical facilities. MFHF must pay the System, annually, 90% of the investment yield or an agreed-upon percentage of the beginning of the year net assets.

The interest in the net assets of MFHF amounted to \$115,656 and \$108,041 at December 31, 2024 and 2023, respectively, and is presented within other noncurrent assets in the accompanying consolidated balance sheets. The System's interest in the investment income (loss) is reflected in the investment income, net line in the accompanying consolidated statements of operations and changes in net assets and amounted to \$11,762 and \$17,184 for the years ended December 31, 2024 and 2023, respectively. Cash distributions of \$3,445 and \$4,586 were received by the System from MFHF under terms of the Agreement during the years ended December 31, 2024 and 2023, respectively.

The summarized financial position and results of operations for MFHF accounted for under the equity method as of and for the periods ended is outlined below:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Total assets	\$ 120,536	\$ 112,048
Total liabilities	4,211	3,531
Net assets	116,325	108,517
Total revenue	\$ 13,180	\$ 18,300
Revenue in excess of expenses	7,808	13,606

11. LONG-TERM DEBT

Long-term debt consisted of the following:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Revenue bonds and revenue refunding bonds		
Series 2008A (weighted average rate of 4.32% during 2024 and 2023), principal payable in varying annual installments through November 2030; interest based on prevailing market conditions at time of remarketing	69,020	86,385
Series 2008C (weighted average rate of 3.40% and 3.39% during 2024 and 2023, respectively), principal payable in varying annual installments through November 2038; interest based on prevailing market conditions at time of remarketing	272,065	272,065
Series 2011B (weighted average rate of 3.67% and 3.66% during 2024 and 2023, respectively), principal payable in varying annual installments through April 2051, subject to a put provision that provides for a cumulative seven-month notice and remarketing period; interest tied to a market index plus a spread	69,660	69,660
Series 2011C (weighted average rate of 4.70% and 4.95% during 2024 and 2023, respectively), principal payable in varying annual installments through April 2049, subject to a put provision on September 4, 2029; interest tied to a market index plus a spread	49,755	49,755
Series 2011D (weighted average rate of 4.70% and 4.95% during 2024 and 2023, respectively), principal payable in varying annual installments through April 2049, subject to a put provision on September 4, 2029; interest tied to a market index plus a spread	49,755	49,755
Series 2013A, 5.00%, principal payable in varying annual installments through June 2024	—	7,025
Series 2014, 4.00% to 5.00%, principal payable in varying annual installments through August 2038	67,330	74,695
Series 2015, 4.13%, principal payable in varying annual installments through May 2045	30,620	30,620
Series 2015B, 4.00% to 5.00%, principal payable in varying annual installments through May 2044	13,465	13,665
Series 2018A, 4.00% to 5.00%, principal payable in varying annual installments through August 2044	97,500	97,500
Series 2018B (weighted average rate of 5.00% during 2024 and 2023), principal payable in varying annual installments through August 2054; interest based on prevailing market conditions at time of remarketing	176,730	181,160
Series 2018C (weighted average rate of 4.57% and 4.30% during 2024 and 2023, respectively), principal payable in varying annual installments through August 2054, interest tied to a market index plus a spread or prevailing market conditions at remarketing	182,255	186,845
	<u>1,078,155</u>	<u>1,119,130</u>
Taxable bonds		
Taxable Bond Series 2018, 3.83% to 4.27%, principal payable in varying annual installments through August 2048	799,510	799,510
Taxable Bond Series 2019, 3.39%, principal payable in October 2049	443,180	443,180
Taxable Bond Series 2020A, 2.21% to 3.01%, principal payable in varying annual installments through June 2050	700,000	700,000
	<u>1,942,690</u>	<u>1,942,690</u>

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Finance lease obligations and financing arrangements	240,773	258,553
Commercial paper, weighted average interest rate of 5.13% and 5.14% during 2024 and 2023, respectively	120,000	50,000
Taxable Term Loan, (weighted average rate of 2.68% during 2024 and 2023), principal payable in varying annual installments through September 2024	—	69,895
	<u>3,381,618</u>	<u>3,440,268</u>
Net unamortized premiums and unamortized bond issuance costs	23,876	26,432
	<u>3,405,494</u>	<u>3,466,700</u>
Less amounts classified as current		
Long-term debt, current portion	(343,589)	(527,479)
	<u>(343,589)</u>	<u>(527,479)</u>
	<u>\$ 3,061,905</u>	<u>\$ 2,939,221</u>

Maturities of long-term debt, finance leases, and sinking fund requirements, assuming remarketing of the variable rate demand revenue refunding bonds, for the five years ending December 31, 2029, are as follows:

2025	\$	46,984
2026		43,152
2027		44,680
2028		445,285
2029		64,667

The System's outstanding bonds are secured by obligations issued under the Second Amended and Restated Master Trust Indenture dated as of August 1, 2018, as the same may be amended from time to time, between Advocate Aurora Health, Inc., the other affiliates identified therein as the Members of the Obligated Group and U.S. Bank Trust Company, National Association, as master trustee ("the System Master Indenture"). Under the terms of the bond indentures and other arrangements, various amounts are to be on deposit with trustees, and certain specified payments are required for bond redemption and interest payments. The System Master Indenture and other debt agreements, including bank agreements, also place restrictions on the System and require the System to maintain certain financial ratios.

The System's unsecured variable rate revenue bonds, Series 2011B of \$69,660 and Series 2018B-4 of \$49,420, while subject to a long-term amortization period, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within 12 months after December 31, 2024, the principal amount of such bonds is included in long-term debt, current portion in the accompanying consolidated balance sheets. Management believes the likelihood of a material amount of bonds being put to the System is remote. However, to address this possibility, the System has taken steps to provide various sources of liquidity, including assessing alternate sources of financing, including lines of credit and/or net assets without donor restrictions as a source of self-liquidity.

The System has standby bond purchase agreements with banks to provide liquidity support for the Series 2008C Bonds. In the event of a failed remarketing of a Series 2008C Bond upon its tender by an existing holder and subject to compliance with the terms of the standby bond purchase agreement, the standby bank would provide the funds for the purchase of such tendered bonds, and the System would be obligated to repay the bank for the funds it provided for such bond purchase (if such bond is not subsequently remarketed), with the first installment of such repayment commencing on the date one year and one day after the bank purchases the bond. As of December 31, 2024, there were no bank-

purchased bonds outstanding. To the extent that the standby bond purchase agreement expiration date is within 12 months after December 31, 2024, the principal amount of such bonds would be classified as a current obligation in the accompanying consolidated balance sheets. The standby bond purchase agreements expire as follows: \$58,225 in September 2025, \$129,456 in January 2026 and \$87,694 in August 2029.

In January 2024, \$44,130 of the Series 2018B-3 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 22, 2029. In connection with the remarketing, \$4,430 of the Series 2018B-3 Bonds were redeemed and a loss on refinancing was recorded in the amount of \$25.

In January 2024, \$45,760 of the Series 2018C-4 Bonds were remarketed for a new long-term rate period and will next be subject to mandatory purchase on June 22, 2029. In connection with the remarketing, \$4,590 of the Series 2018C-4 Bonds were redeemed and a loss on refinancing was recorded in the amount of \$26.

As of December 31, 2024, the System has authorized the issuance of up to \$1,000,000 in commercial paper aggregate principal outstanding. As of December 31, 2024, \$120,000 of commercial paper notes was outstanding, with maturities ranging from 21 to 62 days. As of December 31, 2023, \$50,000 of commercial paper was outstanding, with maturities ranging from 5 to 43 days.

At December 31, 2024, the System had lines of credit with banks aggregating to \$1,100,000 in available commitments. These lines of credit provide for various interest rates and payment terms and as of December 31, 2024 expire as follows: \$150,000 in August 2025, \$325,000 in December 2025, \$300,000 in December 2026 and \$325,000 in December 2027. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures for general working capital purposes or to provide for certain letters of credit. At December 31, 2024, letters of credit totaling \$72,820 have been issued under one of these lines. At December 31, 2024, no amounts were outstanding on these lines or letters of credit.

The System maintains an interest rate swap program on certain of its variable rate debt, as described in Note 12. INTEREST RATE SWAP PROGRAM.

The System's interest paid amount encompasses all debt agreements including revenue bonds and revenue refunding bonds, taxable bonds, finance lease obligations, financing arrangements and interest rate swaps. The System's interest paid, net of capitalized interest, amounted to \$127,442 and \$132,830 for the years ended December 31, 2024 and 2023, respectively. The System capitalized interest of \$6,864 and \$4,526 for the years ended December 31, 2024 and 2023, respectively.

12. INTEREST RATE SWAP PROGRAM

The System has interest rate-related derivative instruments to manage the exposure of its variable rate debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, the System exposes itself to credit risk and market risk as described in Note 6. INVESTMENTS .

The System maintains an interest rate swap program on its Series 2008C variable rate demand revenue bonds. These bonds expose the System to variability in interest payments due to changes in interest rates. To limit the variability of its interest payments and to take advantage of low interest rates, the System entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps convert the variable rate cash flow exposure on the variable rate demand revenue bonds to synthetically fixed cash flows. The notional amount under each

interest rate swap agreement is reduced over the term of the respective agreement to correspond with reductions in the principal outstanding under various bond series.

The System has two swaps that are being held as a swap portfolio as the related debt is no longer outstanding.

The following is a summary of the outstanding positions under these interest rate swap agreements at December 31, 2024:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
2008C-1	\$ 129,900	November 1, 2038	61.7% of SOFR + 26bps	3.605 %
2008C-2B	58,425	November 1, 2038	61.7% of SOFR + 26bps	3.605 %
2008C-3A	88,000	November 1, 2038	61.7% of SOFR + 26bps	3.605 %
Swap portfolio	50,000	November 1, 2038	61.7% of SOFR + 26bps	3.605 %
Swap portfolio	22,090	February 1, 2038	70.0% of SOFR	3.314 %

The swaps are not designated as hedging instruments and, therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swaps are classified as other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the accompanying consolidated statements of operations and changes in net assets.

The fair value of the interest rate swap agreements was a liability of \$19,566 and \$31,681 as of December 31, 2024 and 2023, respectively. No collateral was posted under these swap agreements as of December 31, 2024 and 2023.

Amounts recorded in the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net cash payments on interest rate swap agreements (interest expense)	\$ (115)	\$ 572
Change in fair value of interest rate swaps (other nonoperating loss, net)	\$ 12,115	\$ (2,167)

The interest rate swap instruments contain provisions that require the System to maintain an investment grade credit rating on its bonds from certain major credit rating agencies. If the System's bonds were to fall below investment grade, it would be in violation of these provisions and the counterparties to the swap instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on interest rate swap instruments in net liability positions.

13. RETIREMENT PLANS

The System maintains various employee retirement benefit plans available to qualifying employees and retirees.

The Advocate Health Care Network Pension Plan ("Advocate Plan") was frozen effective December 31, 2019 to new participants and participants ceased accruing additional pension benefits. The net pension benefit obligation of \$100,078 and \$161,376 at December 31, 2024 and 2023, respectively, for the Advocate Plan is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

The Advocate Aurora Health Pension Plan (“AAH Plan”) was created through a merger of the Condell Health Network Retirement Plan (frozen effective December 31, 2007) and the Aurora Health Care, Inc. Pension Plan (frozen effective December 31, 2012). The net pension benefit obligation of \$113,145 and \$110,675 at December 31, 2024 and 2023, respectively, is included in other noncurrent liabilities in the accompanying consolidated balance sheets.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2024 is as follows:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Change in plan assets:			
Plan assets at fair value at beginning of period	\$ 892,895	\$ 1,014,048	\$ 1,906,943
Actual return on plan assets	64,005	(21,330)	42,675
Employer contributions	5,381	12,500	17,881
Benefits paid	(55,940)	(53,330)	(109,270)
Plan assets at fair value at end of period	<u>\$ 906,341</u>	<u>\$ 951,888</u>	<u>\$ 1,858,229</u>
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	\$ 1,054,271	\$ 1,124,723	\$ 2,178,994
Interest cost	50,812	55,227	106,039
Actuarial gain	(42,724)	(61,587)	(104,311)
Benefits paid	(55,940)	(53,330)	(109,270)
Projected benefit obligation at end of period	<u>\$ 1,006,419</u>	<u>\$ 1,065,033</u>	<u>\$ 2,071,452</u>
Plan assets less than projected benefit obligation	<u>\$ (100,078)</u>	<u>\$ (113,145)</u>	<u>\$ (213,223)</u>
Accumulated benefit obligation at end of period	<u>\$ 1,006,419</u>	<u>\$ 1,065,033</u>	<u>\$ 2,071,452</u>

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status for the year ended December 31, 2023 is as follows:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Change in plan assets:			
Plan assets at fair value at beginning of period	\$ 863,209	\$ 982,492	\$ 1,845,701
Actual return on plan assets	79,100	79,473	158,573
Benefits paid	(49,414)	(47,917)	(97,331)
Plan assets at fair value at end of period	<u>\$ 892,895</u>	<u>\$ 1,014,048</u>	<u>\$ 1,906,943</u>
Change in projected benefit obligation:			
Projected benefit obligation at beginning of period	\$ 1,037,232	\$ 1,087,827	\$ 2,125,059
Interest cost	52,102	55,482	107,584
Actuarial loss	14,351	29,331	43,682
Benefits paid	(49,414)	(47,917)	(97,331)
Projected benefit obligation at end of period	<u>\$ 1,054,271</u>	<u>\$ 1,124,723</u>	<u>\$ 2,178,994</u>
Plan assets less than projected benefit obligation	<u>\$ (161,376)</u>	<u>\$ (110,675)</u>	<u>\$ (272,051)</u>
Accumulated benefit obligation at end of period	<u>\$ 1,054,271</u>	<u>\$ 1,124,723</u>	<u>\$ 2,178,994</u>

The Advocate Plan actuarial gain of \$42,724 and the AAH Plan actuarial gain of \$61,587 for the year ended December 31, 2024 were primarily driven by an increase in discount rates.

Pension plan expense is included in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2024:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Interest cost	\$ 50,812	\$ 55,227	\$ 106,039
Expected return on plan assets	(53,839)	(60,124)	(113,963)
Amortization of:			
Actuarial loss	5,342	4,896	10,238
Prior service cost	—	3	3
Settlement loss	12,261	—	12,261
Net pension expense	<u>\$ 14,576</u>	<u>\$ 2</u>	<u>\$ 14,578</u>

Pension plan expense is included in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets is as follows for the year ended December 31, 2023:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Interest cost	\$ 52,102	\$ 55,482	\$ 107,584
Expected return on plan assets	(52,910)	(56,606)	(109,516)
Amortization of:			
Actuarial loss	4,459	—	4,459
Prior service cost	—	3	3
Net pension expense (income)	<u>\$ 3,651</u>	<u>\$ (1,121)</u>	<u>\$ 2,530</u>

The Advocate Plan paid lump sums totaling \$51,236 and \$45,541 in 2024 and 2023, respectively. The amount in 2024 was greater than the sum of the Advocate Plan's service cost and interest cost, resulting in a settlement cost in the amount of \$12,261.

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the year ended December 31, 2024:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Net change recognized	\$ (70,492)	\$ 14,969	\$ (55,523)

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was as follows for the year ended December 31, 2023:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Net change recognized	\$ (16,298)	\$ 6,462	\$ (9,836)

Included in net assets without donor restrictions at December 31, 2024 are the following amounts that have not yet been recognized in net pension expense:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
Unrecognized prior credit	\$ —	\$ 88	\$ 88
Unrecognized actuarial loss	240,847	411,901	652,748
	<u>\$ 240,847</u>	<u>\$ 411,989</u>	<u>\$ 652,836</u>

Expected employee benefit payments to be paid from the pension plans are as follows:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
2025	\$ 154,684	\$ 62,940	\$ 217,624
2026	81,807	66,447	148,254
2027	78,163	69,521	147,684
2028	72,614	71,898	144,512
2029	73,238	74,056	147,294
2030-2034	352,035	389,905	741,940
Total	<u>\$ 812,541</u>	<u>\$ 734,767</u>	<u>\$ 1,547,308</u>

Expected contributions to the pension plans are as follows:

	<u>Advocate</u>	<u>AAH</u>	<u>Total</u>
2025	\$ 4,700	\$ 12,500	\$ 17,200

Employer contributions are paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Advocate Plan and AAH Plan (collectively referred to as the "Plans") were paid from the Plans' assets.

The System's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors and manager style to minimize the risk of loss. The de-risking portfolio is comprised of cash and fixed-income instruments designed to hedge Plan liabilities. The System utilizes investment

managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. The System regularly monitors manager performance and compliance with investment guidelines. The investment policy is broken out into de-risking and return seeking investments. In 2024, the investment policy was updated to asset allocation targets being on a floating basis dependent on the funded status of the Plan. The targets noted in the table below are based on the funded status of the Plan on December 31, 2024 and 2023:

Asset Category - Advocate Plan	December 31, 2024		December 31, 2023	
	Asset Allocation Target Range*	Actual	Target	Actual
De-risking portfolio	50%-85%	71 %	70 %	68 %
Return seeking portfolio	15%-50%	29 %	30 %	32 %

Asset Category - AAH Plan	December 31, 2024		December 31, 2023	
	Asset Allocation Target Range*	Actual	Target	Actual
De-risking portfolio	50%-85%	79 %	85 %	81 %
Return seeking portfolio	15%-50%	21 %	15 %	19 %

*Based on a PBO Funded Status Range of 80%-100%

At December 31, 2024, the Advocate Plan had commitments to fund alternative investments, including recallable distributions of \$9,170 over the next three years.

In the normal course of operations and within established investment policy guidelines, the Plans may enter into various exchange-traded and over-the-counter derivative contracts for trading purposes, including futures, options and forward contracts. These instruments are used primarily to maintain the Plans' strategic asset allocation and hedge security price movements. These instruments require the Plans to deposit cash collateral with the broker or custodian.

Derivative contract information at December 31, 2024 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	\$ 16,974	\$ 5,794	\$ 22,768
Gross notional value	\$ (447,743)	\$ 356,010	\$ (91,733)

Derivative contract information at December 31, 2023 are as follows:

	Advocate	AAH	Total
Cash and security collateral provided	\$ 17,115	\$ 7,307	\$ 24,422
Gross notional value	\$ (418,971)	\$ 253,937	\$ (165,034)

By using derivative financial instruments, the System exposes itself to credit risk and market risk as described in Note 6. INVESTMENTS .

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 7. FAIR VALUE. Real estate commingled funds for which an active market exists are included in Level 2. The System opted to use the net asset value per share, or its equivalent, as a practical expedient for the fair value of the Plans' interest in hedge funds, private equity limited partnerships and real estate commingled funds. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed.

Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plans' investment assets are exposed to the same kinds and levels of risk as described in Note 7. FAIR VALUE.

The following are the Plans' financial instruments at December 31, 2024, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 51,913	\$ 1,764	\$ 50,149	\$ —
Corporate bonds and other debt securities	794,153	—	794,153	—
United States government obligations	566,026	—	566,026	—
Equity funds	177,146	5,831	171,315	—
	1,589,238	\$ 7,595	\$ 1,581,643	\$ —

Investments at net asset value

Alternative investments	270,946
Total plan investments	1,860,184
Accruals carried at cost	(1,955)
Total plan assets	\$ 1,858,229

The following are the Plans' financial instruments at December 31, 2023, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 7. FAIR VALUE:

Description	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 54,958	\$ 784	\$ 54,174	\$ —
Corporate bonds and other debt securities	828,052	—	828,052	—
United States government obligations	545,538	—	545,538	—
Equity securities	14,177	14,177	—	—
Equity funds *	156,960	9,473	147,487	—
	1,599,685	\$ 24,434	\$ 1,575,251	\$ —

Investments at net asset value

Alternative investments	310,180
Total plan investments	1,909,865
Accruals carried at cost	(2,922)
Total plan assets	\$ 1,906,943

*Leveling was updated from Level 2 to investments at net asset value based on further analysis of the investments.

Assumptions used to determine benefit obligations are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate - Advocate Plan	5.65 %	4.99 %
Discount rate - AAH Plan	5.77 %	5.04 %
Assumed rate of return on assets - Advocate Plan	5.70 %	6.30 %
Assumed rate of return on assets - AAH Plan	5.10 %	5.40 %
Interest crediting rate - Advocate Plan	4.13 %	4.13 %

Assumptions used to determine benefit cost are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate - Advocate Plan	4.99 %	5.19 %
Discount rate - AAH Plan	5.04 %	5.23 %
Assumed rate of return on assets - Advocate Plan	6.30 %	6.00 %
Assumed rate of return on assets - AAH Plan	5.40 %	4.50 %
Interest crediting rate - Advocate Plan	4.13 %	4.10 %

The assumed rate of return on each of the Plan's assets is based on historical and projected rates of return for asset classes in which the portfolio is invested.

The 2024 and 2023 mortality assumption for the Plans was the amounts-weighted aggregate rates from the Pri-2012 mortality study, with white-collar adjustments projected generationally from 2012 with Scale MP-2021.

In addition to these Plans, the System sponsors a defined contribution plan for its employees. Expense related to the plan, which is included in salaries, wages and benefits expense in the accompanying consolidated statements of operations and changes in net assets, was \$357,985 and \$332,918 for the years ended December 31, 2024 and 2023, respectively.

14. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Purchases of property and equipment	\$ 16,641	\$ 17,171
Other health care related programs	239,461	227,280
	<u>\$ 256,102</u>	<u>\$ 244,451</u>

15. FUNCTIONAL OPERATING EXPENSES

Operating expenses directly attributable to a specific functional area of the System are reported as expenses of those functional areas. Expenses other than interest expense are directly allocated to functional departments at the time they are incurred. Interest expense that relates to debt financing is allocated based on the use of the related funds. General and administrative expenses primarily include legal, finance, marketing, supply chain and human resources. Fundraising costs are reported as other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets.

Functional operating expenses for the year ended December 31, 2024 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	\$ 8,721,590	\$ 817,306	\$ 9,538,896
Supplies and drugs	3,374,449	44,626	3,419,075
Purchased services and other	1,559,470	757,030	2,316,500
Contracted medical services	502,220	—	502,220
Depreciation and amortization	522,559	36,047	558,606
Interest	121,293	—	121,293
Total operating expenses	<u>\$ 14,801,581</u>	<u>\$ 1,655,009</u>	<u>\$ 16,456,590</u>

Functional operating expenses for the year ended December 31, 2023 are as follows:

	Health care services	General and administrative	Consolidated
Salaries, wages and benefits	\$ 8,156,018	\$ 819,549	\$ 8,975,567
Supplies and drugs	3,009,944	53,855	3,063,799
Purchased services and other	1,709,147	650,388	2,359,535
Contracted medical services	542,880	—	542,880
Depreciation and amortization	574,943	39,141	614,084
Interest	125,568	—	125,568
Total operating expenses	<u>\$ 14,118,500</u>	<u>\$ 1,562,933</u>	<u>\$ 15,681,433</u>

16. LIQUIDITY

The System's financial assets available within one year of the consolidated balance sheets date for general expenditures are as follows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 716,506	\$ 857,599
Patient accounts receivable	2,009,794	1,906,747
Third-party payors receivables	37,199	100,958
Collateral proceeds under securities lending program	19,964	14,557
Assets limited as to use		
Internally designated for capital and other	20,545,013	10,822,009
Held for self-insurance	554,835	687,997
Donor restricted	111,146	106,325
Funds held under retirement plans	502,965	412,776
Investments under securities lending program	18,958	13,700
Total assets limited as to use	<u>21,732,917</u>	<u>12,042,807</u>
Total financial assets	<u>\$ 24,516,380</u>	<u>\$ 14,922,668</u>
Less		
Amounts unavailable for general expenditures		
Alternative investments	(4,342,884)	(3,536,782)
Total amounts unavailable for general expenditure	<u>(4,342,884)</u>	<u>(3,536,782)</u>
Amounts unavailable to management without approval		
Due to related party- AHI interest in the investment pool	(7,945,909)	—
Held for self-insurance	(554,835)	(687,997)
Held for employees under retirement plans	(502,965)	(412,776)
Donor restricted	(111,146)	(106,325)
Investments under securities lending program	(18,958)	(13,700)
Total amounts unavailable to management without approval	<u>(9,133,813)</u>	<u>(1,220,798)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 11,039,683</u>	<u>\$ 10,165,088</u>

17. COMMITMENTS AND CONTINGENCIES

Future Obligations

Aurora West Allis Medical Center has the right to operate the hospital under the terms of a lease agreement with the City of West Allis ("the City"). In accordance with the lease agreement, the City has title to all assets and any subsequent additions (with the exception of certain equipment used by Aurora for laboratory services). Aurora West Allis Medical Center has an exclusive right to the use of the assets and the obligation to maintain and replace them. The historical cost to the System of the leased facilities is included within the System's property and equipment, net. The agreement provides for annual payments of less than \$100 in lieu of annual lease payments and includes payment escalations each subsequent year. The lease expires in 2063.

The System is committed to constructing additions and renovations to its medical facilities that are expected to be completed in future years. The estimated cost of these commitments is \$438,351, of which \$291,995 has been incurred as of December 31, 2024.

The System entered into agreements for information technology services provided by third parties. The maximum amount of future payments that the System could be required to make under these agreements is approximately \$316,537 over the next five years. The System has also entered into

various other agreements. The future commitments under these agreements are \$41,258 over the next 10 years.

Litigation

From time to time, the System receives and responds to investigations and requests concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes, environmental regulations and other regulations of health care providers from federal and state regulatory agencies. There can be no assurance that regulatory authorities will not challenge the System's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims, or penalties would have on the System. To foster compliance with applicable laws and regulations, the System maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

The System also is involved in litigation such as medical malpractice and contractual disputes, as both plaintiff and defendant, and other routine labor matters, proposed class action complaints, tax examinations, security events resulting in potential privacy incidents, internal compliance activities and regulatory investigations and examinations arising in the ordinary course of business.

Based on the System's assessment of the above matters, the uncertainty of litigation, and the preliminary stages of many of the matters, the System cannot estimate the reasonable possible loss or range of loss that may result from these matters, except as stated in the consolidated financial statements, including this note. Management of the System is of the opinion, however, that the resolution of these legal actions will not have a material effect on the financial position of the System.

Two sets of plaintiffs have filed separate putative class action civil lawsuits against the Advocate Aurora Health, Inc. ("AAH"), in 2022 and 2023, alleging violations of Federal and State antitrust law arising out of, among other things, the System's arrangements with certain health plans. Both matters are in the discovery stage. The System cannot estimate the reasonable possible loss or range of loss that may result from either of these matters and there can be no assurance that the resolution of either of these matters will not have a material adverse effect on System's consolidated financial position or results of operations.

18. GENERAL AND PROFESSIONAL LIABILITY RISKS

The System is self-insured for substantially all general and professional liability risks. The self-insurance programs combine various levels of self-insured retention with excess commercial insurance coverage. In addition, various umbrella insurance policies have been purchased to provide coverage in excess of the self-insured limits. Revocable trust funds, administered by a trustee and captive insurance companies, have been established for the self-insurance programs. Actuarial consultants have been retained to determine the estimated cost of claims, as well as to determine the amount to fund into the irrevocable trust and captive insurance companies.

The System's hospitals, clinics, surgery centers, physicians and certified registered nurse anesthetist providers that provide health care in Wisconsin are qualified health care providers that are fully covered for losses in excess of statutory limits through mandatory participation in the State of Wisconsin Injured Patients and Families Compensation Fund.

The estimated cost of claims is actuarially determined based on experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions to the trust were determined using a discount rate of 4.00% as of

December 31, 2024 and 2023. The System's accrued professional liability costs, including estimated claims incurred but not reported are classified as follows within the accompanying consolidated balance sheets:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Accounts payable and other accrued liabilities	224,206	237,771
Other noncurrent liabilities	779,624	686,643

Total accrued insurance liabilities would have been \$143,943 and \$122,143 greater at December 31, 2024 and 2023, respectively, had these liabilities not been discounted.

19. RELATED-PARTY TRANSACTIONS

As part of the Advocate Health joint operating agreement as described in Note 1. ORGANIZATION AND BASIS OF PRESENTATION, the System and AHI share certain expenses related to the management of Advocate Health. In 2023, shared expenses were recorded directly to the underlying expense categories in the statements of operations and changes in net assets. In 2024, Advocate Health implemented a management fee to allocate shared expenses between the System and AHI. The System recorded management fees of \$96,234 included in purchased services and other expenses in the statements of operations and changes in net assets as of December 31, 2024. In certain situations, the System pays for expenses on behalf of Advocate Health and it is subsequently reimbursed. The System has a receivable from Advocate Health of \$18,775 and \$1,870 included in other current assets in the accompanying consolidated balance sheets as of December 31, 2024 and 2023, respectively.

In the normal course of business, the System and AHI make payments or receive payments from third parties that require cash to be exchanged between the entities. As a result of these transactions, the System has a receivable from AHI of \$52,114 and \$4,896 included in other current assets in the accompanying consolidated balance sheets as of December 31, 2024 and 2023, respectively.

20 INCOME TAXES AND TAX STATUS

The subsidiaries of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and their related income is exempt from federal income tax. Accordingly, no income taxes are recorded for the majority of the income in the accompanying consolidated financial statements for these entities. Unrelated business income is generated by certain of these entities through the provision of services or other activities not directly related to the provision of patient care.

At December 31, 2024, the System had \$306,973 of federal and \$128,322 of state net operating loss carryforwards with unutilized amounts of state net operating loss carryforwards expiring between 2024 and 2044. At December 31, 2023, the System had \$160,318 of federal and \$150,532 of state net operating loss carryforwards with unutilized amounts of state net operating loss carryforwards expiring between 2023 and 2039. As a result of the Tax Cuts and Jobs Act of 2017, net operating losses generated after 2017 do not expire for federal purposes. Of the \$306,973 of federal net operating loss carryforwards at December 31, 2024, \$296,622 was generated after 2017.

The System calculated income taxes for its taxable subsidiaries. Taxable income differs from pretax book income primarily due to certain income and deductions for tax purposes being recorded in the consolidated financial statements in different periods. Deferred income tax assets and liabilities are recorded for the tax effect of these differences using enacted tax rates for the years in which the differences are expected to reverse.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which those temporary differences become deductible.

The System had deferred tax assets and liabilities as follows:

	<u>Year Ended December 31, 2024</u>	<u>Year Ended December 31, 2023</u>
Other deferred tax assets	\$ 8,497	\$ 14,811
Net operating loss carryforwards	72,078	45,781
Valuation allowances	(61,497)	(45,024)
Net deferred tax assets	<u>19,078</u>	<u>15,568</u>
Deferred tax liabilities	(1,785)	(15,660)
Net deferred tax assets (liabilities)	<u>\$ 17,293</u>	<u>\$ (92)</u>

(Credits) provisions for federal, state and deferred income taxes are included in other nonoperating loss, net in the accompanying consolidated statements of operations and changes in net assets as follows:

	<u>Year Ended December 31, 2024</u>	<u>Year Ended December 31, 2023</u>
Federal	\$ 1,152	\$ 13,270
State	1,062	—
Deferred	(4,825)	709
	<u>\$ (2,611)</u>	<u>\$ 13,979</u>

21 SUBSEQUENT EVENTS

The System evaluated events and transactions subsequent to December 31, 2024 through April 9, 2025, the date of consolidated financial statement issuance.

In January 2025, \$49,420 of the Series 2018B-4 Bonds were converted to a new long-term interest rate period and sold to a single institutional investor. The new long-term interest rate period will end on June 25, 2026.

Supplementary Information



Ernst & Young LLP
155 North Wacker Drive
Chicago, IL 60606-1787

Tel: +1 312 879 2000
Fax: +1 312 879 4000
ey.com

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Report of Independent Auditors on Supplementary Information

The Board of Directors
Advocate Health, Inc.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying consolidating balance sheet and consolidating statement of operations are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

April 9, 2025

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024
(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Assets				
Current assets				
Cash and cash equivalents	\$ 907,290	\$ (190,784)	\$ —	\$ 716,506
Assets limited as to use	169,186	9,871	—	179,057
Patient accounts receivable	1,803,159	221,789	(15,154)	2,009,794
Receivable from subsidiaries	16,000	—	(16,000)	—
Other current assets	915,370	169,966	—	1,085,336
Total current assets	<u>3,811,005</u>	<u>210,842</u>	<u>(31,154)</u>	<u>3,990,693</u>
Assets limited as to use	21,452,547	363,819	(262,506)	21,553,860
Note receivable from subsidiaries	11,905	—	(11,905)	—
Property and equipment, net	5,688,742	391,005	—	6,079,747
Noncurrent assets				
Investments in subsidiaries	791,721	—	(791,721)	—
Operating lease right-of-use assets	202,172	77,978	—	280,150
Other noncurrent assets	516,959	45,121	—	562,080
Total other assets	<u>1,510,852</u>	<u>123,099</u>	<u>(791,721)</u>	<u>842,230</u>
Total assets	<u>\$ 32,475,051</u>	<u>\$ 1,088,765</u>	<u>\$ (1,097,286)</u>	<u>\$ 32,466,530</u>

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATING BALANCE SHEET
December 31, 2024
(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Current liabilities				
Long-term debt, current portion	\$ 342,893	\$ 696	\$ —	\$ 343,589
Operating lease liabilities, current portion	56,272	11,689	—	67,961
Accrued salaries and employee benefits	1,338,674	61,990	—	1,400,664
Accounts payable and accrued liabilities	1,206,939	344,826	(15,154)	1,536,611
Third-party payors payables	420,166	3,064	—	423,230
Accounts payable to subsidiaries	—	16,000	(16,000)	—
Total current liabilities	<u>3,364,944</u>	<u>438,265</u>	<u>(31,154)</u>	<u>3,772,055</u>
Noncurrent liabilities				
Long-term debt, less current portion	3,054,636	19,174	(11,905)	3,061,905
Operating lease liabilities, less current portion	180,589	69,005	—	249,594
Obligations under swap agreements	19,566	—	—	19,566
Due to subsidiaries	262,506	—	(262,506)	—
Due to related party	7,945,909	—	—	7,945,909
Other noncurrent liabilities	1,814,148	54,976	—	1,869,124
Total noncurrent liabilities	<u>13,277,354</u>	<u>143,155</u>	<u>(274,411)</u>	<u>13,146,098</u>
Total liabilities	16,642,298	581,420	(305,565)	16,918,153
Net assets				
Without donor restrictions				
Controlling interest	15,652,865	(91,663)	(472,280)	15,088,922
Noncontrolling interests in subsidiaries	—	522,794	(319,441)	203,353
Total net assets without donor restrictions	<u>15,652,865</u>	<u>431,131</u>	<u>(791,721)</u>	<u>15,292,275</u>
With donor restrictions	179,888	76,214	—	256,102
Total net assets	<u>15,832,753</u>	<u>507,345</u>	<u>(791,721)</u>	<u>15,548,377</u>
Total liabilities and net assets	\$ 32,475,051	\$ 1,088,765	\$ (1,097,286)	\$ 32,466,530

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2024
(in thousands)

	Credit Group	Noncredit Group	Eliminations	Consolidated
Revenue				
Patient service revenue	\$ 12,786,249	\$ 1,708,137	\$ (366,915)	\$ 14,127,471
Capitation revenue	650,839	538,314	(3,911)	1,185,242
Other revenue	779,576	1,036,078	(284,850)	1,530,804
Total revenue	<u>14,216,664</u>	<u>3,282,529</u>	<u>(655,676)</u>	<u>16,843,517</u>
Expenses				
Salaries, wages and benefits	8,530,459	1,021,034	(12,597)	9,538,896
Supplies and drugs	2,593,810	825,265	—	3,419,075
Purchased services and other	1,939,398	544,487	(167,385)	2,316,500
Contracted medical services	230,987	642,059	(370,826)	502,220
Depreciation and amortization	515,117	43,489	—	558,606
Interest	117,220	7,964	(3,891)	121,293
Total expenses	<u>13,926,991</u>	<u>3,084,298</u>	<u>(554,699)</u>	<u>16,456,590</u>
Operating income (loss)	289,673	198,231	(100,977)	386,927
Nonoperating income				
Investment income, net	1,270,964	51,637	—	1,322,601
Other nonoperating (loss) income, net	(430,568)	(2,252)	13	(432,807)
Total nonoperating income, net	<u>840,396</u>	<u>49,385</u>	<u>13</u>	<u>889,794</u>
Revenue in excess of expenses	1,130,069	247,616	(100,964)	1,276,721
Less income attributable to noncontrolling interests	—	(169,765)	100,964	(68,801)
Revenue in excess of expenses- attributable to controlling interests	<u>\$ 1,130,069</u>	<u>\$ 77,851</u>	<u>\$ —</u>	<u>\$ 1,207,920</u>

Notes to Supplementary Information

1. Credit Group

The supplementary financial information for the Credit Group is in accordance with the Second Amended and Restated Master Trust Indenture dated as of August 1, 2018 between Advocate Aurora Health, Inc, the other affiliates identified therein as the Members of the Obligated Group, the Restricted Affiliates, and U.S. Bank Trust Company, National Association, as master trustee ("the System Master Indenture").

2. Credit Group Members

The Credit Group is comprised of the Obligated Group in combination with the Restricted Affiliates. The Obligated Group includes Advocate Aurora Health, Inc.; Advocate Health Care Network; Advocate Health and Hospitals Corporation; Advocate North Side Health Network; Advocate Condell Medical Center; Advocate Sherman Hospital; Aurora Health Care, Inc.; Aurora Health Care Metro, Inc.; Aurora Health Care Southern Lakes, Inc.; Aurora Health Care Central, Inc. d/b/a Aurora Sheboygan Memorial Medical Center; Aurora Medical Center of Washington County, Inc.; Aurora Health Care North, Inc. d/b/a Aurora Medical Center Manitowoc County; Aurora Medical Center of Oshkosh, Inc.; Aurora Medical Group, Inc.; Aurora Medical Center Grafton LLC; and Aurora Medical Center Bay Area, Inc. The Restricted Affiliates include Advocate Charitable Foundation; Advocate Home Care Products, Inc.; EHS Home Health Care Services, Inc.; Evangelical Services Corporation, d/b/a Advocate Network Services, Inc.; High Technology, Inc.; Meridian Hospice; and West Allis Memorial Hospital Inc. d/b/a Aurora West Allis Medical Center. The Credit Group is with U.S. Bank Trust Company, National Association, as master trustee ("the System Master Indenture").