St. Luke’s Health Network, Inc. and Controlled Entities

Consolidated Financial Statements
June 30, 2024 and 2023

St. Luke's Health Network, Inc. and Controlled Entities
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June 30, 2024 and 2023

Report of Independent Auditors

To the Board of Trustees of St. Luke's Health Network, Inc.

Opinion

We have audited the accompanying consolidated financial statements of St. Luke's Health Network, Inc. and its controlled entities (the "Company"), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, and the results of its operations, its changes in 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 audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplemental consolidating balance sheet, supplemental consolidating statement of operations and the related note as of and for the year ended June 30, 2024 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Baltimore, Maryland
October 23, 2024

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Balance Sheets
June 30, 2024 and 2023

	2024	2023
Assets		
Current		
Cash and cash equivalents	$ 281,283,440	$ 238,498,076
Patient accounts receivable, net	336,237,704	274,323,849
Other accounts receivable	67,803,302	62,043,659
Investments	110,020,907	109,026,183
Supplies	52,595,242	48,391,812
Prepaid expenses	41,642,224	41,009,446
Total current assets	889,582,819	773,293,025
Noncurrent		
Investments	1,266,584,548	1,069,737,043
Property and equipment, net	1,486,903,444	1,355,349,279
Goodwill, net	78,692,850	78,426,528
Investments in joint ventures	82,449,437	81,529,438
Operating lease right-of-use assets, net	189,551,707	191,856,861
Deferred compensation plan assets	89,900,484	72,304,560
Other assets	49,480,470	50,990,553
Total assets	$ 4,133,145,759	$ 3,673,487,287
Liabilities and Net Assets		
Current		
Accounts payable	$ 175,346,858	$ 214,309,070
Accrued salaries, wages and taxes	184,996,601	158,694,638
Accrued vacation	108,567,382	94,299,855
Current portion of self insurance reserves	43,318,307	37,770,715
Current portion of long-term debt	19,043,319	25,940,743
Current portion of operating lease obligations	26,884,872	28,113,235
Current portion of deferred compensation	7,729,819	6,332,428
Accrued interest on long-term debt	17,512,915	13,966,359
Estimated third-party payor settlements	81,616,165	64,027,578
Other current liabilities	49,234,400	44,914,385
Total current liabilities	714,250,638	688,369,006
Noncurrent		
Long-term debt, net of current portion	1,580,114,452	1,356,057,622
Long-term operating lease obligations	167,701,520	168,389,417
Deferred compensation	185,515,668	151,978,280
Self insurance reserves	87,949,291	76,685,996
Swap contracts	14,326,196	21,021,594
Asset retirement obligation	3,562,721	3,562,721
Other noncurrent liabilities	34,037,050	36,223,193
Total liabilities	2,787,457,536	2,502,287,829
Net assets		
Net assets without donor restrictions	1,195,644,651	1,033,874,184
Net assets with donor restrictions	150,043,572	137,325,274
Total net assets	1,345,688,223	1,171,199,458
Total liabilities and net assets	$ 4,133,145,759	$ 3,673,487,287

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statements of Operations
Years Ended June 30, 2024 and 2023

	2024	2023
Revenues, gains and other support		
Net patient service revenue	$ 3,503,679,014	$ 3,125,753,453
Other operating revenue and gains	102,288,356	78,229,997
Net assets released from restrictions used for operations	4,527,916	3,953,154
Total revenue, gains, and other support	3,610,495,286	3,207,936,604
Operating expenses		
Salaries and employee benefits	2,055,486,654	1,796,362,212
Supplies and other	1,256,005,844	1,174,580,236
Depreciation and amortization	137,236,289	127,769,185
Interest	50,459,827	45,224,971
Total expenses	3,499,188,614	3,143,936,604
Income from operations	111,306,672	64,000,000
Nonoperating gains (losses)		
Unrestricted investment income	25,711,908	28,977,672
Realized losses on investments	(33,671,182)	(19,588,607)
Change in unrealized gains on investments	84,493,351	17,236,909
Income from equity method investments, net	6,219,332	5,993,438
Loss on disposal of property and equipment	(1,682,887)	(1,127,098)
Donations and grants to other organizations	(15,031,095)	(14,247,521)
Change in fair market value of derivatives	6,695,398	14,554,922
Goodwill amortization	(10,686,758)	(9,747,571)
Loss on refinancing	(931,919)	(640,817)
Pension and annuity settlement cost	(7,489,144)	(13,710,400)
Other nonoperating losses	(1,774,429)	(294,254)
Nonoperating gains	51,852,575	7,406,673
Excess of revenue and gains over expenses	$ 163,159,247	$ 71,406,673

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statements of Changes in Net Assets
Years Ended June 30, 2024 and 2023

	2024	2023
Net assets without donor restrictions		
Excess of revenue and gains over expenses	$ 163,159,247	$ 71,406,673
Net assets contributed and released from restrictions used for purchase of property and equipment	5,643,107	5,712,880
Pension adjustment to funded status	(7,031,864)	11,876,990
Other changes in net assets without donor restrictions	(23)	829,050
Increase in net assets without donor restrictions	161,770,467	89,825,593
Net assets with donor restrictions		
Contributions received	9,540,316	12,120,498
Net realized/unrealized gains on investments	13,479,098	7,816,208
Net assets released from restrictions	(10,301,116)	(7,706,794)
Increase in net assets with donor restrictions	12,718,298	12,229,912
Increase in net assets	174,488,765	102,055,505
Net assets		
Beginning of year	1,171,199,458	1,069,143,953
End of year	$1,345,688,223	$1,171,199,458

The accompanying notes are an integral part of these consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows provided by operating activities		
Change in net assets	$ 174,488,765	$ 102,055,505
Adjustments to reconcile change in net assets to net cash from operating activities		
Loss on disposal of equipment	1,682,887	1,127,098
Depreciation and amortization	137,236,289	127,769,185
Income from equity method investments	(6,219,332)	(5,993,438)
Change in unrealized gain on unrestricted investments	(84,493,351)	(17,236,909)
Net realized gain on restricted investments	(7,070,758)	(2,036,227)
Net unrealized gain on restricted investments	(6,408,340)	(5,779,980)
Net realized loss on unrestricted investments	33,671,182	19,588,607
Pension adjustments	7,031,864	(11,876,990)
Change in fair value of swap contracts	(6,695,398)	(14,554,922)
Goodwill amortization	10,686,758	9,747,571
Restricted contributions received	(9,540,316)	(12,120,498)
Change in cash due to changes in operating assets and liabilities		
Patient accounts receivable	(61,913,855)	(12,199,242)
Other receivables	(5,759,643)	(22,116,019)
Supplies	(4,203,430)	2,996,123
Prepaid expenses	(632,778)	(4,703,978)
Deferred compensation plan assets	(17,595,924)	(14,360,164)
Other assets	1,505,414	(1,711,180)
Accounts payable and accrued liabilities	43,133,233	9,130,860
Net estimated third-party payor settlements	17,588,587	11,560,384
Net cash provided by operating activities	216,491,854	159,285,786
Cash flows used in investing activities		
Purchases of property, plant and equipment	(255,811,247)	(238,846,668)
Proceeds from sale of equipment	429,582	464,461
Cash paid in acquisition, net of cash acquired	(10,953,080)	(483,165)
Investments in joint ventures and partnerships	5,299,333	2,078,905
Purchases of investments	(921,772,119)	(554,419,997)
Proceeds from sales of investments	788,231,157	626,556,843
Net cash used in investing activities	(394,576,374)	(164,649,621)
Cash flows provided by (used in) financing activities		
Proceeds from issuance of long-term debt	440,417,878	40,984,174
Repayments of long-term debt	(108,943,310)	(77,762,360)
Repurchase of St. Luke's bonds	(120,145,000)	-
Proceeds from restricted contributions	9,540,316	12,120,498
Net cash provided by (used in) financing activities	220,869,884	(24,657,688)
Increase / (Decrease) in cash and cash equivalents	42,785,364	(30,021,523)
Cash and cash equivalents		
Beginning of year	238,498,076	268,519,599
End of year	$ 281,283,440	$ 238,498,076
Construction in progress included in accounts payable	$ 9,257,169	$ 15,356,902
Cash paid for interest	$ 59,110,459	$ 53,877,397

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization, Mission and Basis of Presentation

St. Luke’s Health Network, Inc. (“Parent”) is a not-for-profit, tax-exempt corporation which controls the following acute care hospitals, organization of physician practices, and other health care related organizations serving the western New Jersey and Eastern Pennsylvania regions.

- St. Luke’s Hospital of Bethlehem, Pennsylvania (“St. Luke’s Hospital”), which includes the following entities:
  - St. Luke’s Health Network Insurance Company (“SLRRG”)
  - St. Luke’s HomeStar Services, LLC
  - St. Luke’s AirMed, LLC
  - St. Luke’s Care, LLC
  - St. Luke’s Shared Savings Plan, LLC
  - Sacred Heart Ancillary Services, Inc.
  - Mahoning Self Storage, LLC
  - St. Luke’s VNA (“VNA”), which includes the following two entities:
    - VNA Home Health and Hospice
    - HomeStar Medical Equipment and Infusion Services
- St. Luke’s Quakertown Hospital
- St. Luke’s Physician Group, Inc.
- St. Luke’s Emergency and Transport Services
- Quakertown Rehabilitation Center DBA St. Luke’s Rehabilitation Center
- Carbon-Schuylkill Community Hospital, Inc. DBA St. Luke’s Miners Memorial Medical Center (“MMMC”)
- St. Luke’s Hospital - Anderson Campus, including:
  - Pocono MRI Imaging & Diagnostic Center, LLC
- St. Luke’s Hospital - Monroe Campus
- St. Luke’s Warren Hospital Inc., including:
  - St. Luke’s Warren Physician Group.
  - Hillcrest Emergency Services, Inc.
- Two Rivers Enterprises, Inc.
- Sacred Heart Foundation
- Quality Patient Care, LLC
- SH Realty Corporation
- Sacred Heart Healthcare System
- CMS Medical Care Corporation
- Carbon County Hospital
- St. Luke’s Hospital – Easton Campus
- St. Luke’s Ambulatory Services, Inc.
- Penn Foundation, Inc.

- Penn Villa Corp.
- Penn Gardens, Inc.

The Parent and controlled entities are referred to collectively as the St. Luke's Health Network, Inc. (the "Network").

The Network also participates in various joint ventures and partnerships. These arrangements enable the Network to provide healthcare services to the broader community through involvement in other healthcare organizations. See Note 10 for additional information on investments in joint ventures and partnerships.

2. Summary of Significant Accounting Policies

Adoption of Accounting Pronouncements
In March 2020, in connection with the transition away from the London Interbank Offered Rate (LIBOR), the FASB issued ASU 2020-04, which provides entities optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January of 2021, the FASB issued ASU 2021-01, which clarified the scope of these expedients, including additional derivative instruments that are affected by rates other than LIBOR that have been or are expected to be discontinued as a result of reference rate reform. In December of 2022, the FASB extended the application date of these standards through ASU 2022-06 from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The Network went through the process of changing all swaps and debt using LIBOR to another rate. There was no impact to the financial statements resulting from the change in rates.

In 2016, the FASB issued ASU 2016-13, Financial Instruments -- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU provides guidance on how to estimate credit losses on financial assets and requires the immediate recognition of estimated expected credit losses over the life of the financial instrument. While banks and other traditional financial services entities are most affected by the new accounting model for impairment of financial assets, all entities with balances due (such as patient or student receivables or receivables generated from the sale of long-lived assets) or that have unrecognized financial guarantee obligations (guarantee contracts not accounted for as derivatives or insurance contracts) will be impacted. The Current Expected Credit Loss (CECL) model requires entities to consider current conditions and reasonable and supportable forecasts in developing an estimate of expected credit losses on their receivables and other financial assets. The Network adopted the standard as of July 1, 2023. There was no impact to the financial statements as all patient and non-patient receivables are booked net of expected losses.

In September 2022, the FASB issued ASU 2022-04, Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations. The standard aims to provide additional information about the use of supplier finance programs by the buyer party to help users understand the effect of those programs on an entity's working capital, liquidity, and cash flows. The ASU requires additional disclosures of the key terms of these programs, including a description of the payment terms and any assets pledged as security or guarantees. It further requires disclosure of amounts outstanding that remain unpaid by the buyer as of the end of the annual period, a description of where those obligations are presented in the balance sheet, and a rollforward of those obligations during the annual period. The adoption of the standard had no impact on the Network.

In January 2017, the FASB issued ASU 2017-04, Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment (Topic 350) which was effective for non-public companies with fiscal years beginning after December 15, 2022. As the Network implemented the goodwill alternative (as discussed in the Goodwill accounting policy note below) in a previous accounting period, the Network has not adopted ASU 2017-04.

Recent Accounting Pronouncements

Contract assets and liabilities in a business combination
In October 2021, the FASB issued ASU 2021-08, which requires contract assets and contract liabilities (i.e., deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, Revenue from Contracts with Customers.

The acquirer should determine what contract assets and/or contract liabilities it would have recorded under ASC 606 as of the acquisition date as if the acquirer had entered into the original contract at the same date and on the same terms as the acquiree. Generally, this new guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree.

This is a change from prior guidance, which requires contract assets and contract liabilities acquired in a business combination to be measured at their acquisition-date fair values. Applying the provisions of ASC 606 to calculate the amount of contract liabilities may result in an increase in contract liabilities recorded in acquisition accounting, which would generally produce an offsetting increase in goodwill. An increase in the acquired contract liabilities balance will result in a corresponding increase in the subsequent revenue recognized by the acquirer. Revenue recorded by the acquirer post-acquisition will more closely align with the acquiree's revenue recognition prior to the acquisition and the acquirer's revenue recognition on similar contracts entered into after the acquisition. Upon adoption, the guidance needs to be applied to all business combinations that occurred in the year of adoption. The standard is effective for fiscal years beginning after December 15, 2023. The Network is currently evaluating the potential impact of this standard.

Common control lease arrangements
In March 2023, the FASB issued ASU 2023-01 related to common control lease arrangements to address (1) how private entities, including not-for-profit entities, should apply ASC 842 to arrangements between entities under common control and (2) accounting for leasehold improvements in common control leases.

ASC 842 currently requires entities to determine whether related party arrangements are leases based on the legally enforceable rights and obligations of the arrangement. Many not-for-profit entities have longstanding leases with related entities that are either not written or it is difficult to determine the legally enforceable rights and obligations due to the related party nature of lease. The ASU includes a practical expedient allowing entities to only consider the written terms and conditions when determining whether a lease exists as well as the classification and accounting for that lease.

Furthermore, the ASU requires all entities to amortize leasehold improvements associated with common control leases over the asset's useful life to the common control group regardless of the lease term. The standard is effective for fiscal years beginning after December 15, 2023. The Network is currently evaluating the potential impact of this standard.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Consolidation
The consolidated financial statements include the accounts of St. Luke's Health Network, Inc. ("Parent") and its controlled entities. The Parent exercises control over its controlled entities through the appointment of members to the controlled entities' respective Boards of Trustees ("Board"). The accounts of the controlled entities have been included in the consolidated financial statements to reflect the financial position, results of operations, changes in net assets and cash flows of entities under common control. All significant intercompany balances and transactions have been eliminated.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents
Cash and cash equivalents include cash and cash funds with original maturities of three months or less. The carrying value of cash and cash equivalents approximates market value. Cash and cash equivalents are included in the current asset section of the Consolidated Balance Sheets.

Investments and Investment Income
Investments are measured at fair value in the balance sheet. Investment income or loss (including interest, dividends and realized gains and losses on unrestricted investments), is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on unrestricted investments are reported above the excess of revenues over expenses within net asset changes. Realized and unrealized gains and losses on donor restricted investments are reported as changes in net assets with donor restrictions.

Cash and Cash Equivalents included in Investment accounts are treated as short-term investments.

Investment income and the change in unrealized gains (losses) on investments was comprised of the following for the years ended June 30:

- Interest and dividend income are included within unrestricted investment income.
- Realized losses on sale of investments is included within realized losses on investments within the Statements of Operations.
- Net unrealized gains on investments are included within nonoperating change in unrealized gains on investments.

	2024	2023
Interest and dividend income	$ 25,711,908	$ 28,977,672
Realized gains (losses) on investments	(33,671,182)	(19,588,607)
Net unrealized gains (losses) gains on investments	84,493,351	17,236,909
	$ 76,534,077	$ 26,625,974

Assets Limited as to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and designated assets set aside by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. These Assets are designated as Noncurrent Assets on the Consolidated Balance Sheets.

Supplies

Inventories of supplies are composed of medical supplies and pharmaceuticals and are recorded at the lower of cost or net realizable value using the first-in, first-out method.

Property and Equipment

Property and equipment acquisitions are recorded at cost for purchased items and fair value at the date of contribution for contributed items. Depreciation is expensed over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under finance lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the Consolidated Statements of Operations. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of constructing those assets. Upon sale or retirement, the cost and related accumulated depreciation of such assets are removed from the accounts and any resulting gain or loss realized is credited or charged to income for the period. Expenditures for maintenance and repairs are expensed as incurred. Significant renewals, improvements and betterments are capitalized.

Long Lived Assets

The Network evaluates the carrying value of its long-lived assets for impairment when impairment indicators are identified. In the event that the carrying value of a long-lived asset is not supported by the fair value, the Network will recognize an impairment loss for the difference. Fair value is based on available market prices or discounted cash flows.

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

Goodwill

Goodwill recorded in the accompanying Consolidated Balance Sheets represents the excess of the fair market value of assets acquired over the purchase price. Management adopted the not-for-profit accounting alternative treatment permissible under US GAAP for goodwill. The use of this alternative allows the Network to amortize goodwill on a straight-line basis over 10 years. Impairment is only tested when a trigger is identified, rather than each year.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of bonds and are amortized over the life of the related debt using the effective interest method.

Self-Insurance Reserves

Accrued insurance costs consist of discounted reserves for reported and incurred-but-not-reported (IBNR) claims related to medical malpractice incidents and the Network's self-insured retention for workers' compensation and employee health insurance incidents. For the years ended June 30, malpractice reserves and workers compensation reserves are discounted using a discount rate of 4.9% and 4.9%, respectively, in both 2024 and 2023. Effective 12/1/2016, the Network opted to not renew the buffer layer coverage with St. Luke's Health Network Insurance Company and assumed responsibility for buffer layer coverage. Buffer layer reserves are discounted using a discount rate of 4.9% in both 2024 and 2023.

Gift Annuities
The Hospital receives assets from donors in exchange for the promise to make fixed payments, over a specified period of time, to a recipient as designated by the donor. The Hospital discounts (in 2024 the discount rate averaged 5.20% and in 2023 the discount rate averaged 4.35%) the liability for annuity contracts based on the annuitant's estimated life expectancy. These amounts are included in other noncurrent liabilities on the Consolidated Balance Sheets. Any restricted assets remaining at the end of the annuity contract are placed into an endowment fund and the earnings on those funds are available for the general operations of the Network. Any unrestricted assets remaining at the end of the annuity contract are available for the general operations of the Network. The Network revalues the liability for annuity contracts quarterly and the related change is included as a change in net assets.

Net Assets with Donor Restrictions
Net assets with donor restrictions include assets whose use by the Network has been limited by donors to a specific time period or purpose.

Donor Restricted Gifts
Unconditional promises to give cash and other assets to the Network are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received and conditions have been met. The gifts are reported with restrictions f they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or the purpose restriction is accomplished, previously restricted net assets are reclassified as net assets without restrictions and reported in the Consolidated Statements of Operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted gifts, grants and bequests in the accompanying consolidated financial statements.

(Deficiency) Excess of Revenues Over Expenses
The (deficiency) excess of revenues over expenses (the performance indicator), consistent with industry practice, includes all revenues, expenses, and net gains and losses for the reporting period classified as without donor restrictions. Net assets released from restriction to fund capital purchases and certain pension liability adjustments are reported outside the performance indicator.

Income Taxes
The Parent and its controlled hospital entities, are Pennsylvania and New Jersey not-for-profit corporations and have been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. On such basis, the Parent and its controlled hospital entities will not incur any liability for federal income taxes, except for possible unrelated business income.

St. Luke's Health Network Insurance Company is a taxable reciprocal insurer.

St. Luke's HomeStar Services, LLC and Sacred Heart Ancillary Services, Inc. are taxable distributors of pharmacy and infusion services.

St. Luke's Warren Physician Group, P.C., PA Alliance, Hillcrest Emergency Services, P.C. and Two Rivers are for profit entities providing outpatient health care services in Pennsylvania and New

Jersey. Prior to January 1, 2009, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. elected, under the applicable provisions of the Internal Revenue Code and applicable state codes, to have the physician owner recognize their respective share of net income or loss on their individual tax returns. Accordingly, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. did not record a liability for federal and state income taxes. Effective January 1, 2009, St. Luke's Warren Physician Group, P.C. and Hillcrest Emergency Services, P.C. commenced operating as a for profit "C" corporation. The deferred tax assets arising from net operating losses and other temporary items generated by for profit entities, approximately $5.86 million and $3.59 million at June 30, 2024 and June 30, 2023, respectively, are subject to a full valuation allowance as the realization of such deferred tax assets cannot be considered more likely than not as of the end of each respective year. St. Luke's Warren Physician Group, P.C. filed for Federal tax exemption with the effective date of July 1, 2024; application is currently pending with the IRS.

Sacred Heart HealthCare System, Sacred Heart Realty Corporation and Sacred Heart Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code.

Quality Patient Care, LLC is treated as a disregarded entity for federal and state income tax purposes and income earned is passed through to its member, and as such, no income taxes have been incurred or accrued.

Swap Contracts
At June 30 2024 and 2023, both of the Network's derivative financial instruments are interest rate swap agreements accounted for as a nonoperating change in fair market value of derivatives. These swap agreements are recorded at fair value and the change in value is included in change in fair market value of derivatives on the Consolidated Statements of Operations.

The value of interest rate swap agreements entered into by the Network are adjusted to market value monthly at the close of each accounting period based upon quotations from market makers. Entering into interest rate swap agreements involves elements of credit, default, prepayment, market and documentation risk in excess of the amounts recognized on the Consolidated Balance Sheets. Such risks involve the possibility that there will be no liquid market for these agreements, the counterparty to these agreements may default on its obligation to perform and there may be unfavorable changes in interest rates. The Network does not hold derivative instruments for the purpose of managing credit risk and limits the amount of credit exposure to any one counterparty.

Leases
The Network accounts for leases in accordance with ASC 842. The Network determines if an arrangement is or contains a lease at contract inception and recognizes an asset and a lease liability at the lease commencement date. Contract terms determine if a lease will be accounted for as an operating or finance lease. Based on the lease contracts, non-lease components are separated and recorded as other liabilities. As a result, the non-lease components are not included in the lease calculation.

For operating leases, the lease liability is measured at the present value of the unpaid lease payments. The right-of-use (ROU) asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense is recognized on a straight-line basis over the lease term.

For finance leases, the lease liability is initially measured in the same manner as operating leases and is subsequently measured at amortized cost using the effective-interest method. The asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or lease term, unless the lease transfers ownership to the Network. Amortization of the asset and interest expense of the lease liability are recognized and presented separately.

The Network has elected not to recognize ROU assets and lease liabilities for short term leases that have a term of twelve month or less and recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term.

Several key estimates and judgments are used to determine the ROU assets and operating lease liabilities including the discount rate used to discount the unpaid lease payments to present value, lease term and lease payments. ASC 842 requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate. Renewals are considered if reasonably certain to be exercised. The incremental borrowing rate is the rate of interest the Network would have to pay to borrow an amount equal to the lease payments under similar terms and conditions.

3. Revenue Recognition and Accounts Receivable

The Network recognized revenue from contracts with customers in accordance with ASC 606. The standard's core principle is that an entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Network expects to be entitled in exchange for those goods or services.

Net Patient Service Revenue
Patient care service revenue is reported at the amount that reflects the consideration to which the Network expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, The Network bills its patients and third-party payors a few days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Network. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Network believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care and subacute care services or patients receiving multiple scheduled services in our outpatient departments. The Network measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to the point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Network does not believe it is required to provide additional goods or services to the patient.

Because all of its patient service performance obligations relate to contracts with a duration of less than one year, the Network has elected to apply the optional exemption provided in ASC 606-10-50-14(a) 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 referred to above 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 generally occurs within days or weeks of the end of the reporting period.

The Network determines the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Network's policy, and implicit price concessions provided to uninsured patients. The Network determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. Fixed discounts are by legislative statute in the case of Medicare and Medicaid, and negotiated in the case of commercial payors. The Network determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a payer specific approach. This approach is being used as the Network has a large volume of similar contracts with similar classes of customers. Management's judgment to group the contracts by payer is based on the payment behavior expected in each payer category. Grouping of contracts by payer reasonably approximates the impact had each contract been assessed separately.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. No significant amounts of revenues were recognized in the current year due to changes in the estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the results of an adverse change in the patient's or third party payor's ability to pay are recorded as bad debt expense. Bad debt expense is reported as a component of supplies and other in the Consolidated Statements of Operations and Changes in Net Assets and was not significant for the years ended June 30, 2024 and 2023.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors is discussed in Footnote 8.

The Network is paid prospectively based upon negotiated rates for commercial insurance carriers and predetermined rates per discharge for Medicaid and Medicare program beneficiaries.

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

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. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Network historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

During the year ended June 30, 2024, the Network did not receive final audits for its providers. As of June 30, 2024, the Network has Medicare cost report years 2021, 2022, 2023 and 2024 open.

The Network has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Network expects to collect based on its collection history with those patients. Such patients are identified based on information obtained from the patient and subsequent analysis. Because the Network does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Direct and indirect costs for these services amounted to $18,107,287 and $13,822,137 for the years ended June 30, 2024 and 2023, respectively. The costs of providing charity care services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Network total expenses divided by gross patient service revenue. Beginning in 2024, the Network does not include uninsured discounts in its calculation of uncompensated gross charges within charity care. The cost for year ended June 30, 2023 has been updated for comparability purposes.

The composition of net patient care service revenue by primary payor for the years ended June 30 is as follows:

Primary Payor	2024		2023	
Medicare/Medicare MCO	$ 1,283,881,686	36.6%	$ 1,158,115,385	37.1%
Blue Cross	1,020,980,950	29.1%	898,443,316	28.7%
Commercial / HMO	862,435,282	24.6%	752,336,957	24.1%
Medicaid / Medicaid MCO	261,991,953	7.5%	258,015,201	8.3%
Other	61,384,990	1.8%	46,203,842	1.5%
Self Pay	13,004,153	0.4%	12,638,752	0.4%
	$ 3,503,679,014		$ 3,125,753,453	

Revenue from patients' deductibles and coinsurance is included in the preceding categories based on the primary payor.

The Network has elected the practical expedient allowed under ASC 606-10-32-18 and 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 Network 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. However, the Network does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Other Revenue
Other revenues consist principally of provider relief funds, grants and contribution revenue, program income, cafeteria income, nursing school and medical school tuition, and rental income. For the majority of its grants, the Network has determined that there is not exchange back to the granting authority. Therefore, the Network accounts for these grants under the contribution model, which is outside the scope of ASC 606 and revenue is recognized as conditions have been met. Revenue for the services listed below is recorded in the period in which these services are performed.

	FY 2024		FY 2023	
Covid 19 - Stimulus Grant Funds	31,086,038	30.4%	20,133,810	25.7%
Quality Based Initiatives & Other	16,167,981	15.8%	11,030,561	14.1%
Grants and Contribution Revenue	11,490,783	11.2%	10,254,105	13.1%
Nursing School & Med School Tuition	9,842,281	9.6%	9,367,835	12.0%
Program Income	8,946,927	8.7%	8,541,799	10.9%
Nutrition Services - Cafeteria Income	8,375,007	8.2%	7,519,725	9.6%
Interest Income	7,650,438	7.5%	4,024,887	5.2%
Rental Income	5,100,867	5.0%	4,482,133	5.7%
Gain on Insurance Captive	1,914,280	1.9%	1,699,945	2.2%
Clinical Trials	1,713,754	1.7%	1,175,197	1.5%
Total Other Revenue	102,288,356	100.0%	78,229,997	100.0%

4. Contributions Received

The Network follows ASC 958-605 for recognizing contributions. The Network evaluates whether contributions are conditional or unconditional. Conditional contributions specify a barrier that the Network must overcome and a right of return that releases the donor from its obligation if the barrier is not achieved, otherwise the contribution is unconditional. Once a contribution is determined to be unconditional, the determination of whether there is a donor-imposed restriction can be made. The Network recognizes restricted contributions directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

The Network received approximately $45 million in contributions in the form of conditional government grants and other conditional donor contributions in the form of estates and trusts. The grants are carried out for research activities that benefit the general public, and not for the government's own use. The grants are considered conditional due to the requirement of spending the awarded funds on qualifying expenses and a right of return exists for unexpended funds. The grants are reimbursed after the expenses have been incurred.

5. Risks and Uncertainties

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties as well as significant repayments for patient services previously billed. Compliance with such laws and regulations are subject to future government review and interpretations as well as regulatory actions unknown or unasserted at this time.

6. Concentrations of Credit Risk

Financial instruments which subject the Network to concentrations of credit risk consist primarily of cash and cash equivalents, investments, assets limited as to use, and patient accounts receivable.

The Network maintains cash, investments and assets limited as to use in banks, which include cash equivalents consisting of overnight repurchase agreements. Amounts are invested in a variety of financial instruments. The related values, as presented in the consolidated financial statements, are subject to various market fluctuations which include changes in the equity markets, interest rate environment and the general economic conditions.

The Network's patient accounts receivable consist of unsecured amounts due for patient services billed to patients and other third-party payors such as Medicare, Medical Assistance, Blue Cross and various commercial insurance companies and managed care companies. The primary service area of the Network is located in Lehigh, Northampton, Carbon, Schuylkill, Monroe and Bucks Counties, Pennsylvania and Warren County, New Jersey. The ability of these patients to pay is subject to changes in general economic conditions of the Network's service area.

The mix of receivables from patients and third-party payors at June 30, 2024 and 2023 was as follows:

	2024	2023
Medicare	15.2 %	16.3 %
Medicaid	7.1 %	8.7 %
Commercial	62.5 %	60.8 %
Self pay (includes balances of patients filing for Medicaid eligibility, but not yet approved)	15.2 %	14.2 %
	100.0 %	100.0 %

7. Charity Care and Community Service

The Network maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges foregone based on established rates for services and the estimated cost of those services furnished under its charity care policy. Additionally, the Network sponsors certain other service programs and charity services which provide substantial benefit to the broader community. Such programs include services to needy populations and support including: HIV treatments, medical and dental mobile vans, health fairs, community-based medical clinics, and teen pregnancy counseling.

The Network also participates in the Medical Assistance program which makes payment for services provided to financially needy patients at rates which are less than the cost of such services. Additionally, the Network provides services through the emergency room and clinics at a substantial loss.

The Network provides care to all patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Charges for services to patients who meet the Network's guidelines for charity care are not reflected in the accompanying consolidated financial statements.

8. Third-Party Agreements

For the years ended June 30, 2024 and 2023, payment arrangements with the Network and third-party payors were as follows:

Medicare
Payments to St. Luke's Hospital, St. Luke's Quakertown Hospital, MMMC, St. Luke's Miner's Hospital, St. Luke's Hospital - Anderson Campus, St. Luke's Warren Hospital, St. Luke's Hospital - Monroe Campus, St Luke's Hospital – Carbon Campus, and St. Luke's Hospital – Easton Campus from the Medicare program for inpatient acute care services are made on a prospective basis. Under this program, payments are made at a predetermined specific rate for each discharge based on the patient's diagnosis, and certain components of those rates are retrospectively adjusted through the cost report settlement.

Outpatient services are reimbursed under the Ambulatory Payment Classification System except for certain services (clinical lab, physical therapy, occupational therapy, speech therapy) which are paid on prospectively determined fee schedules.

Capital Blue Cross/Highmark Blue Shield
Inpatient services rendered to Capital Blue Cross and Highmark Blue Shield subscribers are reimbursed at prospectively determined per case rates. Outpatient services provided to Capital Blues Cross members are reimbursed on a case rate or fee schedule basis, while Highmark members are reimbursed in accordance with Highmark's Ambulatory Payment Classification (APC) Based Methodology which is based on the Medicare Hospital Outpatient Prospective Payment System (OPPS).

Medicaid
The Pennsylvania Medical Assistance program ("PMA") reimburses St. Luke's Hospital, St. Luke's Quakertown Hospital, MMMC, St. Luke's Miner's Hospital, St. Luke's Hospital - Anderson Campus, St. Luke's Warren Hospital, St. Luke's Hospital - Monroe Campus, St Luke's Hospital – Carbon Campus, and St. Luke's Hospital – Easton Campus for inpatient services and capital costs on a prospective basis. Payments for inpatient services are made at a predetermined specific rate for each discharge based on the patient's diagnosis. Outpatient services are reimbursed on the basis of an established fee schedule. The New Jersey Medicaid program also reimburses St. Luke's Warren Hospital for inpatient services on a prospective basis similar to the Pennsylvania program; however, outpatient services (other than those that are paid under a Medicaid managed care plan) are paid based on an interim ratio of cost to charges and reconciled to actual cost less 5.8% operating costs and 10% capital costs via a cost report.

In July 2010 the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2024, the program provides participating hospitals with improved inpatient fee-for-service hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs), and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net patient revenue for fiscal year 2019 or later for our newer hospitals (Carbon). After deducting the cost of the assessment due to the state, the

Network recognized additional revenues of $49,752,184 and $50,521,287 for the years ended June 30, 2024 and 2023, respectively.

Other

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

Included in net patient service revenue are changes in liability adjustments from third party payors with an overall net favorable adjustment of $12,056,263 for 2024 as compared to a net favorable adjustment of $6,956,430 for 2023.

9. Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The accounting guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Financial instruments measured at fair value are based on valuation techniques noted below consistent with fair value guidance. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Network for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Market price data is generally obtained from exchange or dealer markets. The Network does not adjust the quoted price for such assets and liabilities.

Level 2 – Inputs other than level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers, and brokers.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. Certain interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within level 2.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Network believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The Network investment portfolio on the balance sheet includes:

	2024	2023
Current investments	$ 110,020,907	$ 109,026,183
Assets limited as to use		
Funds held by trustee	172,805,771	68,038,534
Funds held under bond indenture	1,793,638	1,114,105
Board designated funds	963,822,934	887,380,922
Investments restricted as to use	128,162,205	113,203,482
Total current and noncurrent investments	$ 1,376,605,455	$ 1,178,763,226

Financial instruments carried at fair value as of June 30, 2024 and 2023 are as follows:

	June 30, 2024			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Short-term investments	$ 190,507,772	$ -	$ -	$ 190,507,772
Government securities	97,922,768	-	-	97,922,768
Corporate bonds	202,822,028	-	-	202,822,028
Common & preferred stock	19,077,997	-	-	19,077,997
Mutual funds	866,274,890	-	-	866,274,890
Total investments	$ 1,376,605,455	$ -	$ -	$ 1,376,605,455
Deferred compensation plan assets				
Mutual funds	$ 89,900,484	$ -	$ -	$ 89,900,484
Derivative financial instruments				
Interest rate swaps-liability	$ -	$ 14,326,196	$ -	$ 14,326,196

	June 30, 2023			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Investments				
Short-term investments	$ 310,629,799	$ -	$ -	$ 310,629,799
Government securities	57,279,189	-	-	57,279,189
Corporate bonds	92,326,760	-	-	92,326,760
Common & preferred stock	147,135,392	-	-	147,135,392
Mutual funds	571,392,086	-	-	571,392,086
Total investments	$ 1,178,763,226	$ -	$ -	$ 1,178,763,226
Deferred compensation plan assets				
Mutual funds	$ 72,304,560	$ -	$ -	$ 72,304,560
Derivative financial instruments				
Interest rate swaps-liability	$ -	$ 21,021,594	$ -	$ 21,021,594

10. Investments in Joint Ventures and Partnerships

The Network holds a 50% equity interest in GSL Consolidated (Hospital and Physician Group). The investment has been accounted for under the equity method of accounting. As of June 30, the Network reported an investment in GSL of $36,573,132 and $34,840,845 for 2024 and 2023, respectively. The Network's proportionate share of the gain/loss in the amount of $1,732,286 and ($1,204,858) are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2024 and 2023, respectively.

St. Luke's Hospital is a Class B member of the St. Luke's Physician Hospital Organization, Inc. ("PHO"). The PHO has two classes of members: Class A members consist of primary care and specialist physicians and Class B members consist of member hospitals, St. Luke's being the only Class B member hospital.

The Network holds a 40% equity interest in AdaptHealth, which was organized on March 1, 2013 and provides durable medical equipment services. The Network's proportionate share of the gain in the amount of $4,195,142 and $4,039,845 are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2024 and 2023, respectively.

The Network holds a 40% equity interest in Etowah Dialysis, Inc., which was organized on September 1, 2013 and provides outpatient dialysis services. The Network's proportionate share of the gain in the amount of $647,704 and $1,042,157 are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2024 and 2023, respectively.

The Network also maintains other investments in partnerships that provide various clinical and nonclinical services. The Network's investments in the partnerships are accounted for under the equity method. The total investments in joint ventures and partnerships of approximately $82,449,437 and $81,529,438 for the years ended June 30, 2024 and 2023, respectively, are included in Investments in joint ventures on the consolidated balance sheets.

11. Property and Equipment

Property and equipment and related accumulated depreciation at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Land	$ 182,296,940	$ 156,014,342
Buildings and improvements	1,651,909,891	1,400,997,038
Equipment	1,417,246,502	1,323,726,151
Parking garage	26,812,227	26,812,227
Total property, plant, & equipment, gross	3,278,265,560	2,907,549,758
Less: Accumulated depreciation	(1,906,879,660)	(1,769,067,647)
Total property, plant & equipment, net	1,371,385,900	1,138,482,111
Construction-in-progress (CIP)	115,517,544	216,867,168
Total property, plant & equipment, net and CIP	$ 1,486,903,444	$ 1,355,349,279

Depreciation is recorded over the estimated useful lives of assets, as indicated in the table below, using the straight-line method.

	Lives
Buildings and improvements	2 - 40 years
Equipment	2 - 15 years
Parking Garage	2 - 40 years

Depreciation expense was approximately $131,571,744 and $122,580,957 for the years ended June 30, 2024 and 2023, respectively. Interest that was capitalized was approximately $4,804,868 and $6,160,153 for the years ended June 30, 2024 and 2023, respectively.

12. Long-Term Debt

Long-term debt at June 30, 2024 and 2023 consisted of the following:

	2024	2023
Hospital Revenue Bonds - Series 2015A, issued by Pocono Mountains Industrial Park Authority, net of unamortized premium	83,477,971	83,636,061
Hospital Revenue Bonds, Series 2016A, issued by Northampton County General Purpose Authority, net of unamortized premium	215,980,574	222,413,496
Hospital Revenue Bonds, Series 2018A & 2018B, issued by Northampton County General Purpose Authority, net of unamortized premium	101,191,719	151,239,387
Hospital Revenue Bonds, Series 2018C, issued by Northampton County General Purpose Authority, net of unamortized premium	60,880,000	60,880,000
Hospital Revenue Bonds, Series 2017B, issued by Lehigh County General Purpose Authority, net of unamortized premium	58,075,000	59,095,000
Hospital Revenue Bonds, Series 2019, issued by Bucks County Industrial Development Authority, net of unamortized premium	108,411,867	108,580,640
Hospital Revenue Bonds, Series 2020, issued by Northampton County General Purpose Authority, net of unamortized premium	-	76,020,000
Hospital Revenue Bonds, Series 2021, issued by Bucks County Industrial Development Authority, net of unamortized premium	136,009,685	136,128,042
Hospital Revenue Bonds, Series 2021B, issued by The National Finance Authority, net of unamortized premium	135,268,578	136,536,950
Hospital Refunding Bonds, Series 2022A, issued by New Jersey Health Care Facilities Financing Authority, net of unamortized premium	39,410,000	39,410,000
Hospital Revenue Bonds, Series 2022B, issued by Northampton County General Purpose Authority, net of unamortized premium	26,260,000	26,260,000
Hospital Revenue Bonds, Series 2024A & 2024B issued by the Northampton County General Purpose Authority, net of unamortized premium	429,813,885	
USDA Financing	90,793,915	91,415,188
TD Bank, N.A. Notes Payable	16,302,027	52,705,814
Fulton Bank	-	47,463,767
77 South Commerce	17,221,585	17,729,756
2022 Hillcrest Loan	39,510,000	31,000,000
Various notes and mortgage notes payable at various interest rates	56,572,932	53,549,354
Deferred Financing Costs	(16,021,967)	(12,065,090)
	1,599,157,771	1,381,998,365
Less: Current portion	19,043,319	25,940,743
	$1,580,114,452	$1,356,057,622

Effective interest rates on fixed debt obligations range from 2.34% - 5.25%, and 3.00% - 6.16% on variable rate obligations.

Scheduled maturities for the years ending June 30 are as follows:

Fiscal Year	Long-Term Debt
2025	$ 19,043,319
2026	30,894,522
2027	32,662,982
2028	32,302,784
2029	32,197,963
2030	33,229,589
Thereafter	1,355,821,544
	1,536,152,703
Less: Amount of unamortized bond discount/premium/imputed interest	(63,005,068)
	$ 1,599,157,771

The Network reported long-term debt of $1,580,114,452 and $1,356,057,622 for years ended June 30, 2024 and 2023, respectively.

Hospital Revenue Bonds, Series 2015
On February 1, 2015 Pocono Mountains Industrial Park Authority issued $80,000,000 of its Hospital Revenue Bonds. Issued pursuant to a Loan and Trust Agreement by the Authority, St Luke`s Hospital-Monroe Project and the Bank of New York Mellon Trust, under the Trust Agreement SLH is obligated to make payments to the trustee as assignee of the Authority. The net proceeds received upon the sale of the 2015 Bonds were deposited in the 2015 Project Construction Fund and disbursed from the 2015 Project Construction Fund to finance various costs incurred by St. Luke's Monroe in connection with the 2015 Project.

Hospital Revenue Bonds, Series 2016
On July 1, 2016 the Northampton County General Purpose Authority issued $215,600,000 of its Hospital Revenue Bonds, Series 2016A (St Luke`s University Health Network Project) ("the 2016 Bonds"). Issued pursuant to a loan and Trust Agreement by the Authority, St Luke`s Hospital of Bethlehem, Pennsylvania, St Luke`s Hospital Anderson campus and the Bank of New York Mellon Trust company.

The 2016 Bonds were issued to provide a portion of the funds for the "2016 Project" consisting of the advance refunding of all portion of the Authority's outstanding Hospital Revenue Bonds Series A of 2008 and the funding of various capital projects.

Under the trust agreement, the borrowers are obligated to make loan payments to the trustee, as assignee of the Authority, at times and in amounts sufficient to pay the principal or redemption price of and interest on, the 2016 Bonds when due and in certain instances. Interest on the 2016 Bonds accrues at fixed rates and is payable on each February 15 and August 15, commencing on February 15, 2017. Interest on the 2016 Bonds is computed on the basis of 360-day year of twelve 30-day months. The 2016 Bonds are subject to optional, mandatory and extraordinary optional redemption prior to their maturity.

Hospital Revenue Bonds, Series 2018AB
On June 6, 2018 the Northampton County General Purpose Authority issued $150,000,000 of its Hospital Revenue Bonds. Northampton County General Purpose Authority, Saint Luke's Hospital of

Bethlehem, St. Luke's Anderson Campus and (collectively, the "Borrowers"), The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as underwriter.

Part B of 2018 B Bonds were refunded with the issuance of the 2024 Bonds.

Hospital Revenue Bonds, Series 2018C
On October 1, 2018 the Pocono Mountains Industrial Park Authority issued $60,880,00 aggregate principal amount of Hospital Revenue Bonds, Series 2018C (St. Luke`s University Health Network Project) (Federally Taxable) (The Series 2018C Bonds).

The proceeds of the series 2018C Bonds were used by St. Luke`s and other members of the Network to: provide working capital, finance the purchase of equipment and other capital improvements and finance the payment of the cost of issuance of the series 2018C Bonds.

Hospital Revenue Bonds, Series 2017B Bonds
On September 20, 2017 the Lehigh County General Purpose Authority issued $63,820,000 Hospital Revenue Bonds, Series 2017B; the Bonds are issued under and initially entitled to the security of the Trust Indenture dated as of December 1, 2017 between the issuer and The Bank of New York Mellon Trust Company, N.A., as trustee. The Authority and the trustee entered into the First Supplemental Trust Indenture dated January 1, 2019.

The purpose of the 2017B Bonds was to provide funds for a project consisting of the redemption and retirement of a portion of the outstanding Lehigh County General Purpose Authority Revenue Bonds, Series 2007 (St. Luke's Hospital Project) and the payment of certain costs of issuance of the Bonds.

Hospital Revenue Bonds, Series 2019 Bonds
On September 1, 2019 The Bucks County Industrial Development Authority issued $103,855,000 aggregate principal amount of Hospital Revenue Bonds. The 2019 Bonds are issued under that certain Loan and Trust Agreement, dated as of September 1, 2019 between the Authority and the Bank of New York Mellon Trust Company as trustee. The proceeds of the Bonds were loaned to St. Luke`s Hospital, St. Luke's Hospital Anderson Campus and St. Luke's Hospital Quakertown Campus for the purpose of the reimbursement and financing of the construction, acquisition, renovation and installation of capital improvements or the acquisition and installation of equipment in the facilities.

Interest on the series 2019 Bonds accrues at fixed rates and is payable on each February 15 and August 15, commencing on February 15, 2020. Interest on the Series 2019 Bonds is computed on the basis of a 360-day year of twelve 30-day months. The Series 2019 Bonds are subject to redemption prior to their maturity.

Hospital Revenue Bonds, Series 2020 Bonds
On June 15, 2020 the Northampton County General Purpose Authority issued $89,555,000 of its Hospital Revenue Bonds. The $89,555,000 Northampton County General Purpose Authority Hospital Revenue Bonds, consisting of Part C $3,215,000 aggregate principal amount of Hospital Revenue Bonds, Part D, $9,705,000 aggregate principal amount of Hospital Revenue Bonds, Part E $40,210,000 aggregate principal amount of Hospital Revenue Bonds and part F $36,425,000 aggregate principal amount of Hospital Revenue Bonds. The Bank of New York Mellon Trust Company serves as the trustee and Truist Bank as the lender.

The funds were used for the redemption of 2013 B Bonds, the 2017 A Bonds and the remaining balance of the 2010 Bonds.

The bonds were refunded with the issuance of the 2024 Bonds.

Hospital Revenue Bonds, Series 2021 Bonds
On January 1, 2021 The Bucks County Industrial Development Authority issued $132,745,000 aggregate principal amount of Hospital Revenue Bonds under a trust indenture between the Authority and the Bank of New York Mellon Trust Company as the trustee. Proceeds of the series 2021 Bonds were loaned to St Luke`s Hospital of Bethlehem and St Luke`s Quakertown Hospital.

The Series 2021 Bonds were issued to provide a portion of the funds, together with other available funds, for reimbursement and financing of the construction, acquisition, renovation and installation of capital improvements and equipment as well as the payments of cost of issuance of the bonds and related costs.

Interest on the series 2021 Bonds accrues at a fixed rate and is payable on each February 15 and August 15, commencing on February 15, 2021. Interest on the Series 2021 Bonds is computed on the basis of a 360-day year of twelve 30-day months. The Series 2021 Bonds are subject to redemption prior to their maturity.

Hospital Revenue Bonds, Series 2021B Bonds
On November 1, 2021 the National Finance Authority issued $123,370,000 aggregate principal amount of hospital Revenue Bonds. Under a trust indenture between the Authority and the Bank of New York Mellon Trust. Proceeds of the series 2021 Bonds were loaned to St Luke`s Hospital of Bethlehem, Anderson Campus, Monroe Campus, Quakertown Campus and Carbon Schuylkill Community Hospital, Inc. d/b/a St. Luke`s Miners Memorial Hospital.

Interest on the series 2021B Bonds will accrue at a fixed rate and will be payable on each February 15 and August 15, commencing on February 15, 2022. Interest on the Series 2021 B Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2021B Bonds are subject to redemption prior to their maturity.

The Series 2021 B Bonds are being issued to provide a portion of the funds, together with other available funds, for reimbursement and financing of the construction, acquisition, renovation and installation of capital improvements and equipment as well as the payments of cost of issuance of the bonds and related costs.

Hospital Revenue Bonds, Series 2022 A Bonds
On February 23, 2022 the New Jersey Health Care Facilities Financing Authority issued $39,410,000 of Refunding Revenue Bonds. Issued pursuant to a Loan and Trust Agreement by the Authority, St. Luke's Warren Hospital Obligated group and US Bank as trustee.

The series 2022A Bonds are being issued to refund all of the New Jersey Health Care Facilities Financing Authority series 2013 Bonds, including interest expense and any cost of issuance of the bonds related costs.

Hospital Revenue Bonds, Series 2022 B Bonds
On February 3, 2022 the Northampton County General Purpose Authority issued $26,260,000 of Convertible Hospital Revenue Refunding Bonds, Series 2022B. Issued pursuant to a Loan and Trust Agreement by the Authority, St Luke`s Hospital of Bethlehem, St Luke`s Anderson Campus and the Bank of New York Mellon Trust Company as trustee and Truist as purchaser.

The Series 2022B Bonds are being issued to refund the Northampton County General Purpose Authority Hospital Revenue Bonds series 2013A and the payment of cost of issuance of the bonds related costs.

Hospital Revenue Bonds, Series 2024 A Bonds
On April 1, 2024, the Northampton County General Purpose Authority issued $290,865,000 series 2024A-1 and 32,405,000 series 2024A-2 of its Hospital Revenue Bonds.

Interest on the series 2024 A Bonds will accrue at a fixed rate and will be payable on each February 15 and August 15, commencing on February 15, 2024. Interest on the Series 2024 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2024 Bonds are subject to optional, mandatory and extraordinary optional redemption prior to their maturity.

The series 2024 A Bonds are being issued to deposit to project fund, refund the Northampton County General Purpose Authority Hospital Revenue Bonds series 2020, refund part B of 2018 B Bonds, paydown of other indebtedness and to cover cost of issuance related to the bonds.

Hospital Revenue Bonds, Series 2024 B Bonds
On April 1, 2024 the Northampton County General Purpose Authority issued $80,585,000 of its Hospital Revenue Bonds. Interest on the series 2024 B Bonds will initially bear interest at a daily rate from delivery and will be payable on the fist business day of the month commencing on May 1, 2024.

The series 2024 B Bonds are being issued to provide a portion of the funds, together with other available funds, for the purpose of reimbursement and financing of the construction, acquisition, renovation, and installation of capital improvements the acquisition and installation of equipment in facilities and payment of the cost of issuance related to the bonds.

USDA Financing
St. Luke's Carbon Campus (SLC) issued eleven (11) notes totaling in the aggregate $98,500,000 (collectively referred to as the, "2021C Hospital Note") to the United States Department of Agriculture (USDA) through the Rural Development Community Facilities Program, under the Loan Agreement, dated as of December 21, 2021 by and between the USDA and SLC. The USDA loaned the proceeds of the 2021C Hospital Note to SLC and such proceeds will be used to refinance a portion of the Interim Loan Facility made available to SLC by TD Bank, NA. for the New Hospital Project Interim Phase.

Debt Covenants
The Obligated Group entered into an Amended and Restated Master Trust Indenture (the "Master Indenture") with The Bank of New York Mellon Trust Company, N.A., as master trustee. The Master Indenture ("MTI"), which replaced the prior master trust indenture originally entered into in 1987, serves as the primary credit and financing vehicle for the Organization's principal operating components.

The Master Indenture contains provisions, covenants, and restrictions upon the Obligated Group related to incurrence of indebtedness, mergers and other corporate combinations and divestitures, sales, leases or other dispositions or assets and other matters. Such covenants require the maintenance of financial and non-financial covenants as defined in the MTI. The financial covenants provide for permitted additional indebtedness, maintenance of specific levels of cash on hand, the maintenance of minimum debt service coverage ratios, as defined and minimum capitalization ratios, among other things. The Network is in compliance with all financial covenants as of June 30, 2024.

13. Derivative Financial Instruments

At June 30, 2024 and 2023, the Network had entered into two interest rate swaps to manage its interest rate risk. The swap agreements pay interest at fixed rates and receive interest at variable rates. The notional amount of swap agreements was $223.6 million as of June 30, 2024 and $230.8 million as of June 30, 2023, respectively. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivative agreements, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. The Network also incorporates credit valuation adjustments to appropriately reflect its own credit (risk of loss due to nonpayment) and nonperformance risk (the risk the obligation will not be fulfilled), as well as the credit and nonperformance risk of the counterparty. In adjusting the fair value of the derivative contracts for the effect of nonperformance risk, the Network has considered the impact of netting and any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees.

The following table outlines the terms and fair values of the interest rate swap agreements that are included in the Consolidated Balance Sheets as of June 30, 2024 and 2023:

	Swap 1	Swap 2
Notional amount at June 30, 2023	$ 144,650,000	$ 86,180,000
Notional amount at June 30, 2024	$ 143,290,000	$ 80,335,000
Effective date	2/21/2007	2/21/2007
Termination date	8/15/2042	8/15/2033
Fixed rate	4.65%	4.56%
Fair value at June 30, 2023	$ (17,319,068)	$ (3,702,526)
Unrealized gains	5,429,639	1,265,759
Fair value at June 30, 2024	$ (11,889,429)	$ (2,436,767)

The Network pays fixed rates ranging from 4.56% to 4.65% and receives cash flows based upon percentages of SOFR, ranging from 4.48% to 4.79%.

The following tables outline the location and effect of the Network's derivative instruments in the accompanying Consolidated Balance Sheets and Statements of Operations for the years ended June 30:

	Derivatives reported as liabilities			
	2024		2023	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps	Swap contracts	$ 14,326,196	Swap contracts	$ 21,021,594

Classification of derivative gain in Statement of Operations	Amount of gain recognized in Statement of Operations	
	2024	2023
Non operating gains	$ 6,695,398	$ 14,554,922

The Hospital's derivative instruments contain provisions that require the Hospital to maintain minimum credit ratings from the major credit rating agencies. If the Hospital's rating were to fall below the minimums established, the counterparties to the derivative agreements could demand immediate posting of collateral or termination of the instruments and payment of the derivative agreements in liability positions. No collateral has been required to be posted.

For the year ended June 30, 2024, the hospital received interest of approximately $240,000. For the year ended June 30, 2023, the Hospital incurred interest costs of approximately $2.3 million.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2024 and 2023:

	2024	2023
Purchase of property and equipment	$ 8,355,260	$ 10,252,713
Health education	36,122,044	36,159,304
Research and development, and other	523,609	409,369
Unrealized gains on restricted net assets for health care services	33,753,343	27,163,764
	$ 78,754,256	$ 73,985,150
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as other operating and nonoperating income)	$ 71,289,316	$ 63,340,123
Total net assets with donor restrictions	$150,043,572	$137,325,274

Endowments including Temporarily Restricted Endowments
The Network's individual donor restricted endowment funds and specific purpose funds total $76,530,881 and $67,838,723 as of June 30, 2024 and 2023, respectively. Individual donor restricted endowment funds are held for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Trustees of the Network has interpreted the relevant PA state law as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network classifies as net assets with restrictions, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The funds remain in the donor-restricted endowment fund until those amounts are appropriated for expenditure of the Network in a manner consistent with the standard of prudence prescribed by relevant PA state law. In accordance with relevant PA state law, the Network considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Network and the donor restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Network

(7) The investment policies of the Network.

The Network had the following endowment activities during the year ended June 30, 2024 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 76,530,880	$ 76,530,880
Board-designated endowment funds	-	-	-
	$ -	$ 76,530,880	$ 76,530,880

Endowment net asset composition by type of fund as of June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 67,838,723	$ 67,838,723
Board-designated endowment funds	-	-	-
	$ -	$ 67,838,723	$ 67,838,723

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$67,838,723	$ 67,838,723
Investment return			
Investment income	-	3,312,215	3,312,215
Gain on sale of investments	-	-	-
Change in fair value of investments	-	6,978,192	6,978,192
Total investment return		10,290,407	10,290,407
Gifts	-	4,272,626	4,272,626
Income released to general fund for operations	-	(1,960,920)	(1,960,920)
Transfer balance of net appreciation	-	(3,909,956)	(3,909,956)
Endowment net assets, end of year	$ -	$76,530,880	$ 76,530,880

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 2,814,842	$ 65,380,214	$ 68,195,056
Investment return			
Investment income	581,555	3,203,237	3,784,792
Gain on sale of investments	12,009		12,009
Change in fair value of investments	(313,282)	6,527,794	6,214,512
Total investment return	280,282	9,731,031	10,011,313
Gifts	-	1,929,017	1,929,017
Income released to general fund for operations	(3,095,124)	(1,900,350)	(4,995,474)
Transfer balance of net appreciation	-	(7,301,189)	(7,301,189)
Endowment net assets, end of year	$ -	$ 67,838,723	$ 67,838,723

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by relevant PA State law as of June 30, 2024:

Permanent Endowment	$ 71,073,038
Mortgage Endowment	216,278
Total endowment assets classified as Net assets with donor restrictions	$ 71,289,316

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by relevant PA State law as of June 30, 2023:

Permanent Endowment	$ 63,128,900
Mortgage Endowment	211,223
Total endowment assets classified as Net assets with donor restrictions	$ 63,340,123

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit), referred to as an "underwater" endowment fund. Underwater amounts are reported in net assets with donor restrictions since the adoption of ASU 2016-14. There were no deficits of this nature reported in net assets in either June 30, 2024 nor 2023.

Return Objectives and Risk Parameters
The Network has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks. The Network expects its endowment funds over time, to provide an average rate of return approximating the S&P 500 Stock Index (domestic portion), MSCI EAFE Index (international portion) and Lehman Brothers Intermediate Government/Corporate Index (bond portion). Actual returns in any given year may vary from the index return amounts.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the Network relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Network targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the Network determines the method to be used to appropriate endowment funds for expenditure. Calculations are performed for individual endowment funds at a rate of 4.5 percent of a three-year moving average market value with a minimum increase of 0% and a maximum increase of 10% per year over the previous year's spending amount. The total is reduced by the income distributed from the endowment fund in accordance with the preferences/restrictions made by the donors. The corresponding calculated spending allocations are distributed annually by June 30. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. Accordingly, over the long term, the Network expects the current spending policy to allow its endowment to grow at an average of 8% percent annually, consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

15. Leases

The Network leases certain medical buildings, offices and equipment used in its operations. The Network has incurred finance lease liabilities totaling $0.9 million and $1.1 million as of June 30, 2024 and June 30, 2023, respectively. Finance lease liabilities and their related assets are omitted from the disclosures below. The remaining lease term of all leases range from one month to sixty-two years.

The Consolidated Balance Sheet includes operating lease right-of-use assets and liabilities at June 30, 2024 and June 30, 2023 as follows:

	2024	2023
Operating lease right-of-use assets, gross	$ 265,213,082	$ 263,700,122
Less: Accumulated amortization of right-of-use assets	(75,661,375)	(71,843,261)
Total operating lease right-of-use assets, net	$ 189,551,707	$ 191,856,861
Current portion of operating lease obligations	$ 26,884,872	$ 28,113,235
Long-term operating lease obligations	167,701,520	168,389,417
Total operating lease obligations	$ 194,586,392	$ 196,502,652

The components of the lease cost for the year ended June 30, 2024 and June 30, 2023 are as follows:

	2024	2023
Finance lease cost		
Amortization of leased assets	$ 46,827	$ 32,426
Interest on lease liabilities	49,550	22,755
Operating lease cost	36,189,439	37,081,922
Short-term lease cost	11,338,121	10,732,459
Total lease cost	$ 47,623,937	$ 47,869,562

Other information related to leases as of June 30, 2024 and June 30, 2023 are as follows:

Supplemental cash flow information:	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$ 35,778,900	$ 35,895,837
Right of use assets obtained in exchange for new operating lease liabilities	$ 26,633,810	$ 27,241,369
Weighted average remaining lease term	9.2 years	9.0 years
Weighted average discount rate	3.92%	3.47%

Future maturities of operating lease liabilities as of June 30, 2024 are as follows:

2025	$ 33,936,285
2026	30,751,285
2027	28,451,685
2028	24,804,065
2029	21,111,051
Thereafter	96,292,303
Total undiscounted future lease payments	235,346,674
Less: Present value discount	(40,760,282)
Discounted future lease payments	$ 194,586,392

16. Functional Expenses

The Network provides general health care services to residents within its geographic location. Health care services include functional services such as critical care, trauma and emergency medicine, surgery, cancer and blood disorders, allergy and immunology, autism, cardiology, pain management, nutrition, radiology, pulmonology, rheumatology, and psychiatry. The Network reports certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function are allocated based on the natural account and the rate from the cost report. Expenses related to providing these services for the year ended June 30 are as follows:

	Year ended June 30, 2024		
	Healthcare Services	**General and Administrative Services**	**Total**
Operating expenses			
Salaries and employee benefits	$ 1,904,923,319	$ 150,563,335	$ 2,055,486,654
Purchased Services	264,152,941	20,878,398	285,031,339
Supplies and other	899,851,124	71,123,381	970,974,505
Depreciation and amortization	127,183,802	10,052,487	137,236,289
Interest	46,763,671	3,696,156	50,459,827
Total Operating expenses	$ 3,242,874,857	$ 256,313,757	$ 3,499,188,614

	Year ended June 30, 2023		
	Healthcare Services	**General and Administrative Services**	**Total**
Operating expenses			
Salaries and employee benefits	$ 1,664,052,460	$ 132,309,752	$ 1,796,362,212
Purchased Services	249,760,938	19,858,633	269,619,571
Supplies and other	838,306,446	66,654,219	904,960,665
Depreciation and amortization	118,358,439	9,410,746	127,769,185
Interest	41,893,959	3,331,012	45,224,971
Total Operating expenses	$ 2,912,372,242	$ 231,564,362	$ 3,143,936,604

17. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at June 30, 2024:

	2024
Cash and cash equivalents	$ 281,283,440
Short term investments	110,020,907
Other unrestricted investments	963,822,934
Patient accounts receivable, net	336,237,704
Due from others, current portion	67,803,302
	$ 1,759,168,287

The table below represents financial assets available for general expenditures within one year at June 30, 2023:

	2023
Cash and cash equivalents	$ 238,498,076
Short term investments	109,026,183
Other unrestricted investments	887,380,922
Patient accounts receivable, net	274,323,849
Due from others, current portion	62,043,659
	$ 1,571,272,689

The Network has certain board-designated assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above for financial assets to meet general expenditures within one year.

As part of the Network's liquidity management plan, cash in excess of daily requirements is invested in short-term and long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities, and other obligations come due.

As of June 30, 2024, the Network was in compliance with financial covenants.

18. Pension Plan

Defined Benefit Plan

The Network entities have a noncontributory defined benefit pension plan ("Plan") covering substantially all employees of the Network who were hired prior to January 1, 2009 (see New Pension Plan 401(a) note below). Plan benefits are based on years of service and the employee's average annual earned income during the highest 60 consecutive months in the last ten years of credited service prior to retirement or termination. The Network's policy is to fund annually at least the minimum amount required by the Employee Retirement Income Security Act of 1974.

The Network began a process of de-risking the defined benefit retirement plan during the fiscal year ended June 30, 2019. During fiscal year 2019, the System entered into several definitive agreements with insurance companies, which included the purchases of single premium group annuity contracts. Accordingly, the insurance companies assumed the obligation to make future annuity payments to retirees in amounts equal to the individual's pension benefit. In fiscal year 2022, the Network continued the de-risking process by entering into additional agreements with insurance companies to purchase single premium group annuity contracts transferring the obligation to make future annuity payments to retirees in amounts equal to the individual's pension benefit. There were no single premium group annuity contract purchases in fiscal year 2024 or 2023.

In connection with a redesign of the network's retirement plans, the Finance Committee of the Board approved amendments to end benefit accruals in the qualified defined benefit pension plan after December 31, 2014. Benefits earned by participants under this plan prior to January 1, 2015 were not affected.

Savings Plan
In 2007, St. Luke's Warren established a 401(k) plan for qualified employees. Contributions to this plan are based on a defined formula of 3% of an employee's contribution. The St. Luke's Warren 401(k) plan was merged with the Network 401(a) plan as of January 1, 2014.

401(a) Plan
All employees hired before January 1, 2009 remain participants in the noncontributory defined benefit pension plan (see Pension Plan, above) through December 31, 2014. At that time, all employees were moved to the 401(a) Plan.

All employees hired after January 1, 2009, are provided with a defined contribution plan 401(a) of which the Network will contribute a percentage of the employee's salary based on the employee's years of service as follows:

Years of Service	% of Annual Salary
1 through 5	2.5 %
6 through 10	4.0 %
11 through 15	5.5 %
16+ years	7.0 %

The Network recorded a defined contribution plan expense of $55,985,045 and $50,440,762 for June 30, 2024 and 2023, respectively. The Network has recorded a reserve of $89,600,863 and $78,978,273 for June 30, 2024 and 2023, respectively. This liability is included in deferred compensation on the consolidated balance sheet.

Retirement Plan 401(k)
As of January 1, 2009, a 401(k) retirement savings plan replaced the 403(b) retirement savings plan for employees of St. Luke's HomeStar Services, LLC, a for-profit organization.

Pension Plan Financial Components
The net pension cost for all Plans and Plan participants during the years ended June 30, 2024 and 2023, includes the following components:

	2024	2023
Change in benefit obligation		
Benefit obligation at beginning of year	$ 467,225,405	$ 491,997,813
Interest cost	24,871,873	23,133,512
Plan settlements	(1,116,116)	-
Benefits paid	(19,574,361)	(17,965,052)
Actuarial loss (gain)	(3,221,686)	(29,940,868)
Benefit obligation at end of year	$ 468,185,115	$ 467,225,405

	2024	2023
Change in plan assets		
Fair value of plan assets at beginning of year	$ 460,686,555	$ 483,823,721
Actual return on plan assets	8,749,451	(5,172,114)
Employer contributions	5,716,116	-
Plan settlements	(1,116,116)	-
Benefits paid	(19,574,361)	(17,965,052)
Fair value of plan assets at end of year	$ 454,461,645	$ 460,686,555
Unfunded status at end of year	$ (13,723,470)	$ (6,538,850)

Amounts recognized in the Consolidated Balance Sheets consist of:

	2024	2023
Current liabilities	$ -	$ -
Noncurrent liabilities	(13,723,470)	(6,538,850)
Net amount recognized in statement of financial position	$ (13,723,470)	$ (6,538,850)

Amounts recognized in net assets without donor restrictions consist of:

	2024	2023
Unrecognized net loss	$ 119,514,386	$ 112,482,522

Information for pension plans with an accumulated benefit obligation in excess of plan assets:

	2024	2023
Projected benefit obligation	$ 468,185,115	$ 467,225,405
Accumulated benefit obligation	468,185,115	467,225,405
Fair value of plan assets	454,461,645	460,686,555

Components of net periodic benefit cost and other amounts recognized in net assets without donor restrictions:

	2024	2023
Total pension benefit cost		
Interest cost	$ 24,871,873	$ 23,133,512
Expected return on plan assets	(21,353,210)	(15,397,656)
Amortization of net loss	2,244,672	2,505,892
Settlement loss recognized	105,537	-
Net periodic benefit cost	$ 5,868,872	$ 10,241,748

Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:

	2024	2023
Net (gain) loss	$ 9,382,073	$ (9,371,098)
Amortization of loss	(2,350,209)	(2,505,892)
Total recognized in net assets without donor restrictions	7,031,864	(11,876,990)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 12,900,736	$ (1,635,242)

The estimated net loss, transition obligation and prior service cost for the defined benefit pension plans that will be amortized from net assets without donor restrictions into net periodic benefit cost over the next fiscal year are $2,552,019, $0 and $0, respectively.

Weighted-average assumptions used to determine benefit obligations:

	2024	2023
Discount rate	5.58 %	5.46 %
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost:

	2024	2023
Expected long-term return on plan assets	4.75 %	3.25 %
Discount rate	5.46 %	4.80 %

Plan Assets

The Network Pension Plans weighted-average asset allocations at June 30, 2024 and 2023, by asset category, are as follows:

	Plan Assets at June 30	
Asset Category	**2024**	**2023**
Equity securities	20 %	20 %
Debt securities	80 %	80 %
	100 %	100 %

The investments are broadly diversified in assets which over time provide the opportunity for appreciation and rising levels of income. The precise mix of assets is determined jointly by the Investment Committee and recommended to the Board of Trustees. The Investment Committee has discretion over the selection of individual securities and the weighting of the investments.

Cash Flows

Contributions

The network expects to contribute $4,600,000 to its pension plans in the 2025 fiscal year.

Estimated Future Benefit Payments

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

2025	$ 24,397,140
2026	26,020,962
2027	27,514,146
2028	29,342,483
2029	30,007,075
2030-2034	162,969,425
	$ 300,251,231

The following table presents the Plan's financial instruments as of June 30, 2024, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 9:

	Quoted Prices in Active Markets (Level 1)	Total Fair Value
June 30, 2024		
Investments		
Money Market Funds	$ 3,505,397	$ 3,505,397
Government Securities	358,880,760	358,880,760
Common and preferred stock	92,075,488	92,075,488
Total investments	$ 454,461,645	$ 454,461,645

The following table presents the Plan's financial instruments as of June 30, 2023, measured at fair value on a recurring basis using the fair value hierarchy defined in Note 9:

	Quoted Prices in Active Markets (Level 1)	Total Fair Value
June 30, 2023		
Investments		
Money market funds	$ 3,060,553	$ 3,060,553
Government securities	366,495,760	366,495,760
Common and preferred stock	91,130,242	91,130,242
Total Investments	$ 460,686,555	$ 460,686,555

19. Insurance Coverage

Effective December 13, 2001, the Parent, established St. Luke's Health Network Insurance Company; a wholly-owned captive insurance company licensed by the State of Vermont providing claims-made coverage for professional and general liability coverages for the Network. The

Network converted its fronted captive to a risk retention group ("RRG") effective July 1, 2003. On January 1, 2005, the RRG was converted from a nonprofit risk retention group to a reciprocal risk retention group. As a reciprocal risk retention group, the St. Luke's Health Network Insurance Company is also permitted to provide primary medical professional liability coverage on an occurrence basis to independent physicians and physician's practices. Under this structure, each insured is a subscriber of the St. Luke's Health Network Insurance Company, a Reciprocal Risk Retention Group ("SLHNIC"). Only subscribers of the Network will be issued Class A subscriber units. Class A Subscribers of SLHNIC maintain control over SLHNIC. At June 30, 2024 and June 30, 2023, the Network was covered through the SLHNIC by a Hospital Professional Liability policy, with primary limits of $500,000 for each medical incident and a $2,500,000 annual aggregate. For those PA subscribers not covered by the Pennsylvania Medical Care Availability and Reduction of Error Fund (Mcare), SLHNIC provides primary layer coverage of $1 million per occurrence with a $3 million annual aggregate. The subscriber A program is claims-made coverage. The Subscriber B program is occurrence-based coverage. The reserve for malpractice claims maintained at June 30, 2024 and 2023 was approximately $44,983,666 and $45,527,917 and was estimated using a discount rate of 4.25% and 4.25%, respectively. The discount for Class A and Class B subscribers was $11,269,458 and $9,761,187 for June 30, 2024 and 2023, respectively.

The Network has recorded a receivable as of June 30, 2024 of $24,599,139 for expected insurance indemnifications and a related liability for the accrued claims in the individual financial statements of the hospitals. The Network has recorded a receivable as of June 30, 2023 of $23,287,113 for expected insurance indemnifications and a related liability for the accrued claims in the individual financial statements of the hospitals. The insurance receivable amounts are included in other assets in the respective balance sheets.

The Network participates in the Medical Care Availability and Reduction of Error ("Mcare") Fund, which is a Pennsylvania governmentally authorized entity that for fiscal year 2024 covers claims above $500,000 per medical incident up to $1,500,000 aggregate per hospital/insured physician subject to Mcare Fund coverage, as applicable. The assessment for the Mcare Fund payable by the Network is based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association ("JUA") multiplied by the annual assessment percentage. The Network recognizes its assessment as expense in the period incurred.

The Network maintains accrued insurance reserves for its retained buffer layer portion of expected malpractice claims of approximately $27,045,960 and $22,389,128 for the years ended June 30, 2024 and 2023, respectively. The impact of the discount was $4,405,040 and $3,402,872 for the years ended June 30, 2024 and 2023, respectively.

Effective 12/1/2020, a Deductible Endorsement was added to the insurance policy. The deductible is $250,000 each and every Claim for Damages under the Insuring Agreement and is included within and reduces the applicable Limits of Insurance. The Indemnity Deductible reserve for malpractice claims maintained at June 30, 2024 and 2023 was approximately $9,809,732 and $7,967,284, respectively. The impact of the discount was $1,580,653 and $1,493,498 for the years ended June 30, 2024 and 2023, respectively.

The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately $12,969,848 and $11,860,900 for the years ended June 30, 2024 and 2023, respectively. The impact of the discount was $4,551,312 and $4,256,512 for the years ended June 30, 2024 and 2023, respectively.

20. Deferred Compensation

The Network maintains a 457 Deferred Compensation Plan. This plan is designed to permit certain employees to defer receipt of portions of their compensation, thereby delaying taxation on the deferral amount and on subsequent earnings until the balance is distributed. The Network has fully funded the obligation under the plan. The Network has recorded an asset and a corresponding liability of $89,900,484 and $72,304,560 for the years ended June 30, 2024 and 2023 respectively. The assets and corresponding liabilities are included within deferred compensation plan assets and deferred compensation liabilities.

21. Goodwill

Goodwill recorded on the consolidated statements of financial position at June 30, 2024 and 2023 totaled $78,692,850 and $78,426,528, respectively. The Network's goodwill consists of the excess of purchase price over the fair value of identified net assets of businesses acquired.

The changes in the carrying amount of goodwill for the Network for the years ended June 30, 2024 and 2023 are as follows:

Balance as of June 30, 2022	$ 87,690,934
Goodwill additions during the year	483,165
Goodwill amortization during the year	(9,747,571)
Balance as of June 30, 2023	$ 78,426,528
Goodwill additions during the year	10,953,080
Goodwill amortization during the year	(10,686,758)
Balance as of June 30, 2024	$ 78,692,850

22. Litigation

The Network and its controlled entities are involved in certain litigation which involves professional and general liability. In the opinion of management and in-house counsel, the ultimate liability, if any, will not have a material effect on the consolidated financial condition of the Network and its controlled entities.

23. Subsequent Events

The Network has performed an evaluation of subsequent events through October 23, 2024, which is the date the financial statements were issued.

On September 5th, 2024, a nonbinding Letter of Intent (LOI) was signed to evaluate the potential of Grand View Health joining St. Luke's University Health Network. Grand View is one of two single-hospital health systems in Bucks County. As of the date of the consolidated financial statements, the Network continues to evaluate the potential opportunity and no binding decisions have been entered into or otherwise approved.

Consolidating Supplemental Information

St. Luke's Health Network, Inc. and Controlled Entities
Supplemental Consolidating Balance Sheet
June 30, 2024
Schedule I

	St. Luke's University Health Network, Inc.	St. Luke's Hospital of Bethlehem, Pennsylvania	St. Luke's Quakertown Hospital	Miners Memorial Medical Center	St. Luke's Hospital Anderson Campus	St. Luke's Warren Hospital	St. Luke's Hospital Monroe Campus	St. Luke's Hospital Carbon Campus	St. Luke's Hospital Easton Campus	St. Luke's Physician Group	St. Luke's Physician Group NJ
Assets											
Current											
Cash and cash equivalents	$ -	$ 233,166,457	$ 300	$ 16,099	$ 707	$ 108,028	$ 350	$ 2,249,480	$ -	$ 22,842	$ 56,972
Investment in controlled entities	1,171,199,458	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	-	139,936,821	21,124,796	5,890,889	41,740,551	8,043,729	15,889,858	1,743,040	5,271,082	29,158,797	1,842,877
Other accounts receivable	-	41,597,401	3,252,581	3,162,241	6,891,599	266,917	2,227,341	863,115	9,612	3,242,677	180
Investments	-	109,026,183	-	-	-	-	-	-	-	-	-
Inventories	-	30,443,173	2,195,135	1,211,631	5,738,859	2,491,918	3,352,754	1,207,715	1,750,627	-	-
Prepaid expenses	-	33,298,685	643,667	503,028	1,587,295	452,392	1,582,694	279,080	160,427	2,213,284	40,356
Total current assets	1,171,199,458	587,468,720	27,216,479	10,783,888	55,959,011	11,362,984	23,052,997	6,342,430	7,191,748	34,637,600	1,940,385
Noncurrent											
Investments	-	987,005,715	8,710,128	1,828,067	259,499	1,848,097	68,300,305	1,204,374	166,476	-	-
Property and equipment, net	-	555,921,372	153,388,861	30,167,894	219,948,209	92,901,999	111,331,255	86,024,262	44,330,434	34,651,579	3,012,163
Goodwill	-	40,444,670	-	659,200	5,557,457	10,525,422	409,880	-	-	4,253,914	727,684
Due from affiliates	-	187,594,663	-	-	10,713,389	86,310,705	-	9,851,338	-	-	-
Investments in joint ventures	-	81,529,438	-	-	-	-	-	-	-	-	-
Operating lease right-of-use assets, net	-	118,603,992	5,759,836	7,494,141	3,861,882	5,864,277	27,524,161	-	422,206	18,560,976	607,214
Deferred compensation plan assets	-	72,048,809	-	-	-	-	-	-	-	-	-
Other assets	-	41,588,838	2,951,370	961,665	67,866	6,851	1,186,357	130,818	-	-	-
Total assets	$ 1,171,199,458	$ 2,672,206,217	$ 198,026,674	$ 51,894,855	$ 296,367,313	$ 208,820,335	$ 231,804,955	$ 103,553,222	$ 52,110,864	$ 92,104,069	$ 6,287,446

The accompanying note is an integral part of these supplemental consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Supplemental Consolidating Balance Sheet
June 30, 2024 — Schedule I

	Emergency and Transport Services	St. Luke's Ambulatory Services	Two Rivers Enterprises, Inc.	Sacred Heart Healthcare System	Tamaqua Medical Center Properties, LLC	Penn Foundation	Penn Gardens	Penn Villa Corp.	Eliminations	Consolidated Totals
Assets										
Current										
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ 3,939,051	$ 124,741	$ 180,812	$ -	$ 281,283,440
Investment in controlled entities	-	-	-	-	-	-	-	-	(1,345,688,223)	-
Patient accounts receivable, net	490,228	312,082	-	-	-	2,722,605	-	-	-	336,237,704
Other accounts receivable	900	130,000	-	-	-	271,295	102	519	-	67,803,302
Investments	-	-	-	-	-	-	-	-	-	110,020,907
Inventories	-	-	-	-	-	-	-	-	-	52,595,242
Prepaid expenses	50,367	30,159	-	-	-	150,111	2,119	1,865	-	41,642,224
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-
Total current assets	541,495	472,241	-	-	-	7,083,062	126,962	183,196	(1,345,688,223)	889,582,819
Noncurrent										
Investments	27,697	-	-	-	-	335,951	-	-	-	1,266,584,548
Property and equipment, net	2,105,663	585,852	877,751	-	698,161	15,923,427	452,018	1,632,574	-	1,486,903,444
Goodwill	-	12,838,556	-	-	-	-	1,045,037	-	-	78,692,850
Due from affiliates	-	-	-	3,529,453	-	-	-	-	(353,377,295)	-
Investments in joint ventures	-	-	-	-	-	100	-	-	(100)	82,449,437
Operating lease right-of-use assets, net	835,235	1,228,223	-	-	-	581,370	-	-	-	189,551,707
Deferred compensation plan assets	-	-	-	-	-	255,751	-	-	-	89,900,484
Other assets	-	-	-	-	-	1,981,537	410,247	213,692	-	49,480,470
Total assets	$ 3,510,090	$ 15,124,872	$ 877,751	$ 3,529,453	$ 698,161	$ 26,161,198	$ 2,034,264	$ 2,029,462	$ (1,699,065,618)	$ 4,133,145,759

The accompanying note is an integral part of these supplemental consolidated financial statements.

St. Luke’s Health Network, Inc. and Controlled Entities
Supplemental Consolidating Balance Sheet
June 30, 2024
Schedule I

	St. Luke’s University Health Network, Inc.	Hospital of Bethlehem, Pennsylvania	St. Luke’s Quakertown Hospital	Miners Memorial Medical Center	St. Luke’s Hospital Anderson Campus	St. Luke’s Warren Hospital	St. Luke’s Hospital Monroe Campus	St. Luke’s Hospital Carbon Campus	St. Luke’s Hospital Easton Campus	St. Luke’s Physician Group	St. Luke’s Physician Group NJ
Liabilities and Net Assets											
Current											
Accounts payable	$ -	$ 151,605,084	$ 2,126,939	$ 1,139,969	$ 4,392,091	$ 1,957,999	$ 1,202,835	$ 416,681	$ 579,132	$ 11,260,259	$ 245,476
Accrued salaries, wages and taxes	-	49,485,961	564,560	395,714	1,146,720	1,725,694	468,691	560,687	363,786	126,669,170	3,220,005
Accrued vacation	-	49,430,924	2,880,938	2,402,983	5,654,711	3,510,831	2,864,519	1,598,567	1,027,595	35,654,390	1,622,125
Current portion of self insurance reserves	-	42,946,704	-	-	-	371,603	-	-	-	-	-
Current portion of long-term debt	-	12,909,238	-	315,769	-	961,692	1,183,269	2,990,651	38,710	215,081	-
Current portion of operating lease obligations	-	15,249,574	988,571	1,588,609	843,058	908,960	2,283,212	-	129,983	4,125,074	213,448
Current portion of accrued compensation payable	-	7,718,762	-	-	-	-	-	-	-	-	-
Accrued interest on long-term debt	-	11,632,674	1,327,461	-	3,297,136	1,233,337	-	-	-	-	-
Estimated third-party payor settlements	-	40,650,387	4,943,832	6,353,710	15,007,491	1,808,562	6,484,040	5,651,813	716,330	-	-
Other current liabilities	-	34,036,118	599,405	482,622	1,415,950	859,797	563,873	261,314	609,574	2,003,900	66,092
Total current liabilities	-	415,665,426	13,431,706	12,679,376	31,757,157	13,338,475	15,050,439	11,479,713	3,465,110	179,927,874	5,367,146
Due to affiliates	-	-	131,125,942	18,612,178	-	-	24,657,947	-	83,939,190	63,048,746	3,330,374
Long-term debt, net of current portion	-	953,204,596	80,856,729	1,670,375	181,067,414	78,559,006	176,733,068	100,248,873	38,709	1,445,807	-
Long-term operating lease obligations	-	113,470,719	3,856,751	5,200,404	3,109,938	4,226,399	23,430,513	-	176,421	12,072,335	2,696
Accrued compensation payable	-	185,250,304	-	-	-	-	-	-	-	-	-
Self insurance reserves	-	87,194,824	-	-	-	754,467	-	-	-	-	-
Swap contracts	-	14,326,196	-	-	-	-	-	-	-	-	-
Asset retirement obligation	-	3,247,932	65,030	249,759	-	-	-	-	-	-	-
Other noncurrent liabilities	-	34,020,901	13,649	-	-	2,500	-	-	-	-	-
Total liabilities	-	1,806,380,898	229,349,807	38,412,092	215,934,509	96,880,847	239,871,967	111,728,586	87,619,430	256,494,762	8,700,216
Net assets											
Net assets (liabilities) without donor restrictions	1,195,644,651	893,525,642	(20,340,636)	7,088,397	347,378,916	164,590,704	(23,173,286)	(3,846,082)	(33,211,717)	(136,543,006)	(1,982,530)
Net assets with donor restrictions	150,043,572	131,017,251	11,472,723	1,884,911	196,200	1,395,370	1,434,282	149,347	148,303	-	-
Total net assets (liabilities)	1,345,688,223	1,024,542,893	(8,867,913)	8,973,308	347,575,116	165,986,074	(21,739,004)	(3,696,735)	(33,063,414)	(136,543,006)	(1,982,530)
Total liabilities and net assets	$ 1,345,688,223	$ 2,830,923,791	$ 220,481,894	$ 47,385,400	$ 563,509,625	$ 262,866,921	$ 218,132,963	$ 108,031,851	$ 54,556,016	$ 119,951,756	$ 6,717,686

The accompanying note is an integral part of these supplemental consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Supplemental Consolidating Balance Sheet
June 30, 2024 — Schedule I

	Emergency and Transport Services	St. Luke's Ambulatory Services	Two Rivers Enterprises, Inc.	Sacred Heart Healthcare System	Tamaqua Medical Center Properties, LLC	Penn Foundation	Penn Gardens	Penn Villa Corp.	Eliminations	Consolidated Totals
Liabilities and Net Assets										
Current										
Accounts payable	$ 144,233	$ 14,425	$ 1,165	$ -	$ -	$ 241,982	$ 9,310	$ 9,281	$ (3)	$ 175,346,858
Accrued salaries, wages and taxes	49,403	22,372	-	-	-	323,838	-	-	-	184,996,601
Accrued vacation	519,695	85,266	25,411	-	-	1,289,427	-	-	-	108,567,382
Current portion of self insurance reserves	-	-	-	-	-	-	-	-	-	43,318,307
Current portion of long-term debt	-	-	-	-	-	380,897	48,012	-	-	19,043,319
Current portion of operating lease obligations	137,772	173,309	-	-	-	243,302	-	-	-	26,884,872
Current portion of accrued compensation payable	-	-	-	-	-	11,057	-	-	-	7,729,819
Accrued interest on long-term debt	-	-	-	-	-	-	22,307	-	-	17,512,915
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	81,616,165
Other current liabilities	52,456	-	4,658,023	3,580,319	-	39,291	5,666	-	-	49,234,400
Total current liabilities	903,559	295,372	4,684,599	3,580,319	-	2,529,794	85,295	9,281	(3)	714,250,638
Due to affiliates	43,849,732	11,383,740	2,002,086	-	926,052	3,835,883	183,084	164,711	(387,059,665)	-
Long-term debt, net of current portion	-	-	-	-	-	4,599,955	519,920	1,170,000	-	1,580,114,452
Long-term operating lease obligations	718,014	1,087,986		-	-	349,344	-	-	-	167,701,520
Accrued compensation payable	-	-	-	-	-	265,364	-	-	-	185,515,668
Self insurance reserves	-	-	-	-	-	-	-	-	-	87,949,291
Swap contracts	-	-	-	-	-	-	-	-	-	14,326,196
Asset retirement obligation	-	-	-	-	-	-	-	-	-	3,562,721
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	34,037,050
Total liabilities	45,471,305	12,767,098	6,686,685	3,580,319	926,052	11,580,340	788,299	1,343,992	(387,059,668)	2,787,457,536
Net assets										
Net assets (liabilities) without donor restrictions	(41,988,912)	2,357,774	(5,808,934)	(50,866)	(227,891)	12,263,370	1,245,965	685,470	(1,161,962,378)	1,195,644,651
Net assets with donor restrictions	27,697	-	-	-	-	2,317,488	-	-	(150,043,572)	150,043,572
Total net assets (liabilities)	(41,961,215)	2,357,774	(5,808,934)	(50,866)	(227,891)	14,580,858	1,245,965	685,470	(1,312,005,950)	1,345,688,223
Total liabilities and net assets	$ 3,510,090	$ 15,124,872	$ 877,751	$ 3,529,453	$ 698,161	$ 26,161,198	$ 2,034,264	$ 2,029,462	$ (1,699,065,618)	$ 4,133,145,759

The accompanying note is an integral part of these supplemental consolidated financial statements.

St. Luke's Health Network, Inc. and Controlled Entities
Supplemental Consolidating Statement of Operations
Year Ended June 30, 2024 Schedule II

	St. Luke's University Health Network, Inc.	St. Luke's Hospital of Bethlehem, Pennsylvania	St. Luke's Quakertown Hospital	Miners Memorial Medical Center	St. Luke's Hospital Anderson Campus	St. Luke's Warren Hospital	St. Luke's Hospital Monroe Campus	St. Luke's Hospital Carbon Campus	St. Luke's Hospital Easton Campus	St. Luke's Physician Group	St. Luke's Physician Group NJ
et patient service revenue	$ -	$ 1,511,741,016	$ 184,317,246	$ 117,241,821	$ 488,720,055	$ 228,679,615	$ 259,782,755	$ 98,253,097	$ 66,586,376	$ 471,833,292	$ 34,563,203
ther operating revenue and gains	-	61,910,039	4,042,365	1,856,977	9,183,152	2,978,691	4,806,827	2,078,539	1,329,327	9,144,957	1,430,897
et assets released from restrictions used for perations	-	3,302,367	53,153	180,486	514,248	65,418	100,918	20,728	19,345	75,207	-
quity in net income from controlled entities	161,770,467	-	-	-	-	-	-	-	-	-	-
Total revenue	161,770,467	1,576,953,422	188,412,764	119,279,284	498,417,455	231,723,724	264,690,500	100,352,364	67,935,048	481,053,456	35,994,100
perating expenses											
alaries and employee benefits	-	674,073,206	78,589,810	57,228,545	182,682,523	78,286,692	104,082,676	46,603,442	31,335,574	721,148,280	39,545,058
upplies and other	-	625,856,621	71,111,696	40,539,325	152,563,380	69,832,087	103,545,285	30,201,231	24,023,982	112,436,024	17,628,401
epreciation and amortization	-	50,310,875	12,214,089	4,754,611	22,218,855	8,588,015	11,824,847	9,390,088	3,907,481	11,360,409	629,375
terest	-	15,943,483	6,887,806	677,051	12,311,704	4,524,233	6,256,416	3,090,548	517,865	40,223	-
Total expenses	-	1,366,184,185	168,803,401	103,199,532	369,776,462	161,231,027	225,709,224	89,285,309	59,784,902	844,984,936	57,802,834
Income (loss) from operations	161,770,467	210,769,237	19,609,363	16,079,752	128,640,993	70,492,697	38,981,276	11,067,055	8,150,146	(363,931,480)	(21,808,734)
onoperating gains (losses)											
nrestricted investment income	-	23,335,444	1,605	845	942,192	2,099	1,384,388	1,114	757	22,827	-
ealized gains (losses) on investments	-	(25,387,303)	-	-	-	-	(8,283,879)	-	-	-	-
hange in unrealized gains (losses) on investments	-	76,753,857	-	-	-	-	7,739,494	-	-	-	-
come from equity method investments	-	6,219,332	-	-	-	-	-	-	-	-	-
ain (loss) on disposal of property and equipment		(433,869)	(170,871)	(8,223)	-	(199,509)	-	(922,597)	83,202	-	-
onations and grants to other organizations	-	(13,434,214)	(897,988)	(18,280)	(410,863)	(232,771)	(11,244)	(23,153)	(2,082)	-	-
hange in fair market value of derivatives	-	6,695,398	-	-	-	-	-	-	-	-	-
oodwill amortization	-	(5,055,584)	-	(82,400)	(694,682)	(1,315,678)	(51,235)	-	-	(1,406,465)	(116,005)
.oss) on refinancing	-	(540,475)	(51,792)	(23,271)	(126,641)	(57,782)	(80,454)	(30,672)	(20,832)	-	-
ension and annuity settlement cost	-	(7,489,144)	-	-	-	-	-	-	-	-	-
ther nonoperating	-	(834,603)	(12,076)	(26,153)	(82,053)	67,599	(229,842)	(36,596)	(5,147)	(786,933)	(80,222)
Nonoperating gains/(losses)	-	59,828,839	(1,131,122)	(157,482)	(372,047)	(1,736,042)	467,228	(1,011,904)	55,898	(2,170,571)	(196,227)
Excess (deficiency) of revenue and gains in excess of expenses	161,770,467	270,598,076	18,478,241	15,922,270	128,268,946	68,756,655	39,448,504	10,055,151	8,206,044	(366,102,051)	(22,004,961)

The accompanying note is an integral part of these supplemental consolidated financial statements.

St. Luke’s Health Network, Inc. and Controlled Entities
Supplemental Consolidating Statement of Operations
Year Ended June 30, 2024 — Schedule II

	Emergency and Transport Services	St. Luke's Ambulatory Services	Two Rivers Enterprises, Inc.	Sacred Heart Healthcare System	Tamaqua Medical Center Properties, LLC	Penn Foundation	Penn Gardens	Penn Villa Corp.	Eliminations	Consolidated Totals
Net patient service revenue	$ 10,694,240	$ 8,543,345	$ -	$ -	$ -	$ 26,772,929	$ -	$ -	$ (4,049,976)	$ 3,503,679,014
Other operating revenue and gains	71,175	-	853,616	-	-	2,953,867	264,704	131,516	(748,293)	102,288,356
Net assets released from restrictions used for operations	-	-	-	-	-	196,046	-	-	-	4,527,916
Equity in net income from controlled entities	-	-	-	-	-	-	-	-	(161,770,467)	-
Total revenue	10,765,415	8,543,345	853,616	-	-	29,922,842	264,704	131,516	(166,568,736)	3,610,495,286
Operating expenses										
Salaries and employee benefits	13,202,178	1,977,137	358,833	-	-	26,311,197	19,867	41,636	-	2,055,486,654
Supplies and other	2,274,216	4,211,911	824,757	-	25	5,550,415	114,186	90,570	(4,798,268)	1,256,005,844
Depreciation and amortization	475,490	161,321	35,048	-	72,689	1,198,924	55,157	39,015	-	137,236,289
Interest	-	-	-	-	-	164,714	45,784	-	-	50,459,827
Total expenses	15,951,884	6,350,369	1,218,638	-	72,714	33,225,250	234,994	171,221	(4,798,268)	3,499,188,614
Income (loss) from operations	(5,186,469)	2,192,976	(365,022)	-	(72,714)	(3,302,408)	29,710	(39,705)	(161,770,468)	111,306,672
Nonoperating gains (losses)										
Unrestricted investment income	-	-	-	-	-	20,330	182	125	-	25,711,908
Realized gains (losses) on investments	-	-	-	-	-	-	-	-	-	(33,671,182)
Change in unrealized gains (losses) on investments	-	-	-	-	-	-	-	-	-	84,493,351
Income from equity method investments	-	-	-	-	-	-	-	-	-	6,219,332
Gain (loss) on disposal of property and equipment	-	(31,020)	-	-	-	-	-	-	-	(1,682,887)
Donations and grants to other organizations	-	-	-	-	-	(500)	-	-	-	(15,031,095)
Change in fair market value of derivatives	-	-	-	-	-	-	-	-	-	6,695,398
Goodwill amortization	-	(1,834,079)	-	-	-	-	(130,630)	-	-	(10,686,758)
(Loss) on refinancing	-	-	-	-	-	-	-	-	-	(931,919)
Pension and annuity settlement cost	-	-	-	-	-	-	-	-	-	(7,489,144)
Other nonoperating	9,152	(63,213)	-	-	-	305,658	-	-	-	(1,774,429)
Nonoperating gains/(losses)	9,152	(1,928,312)	-	-	-	325,488	(130,448)	125	-	51,852,575
Excess (deficiency) of revenue and gains in excess of expenses	(5,177,317)	264,664	(365,022)	-	(72,714)	(2,976,920)	(100,738)	(39,580)	(161,770,468)	163,159,247

The accompanying note is an integral part of these supplemental consolidated financial statements.

1. Basis of Presentation

The accompanying supplemental information includes the Consolidating Balance Sheet and Consolidating Statement of Operations of the Network at June 30, 2024. The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental combining information is presented only for purposes of additional analysis and not as a presentation of the financial position and results of the individual entities.