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

Consolidated Financial Statements
June 30, 2026 and 2025

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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, 2026 and 2025, 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, 2026 and 2025, 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

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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, 2026 (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 26, 2026

St. Luke's Health Network, Inc. and Controlled Entities
Consolidated Balance Sheets
June 30, 2026 and 2025

	2026	2025
Assets		
Current		
Cash and cash equivalents	$ 454,841,895	$ 306,609,223
Patient accounts receivable, net	470,103,957	401,929,771
Other accounts receivable	71,947,197	78,635,723
Investments	105,476,075	118,306,327
Supplies	64,590,569	57,527,012
Prepaid expenses	59,766,421	49,956,560
Total current assets	1,226,726,114	1,012,964,616
Noncurrent		
Investments	1,664,974,140	1,327,119,844
Property and equipment, net	1,893,975,167	1,581,193,278
Goodwill, net	57,690,188	67,940,321
Investments in joint ventures	114,984,452	96,377,979
Operating lease right-of-use assets, net	179,839,867	184,780,921
Deferred compensation plan assets	140,890,946	109,318,370
Other assets	50,369,397	39,474,392
Total assets	$ 5,329,450,271	$ 4,419,169,721
Liabilities and Net Assets		
Current		
Accounts payable	$ 197,655,872	$ 204,583,385
Accrued salaries, wages and taxes	229,491,798	185,444,014
Accrued vacation	130,982,768	115,767,713
Current portion of self insurance reserves	77,561,910	72,338,398
Current portion of long-term debt	36,843,281	31,510,927
Current portion of operating lease obligations	29,198,264	27,180,051
Current portion of deferred compensation	100,232,183	52,347,727
Accrued interest on long-term debt	25,713,017	19,414,418
Estimated third-party payor settlements	92,998,117	76,066,353
Other current liabilities	64,702,512	53,500,607
Total current liabilities	985,379,722	838,153,593
Noncurrent		
Long-term debt, net of current portion	2,019,450,868	1,552,549,571
Long-term operating lease obligations	155,921,639	162,893,979
Deferred compensation	160,523,263	157,043,179
Self insurance reserves	94,797,890	88,413,597
Swap contracts	10,897,447	15,455,820
Asset retirement obligation	3,562,721	3,562,721
Other noncurrent liabilities	44,651,696	37,504,999
Total liabilities	3,475,185,246	2,855,577,459
Net assets		
Net assets without donor restrictions	1,680,402,963	1,407,578,169
Net assets with donor restrictions	173,862,062	156,014,093
Total net assets	1,854,265,025	1,563,592,262
Total liabilities and net assets	$ 5,329,450,271	$ 4,419,169,721

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, 2026 and 2025

	2026	2025
Revenues, gains and other support		
Net patient service revenue	$ 4,552,652,763	$ 3,931,809,768
Other operating revenue and gains	89,215,733	74,463,516
Net assets released from restrictions used for operations	4,965,263	4,249,183
Total revenue, gains, and other support	4,646,833,759	4,010,522,467
Operating expenses		
Salaries and employee benefits	2,512,585,391	2,241,362,369
Supplies and other	1,766,900,479	1,464,882,816
Depreciation and amortization	176,851,266	150,737,213
Interest	67,049,623	53,050,085
Total expenses	4,523,386,759	3,910,032,483
Income from operations	123,447,000	100,489,984
Nonoperating gains (losses)		
Unrestricted investment income	40,217,950	32,643,165
Realized gains on investments	29,385,484	22,685,385
Change in unrealized gains on investments	90,354,102	64,279,876
Income from equity method investments, net	9,865,398	11,182,754
Gain (Loss) on disposal of property and equipment	3,193,562	(501,017)
Donations and grants to other organizations	(19,693,374)	(16,696,488)
Change in fair market value of derivatives	4,558,373	(1,129,624)
Goodwill amortization	(10,923,541)	(10,874,515)
Gain on refinancing	6,228,843	-
Pension and annuity settlement cost	(4,888,992)	(7,435,577)
Other nonoperating losses	(10,121,293)	(6,936,977)
Nonoperating gains	138,176,512	87,216,982
Excess of revenue and gains over expenses	$ 261,623,512	$ 187,706,966

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, 2026 and 2025

	2026	2025
Net assets without donor restrictions		
Excess of revenue and gains over expenses	$ 261,623,512	$ 187,706,966
Net assets contributed and released from restrictions used for purchase of property and equipment	1,773,150	5,809,302
Pension adjustment to funded status	(7,862,398)	18,417,142
Other changes in net assets without donor restrictions	17,290,530	108
Increase in net assets without donor restrictions	272,824,794	211,933,518
Net assets with donor restrictions		
Contributions received	11,713,735	(240,868)
Net realized/unrealized gains on investments	19,844,796	15,529,741
Net assets released from restrictions	(13,710,562)	(9,318,352)
Increase in net assets with donor restrictions	17,847,969	5,970,521
Increase in net assets	290,672,763	217,904,039
Net assets		
Beginning of year	1,563,592,262	1,345,688,223
End of year	$1,854,265,025	$1,563,592,262

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, 2026 and 2025

	2026	2025
Cash flows provided by operating activities		
Change in net assets	$ 290,672,763	$ 217,904,039
Adjustments to reconcile change in net assets to net cash from operating activities		
(Gain) Loss on disposal of equipment	(3,193,562)	501,017
Depreciation and amortization	176,851,266	150,737,213
Income from equity method investments	(9,865,398)	(11,182,754)
Change in unrealized gain on unrestricted investments	(90,354,102)	(64,279,876)
Net realized gain on restricted investments	(5,046,986)	(6,640,801)
Net unrealized gain on restricted investments	(14,797,810)	(8,888,940)
Net realized gain on unrestricted investments	(29,385,484)	(22,685,385)
Pension adjustments	7,862,398	(18,417,142)
Change in fair value of swap contracts	(4,558,373)	1,129,624
Goodwill amortization	10,923,541	10,874,515
Restricted contributions received	(11,713,735)	240,868
Net assets without donor restrictions from acquisition	(11,390,146)	-
Net assets with donor restrictions from acquisition	(2,624,474)	-
Change in cash due to changes in operating assets and liabilities		
Patient accounts receivable	(31,503,049)	(65,692,067)
Other receivables	7,661,387	(10,832,421)
Supplies	(268,567)	(4,931,770)
Prepaid expenses	(8,945,631)	(8,314,336)
Deferred compensation plan assets	(31,572,576)	(19,417,886)
Other assets	(7,033,548)	10,001,409
Accounts payable and accrued liabilities	65,802,067	95,579,776
Net estimated third-party payor settlements	16,496,157	(5,549,812)
Net cash provided by operating activities	314,016,138	240,135,271
Cash flows used in investing activities		
Purchases of property, plant and equipment	(248,752,554)	(224,351,996)
Proceeds from sale of equipment	28,000	14,350
Cash acquired in acquisition, net of cash paid	5,114,376	(121,986)
Investments in joint ventures and partnerships	(6,135,698)	(2,745,788)
Purchases of investments	(879,018,484)	(849,903,809)
Proceeds from sales of investments	785,756,436	883,578,095
Net cash used in investing activities	(343,007,924)	(193,531,134)
Cash flows (used in) provided by financing activities		
Proceeds from issuance of long-term debt	289,962,323	-
Repayments of long-term debt	(37,282,757)	(21,037,486)
Repurchase of St. Luke's bonds	(87,168,843)	-
Proceeds from restricted contributions	11,713,735	(240,868)
Net cash (used in) provided by financing activities	177,224,458	(21,278,354)
Increase in cash and cash equivalents	148,232,672	25,325,783
Cash and cash equivalents		
Beginning of year	306,609,223	281,283,440
End of year	$ 454,841,895	$ 306,609,223
Construction in progress included in accounts payable	$ 11,036,907	$ 15,245,536
Cash paid for interest	$ 76,395,560	$ 63,503,799

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 - 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.

- St. Luke's Hospital – Grand View Campus
- St. Luke's Grand View Health Foundation

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
There were no new Accounting Pronouncements impacting the Network for fiscal year 2026.

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 ("GAAP").

Basis of Consolidation
The consolidated financial statements include the accounts of the 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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 and are held for reinvestment.

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 gains/losses on sale of investments are included within nonoperating realized gains/losses on investments.
- Net unrealized gains on investments are included within nonoperating change in unrealized gains on investments

	2026	2025
Interest and dividend income	$ 40,217,950	$ 32,643,167
Realized gains on investments	29,385,484	22,685,385
Net unrealized gains on investments	90,354,102	64,279,876
	$ 159,957,536	$ 119,608,428

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 reported under non-current assets within investments 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 purchase price over the fair market value of assets after acquired. Management adopted the not-for-profit accounting alternative treatment permissible under 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 5.13% in 2026 and 2025. 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 5.13% in 2026 and 2025.

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 2026 the discount rate averaged 4.75% and in 2025 the discount rate averaged 5.12%) 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 if 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.

Excess of Revenues Over Expenses
The 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.

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, 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, Hillcrest Emergency Services, P.C. did not record a liability for federal and state income taxes. Effective January 1, 2009, 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 $3.23 million and $3.26 million at June 30, 2026 and June 30, 2025, 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.

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 2026 and 2025, the Network's derivative financial instruments are interest rate swap and total return 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.

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, 2026, the Network did not receive final audits for its providers. As of June 30, 2026, the Network has Medicare cost report years 2021, 2022, 2023, 2024, 2025 and 2026 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 $23,624,984 and $21,122,558 for the years ended June 30, 2026 and 2025, 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 composition of net patient care service revenue by primary payor for the years ended June 30 is as follows:

Primary Payor	2026		2025	
Medicare/Medicare MCO	$ 1,691,093,394	37.1%	$ 1,458,654,753	37.1%
Blue Cross	1,350,185,830	29.7%	1,160,415,633	29.5%
Commercial / HMO	1,134,868,795	24.9%	957,689,807	24.4%
Medicaid / Medicaid MCO	300,434,845	6.6%	271,632,970	6.9%
Other	66,407,266	1.5%	66,963,572	1.7%
Self Pay	9,662,633	0.2%	16,453,033	0.4%
	$ 4,552,652,763		$ 3,931,809,768	

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.

	FY2026		FY 2025	
Quality Based Initiatives & Other	18,022,868	20.3%	14,771,051	19.8%
Program Income	13,897,107	15.6%	10,364,530	13.9%
Nursing School & Med School Tuition	10,807,660	12.1%	10,284,264	13.8%
Grants and Contribution Revenue	10,428,201	11.7%	9,982,230	13.4%
Nutrition Services - Cafeteria Income	11,166,613	12.5%	9,259,716	12.4%
Interest Income	8,949,173	10.0%	8,778,393	11.8%
Rental Income	7,708,960	8.6%	5,066,781	6.8%
Gain on Insurance Captive	2,672,540	3.0%	2,362,384	3.2%
Clinical Trials	1,903,226	2.1%	1,894,115	2.5%
Covid 19-Stimulus Grant Funds	3,659,385	4.1%	1,700,052	2.3%
Total Other Revenue	89,215,733	100%	74,463,516	100%

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 $19 million and $16 million in contributions in the form of conditional government grants and other conditional donor contributions in the form of estates and trusts as of June 30, 2026 and June 30, 2025, respectively. 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, 2026 and 2025 was as follows:

	2026	2025
Medicare	13.4 %	14.0 %
Medicaid	8.3 %	7.4 %
Commercial	62.2 %	65.0 %
Self pay (includes balances of patients filing for Medicaid eligibility, but not yet approved)	16.1 %	13.6 %
	100 %	100 %

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, 2026 and 2025, 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 7.65% operating costs and 10.43% 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 2026, 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 $63,147,326 and $65,688,091 for the years ended June 30, 2026 and 2025, 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 $16,703,733 for 2026 as compared to a net favorable adjustment of $19,770,658 for 2025.

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:

	2026	2025
Current investments	$ 105,476,075	$ 118,306,327
Assets limited as to use		
Funds held by trustee	198,203,078	112,671,484
Funds held under bond indenture	3,178,578	2,484,482
Board designated funds	1,302,461,138	1,066,540,168
Investments restricted as to use	161,131,346	145,423,710
Total current and noncurrent investments	$ 1,770,450,215	$ 1,445,426,171

Financial instruments carried at fair value as of June 30, 2026 and 2025 are as follows:

	June 30, 2026			
	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	$ 268,431,264	$ -	$ -	$ 268,431,264
Government securities	123,078,056	-	-	123,078,056
Corporate bonds	230,657,230	-	-	230,657,230
Common & preferred stock	48,558,764	-	-	48,558,764
Mutual funds	736,683,285	363,041,616	-	1,099,724,901
Total investments	$ 1,407,408,599	$ 363,041,616	$ -	$ 1,770,450,215
Deferred compensation plan assets				
Mutual funds	$ 140,890,946	$ -	$ -	$ 140,890,946
Derivative financial instruments				
Interest rate swaps-liability	$ -	$ 10,897,447	$ -	$ 10,897,447

	June 30, 2025			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservabl Inputs (Level 3)	Total Fair Value
Investments				
Short-term investments	$ 130,153,770	$ -	$ -	$ 130,153,770
Government securities	143,799,673	-	-	143,799,673
Corporate bonds	230,354,540	-	-	230,354,540
Common & preferred stock	51,988,128	-	-	51,988,128
Mutual funds	674,879,992	214,250,068	-	889,130,060
Total investments	$ 1,231,176,103	$ 214,250,068	$ -	$ 1,445,426,171
Deferred compensation plan assets				
Mutual funds	$ 109,318,370	$ -	$ -	$ 109,318,370
Derivative financial instruments				
Interest rate swaps-liability	$ -	$ 15,455,820	$ -	$ 15,455,820

10. Investments in Joint Ventures

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 $47,231,805 and $40,634,469 for 2026 and 2025, respectively. The Network's proportionate share of the gain/loss in the amount of $6,576,346 and $5,061,338 are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2026 and 2025, respectively.

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 income in the amount of $4,851,720 and $4,519,483 are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2026 and 2025, 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 income in the amount of $1,217,498 and $1,262,363 are reported within the gain/loss from equity method investments on the statement of operations for the years ended June 30, 2026 and 2025, respectively.

The Network also maintains other investments in partnerships that provide various clinical and non-clinical 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 $114,984,452 and $96,377,979 for the years ended June 30, 2026 and 2025, 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, 2026 and 2025 consisted of the following:

	2026	2025
Land	$ 214,310,257	$ 185,050,903
Buildings and improvements	1,878,416,350	1,720,071,154
Equipment	1,556,495,258	1,356,303,014
Parking garage	26,812,226	26,812,227
Total property, plant, & equipment, gross	3,676,034,091	3,288,237,298
Less: Accumulated depreciation	(2,102,784,067)	(1,915,040,976)
Total property, plant & equipment, net	1,573,250,024	1,373,196,322
Construction-in-progress (CIP)	320,725,143	207,996,956
Total property, plant & equipment, net and CIP	$ 1,893,975,167	$ 1,581,193,278

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 $171,834,068 and $145,289,575 for the years ended June 30, 2026 and 2025, respectively. Interest that was capitalized was approximately $10,747,859 and $7,230,137 for the years ended June 30, 2026 and 2025, respectively.

12. Long-Term Debt

Long-term debt at June 30, 2026 and 2025 consisted of the following:

	2026	2025
Hospital Revenue Bonds, Series 2015A, issued by Pocono Mountains Industrial Park Authority net of unamortized Premium	50,245,315	83,319,881
Hospital Revenue Bonds, Series 2016 issued by the Northampton County General Purpose Authority, net of unamortized premium	147,240,505	209,262,651
Hospital Revenue Bonds, Series 2018A & 2018B issued by the Northampton County General Purpose Authority, net of unamortized premium	101,096,381	101,144,050
Hospital Revenue Bonds, Series 2018C issued by Pocono Mountains Industrial Park Authority net of unamortized Premium	60,880,000	60,880,000
Hospital Revenue Bonds, Series 2017B, Bonds issued by Lehigh County General Purpose Authority	55,995,000	57,050,000
Hospital Revenue Bonds, Series 2019 issued by Bucks County Industrial Development Authority, net of unamortized premium	108,074,323	108,243,095
Hospital Revenue Bonds, Series 2021 issued by Bucks County Industrial Development Authority, net of unamortized premium	135,772,970	135,891,328
Hospital Revenue Bonds, Series 2021B, issued by The National Finance Authority, net of unamortized premium	130,926,834	133,605,206
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 Refunding Bonds, Series 2022B issued by the Northampton County General Purpose Authority, net of unamortized premium	23,525,000	25,715,000
Hospital Revenue Bonds, Series 2024A & 2024B issued by the Northampton County General Purpose Authority, net of unamortized premium	417,262,292	428,820,588
Hospital Refunding Bonds, Series 2021 GVH issued by Bucks County Industrial Development Authority, net of unamortized premium	305,659,266	-
Hospital Revenue Bonds, Series 2026A & 2026B, Bonds issued by Lehigh County General Purpose Authority, net of unamortized premium	285,012,147	-
USDA 2021 Loan	89,013,042	88,768,188
TD Bank Loan 2021	11,774,048	12,761,958
77 S Commerce Way	16,057,315	16,664,993
2022 Hillcrest Loan	37,660,000	38,610,000
Various notes and mortgage notes payable at various interest rates	59,478,866	59,298,167
Deferred Financing Costs	(18,789,155)	(15,384,607)
	$ 2,056,294,149	$ 1,584,060,498
Less: Current portion	(36,843,281)	(31,510,927)
	$ 2,019,450,868	$ 1,552,549,571

Effective interest rates on fixed debt obligations range from 2.34% - 6.75%, and 0.15% - 4.75% on variable rate obligations.

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

Fiscal Year	Long-Term Debt
2027	$ 36,843,281
2028	38,284,642
2029	37,659,880
2030	38,985,687
2031	40,359,760
2032	41,643,309
Thereafter	1,728,017,911
	1,961,794,470
Plus: Amount of unamortized bond discount/premium/imputed interest	94,499,679
	$ 2,056,294,149

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 2018A & 2018B
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 $60,880,000 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 2021B 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 2021B 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 2021 GVH Bonds
During 2021, the Bucks County Industrial Development Authority (the Authority), on behalf of Grand View Hospital, issued $285,000,000 of Hospital Revenue Bonds Series of 2021 (Series 2021 Bonds). Bond proceeds were used to refund all of the outstanding Hospital Revenue Bonds (Grand View Hospital) Series of 2008 (the Series of 2008 Bonds), pay for construction and other costs associated with a new inpatient care building, fund a debt service reserve fund and interest on the project through December 31, 2023, and to pay the costs associated with the issuance of the Series 2021 Bonds, including the termination of the interest rate swap agreements related to the Series 2008 Bonds.

The Series 2021 Bonds consist of serial bonds which mature at various dates from July 2025 to July 2041, and term bonds maturing through 2054 with interest rates ranging from 4-5%.

Hospital Revenue Bonds, Series 2022A 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 2022B 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 2024A 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 2024A 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 2018B Bonds, paydown of other indebtedness and to cover cost of issuance related to the bonds.

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

The series 2024B 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.

Hospital Revenue Bonds, Series 2026A Bonds
On June 30, 2026 The Lehigh County General Purpose Authority issued $167,725,000 aggregate principal amount of Hospital Revenue Bonds, Series 2026A.

The series 2026A Bonds are being issued to deposit to project fund account, to refund part the Pocono Mountains Industrial Park Authority Hospital Revenue Bonds series 2015A, and part the Northampton County General Purpose Authority Hospital Revenue Bonds series 2016A. To fund the acquisitions and capital improvements throughout the Network, including the acquisition of the complete ownership of Geisinger St. Luke`s Hospital to be renamed to St Luke`s Hospital Orwigsburg Campus and to cover cost of issuance related to the bonds.

Interest on the series 2026A Bonds will accrue at a fixed rate and will be payable on each February 15 and August 15, commencing on August 15, 2026. Interest on the Series 2026A Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2026A Bonds are subject to optional, mandatory and extraordinary optional redemption prior to their maturity.

Hospital Revenue Bonds, Series 2026B Bonds
On June 30, 2026 The Lehigh County General Purpose Authority issued $100,000,000 aggregate principal amount of Hospital Revenue Bonds, Series 2026B.

The series 2026B Bonds are being issued to deposit to project fund account to fund the acquisitions and capital improvements throughout the Network, including the acquisition of the complete ownership of Geisinger St. Luke`s Hospital to be renamed to St Luke`s Hospital Orwigsburg Campus and to cover cost of issuance related to the bonds.

Interest on the series 2026B Bonds will accrue at a fixed rate and will be payable on each February 15 and August 15, commencing on August 15, 2026. Interest on the Series 2026B Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The Series 2026B Bonds are subject to optional, mandatory and extraordinary optional redemption prior to their maturity.

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 were 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, 2026

13. Derivative Financial Instruments

At June 30, 2026 and 2025, the Network had entered into two interest rate swaps to manage its interest rate risk. The Network pays interest at fixed rates ranging from 4.56% to 4.65% and receives interest at variable rates based upon percentages of SOFR, ranging from 4.01% to 4.79%. The notional amount of swap agreements was $208.2 million as of June 30, 2026 and $216.1 million as of June 30, 2025, 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 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, 2026, the Hospital incurred and paid interest costs of $1,553,588. For the year ended June 30, 2025, the Hospital incurred and paid interest costs of $697,416.

On October 28, 2025, St. Luke's Bethlehem entered into a swap transaction with a national banking association, the "Swap Counterparty", with a beginning notional amount of $31,665,000, an effective date of October 28, 2025 and a termination date of October 28, 2030. Under the Swap Transaction, St. Luke's Bethlehem will pay a floating rate equal to the USD-SIFMA Municipal Swap Index plus a spread set forth in the swap confirmation and the Swap Counterparty will pay a fixed rate of 5.00%. St. Luke's Bethlehem has entered into the Swap Transaction in connection with the purchase in lieu of redemption and subsequent sale to the Swap Counterparty of $31,665,000 in principal amount of the Pocono Mountains Industrial Park Authority Hospital Revenue Bonds, Series 2015A (St. Luke's Hospital – Monroe Project) maturing August 15, 2040. This swap was terminated in June 2026 with the issuance of the two swap transactions below.

On June 25, 2026, St. Luke's Bethlehem entered into two swap transactions with a national banking association, the "Swap Counterparty", each with a beginning notional amount of $50,000,000 and an effective date of June 30, 2026. The first swap transaction has a termination date of June 30, 2031. The second swap transaction has a termination date of June 30, 2033. Under the Swap Transactions, St. Luke's Bethlehem will pay a floating rate equal to the USD-SIFMA Municipal Swap Index plus a spread set forth in the swap confirmations and the Swap Counterparty will pay a fixed rate of 6.75%. St. Luke's Bethlehem has entered into the Swap Transactions in connection with the issuance by the Lehigh County General Purpose Authority and subsequent sale to the Swap Counterparty of the Authority's $100,000,000 aggregate principal amount Hospital Revenue Bonds, Series 2026B dated June 30, 2026.

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, 2026 and 2025:

	Swap 1	Swap 2	Swap 3	Swap 4
Notional amount at June 30, 2025	$141,885,000	$ 74,200,000	$ -	$ -
Notional amount at June 30, 2026	$140,425,000	$ 67,765,000	$ 50,000,000	$ 50,000,000
Effective date	2/21/2007	2/21/2007	6/30/2026	6/30/2026
Termination date	8/15/2042	8/15/2033	6/30/2031	6/30/2033
Fixed rate	4.65%	4.56%	4.65%	4.56%
Fair value at June 30, 2025	$ (12,376,880)	$ (3,078,940)	$ -	$ -
Unrealized gains (losses)	3,206,477	1,341,556	5,170	5,170
Fair value at June 30, 2026	$ (9,170,403)	$ (1,737,384)	$ 5,170	$ 5,170

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			
	2026		2025	
	Balance Sheet Caption	Fair Value	Balance Sheet Caption	Fair Value
Interest rate swaps	Swap contracts	$10,897,447	Swap contracts	$15,455,820

Classification of derivative gain in Statement of Operations	Amount of gain recognized in change in net assets	
	2026	2025
Non operating gain (loss)	$ 4,558,373	$ (1,129,624)

14. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30, 2026 and 2025:

	2026	2025
Purchase of property and equipment	$ 8,951,219	$ 5,797,496
Health education	19,025,649	24,934,580
Research and development/Other	1,069,338	558,549
Unrealized gains on restricted net assets for health care services	59,623,244	44,560,272
	$ 88,669,450	$ 75,850,897
Investments to be held in perpetuity, the income from which is expendable to support health care services (reported as other operating and nonoperating income)	$ 85,192,612	$ 80,163,196
Total net assets with donor restrictions	$ 173,862,062	$ 156,014,093

Endowments
The Network's individual donor restricted endowment funds and specific purpose funds total $89,218,569 and $83,928,379 as of June 30, 2026 and 2025, 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, 2026 delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment net asset composition by type of fund as of June 30, 2026:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 89,218,569	$ 89,218,569

Endowment net asset composition by type of fund as of June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 83,928,379	$ 83,928,379

Changes in endowment net assets for the year ended June 30, 2026:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 83,928,379	$ 83,928,379
Investment return			
Investment income	-	4,107,405	4,107,405
Gain on sale of investments	-	-	-
Change in fair value of investments	-	17,442,023	17,442,023
Total investment return	-	21,549,428	21,549,428
Gifts	-	3,406,576	3,406,576
Income released to general fund for operations	-	(2,361,118)	(2,361,118)
Transfer balance of net appreciation	-	(17,304,696)	(17,304,696)
Endowment net assets, end of year	$ -	$ 89,218,569	$ 89,218,569

Changes in endowment net assets for the year ended June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ -	$ 76,530,880	$ 76,530,880
Investment return			
Investment income	-	3,898,465	3,898,465
Gain on sale of investments	-	-	-
Change in fair value of investments	-	10,020,597	10,020,597
Total investment return		13,919,062	13,919,062
Gifts	-	5,642,631	5,642,631
Income released to general fund for operations	-	(2,496,662)	(2,496,662)
Transfer balance of net appreciation	-	(9,667,532)	(9,667,532)
Endowment net assets, end of year	$ -	$ 83,928,379	$ 83,928,379

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, 2026:

Permanent Endowment	$ 84,951,333
Mortgage Endowment	241,279
Total endowment assets classified as Net assets with donor restrictions	$ 85,192,612

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, 2025:

Permanent Endowment	$ 79,933,291
Mortgage Endowment	229,905
Total endowment assets classified as Net assets with donor restrictions	$ 80,163,196

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, 2026 nor 2025.

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 $869,000 and $893,000 as of June 30, 2026 and June 30, 2025, 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 years.

The Consolidated Balance Sheet includes operating lease right-of-use assets and liabilities at June 30, 2026 and June 30, 2025 as follows:

	2026	2025
Operating lease right-of-use assets, gross	$ 286,860,686	$ 277,663,152
Less: Accumulated amortization of right-of-use assets	(107,020,819)	(92,882,231)
Total operating lease right-of-use assets, net	$ 179,839,867	$ 184,780,921
Current portion of operating lease obligations	$ 29,198,264	$ 27,180,051
Long-term operating lease obligations	155,921,639	162,893,979
Total operating lease obligations	$ 185,119,903	$ 190,074,030

The components of the lease cost for the year ended June 30, 2026 and June 30, 2025 are as follows:

	2026	2025
Finance lease cost		
Amortization of leased assets	$ 428,465	$ 46,827
Interest on lease liabilities	45,410	46,569
Operating lease cost	36,670,685	36,067,088
Short-term lease cost	12,958,300	13,609,210
Total lease cost	$ 50,102,860	$ 49,769,694

Other information related to leases as of June 30, 2026 and June 30, 2025 are as follows:

Supplemental cash flow information:	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow for operating leases	$ 36,713,037	$ 35,944,878
Right of use assets obtained in exchange for new operating lease liabilities	$ 23,867,311	$ 23,459,156
Weighted average remaining lease term	8.9 years	9.3 years
Weighted average discount rate	4.32%	4.13%

Future maturities of operating lease liabilities as of June 30, 2026 are as follows:

2027	$ 36,513,250
2028	30,959,467
2029	26,664,433
2030	22,966,926
2031	20,113,954
Thereafter	89,446,404
Total undiscounted future lease payments	226,664,434
Less: Present value discount	(41,544,531)
Discounted future lease payments	$ 185,119,903

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, 2026		
	Healthcare Services	General and Administrative Services	Total
Operating expenses			
Salaries and employee benefits	$ 2,366,774,077	$ 145,811,314	$ 2,512,585,391
Supplies and other	1,664,363,036	102,537,443	1,766,900,479
Depreciation and amortization	166,588,166	10,263,100	176,851,266
Interest	63,158,574	3,891,049	67,049,623
Total Operating expenses	$ 4,260,883,853	$ 262,502,906	$ 4,523,386,759
Nonoperating expenses	42,979,345	2,647,855	45,627,200
Total	$ 4,303,863,198	$ 265,150,761	$ 4,569,013,959

	Year ended June 30, 2025		
	Healthcare Services	General and Administrative Services	Total
Operating expenses			
Salaries and employee benefits	$ 2,095,177,896	$ 146,184,473	$ 2,241,362,369
Supplies and other	1,369,341,316	95,541,500	1,464,882,816
Depreciation and amortization	140,905,942	9,831,271	150,737,213
Interest	49,590,092	3,459,993	53,050,085
Total Operating expenses	$ 3,655,015,246	$ 255,017,237	$ 3,910,032,483
Nonoperating expenses	39,676,285	2,768,289	42,444,574
Total	$ 3,694,691,531	$ 257,785,526	$ 3,952,477,057

17. Liquidity and Availability

The table below represents financial assets available for general expenditures within one year at June 30, 2026 and at June 30, 2025:

	2026	2025
Cash and cash equivalents	$ 454,841,895	$ 306,609,223
Short term investments	105,476,075	118,306,327
Other unrestricted investments	1,302,461,138	1,066,540,168
Patient accounts receivable, net	470,103,957	401,929,771
Other accounts receivable	71,947,197	78,635,723
	$ 2,404,830,262	$ 1,972,021,212

In the event of a liquidity need, the Network could draw upon $125M in Lines of Credit. As of June 30, 2026, the network has established Lines of Credit with two Banks.

Bank	Expiration Date	LOC Amount
Truist	05/06/2028	$75,000,000
Wells Fargo	04/20/2027	$50,000,000
Totals		$125,000,000

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, 2026, 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 2026 or 2025.

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 $69,098,607 and $64,134,050 for June 30 2026 and 2025, respectively. The Network has recorded a defined contribution plan liability of $112,601,248 and $102,530,305 for June 30, 2026 and 2025, respectively. In FY26 this liability is included in other current liabilities and deferred Compensation on the consolidated balance sheet. In FY25 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, 2026 and 2025, includes the following components:

	2026	2025
Change in benefit obligation		
Benefit obligation at beginning of year	$ 462,279,514	$ 468,185,115
Interest cost	26,092,915	25,444,050
Plan settlements	-	-
Benefits paid	(24,325,602)	(21,444,540)
Actuarial loss (gain)	10,772,297	(9,905,111)
Benefit obligation at end of year	$ 474,819,124	$ 462,279,514

Amounts recognized in the Consolidated Balance Sheets consist of:

	2026	2025
Change in plan assets		
Fair value of plan assets at beginning of year	$ 464,757,592	$ 454,461,645
Actual return on plan assets	22,561,669	27,140,487
Employer contributions	4,600,000	4,600,000
Plan settlements	-	-
Benefits paid	(24,325,602)	(21,444,540)
Fair value of plan assets at end of year	$ 467,593,659	$ 464,757,592
Over-funded (unfunded) status at end of year	$ (7,225,465)	$ 2,478,078

	2026	2025
Current liabilities	$ -	$ -
Noncurrent liabilities	(7,225,465)	2,478,078
Net amount recognized in statement of financial position	$ (7,225,465)	$ 2,478,078

Amounts recognized in net assets without donor restrictions consist of:

	2026	2025
Unrecognized net loss	$ 108,959,642	$ 101,097,244

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

	2026	2025
Projected benefit obligation	$ 634,122	$ 597,663
Accumulated benefit obligation	634,122	597,663
Fair value of plan assets	-	-

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

Total pension benefit cost	2026	2025
Service Cost	$ -	$ -
Interest cost	26,092,915	25,444,050
Expected return on plan assets	(21,623,105)	(21,180,475)
Amortization of initial net obligation (asset)	-	-
Amortization of prior service cost	-	-
Amortization of net loss	1,971,335	2,552,019
Curtailment (gain) / loss recognized	-	-
Settlement (gain) loss recognized	-	-
Special termination benefit recognized	-	-
Net periodic benefit cost	$ 6,441,145	$ 6,815,594

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

	2026	2025
Net loss (gain)	$ 9,833,733	$ (15,865,123)
Amortization of loss	(1,971,335)	(2,552,019)
Total recognized in net assets without donor restrictions	7,862,398	(18,417,142)
Total recognized in net periodic benefit cost and unrestricted net assets	$ 14,303,543	$ (11,601,548)

The estimated net loss over the next fiscal year is $2,290,659.

Weighted-average assumptions used to determine benefit obligations:

	2026	2025
Discount rate	5.67 %	5.81 %
Rate of compensation increase	N/A	N/A

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

	2026	2025
Expected long-term return on plan assets	4.75 %	4.75 %
Discount rate	5.81 %	5.58 %

Plan Assets

The Network Pension Plans weighted-average asset allocations at June 30, 2026 and 2025, by asset category, are as follows:

	Plan Assets at June 30	
Asset Category	**2026**	**2025**
Equity securities	0 %	21 %
Debt securities	100 %	79 %
	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 contributed $4,600,000 to its pension plans in the 2027 fiscal year.

Estimated Future Benefit Payments

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

2027	$ 28,470,159
2028	30,078,086
2029	30,792,436
2030	31,903,956
2031	33,004,017
2032-2036	172,505,122
	$ 326,753,776

The following table presents the Plan's financial instruments as of June 30, 2026, 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, 2026		
Investments		
Money Market Funds	$ 7,413,721	$ 7,413,721
Debt Securities	460,179,938	460,179,938
Common and preferred stock	-	-
Total investments	$ 467,593,659	$ 467,593,659

The following table presents the Plan's financial instruments as of June 30, 2025, 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, 2025		
Investments		
Money Market Funds	$ 2,865,338	$ 2,865,338
Debt Securities	365,150,442	365,150,442
Common and preferred stock	96,741,812	96,741,812
Total investments	$ 464,757,592	$ 464,757,592

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, 2026 and June 30, 2025, 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, 2026 and 2025 was approximately $49,922,251 and $43,303,967 and was estimated using a discount rate of 4.25% and 4.25%, respectively. The discount for Class A and Class B subscribers was $15,009,256 and $12,637,614 for June 30, 2026 and 2025, respectively.

The Network has recorded a receivable as of June 30, 2026 of $28,624,854 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, 2025 of $26,648,344 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 2025 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 $38,344,257 and $31,839,020 for the years ended June 30, 2026 and 2025, respectively. The impact of the discount was $6,644,243 and $5,709,980 for the years ended June 30, 2026 and 2025, 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, 2026 and 2025 was approximately $16,403,388 and $12,203,570, respectively. The impact of the discount was $2,857,612 and $2,124,930 for the years ended June 30, 2026 and 2025, respectively.

The Network maintains accrued insurance reserves for its self-insured portion of expected workers' compensation claims of approximately $16,984,371 and $13,569,830 for the years ended June 30,

2026 and 2025, respectively. The impact of the discount was $5,626,638 and $5,025,682 for the years ended June 30, 2026 and 2025, 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 $140,890,946 and $109,318,370 for the years ended June 30, 2026 and 2025 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, 2026 and 2025 totaled $57,690,188 and $67,940,321, respectively. The Network's goodwill consists of the excess of purchase price over the fair value of identified net assets of businesses acquired. No goodwill accumulated impairment losses have been recognized.

The changes in the carrying amount of goodwill for the Network for the years ended June 30, 2026 and 2025 are as follows:

Balance as of June 30, 2024	$	78,692,850
Goodwill additions during the year		121,988
Goodwill amortization during the year		(10,874,517)
Balance as of June 30, 2025	$	67,940,321
Goodwill additions during the year		673,408
Goodwill amortization during the year		(10,923,541)
Balance as of June 30, 2026	$	57,690,188

22. Litigation

The Network and its controlled entities are involved in certain litigation which involves professional and general liability and regulatory investigations. 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. Related Party Transactions

The Network maintains a 50% equity interest in GSL Consolidated (Hospital and Physician Group), a tax-exempt joint venture between the Network and Geisinger Health System. As of June 30, 2026 and 2025, the amounts due from GSL Consolidated to the Network included other receivables of $5,989,799 and $6,650,306, respectively. These other receivables represent transactions in the ordinary course of business related to various professional, administrative, and other support services.

Star Community Health, Inc. ("Star") is a not-for-profit, tax-exempt corporation that qualifies under the Health Resources and Services Administration ("HRSA") as a Federally Qualified Healthcare Center ("FQHC") "Look-Alike" organization. FQHCs are community-based health-care providers

that receive funds from the HRSA Health Center Program to provide primary care services in underserved areas.

Star and the Network entered into several agreements (System Support Services Agreement, Collaboration Agreement, and Professional Services Agreement) to provide professional, administrative, and other support services on an ongoing basis. In addition, as part of SLHN's desire to further its charitable mission and to ensure the availability of health-care services to underserved persons previously receiving care at SLHN facilities, and in recognition that without granting a sum of money to Star, Star would be unable to meet anticipated costs for uncompensated care at the clinics, SLHN executed grant agreements with Star effective January 1, 2019. As of June 30, 2026 and 2025, the grants and amounts paid/due from SLHN to Star are as follows:

	2026	2025
Community Health Grant Agreement	$13,407,711	$10,489,503
Allentown Health Grant Agreement	$60,000	$60,000
Sliding Fee Scale Discount Grant Agreement	$525,000	$425,000
BASD Health Grant Agreement	$10,000	$10,000
Dental Van Grant Agreement	$720,000	$720,000

As of June 30, 2026 and 2025, amounts due from Star to the Network totaled $10,512,037 and $9,780,110, respectively, and have been recorded as due to affiliates in Star's statements of financial position, net of amounts due from SLHN which for the years ended June 30, 2026 and 2025 totaled $2,801,907 and $1,337,598, respectively. These other receivables/payables represent transactions in the ordinary course of business related to various professional, administrative, and other support services.

24. Business Combinations

On January 6, 2025, the Network provided notice that it had entered into a definitive agreement with Grand View Hospital ("GVH") and the Grand View Health Foundation ("GVH Foundation") and its Controlled Affiliates. The Closing successfully occurred under the Affiliation Agreement, and the Network became the sole corporate member of GVH, GVH Foundation, and its Controlled Affiliates effective July 1st, 2025. The acquisition of GVH, GVH Foundation, and its Controlled Affiliates was intended to enhance each organization's ability to provide superb quality care and service for their patients and communities.

The following table summarizes the fair value of assets, liabilities and net assets contributed by GVH, GVH Foundation, and its Controlled Affiliates at the acquisition date (in thousands):

	2025
Assets	
Current Assets	
Cash and cash equivalents	$ 5,768
Assets whose use is limited	17,287
Accounts receivable, patients	36,671
Inventories of drugs and supplies	6,795
Other current assets	3,651
Total current assets	70,172
Assets Whose Use is Limited	73,603
Property and Equipment, Net	227,840
Pension Asset	-
Other Investments	875
Professional Insurance Recoveries Receivable	3,245
Total assets acquired	$ 375,735
Liabilities and Net Assets	
Current Liabilities	
Accounts payable and accrued liabilities	$ 26,135
Accrued payroll and related liabilities	14,671
Current portion, long-term debt	4,370
Accrued interest	6,512
Estimated third-party payor settlements	436
Total current liabilities assumed	52,124
Other Liabilities	60
Long-Term Debt	304,707
Estimated Professional Insurance Liability	4,830
Estimated Third-Party Payor Settlements	-
Total liabilities assumed	361,721
Net Assets	
Without donor restrictions	11,390
With donor restrictions	2,624
Total net assets contributed	14,014
Total liabilities and net assets	$ 375,735

The acquired organizations contributed $245,041,289 of operating revenues and ($36,302,120) in changes in net assets without donor restrictions for the year ended June 30th, 2026.

25. Subsequent Events

The Network has performed an evaluation of subsequent events through October 26, 2026, which is the date the financial statements were issued.

On October 31, 2025, the Network informed Geisinger Health ("Geisinger") that the Network was exercising its right to purchase Geisinger's membership interests in Geisinger St. Luke's Hospital. Upon completion of the purchase, the Network will be the sole owner of Geisinger St. Luke's Hospital. The Network expects the transaction to be completed on November 30, 2026, pending governmental approval.

Consolidating Supplemental Information

St. Luke's Health Network, Inc. and Controlled Entities
Supplemental Consolidating Balance Sheet
June 30, 2026

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 Warren Hospital	St. Luke's Hospital Monroe Campus	St. Luke's Hospital Carbon Campus	St. Luke's Hospital Easton Campus	Grand View Obligated Group	St. Luke's Physician Group	St. Luke's Physician Group NJ	Emergency and Transport Services
Assets												
Current												
Cash and cash equivalents	$ -	$ 432,035,213	$ 300	$ 500	$ 548,780	$ 350	$ 607,511	$ -	$ 19,808,499	$ 25,043	$ 4,566	$ 35
Investment in controlled entities	1,854,265,025	-	-	-	-	-	-	-	-	-	-	-
Patient accounts receivable, net	-	261,731,437	27,497,594	10,226,519	21,605,634	35,028,127	5,034,801	12,005,824	33,520,040	54,429,353	3,407,168	602,403
Other accounts receivable	-	61,480,222	333,299	115,072	442,254	342,055	112,577	12,787	1,762,917	7,003,735	572	-
Investments	-	105,476,075	-	-	-	-	-	-	-	-	-	-
Supplies	-	42,149,512	2,999,784	1,526,132	3,399,079	3,629,253	1,632,859	2,043,008	7,210,943	-	-	-
Prepaid expenses	-	52,106,281	586,034	140,420	194,826	675,420	272,854	439,277	288,239	4,811,300	107,526	56,639
Estimated third-party payor settlements	-	-	-	-	-	-	-	443,657	-	-	-	-
Total current assets	1,854,265,025	954,978,740	31,417,011	12,008,643	26,190,573	39,675,205	7,660,602	14,944,553	62,590,638	66,269,431	3,519,832	659,077
Noncurrent												
Investments	-	1,557,187,021	10,503,476	357,154	1,091,842	572,065	3,270,680	74,991	91,506,262	-	-	6,000
Property and equipment, net	-	1,068,706,158	159,924,107	32,371,331	94,335,875	146,920,367	62,543,584	41,275,002	216,380,012	47,616,137	3,236,628	3,993,679
Goodwill, net	-	28,755,999	-	412,000	6,698,342	256,175	-	-	-	11,149,004	464,493	-
Due from affiliates	-	180,569,973	-	-	210,966,572	-	29,828,334	-	-	-	-	-
Investments in joint ventures	-	114,969,486	-	-	-	-	-	-	24,966	-	-	-
Operating lease right-of-use assets, net	-	125,221,954	2,957,995	3,696,376	3,679,307	21,903,767	5,874	1,356,222	5,488,899	12,923,688	171,650	592,425
Deferred compensation plan assets	-	140,728,709	-	-	-	-	-	-	-	-	-	-
Other assets	-	41,668,130	177,985	69,647	2,500	120,130	38,376	323,332	6,267,619	-	-	-
Total assets	$ 1,854,265,025	$ 4,212,786,170	$ 204,980,574	$ 48,915,151	$ 342,965,011	$ 209,447,709	$ 103,347,450	$ 57,974,100	$ 382,258,396	$ 137,958,260	$ 7,392,603	$ 5,251,181

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, 2026

Schedule I

	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.	Grand View Urgent Care	Quakertown Health Ventures	Grand View Health Partnership	Trinity Healthcare Alliance	Eliminations	Consolidated Totals
Assets													
Current													
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ 1,390,691	$ 136,628	$ 280,779	$ 3,000	$ -	$ -	$ -	$ -	$ 454,841,895
Investment in controlled entities	-	-	-	-	-	-	-	-	-	-	-	(1,854,265,025)	-
Patient accounts receivable, net	70,329	-	-	-	4,944,727	-	-	-	-	-	-	1	470,103,957
Other accounts receivable	55,000	116,768	-	-	169,709	97	134	-	-	-	-	(1)	71,947,197
Investments	-	-	-	-	-	-	-	-	-	-	-	-	105,476,075
Supplies	-	-	-	-	-	-	-	-	-	-	-	(1)	64,590,569
Prepaid expenses	7,038	-	-	-	78,314	2,119	136	-	-	-	-	(2)	59,766,421
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-	(443,657)	-
Total current assets	132,367	116,768	-	-	6,583,441	138,844	281,049	3,000	-	-	-	(1,854,708,685)	1,226,726,114
Noncurrent													
Investments	-	-	-	-	404,649	-	-	-	-	-	-	-	1,664,974,140
Property and equipment, net	421,464	-	-	-	14,333,023	355,981	1,561,816	-	-	-	-	3	1,893,975,167
Goodwill, net	9,170,397	-	-	-	-	783,778	-	-	-	-	-	-	57,690,188
Due from affiliates	-	-	-	-	-	-	-	-	-	-	-	(421,364,879)	-
Investments in joint ventures	-	-	-	-	100	-	-	-	-	24,966	-	(35,066)	114,984,452
Operating lease right-of-use assets, net	1,642,854	-	-	-	198,857	-	-	-	-	-	-	(1)	179,839,867
Deferred compensation plan assets	-	-	-	-	162,237	-	-	-	-	-	-	-	140,890,946
Other assets	-	-	-	-	929,122	528,472	234,081	-	-	-	-	10,003	50,369,397
Total assets	$ 11,367,082	$ 116,768	$ -	$ -	$ 22,611,429	$ 1,807,075	$ 2,076,946	$ 3,000	$ -	$ 24,966	$ -	$ (2,276,098,625)	$ 5,329,450,271

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, 2026

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 Warren Hospital	St. Luke's Hospital Monroe Campus	St. Luke's Hospital Carbon Campus	St. Luke's Hospital Easton Campus	Grand View Obligated Group	St. Luke's Physician Group	St. Luke's Physician Group NJ	Emergency and Transport Services
Liabilities and Net Assets												
Current												
Accounts payable	$ -	$ 151,982,552	$ 6,718,756	$ 3,104,281	$ 5,391,684	$ 3,791,964	$ 1,619,536	$ 1,812,534	$ 7,761,539	$ 14,475,374	$ 632,865	$ 210,404
Accrued salaries, wages and taxes	-	58,040,938	461,379	450,258	2,004,016	414,208	450,017	244,473	1,878,305	161,579,907	3,431,492	97,864
Accrued vacation	-	62,589,673	3,330,004	2,403,424	3,948,289	3,094,380	2,104,335	1,152,220	4,402,924	43,494,737	2,128,264	869,115
Current portion of self insurance reserves	-	76,300,045	-	-	548,710	-	-	-	713,155	-	-	-
Current portion of long-term debt	-	25,419,413	-	355,786	1,066,642	1,833,206	3,120,742	-	4,595,000	24,022	-	-
Current portion of operating lease obligations	-	16,327,882	1,133,787	1,312,756	1,025,527	2,480,624	5,874	518,173	1,770,240	3,707,057	171,650	143,816
Current portion of deferred compensation	-	100,182,177	-	-	-	-	-	-	-	-	-	-
Accrued interest on long-term debt	-	16,097,616	1,451,919	-	1,177,250	578,498	-	-	6,384,417	-	-	-
Estimated third-party payor settlements	-	39,688,233	3,188,571	5,974,142	1,071,274	5,891,337	1,369,096	-	36,259,119	-	-	-
Other current liabilities	-	52,588,603	1,258,334	440,490	1,352,221	793,019	191,843	727,032	1,705,663	840,746	-	54,740
Total current liabilities	-	599,217,132	17,542,750	14,041,137	17,585,613	18,877,236	8,861,443	4,454,432	65,470,362	224,121,843	6,364,271	1,375,939
Due to affiliates	-	-	99,551,067	41,686,201	-	51,793,595	-	78,905,420	24,262,230	40,341,888	3,016,191	55,769,563
Long-term debt, net of current portion	-	1,283,523,185	80,769,439	987,349	76,505,802	172,505,990	96,490,590	-	303,434,527	281,082	-	-
Long-term operating lease obligations	-	112,473,817	1,948,364	2,478,773	2,830,762	20,052,130	-	896,165	3,730,247	9,744,334	-	464,878
Deferred compensation	-	160,373,245	-	-	-	-	-	-	-	-	-	-
Self insurance reserves	-	93,255,610	-	-	670,646	-	-	-	871,634	-	-	-
Swap contracts	-	10,897,447	-	-	-	-	-	-	-	-	-	-
Asset retirement obligation	-	3,247,932	65,030	249,759	-	-	-	-	-	-	-	-
Other noncurrent liabilities	-	41,222,971	24,860	-	2,500	-	-	-	3,401,365	-	-	-
Total liabilities	-	2,304,211,339	199,901,510	59,443,219	97,595,323	263,228,951	105,352,033	84,256,017	401,170,365	274,489,147	9,380,462	57,610,380
Net assets												
Net assets (liabilities) without donor restrictions	1,680,402,963	1,749,925,924	(5,498,899)	(10,954,868)	244,277,847	(54,246,628)	(2,135,062)	(26,680,241)	(19,694,559)	(136,530,887)	(1,987,859)	(52,365,199)
Net assets with donor restrictions	173,862,062	158,648,907	10,577,963	426,800	1,091,841	465,386	130,479	398,324	782,590	-	-	6,000
Total net assets (liabilities)	1,854,265,025	1,908,574,831	5,079,064	(10,528,068)	245,369,688	(53,781,242)	(2,004,583)	(26,281,917)	(18,911,969)	(136,530,887)	(1,987,859)	(52,359,199)
Total liabilities and net assets	$ 1,854,265,025	$ 4,212,786,170	$ 204,980,574	$ 48,915,151	$ 342,965,011	$ 209,447,709	$ 103,347,450	$ 57,974,100	$ 382,258,396	$ 137,958,260	$ 7,392,603	$ 5,251,181

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, 2026

Schedule I

	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.	Grand View Urgent Care	Quakertown Health Ventures	Grand View Health Partnership	Trinity Healthcare Alliance	Eliminations	Consolidated Totals
Liabilities and Net Assets													
Current													
Accounts payable	$ 40,057	$ 414	$ -	$ -	$ 93,765	$ 499	$ 19,646	$ -	$ -	$ -	$ -	$ 2	$ 197,655,872
Accrued salaries, wages and taxes	350	5,455	-	-	433,136	-	-	-	-	-	-	-	229,491,798
Accrued vacation	72,879	48,539	-	-	1,343,984	-	-	-	-	-	-	1	130,962,768
Current portion of self insurance reserves	-	-	-	-	-	-	-	-	-	-	-	-	77,561,910
Current portion of long-term debt	-	-	-	-	371,737	56,733	-	-	-	-	-	-	36,843,281
Current portion of operating lease obligations	486,075	-	-	-	114,803	-	-	-	-	-	-	-	29,198,264
Current portion of deferred compensation	-	-	-	-	50,006	-	-	-	-	-	-	-	100,232,183
Accrued interest on long-term debt	-	-	-	-	-	23,317	-	-	-	-	-	-	25,713,017
Estimated third-party payor settlements	-	-	-	-	-	-	-	-	-	-	-	(443,655)	92,998,117
Other current liabilities	-	4,658,023	-	-	84,885	6,915	-	-	-	-	-	(2)	64,702,512
Total current liabilities	599,361	4,712,431	-	-	2,492,316	87,464	19,646	-	-	-	-	(443,654)	985,379,722
Due to affiliates	11,598,145	1,245,650	50,865	18,130	12,651,157	137,431	329,264	3,081	5,000	-	-	(421,364,878)	-
Long-term debt, net of current portion	-	-	-	-	3,371,880	411,025	1,170,000	-	-	-	-	(1)	2,019,450,868
Long-term operating lease obligations	1,213,433	-	-	-	88,737	-	-	-	-	-	-	(1)	155,921,639
Deferred compensation	-	-	-	-	150,017	-	-	-	-	-	-	1	160,523,263
Self insurance reserves	-	-	-	-	-	-	-	-	-	-	-	-	94,797,890
Swap contracts	-	-	-	-	-	-	-	-	-	-	-	-	10,897,447
Asset retirement obligation	-	-	-	-	-	-	-	-	-	-	-	-	3,562,721
Other noncurrent liabilities	-	-	-	-	-	-	-	-	-	-	-	-	44,651,696
Total liabilities	13,410,939	5,958,081	50,865	18,130	18,754,107	635,920	1,518,910	3,081	5,000	-	-	(421,808,533)	3,475,185,246
Net assets													
Net assets (liabilities) without donor restrictions	(2,043,857)	(5,841,313)	(50,865)	(18,130)	2,523,550	1,171,155	558,036	(81)	(5,000)	24,966	-	(1,680,428,030)	1,680,402,963
Net assets with donor restrictions	-	-	-	-	1,333,772	-	-	-	-	-	-	(173,862,062)	173,862,062
Total net assets (liabilities)	(2,043,857)	(5,841,313)	(50,865)	(18,130)	3,857,322	1,171,155	558,036	(81)	(5,000)	24,966	-	(1,854,290,092)	1,854,265,025
Total liabilities and net assets	$ 11,367,082	$ 116,768	$ -	$ -	$ 22,611,429	$ 1,807,075	$ 2,076,946	$ 3,000	$ -	$ 24,966	$ -	$ (2,276,098,625)	$ 5,329,450,271

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, 2026

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 Warren Hospital	St. Luke's Hospital Monroe Campus	St. Luke's Hospital Carbon Campus	St. Luke's Hospital Easton Campus	Grand View Obligated Group	St. Luke's Physician Group	St. Luke's Physician Group NJ	Emergency and Transport Services
Net patient service revenue	$ -	$ 2,475,647,636	$ 255,588,075	$ 142,250,559	$ 262,271,882	$ 259,942,429	$ 109,324,742	$ 87,853,241	$ 237,345,413	$ 637,406,339	$ 43,657,057	$ 14,196,034
Other operating revenue and gains	-	64,658,845	1,630,957	1,305,996	3,647,179	2,193,770	981,392	985,221	7,474,577	9,889,022	1,982,254	237,119
Net assets released from restrictions used for operations	-	4,406,837	205,161	43,822	81,846	45,401	10,741	2,020	2,590	62,785	18,831	257
Equity in net income from controlled entities	305,322,252	-	-	-	-	-	-	-	-	-	-	-
Total revenue, gains, and other support	305,322,252	2,544,713,318	257,424,193	143,600,377	266,000,907	262,181,600	110,316,875	88,840,482	244,822,580	647,358,146	45,658,142	14,433,410
Operating expenses												
Salaries and employee benefits	-	925,753,184	91,940,397	58,726,512	87,556,548	113,507,364	51,676,856	36,140,733	110,910,501	935,864,585	54,069,807	16,833,392
Supplies and other	-	1,034,506,705	90,331,622	49,937,370	80,164,852	78,956,949	33,697,156	29,858,735	92,668,965	246,009,416	31,291,334	3,103,118
Depreciation and amortization	-	82,037,544	13,855,396	4,968,747	9,081,987	16,733,112	9,617,817	4,303,823	20,386,806	12,756,865	480,182	810,615
Interest	-	29,912,330	7,475,639	703,961	4,257,747	8,459,296	2,680,693	557,090	12,804,725	35,982	-	-
Total expenses	-	2,072,209,763	203,603,054	114,336,590	181,061,134	217,656,721	97,672,522	70,860,381	236,770,997	1,194,666,848	85,841,323	20,747,125
Income (loss) from operations	305,322,252	472,503,555	53,821,139	29,263,787	84,939,773	44,524,879	12,644,353	17,980,101	8,051,583	(547,308,702)	(40,183,181)	(6,313,715)
Nonoperating gains (losses)												
Unrestricted investment income	-	38,045,185	1,451	263	703	8,342	351	263	2,112,932	29,436	-	-
Realized gains on investments	-	28,561,923	-	-	-	-	-	-	823,561	-	-	-
Change in unrealized gains on investments	-	89,947,123	-	-	-	-	-	-	406,979	-	-	-
Income from equity method investments, net	-	14,014,505	-	-	-	-	-	-	(3,105,737)	-	-	-
Gain on disposal of property and equipment	-	11,002	-	-	-	-	-	-	3,106,495	-	-	76,065
Donations and grants to other organizations	-	(17,970,363)	(225,121)	(181,248)	(322,568)	(600,465)	(127,858)	(76,728)	(82,783)	(105,000)	-	-
Change in fair market value of derivatives	-	4,558,373	-	-	-	-	-	-	-	-	-	-
Goodwill amortization	-	(5,750,266)	-	(82,400)	(1,315,678)	(51,235)	-	-	-	(1,634,749)	(124,504)	-
Gain on refinancing	-	3,594,682	441,975	165,641	441,179	1,419,834	-	165,531	-	-	-	-
Pension and annuity settlement cost	-	(4,935,223)	-	-	-	-	-	-	46,232	-	-	-
Other nonoperating gains (losses)	-	(2,262,940)	(61,540)	(17,226)	28,801	(59,400)	(27,288)	(41,305)	(1,980,572)	(5,868,987)	(1)	122,444
Nonoperating gains (losses)	-	147,814,001	156,765	(114,970)	(1,167,563)	717,076	(154,795)	47,761	1,327,107	(7,579,300)	(124,505)	198,509
Excess (deficiency) of revenue and gains in excess of expenses	$ 305,322,252	$ 620,317,556	$ 53,977,904	$ 29,148,817	$ 83,772,210	$ 45,241,955	$ 12,489,558	$ 18,027,862	$ 9,378,690	$ (554,888,002)	$ (40,307,686)	$ (6,115,206)

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, 2026

Schedule II

	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.	Grand View Urgent Care	Quakertown Health Ventures	Grand View Health Partnership	Trinity Healthcare Alliance	Eliminations	Consolidated Totals
Net patient service revenue	$ 2,703,464	$ -	$ -	$ -	$ 27,235,808	$ -	$ -	$ 218,709	$ -	$ -	$ -	$ (2,988,625)	$ 4,552,652,783
Other operating revenue and gains	-	2,567,094	-	-	1,459,515	282,580	138,669	-	624,978	-	-	(10,843,435)	89,215,733
Net assets released from restrictions used for operations	-	-	-	-	84,971	-	-	-	-	-	-	1	4,965,263
Equity in net income from controlled entities	-	-	-	-	-	-	-	-	-	-	-	(305,322,252)	-
Total revenue, gains, and other support	2,703,464	2,567,094	-	-	28,780,294	282,580	138,669	218,709	624,978	-	-	(319,154,311)	4,646,833,759
Operating expenses													
Salaries and employee benefits	1,589,269	415,273	-	-	27,428,981	21,192	44,322	91,254	-	21,631	-	(6,410)	2,512,585,391
Supplies and other	1,936,664	2,070,716	-	-	4,890,098	71,579	118,763	120,011	989,645	1,075	-	(13,824,294)	1,766,900,479
Depreciation and amortization	71,421	-	-	18,130	1,055,301	53,519	37,757	258,791	323,453	-	-	-	176,851,266
Interest	-	-	-	-	124,370	37,789	-	-	-	-	-	1	67,049,623
Total expenses	3,597,354	2,485,989	-	18,130	33,498,750	184,079	200,842	470,056	1,313,098	22,706	-	(13,830,703)	4,523,386,759
Income (loss) from operations	(893,890)	81,105	-	(18,130)	(4,718,456)	98,501	(62,173)	(251,347)	(688,120)	(22,706)	-	(305,323,608)	123,447,000
Nonoperating gains (losses)													
Unrestricted investment income	-	-	-	-	18,624	257	143	-	-	-	-	-	40,217,950
Realized gains on investments	-	-	-	-	-	-	-	-	-	-	-	-	29,385,484
Change in unrealized gains on investments	-	-	-	-	-	-	-	-	-	-	-	-	90,354,102
Income from equity method investments, net	-	-	-	-	-	-	-	-	-	-	-	(1,043,370)	9,865,398
Gain on disposal of property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	3,193,562
Donations and grants to other organizations	-	-	-	-	(1,300)	-	-	-	-	-	-	60	(19,693,374)
Change in fair market value of derivatives	-	-	-	-	-	-	-	-	-	-	-	-	4,558,373
Goodwill amortization	(1,834,079)	-	-	-	-	(130,630)	-	-	-	-	-	-	(10,923,541)
Gain on refinancing	-	-	-	-	-	-	-	-	-	-	-	1	6,228,843
Pension and annuity settlement cost	-	-	-	-	-	-	-	-	-	-	-	(1)	(4,888,992)
Other nonoperating gains (losses)	(377,639)	-	-	-	423,064	-	1	-	-	-	-	1,295	(10,121,293)
Nonoperating gains (losses)	(2,211,718)	-	-	-	440,388	(130,373)	144	-	-	-	-	(1,042,015)	138,176,512
Excess (deficiency) of revenue and gains in excess of expenses	$ (3,105,608)	$ 81,105	$ -	$ (18,130)	$ (4,278,068)	$ (31,872)	$ (62,029)	$ (251,347)	$ (688,120)	$ (22,706)	$ -	$ (306,365,623)	$ 261,623,512

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

St. Luke's Health Network, Inc. and Controlled Entities
Note to Supplemental Information
June 30, 2026

1. Basis of Presentation

The accompanying supplemental information includes the Consolidating Balance Sheet and Consolidating Statement of Operations of the Network at June 30, 2026. 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.