



**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Combined Financial Statements and Schedules

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)



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303 Peachtree Street, N.E.  
Atlanta, GA 30308-3210

## Independent Auditors' Report

The Board of Trustees  
Wellstar Health System, Inc.:

### Report on the Audit of the Combined Financial Statements

#### *Opinion*

We have audited the combined financial statements of Wellstar Health System, Inc. and Affiliates (Wellstar), which comprise the combined balance sheets as of June 30, 2025 and 2024, and the related combined statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of Wellstar as of June 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Combined Financial Statements*

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

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

#### *Auditors' Responsibilities for the Audit of the Combined Financial Statements*

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 Wellstar'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wellstar's ability to continue as a going concern for a reasonable period of time.

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

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*KPMG LLP*

Atlanta, Georgia  
October 6, 2025

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Combined Balance Sheets

June 30, 2025 and 2024  
(In thousands)

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 413,105	479,837
Patient accounts receivable, net	1,003,534	963,794
Assets limited as to use – required for current liabilities	6,904	47,928
Other current assets	<u>330,827</u>	<u>352,382</u>
Total current assets	1,754,370	1,843,941
Assets limited as to use	3,032,696	2,765,675
Property and equipment, net	2,998,281	2,512,162
Goodwill	418,373	418,982
Other assets	288,398	246,628
Prepaid pension asset, net	<u>234,713</u>	<u>134,203</u>
Total assets	<u>\$ 8,726,831</u>	<u>7,921,591</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 440,650	469,294
Accrued salaries, wages, and benefits	490,435	430,267
Other accrued expenses	332,980	239,924
Current installments of long-term debt and finance lease obligations	<u>46,699</u>	<u>45,029</u>
Total current liabilities	1,310,764	1,184,514
Long-term debt and finance lease obligations, excluding current installments	1,992,712	2,062,745
Self-insurance reserves	371,792	368,969
Long-term operating lease obligations	112,221	105,684
Other long-term liabilities	<u>101,510</u>	<u>104,704</u>
Total liabilities	<u>3,888,999</u>	<u>3,826,616</u>
Net assets:		
Without donor restrictions	4,755,882	4,015,090
With donor restrictions	<u>81,950</u>	<u>79,885</u>
Total net assets	<u>4,837,832</u>	<u>4,094,975</u>
Total liabilities and net assets	<u>\$ 8,726,831</u>	<u>7,921,591</u>

See accompanying notes to combined financial statements.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Combined Statements of Operations

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024</u>
Revenue, gains, and other support:		
Patient service revenue, net of contractual allowances and discounts	\$ 6,858,636	6,111,851
Other revenue	481,648	434,950
Total revenue, gains, and other support	<u>7,340,284</u>	<u>6,546,801</u>
Expenses:		
Salaries and employee benefits	3,885,178	3,447,067
Supplies and other expenses	2,815,403	2,454,614
Depreciation and amortization	280,681	254,064
Interest	60,913	64,621
Total expenses	<u>7,042,175</u>	<u>6,220,366</u>
Operating income, before FEMA funding for operating expenses and unrestricted contribution received in business combination	298,109	326,435
FEMA and other funding for operating expenses	9,298	5,578
Unrestricted contribution received in business combination	—	163,125
Operating income before impairment losses	307,407	495,138
Impairment of long-lived assets	—	(4,495)
Operating income	307,407	490,643
Nonoperating gains (losses):		
Investment income, net	235,111	223,531
Other components of net periodic pension credit (cost)	12,606	(5,127)
Gain (loss) on disposal of property and equipment	40,348	(1,071)
Gain on extinguishment of long-term debt	452	2,752
Revenue, gains, and other support in excess of expenses and losses	595,924	710,728
Accrued pension liability adjustments	85,798	125,970
Contributions and net assets released from restrictions used for the purchase of property and equipment	58,887	43,329
State of Georgia funding for capital expenditures	—	542
Other	183	563
Change in net assets without donor restrictions	\$ <u>740,792</u>	<u>881,132</u>

See accompanying notes to combined financial statements.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Combined Statements of Changes in Net Assets

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024</u>
Net assets with donor restrictions:		
Contributions	\$ 9,928	8,713
Investment return, net	1,726	2,252
Net assets released from restrictions	(6,889)	(3,326)
Change in interest in net assets held by others	(2,700)	3,237
Contribution received in business combination	—	12,305
Change in net assets with donor restrictions	<u>2,065</u>	<u>23,181</u>
Change in net assets without donor restrictions	<u>740,792</u>	<u>881,132</u>
Change in net assets	742,857	904,313
Net assets, beginning of period	<u>4,094,975</u>	<u>3,190,662</u>
Net assets, end of period	<u>\$ 4,837,832</u>	<u>4,094,975</u>

See accompanying notes to combined financial statements.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Combined Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 742,857	904,313
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	280,681	254,064
Amortization of bond discount, premium, and issue costs, net	(4,175)	(4,450)
(Gain) loss on disposal of property and equipment	(40,348)	1,071
Loss on impairment of long-lived assets	—	4,495
Contribution received in business transaction	—	(175,430)
Realized and unrealized (gains) losses on trading investments, net	(178,732)	(175,689)
Change in beneficial interest of net assets held by others	(5)	(3,237)
Gain on extinguishment of long-term debt	(452)	(2,752)
Restricted contributions and related investment income	(342)	(318)
Equity in earnings of joint ventures	(7,259)	(6,553)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	(39,740)	(128,660)
Other current assets	21,555	(73,287)
Other assets	(14,605)	7,986
Accrued pension asset	(100,510)	(136,999)
Accounts payable, accrued salaries, wages and benefits, and other accrued expenses	61,147	105,371
Self-insurance reserves	79,327	40,032
Other long-term liabilities	(6,158)	(15,571)
Net cash provided by operating activities	<u>793,241</u>	<u>594,386</u>
Cash flows from investing activities:		
Purchases of property and equipment	(791,295)	(490,258)
Proceeds from the sale of property and equipment	43,130	3,569
Purchase of assets limited as to use	(1,718,582)	(794,691)
Proceeds from the sale of assets limited as to use	1,494,572	1,023,192
Contributions to joint ventures, net	(5,947)	(1,855)
Cash received in business combination	—	115,674
Net cash used in investing activities	<u>(978,122)</u>	<u>(144,369)</u>
Cash flows from financing activities:		
Proceeds from borrowings	186,587	498,565
Principal repayments of long-term debt and finance lease obligations	(247,177)	(206,655)
Issue costs paid	(1,611)	(4,439)
Restricted contributions and related investment income	342	(197)
Net cash provided by (used in) financing activities	<u>(61,859)</u>	<u>287,274</u>
Net change in cash and cash equivalents	(246,740)	737,291
Cash, cash equivalents and restricted cash, beginning of year	<u>968,674</u>	<u>231,383</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>721,934</u>	\$ <u>968,674</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 413,105	479,837
Assets limited as to use – required for current liabilities	6,904	47,928
Assets limited as to use	<u>301,925</u>	<u>440,909</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u>721,934</u>	\$ <u>968,674</u>

See accompanying notes to combined financial statements.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2025 and 2024

### (1) Summary of Significant Accounting Policies

Wellstar Health System, Inc. (Wellstar) is a multidimensional integrated healthcare organization, headquartered in Marietta, Georgia, which provides inpatient, outpatient, physician care, and emergency services for residents of Metro Atlanta, LaGrange, Georgia and Augusta, Georgia along with South Carolina residents in the greater Augusta metropolitan area. The significant accounting policies used by Wellstar in preparing and presenting its combined financial statements follow:

#### (a) Organization and Business

The combined financial statements include the accounts of Wellstar and its controlled affiliates, including the following hospitals and medical groups:

AU Medical Center, Inc. (WAUMC)

AU Medical Associates, Inc. (WAUMA)

Cobb Hospital, Inc. (WCH)

Douglas Hospital, Inc. (WDH)

Kennestone Hospital, Inc. (WKH)

Paulding Medical Center, Inc. (WPMC)

Wellstar MCG Health, Inc. (WMCG)

Wellstar Medical Group, LLC (WMG)

Wellstar North Fulton Hospital, Inc. (WNFH)

Wellstar Spalding Regional Hospital, Inc. (WSRH)

Wellstar Sylvan Grove Hospital, Inc. (WSGH)

Wellstar MCG Health Warm Springs, Inc. (WMCGWS)

Wellstar West Georgia Medical Center, Inc. (WWGMC)

Windy Hill Hospital, Inc. (WWHH)

Community Assurance Company, LTD (CAC)

All significant intercompany accounts and transactions have been eliminated in combination.

The board of trustees (the Board) of Wellstar has the authority to approve appointments of the members of the boards of trustees of all affiliates.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

On August 29, 2023, Wellstar and AU Health System, Inc., a Georgia nonprofit corporation (AUHS), consummated their affiliation in accordance with a Membership Substitution Agreement dated August 29, 2023 (discussed in Note 16).

As previously reported by various media sources, a complaint was filed with the U.S. Department of Health and Human Services, Office of Civil Rights (“HHS-OCR”) concerning the closure of Wellstar Atlanta Medical Center (WAMC) in 2023. Consistent with its statutory obligations with respect to such complaints, HHS-OCR is conducting an investigation of the matter. Wellstar believes it has complied with applicable civil rights laws and is cooperating with the investigation.

Wellstar, WCH, WDH, WKH, WPMC, WMG, WNFH, WSRH, WSGH, WWGMC, WMCG, WAUMC, and WAUMA are the members of the Obligated Group.

#### **(b) Use of Estimates**

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenue, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items subject to such estimates and assumptions include the determination of implicit and explicit price concessions, self-insurance reserves, estimated third-party payor settlements, the actuarially determined benefit liability related to Wellstar’s pension plans, and the valuation of assets and liabilities acquired in a business combination. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

#### **(c) Cash Equivalents**

Wellstar considers investments in highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

#### **(d) Investments and Investment Income**

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value in the combined balance sheets. Fair value is measured in accordance with relevant accounting literature as discussed in note 14 to the combined financial statements.

Investment income items (including realized and unrealized gains and losses on investments, interest, and dividends, and equity in earnings of joint ventures unrelated to healthcare operations) are included in revenue, gains, and other support in excess of expenses and losses in the combined statements of operations, unless restricted by the donor or law.

#### **(e) Assets Limited as to Use**

Assets limited as to use primarily include assets set aside by the Board for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, assets held by trustees under indenture agreements, assets held under self-insurance funding

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

arrangements and donor restricted assets. Amounts required to meet related current liabilities of Wellstar are classified as current assets in the accompanying combined balance sheets.

#### **(f) Costs of Borrowing**

Debt issuance costs related to recognized debt liabilities are presented in the combined balance sheets as a direct deduction from the carrying amount of that debt liability consistent with debt premiums and discounts. Debt issuance costs and bond premiums and discounts are amortized over the terms of the related debt issues.

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Capitalized interest specifically related to tax-exempt borrowings is recorded net of income earned on related trustee assets.

#### **(g) Property and Equipment**

Property and equipment are stated at cost. Provisions for depreciation are computed using the straight-line method based on the estimated useful lives of the assets. Equipment under finance lease obligations is amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the accompanying combined statements of operations.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from revenue, gains, and other support in excess of expenses and losses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, including gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Contributions donor-restricted to the purchase of property and equipment or other restricted purposes, which restrictions are met within the same year as received, are reported as increases in net assets without donor restrictions in the combined financial statements.

Wellstar capitalizes implementation costs incurred related to cloud computing arrangements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 350-40, *Internal-Use Software*.

#### **(h) Leases**

Transactions give rise to leases when Wellstar receives substantially all the economic benefits from and has the ability to direct the use of specified property and equipment. Wellstar accounts for leases in accordance with FASB ASC 842, *Leases*. As such, Wellstar determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

For operating and financing leases, the lease liability is initially measured at the present value of the unpaid lease payments at the lease commencement date. Finance leases are subsequently measured at amortized cost using the effective-interest method. Key estimates and judgements include how Wellstar determines (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term and (3) lease payments.

Wellstar uses the weighted average interest rate it pays on its noncollateralized borrowings as an input to deriving an appropriate incremental borrowing rate, adjusted for the amount of the lease payments, the lease term and the effect on that rate of designating specific collateral with a value equal to the unpaid lease payments for that lease.

Wellstar has agreements with lease and non-lease components (such as common area maintenance) and generally has elected to account for the lease and non-lease components separately. Wellstar elects not to recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e. leases with terms of 12 months or less).

The lease term for all of the Wellstar leases includes the noncancellable period of the lease plus any additional periods covered by either an option to extend (or not to terminate) the lease that Wellstar is reasonably certain to exercise.

Lease payments included in the measurement of the lease liability are comprised of fixed payments, including in-substance fixed payments, owed over the lease term (which includes termination penalties Wellstar would owe if Wellstar is not reasonably certain it will continue to use the asset and the contract includes a termination penalty), variable lease payments that depend on an index or rate, initially measured using the index or rate at the lease commencement date and the exercise price of Wellstar's option to purchase the underlying asset if Wellstar is reasonably certain to exercise that option.

The ROU asset for operating leases is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made to the lessor at or before the commencement date, less the unamortized balance of lease incentives received and is included in other assets in the accompanying combined balance sheets. Lease expense is recognized on a straight-line basis over the lease term and included in supplies and other expenses in the combined statements of operations.

Variable lease payments associated with Wellstar's leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented as operating expense in Wellstar's combined statements of operations in the same line item as expense arising from fixed lease payments (operating leases) or amortization of the ROU asset (finance leases).

The ROU asset for finance leases is measured at cost, subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to Wellstar or Wellstar is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

**(i) Inventories**

Inventories, consisting principally of medical supplies and pharmaceuticals, are stated at the lower of cost (first-in, first-out method) or net realizable value.

**(j) Other Assets**

Other assets include, among other things, investments in joint ventures and operating ROU assets. Investments in joint ventures are accounted for using the equity method or cost method if Wellstar's ownership portion is not significant. Cost method investments in joint ventures are reviewed annually for impairment.

**(k) Impairment of Long-lived Assets**

Long-lived assets, such as property and equipment and purchased intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized to the extent that the carrying amount of the asset exceeds its fair value. Fair value may be estimated based upon internal evaluations that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar assets, independent appraisals or market responses based upon discussions with and offers received from potential purchasers.

**(l) Goodwill**

Wellstar applies the provisions of FASB ASC 350, *Intangibles-Goodwill and Other*, as it relates to subsequent accounting for goodwill and other intangible assets acquired in an acquisition.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is reviewed for impairment at least annually. The annual impairment test compares the fair value of the reporting unit to its carrying value (including goodwill) and an impairment charge is recognized for the amount by which the carrying amount exceeds the fair value up to the amount of goodwill allocated to the reporting unit. Fair value of the reporting unit is determined using the market approach. If the fair value of the reporting unit exceeds its carrying value no impairment charge is recognized.

Wellstar has not adopted the unconditional one-time election to apply private company alternatives described in FASB ASC-2019-06, *Intangibles – Goodwill and Other (Topic 350)*, *Business Combinations (Topic 805)*, and *Not-for-Profit Entities (Topic 958) Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*.

Wellstar performs its annual impairment review of goodwill each July 1 and when a triggering event occurs between annual impairment tests.

During the years ended June 30, 2025 and 2024, the fair value of Wellstar is substantially in excess of its carrying value and therefore no impairment loss was recorded for the years ended June 30, 2025 or 2024.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2025 and 2024

### **(m) Net Assets Classification**

Net assets with donor restrictions are those whose use by Wellstar is restricted by donors for a specific time period or purpose or net assets that have been restricted by donors to be maintained by Wellstar in perpetuity.

FASB ASC 958, *Not-for-Profit Entities* provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

Wellstar has historically and to-date received a limited amount of donor-restricted endowment funds. The Board has interpreted Georgia's State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Income from Wellstar's donor-restricted endowment funds is generally restricted to specific donor-directed purposes and is therefore accounted for within net assets with donor restrictions until expended in accordance with the donor's stipulations. Wellstar oversees individual donor-restricted endowment funds to ensure that the fair value of the original gift is preserved.

Wellstar invests donor-restricted endowment funds within the framework of Wellstar's overall investment management program.

Wellstar has recognized a beneficial interest in donor-restricted funds held by Augusta University Foundation and Medical College of Georgia Foundation, Inc. Net changes in the estimated fair value of beneficial interest in net assets held by others are reflected as increases or decreases to net assets with donor restrictions in the combined statements of changes in net assets.

Cash receipts from the sale of donated financial assets are classified consistently with cash donations received in the combined statements of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without the entity imposing any limitations for sale and were converted nearly immediately into cash.

### **(n) Revenue, Gains, and Other Support in excess of Expenses and Losses**

The combined statements of operations include revenue, gains, and other support in excess of expenses and losses. Equity in earnings of joint ventures related to healthcare operations, are reported as other revenue in the accompanying combined statements of operations. Changes in net assets without donor restrictions, which are excluded from revenue, gains, and other support in excess of expenses and losses, include contributions and net assets released from restrictions used for the purchase of property and equipment, State of Georgia funding for capital expenditures, and the recognition of pension and postretirement liability adjustments arising during the current period.

### **(o) Net Patient Service Revenue**

Net patient service revenue is reported at the amount that reflects the consideration to which Wellstar expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments due to

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

settlement of audits, reviews, and investigations. Generally, Wellstar bills the patients and third-party payors several 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 Wellstar. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Wellstar 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 receiving inpatient acute care services or outpatient procedures. For patients in the hospital receiving inpatient acute care services, Wellstar measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. For patients receiving outpatient services, Wellstar measures the performance obligation over the duration of the outpatient procedure. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided to patients and customers in a retail setting (for example, pharmaceuticals) and Wellstar does not believe it is required to provide additional goods or services to the patient or customer.

Wellstar's performance obligations relate to contracts with a duration of less than one year; therefore, Wellstar has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and 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.

Wellstar is utilizing the portfolio approach practical expedient in FASB ASC 606 for contracts related to net patient service revenue. Wellstar accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, Wellstar has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

Wellstar has agreements with third-party payors that generally provide for payments to Wellstar at amounts different from its established rates. For uninsured patients who do not qualify for charity care, Wellstar recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by Wellstar. Wellstar determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with Wellstar's policy, and implicit price concessions applied to patient balances not otherwise covered by insurance. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration Wellstar expects to receive from patients, which are determined based on historical collection experience, current market conditions and other factors.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

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Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. Wellstar estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in 2025 or 2024.

#### **(p) Charity Care**

Wellstar provides care to patients who meet certain criteria under its community financial aid and charity care policies without charge or at amounts less than its established rates. Because Wellstar does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

Wellstar estimates charity care using a cost-to-charge ratio as the measurement basis for disclosure purposes.

#### **(q) Income Taxes**

Wellstar and its affiliates have been recognized as exempt from federal income tax under Internal Revenue Code Section 501(a) as organizations described in Section 501(c)(3), and therefore, related income is generally not subject to federal or state income taxes. Certain of Wellstar's affiliates are not exempt from federal or state income tax and such income tax expense is not material to Wellstar's combined financial statements.

Wellstar applies FASB ASC 740, *Income Taxes*, which addresses accounting for uncertainties in income tax positions. It also provides guidance on when tax positions are recognized in an entity's financial statements and how the values of these positions are determined. There is no impact on Wellstar's combined financial statements as a result of the application of FASB ASC 740.

Wellstar has evaluated its tax positions and does not believe there are any material unrecognized tax benefits or obligations as of June 30, 2025 or 2024.

#### **(r) Contributions**

Unconditional promises to give cash and other assets to Wellstar are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions are substantially met while indications of intentions to give are not recorded. Gifts are reported with donor restricted support if they are received with donor stipulations that limit the use or timing of use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions and reported as net assets released from restrictions.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2025 and 2024

### **(s) Asset Retirement Obligations**

Wellstar recognizes the fair value of its legal obligations associated with asset retirements in the period incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, Wellstar capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the recorded liability is recognized as a gain or loss in the combined statements of operations.

### **(t) Retirement Benefits**

Wellstar recognizes the funded status of its defined benefit pension plans and postretirement plan on its combined balance sheet, measures plan assets and benefit obligations as of fiscal year-end and applies the applicable disclosure requirements as described in note 9.

### **(u) Liquidity and Availability of Resources**

Cash and cash equivalents, assets limited as to use limited by the board for capital improvements and other system needs, and patient accounts receivable, net as reported in the accompanying combined balance sheets are the primary liquid resources used by Wellstar to meet general expenditure needs within the next year. Wellstar has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Wellstar maintains immediate daily cash liquidity requirements that average 10 days of operating expenses and invests cash in excess of daily requirements in liquid investments accessible within three to four days. In addition, to help manage unanticipated liquidity needs, Wellstar maintains a line of credit facility as described in note 6.

### **(v) Recently Issued Accounting Standards**

Wellstar evaluated newly effective accounting pronouncements and determined that none are applicable to Wellstar's combined financial statements or have a material impact on Wellstar's combined financial statements as of and for the years ended June 30, 2025 and 2024, respectively.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(2) Assets Limited as to Use**

The composition of assets limited as to use follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
By the Board for capital improvements and other system needs:		
Cash	\$ 83,467	78,554
Fixed Income - Domestic	1,087,218	984,857
Fixed Income - International	28,360	27,251
Equity - Domestic	882,656	735,872
Equity - International	118,920	210,888
Mutual funds	296,487	38,487
	<u>2,497,108</u>	<u>2,075,909</u>
Under self-insurance funding arrangements:		
Cash	16,793	36,693
Fixed Income - Domestic	229,225	167,388
Fixed Income - International	2,791	817
Equity - Domestic	41,961	33,588
Equity - International	3,995	4,220
Mutual Funds	—	22,283
	<u>294,765</u>	<u>264,989</u>
By donor stipulation:		
Cash	39,626	35,862
Equity - Domestic	5,276	5,096
Mutual Funds	13,094	11,570
Beneficial Interest in Assets Held by others	15,547	15,543
Other	5,241	5,325
	<u>78,784</u>	<u>73,396</u>
Under bond indenture agreements - held by trustee:		
Cash and cash equivalents	168,943	337,728
Obligations of the U.S. Government and its agencies	—	61,581
	<u>168,943</u>	<u>399,309</u>
	3,039,600	2,813,603
Less amounts classified as current	<u>(6,904)</u>	<u>(47,928)</u>
	<u>\$ 3,032,696</u>	<u>2,765,675</u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

The composition of net investment income follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Net investment income included in nonoperating gains:		
Net realized gains on investments	\$ 76,071	57,261
Interest and dividend income	57,932	49,705
Net unrealized gain on investments	101,108	116,489
Equity in earnings of joint ventures unrelated to healthcare operations, net	<u>—</u>	<u>76</u>
	235,111	223,531
Restricted net investment income	<u>1,726</u>	<u>2,252</u>
	<u>\$ 236,837</u>	<u>225,783</u>

Interest and dividend income include management fees of \$7.5 million and \$6.5 million for the years ended June 30, 2025 and 2024, respectively.

**(3) Other Current Assets**

The composition of other current assets follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Inventories	\$ 166,670	160,468
Prepaid expenses	113,468	71,650
Other receivables	<u>50,689</u>	<u>120,264</u>
	<u>\$ 330,827</u>	<u>352,382</u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(4) Property and Equipment**

A summary of property and equipment follows:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 263,116	241,902
Buildings	2,395,778	2,268,223
Equipment – non-medical	1,150,583	1,108,024
Equipment – medical	1,006,425	913,953
Technology software and hardware	<u>596,890</u>	<u>392,767</u>
	5,412,792	4,924,869
Less accumulated depreciation and amortization	<u>3,091,121</u>	<u>2,831,877</u>
	2,321,671	2,092,992
Construction in progress	<u>676,610</u>	<u>419,170</u>
	<u>\$ 2,998,281</u>	<u>2,512,162</u>

Construction in progress at June 30, 2025 is principally comprised of costs incurred to complete expansion and renovation projects at various affiliates' facilities. The estimated remaining cost to complete projects in progress as of June 30, 2025 is approximately \$442.0 million. Wellstar's present capital improvements program provides for planned capital expenditures during fiscal years 2026 through 2030 as follows: 2026 – \$607.4 million, 2027 – \$606.4 million, 2028 – \$542.6 million, 2029 – \$505.9 million and 2030 – \$591.6 million. Total property and equipment, net includes accruals for capital purchases totaling \$49.7 million and \$69.1 million as of June 30, 2025 and 2024, respectively.

**(5) Other Assets**

The composition of other assets follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Right of use lease assets	\$ 135,019	120,800
Investment in joint ventures	54,370	41,164
Other long-term receivables	70,990	53,243
Intangible assets	13,392	13,652
Other long-term assets	<u>14,627</u>	<u>17,769</u>
	<u>\$ 288,398</u>	<u>246,628</u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(6) Long-term Debt and Finance Lease Obligations**

The composition of long-term debt and finance lease obligations follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Series 2004 CCHA Certificates issued in April 2004	\$ 25,000	25,000
Series 2006 CCHA Certificates issued in April 2006	25,000	25,000
Series 2012 CCKHA Certificates issued in November 2012	31,965	32,195
Series 2014A CRC Bonds issued October 2014	—	15,975
Series 2017A CCKHA Certificates issued in August 2017	138,585	140,945
Series 2017A D AFC Bonds issued in August 2017	163,470	165,555
Series 2017A GSHA Certificates issued in August 2017	161,385	162,685
Series 2017A LTCHA Certificates issued in August 2017	51,935	53,390
Series 2017B CCKHA Certificates issued in August 2017	—	50,135
Series 2017B GSHA Certificates issued in August 2017	40,440	41,725
Series 2018 DARC Bonds issued in October 2018	78,865	80,295
Series 2020A D AFC Bonds issued in August 2020	70,165	70,165
Series 2020A CCKHA Certificates issued in August 2020	84,435	86,800
Series 2020B CCKHA Certificates issued in January 2021	52,325	62,250
Series 2022A PCHA Certificates issued in March 2022	77,805	78,560
Series 2022A CCKHA Certificates issued in March 2022	183,085	183,085
Series 2023A CCHA Certificates issued in November 2023	279,205	279,205
Series 2023B CCHA Certificates issued in November 2023	57,405	57,405
Series 2023A DAAG Bonds issued in November 2023	82,890	82,890
Series 2023A CCKHA Certificates issued in November 2023	80,500	80,500
Series 2025A DAA Bonds issued in April 2025	20,770	—
Series 2025A CCKHA Certificates issued in April 2025	88,670	—
Series 2025A RDA Bonds issued in April 2025	78,595	—
Bank of America, N.A. loan dated October 15, 2018 Facility No. 2	—	21,259
Wells Fargo Bank, National Association loan dated May 27, 2022	—	50,070
Bank of America, N.A. loan dated October 15, 2018 Facility No. 3	—	75,105
Finance lease obligations	<u>80,354</u>	<u>94,746</u>
 Total revenue certificates, debt, and finance lease obligations	 1,952,849	 2,014,940
Plus unamortized premium	102,715	108,836
Less unamortized cost of issuance	(4,023)	(4,230)
Less unamortized discount	<u>(12,130)</u>	<u>(11,772)</u>
 Total long-term debt and finance lease obligations	 2,039,411	 2,107,774
Less current installments	<u>(46,699)</u>	<u>(45,029)</u>
	<u>\$ 1,992,712</u>	<u>2,062,745</u>

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

On April 9, 2025, the Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Wellstar Health System, Inc.), Series 2025A (Series 2025A CCKHA Certificates) were issued for the benefit of Wellstar in the original principal amount of \$88.7 million to provide funds to refinance a portion of the Series 2017B CCKHA Revenue Anticipation Certificates, issue new money to fund various capital projects of WKH, and pay some or all of the costs of issuance of the Series 2025A CCKHA Certificates. The Series 2025A CCKHA Certificates bear interest at variable rates and are backed by direct-pay letters of credit expiring in April 2030. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for the variable rate instruments is not sustained, the letter of credit agreement requires the bank to purchase the certificates. Interest payments are due monthly. Principal payments are due annually on April 1 through 2047.

On April 9, 2025, the Roswell Development Authority Revenue Bonds (Wellstar Health System, Inc.), Series 2025A (Series 2025A RDA Bonds) were issued for the benefit of Wellstar in the original principal amount of \$78.6 million to provide funds to refinance the Bank of America, N.A. loan dated October 15, 2018, Facility No. 3, refinance the Wells Fargo Bank, N.A. loan dated May 27, 2022, and pay some or all of the costs of issuance of the Series 2025A RDA Bonds. The Series 2025A RDA Bonds bear interest at daily rates and are backed by direct-pay letters of credit expiring in April 2030. Interest rates are set daily by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for the variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates. Interest payments are due monthly. Principal payments are due annually on April 1 through 2047.

On April 9, 2025, the Development Authority of Alpharetta Revenue Bonds (Wellstar Health System, Inc.), Series 2025A (Series 2025A DAA Bonds) were issued for the benefit of Wellstar in the original principal amount of \$20.8 million to provide funds to refinance the Bank of America, N.A. loan dated October 15, 2018 Facility No. 2 and pay some or all of the costs of issuance of the Series 2025A DAA Bonds. The Series 2025A DAA Bonds bear interest at variable rates and are backed by direct-pay letters of credit expiring in April 2030. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for the variable rate instruments is not sustained, the letter of credit agreement requires the bank to purchase the certificates. Interest payments are due monthly. Principal payments are due annually on April 1 through 2046.

On November 2, 2023, the Columbia County Hospital Authority Revenue Anticipation Certificates (Wellstar Health System, Inc. Project), Series 2023A (Series 2023A CCHA Certificates) were issued for the benefit of Wellstar in the original principal amount of \$279.2 million to provide funds to finance the construction of a new hospital and medical office building of WAUMC in Columbia County, GA, pay some or all of the costs of issuance and pay certain capitalized interest costs of the Series 2023A CCHA Certificates. The Series 2023A CCHA Certificates bear interest at fixed rates ranging from 5.00% to 5.75%. Certain tranches of the Series 2023A CCHA Certificates are insured by Assured Guaranty. Principal payments are due annually beginning April 1, 2044 through 2053.

On November 2, 2023, the Columbia County Hospital Authority Revenue Anticipation Certificates (Wellstar Health System, Inc. Project), Series 2023B (Series 2023B CCHA Certificates) were issued for the benefit of Wellstar in the original principal amount of \$57.4 million to provide funds to finance the construction of a new hospital and medical office building of WAUMC in Columbia County, GA, pay some or all of the costs of issuance and fund a debt service reserve fund for the Series 2023B CCHA Certificates. The Series

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

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2023B CCHA Certificates bear interest at fixed rates of 5.00%. Principal payments are due annually beginning April 1, 2043.

On November 2, 2023, the Development Authority of Augusta, Georgia Revenue Bonds (Wellstar Health System, Inc.), Series 2023A (Series 2023A DAAG Bonds) were issued for the benefit of Wellstar in the original principal amount of \$82.9 million to provide funds to refinance the 2021 DAAG Bonds and pay some or all of the costs of issuance of the Series 2023A DAAG Bonds. The Series 2023A DAAG Bonds bear interest at fixed rates of 5.125%. Certain tranches of the Series 2023A DAAG Bonds are insured by Assured Guaranty. Principal payments are due annually beginning April 1, 2049 through 2053.

On November 2, 2023, the Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Wellstar Health System, Inc.), Series 2023A (Series 2023A CCKHA Certificates) were issued for the benefit of Wellstar in the original principal amount of \$80.5 million to provide funds to refinance a portion of the Series 2012 CCKHA Revenue Anticipation Certificates, to refinance the Wells Fargo Bank, NA Term Loan dated August 11, 2022, and pay some or all of the costs of issuance of the Series 2023A CCKHA Certificates. The Series 2023A CCKHA Certificates bear interest at fixed rates of 5.00%. Certain tranches of the Series 2023A CCKHA Certificates are insured by Assured Guaranty. Principal payments are due annually beginning April 1, 2028 through April 2053.

On October 23, 2018, AUHS issued Revenue Bond Series 2018 Development Authority of Richmond County (Series 2018 DARC Bonds) in the original principal amount of \$80.9 million to be used to finance and refinance certain renovation projects and to purchase new and replacement equipment. The Series 2018 DARC bonds bear interest at fixed rates ranging from 4% and 5%. Principal payments are due annually on April 1 through 2039.

On October 30, 2014, the Augusta Authority issued its Revenue Refunding Bonds (Georgia Regents University Academic Research Center Project), Series 2014 (the Series 2014A CRC Bonds), in the original principal amount of \$24.5 million, the proceeds of which were loaned to MCG-PPG Cancer Research, LLC, a Georgia limited liability company (CRC), the sole member of which is WMCG, and used to refinance bonds the proceeds of which were used to construct a portion of a cancer research center, now known as the Georgia Cancer Center (the CRC Project). To secure its obligation to repay the loan, CRC granted a leasehold deed to secure debt on the CRC Project and a security agreement granting a lien on certain personal property and revenues derived from the CRC Project in favor of the bond trustee of the Series 2014 CRC Bonds. The CRC Project is leased to the Board of Regents under an annual-appropriation rental agreement. Assuming the continued renewal of the rental agreement by the Board of Regents, the Board of Regents, as tenant, will make fixed rental payments that are estimated to be sufficient to pay the debt service on the Series 2014A CRC Bonds. Neither WAUMC nor any other member of the Obligated Group is obligated with respect to the Series 2014A CRC Bonds. The Series 2014A CRC Bonds bear interest at fixed rates ranging from 3% to 5%. Interest payments are due semi-annually. Principal payments are due annually through December 2034. On June 30, 2025, the Board of Regents accelerated the remainder lease payments sufficient to repay the outstanding CRC bond.

The Series 2018 DARC Bonds and the Series 2014A CRC Bonds were assumed by Wellstar in the business combination discussed in footnote 16.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

On March 8, 2022, Wellstar issued Series 2022A Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Wellstar Health System, Inc. Project), Series 2022A (Series 2022A CCKHA Certificates) in the original principal amount of \$183.1 million to provide funds to finance the construction, fit-out, furnishing and equipping of a new, seven-story patient tower on the Wellstar Kennestone Hospital campus and to pay certain costs of issuance. The proceeds of the Series 2022A CCKHA Certificates were paid to the bank under the loan agreement. The Series 2022A CCKHA Certificates bear interest at a fixed rate of 4%. Interest payments are due semiannually on April 1 and October 1. Principal payment is due at maturity on April 1, 2052.

On March 8, 2022, Wellstar issued Series 2022A Paulding County Hospital Authority Revenue Anticipation Certificates (Series 2022A PCHA Certificates) in the original principal amount of \$79.9 million to refund the outstanding Series 2012A Paulding County Hospital Authority Revenue Anticipation Certificates (Series 2012A PCHA Certificates) and the Series 2012B Paulding County Hospital Authority (Series 2012B PCHA Certificates) and to pay for certain costs of issuance. The proceeds of the Series 2022A PCHA Certificates were deposited in a defeasance trust for the refunding of the Series 2012A PCHA Certificates and the Series 2012B PCHA Certificates. The Series 2022A PCHA Certificates bear interest at fixed rates ranging from 3% to 5%. Principal payments are due annually on April 1 through 2043.

On January 4, 2021, Wellstar issued Series 2020B Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Series 2020B CCKHA Certificates) in the original principal amount of \$76.5 million to refund the outstanding Series 2011 Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Series 2011 Certificates) and to pay for certain costs of issuance with the Series 2020B CCKHA Certificates. The proceeds of the Series 2020B CCKHA Certificates were deposited in a defeasance trust for the refunding of the Series 2011 Certificates. The Series 2020B CCKHA Certificates bear interest at fixed rates ranging from 4.00% to 5.25%. Principal payments are due annually on April 1 through 2041.

On August 6, 2020, Wellstar issued Revenue Bonds Series 2020A Development Authority of Fulton County (Series 2020A DAFC Bonds) in the original principal amount of \$70.2 million to provide funds to pay off the portion of the outstanding bank note with Bank of America used to acquire the interest in Wellstar North Fulton Hospital owned by HCP, Inc. and to pay for certain costs of issuance. The proceeds of the Series 2020A DAFC Bonds were paid to Bank of America under the loan agreement. The Series 2020A DAFC Bonds bear interest at the fixed rate of 4%. Principal payment is due at maturity on April 1, 2050.

On August 6, 2020, Wellstar issued Series 2020A Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates (Series 2020A CCKHA Certificates) in the original principal amount of \$93.3 million to provide funds to pay off the portion of the outstanding bank note with Bank of America used to acquire Vinings Health Park and Kennestone Outpatient Pavilion and to pay for certain costs of issuance. The proceeds of the Series 2020A CCKHA Certificates were paid to Bank of America under the loan agreement. The Series 2020A CCKHA Certificates bear interest at fixed rates ranging from 3% to 5%. Principal payments are due annually on April 1 through 2050.

On August 3, 2017, Wellstar issued Revenue Anticipation Certificates Series 2017A Cobb County Kennestone Authority (Series 2017A CCKHA Certificates) in the original principal amount of \$156.1 million to provide funds to refund the outstanding Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates Series 2005B (Series 2005B Certificates), to finance a portion of the costs of the planning, design, acquisition, construction, installation, and equipping of a new emergency department on

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

the Kennestone Hospital (KH) campus and to pay for certain costs of issuance. The proceeds of the Series 2017A CCKHA Certificates were deposited in a defeasance trust for the refunding of the Series 2005B Certificates and a construction fund. The Series 2017A CCKA Certificates bear interest at fixed rates ranging from 1% to 5%. Interest payments are due semiannually on April 1 and October 1. Principal payments are due annually on April 1 through 2047.

On August 3, 2017, Wellstar issued Revenue Bonds Series 2017A Development Authority of Fulton County (Series 2017A DAFC Bonds) in the original principal amount of \$178.9 million to provide funds to repay a portion of the \$600.0 million outstanding bank loan with Bank of America and to pay for certain costs of issuance. The proceeds of the Series 2017A DAFC Bonds were paid to Bank of America under the loan agreement. The Series 2017A DAFC Bonds bear interest at fixed rates ranging from 1% to 5%. Interest payments are due semiannually on April 1 and October 1. Principal payments are due annually on April 1 through 2047.

On August 3, 2017, Wellstar issued Revenue Anticipation Certificates Series 2017A Griffin-Spalding Authority (Series 2017A GSHA Certificates) in the original principal amount of \$170.9 million to provide funds to repay a portion of the \$600.0 million outstanding bank loan with Bank of America and to pay for certain costs of issuance. The proceeds of the Series 2017A GSHA Certificates were paid to the Bank of America under the loan agreement. The Series 2017A GSHA Certificates bear interest at fixed rates ranging from 1% to 5%. Interest payments are due semiannually on April 1 and October 1. Principal payments are due annually on April 1 through 2047.

On August 3, 2017, Wellstar issued Revenue Anticipation Certificates Series 2017A LaGrange-Troup County Hospital Authority (Series 2017A LTCHA Certificates) in the original principal amount of \$62.4 million to provide funds to refund the outstanding 2014 LaGrange-Troup County Hospital Authority Revenue Anticipation Certificates Series 2014 (Series 2014 Certificates) and the LaGrange-Troup County Hospital Authority Revenue Anticipation Certificates Series 2008A (Series 2008A Certificates) and to pay for certain costs of issuance. The proceeds of the Series 2017A LTCHA Certificates were deposited in a defeasance trust for the refunding of the Series 2008A Certificates and paid to Columbus Bank and Trust to repay the outstanding amounts on the Series 2014 Certificates. The Series 2017A LTCHA Certificates bear interest at fixed rates ranging from 1% to 5%. Interest payments are due semiannually on April 1 and October 1. Principal payments are due annually on April 1 through 2047.

On August 3, 2017, Wellstar issued Revenue Anticipation Certificates Series 2017B Cobb County Kennestone Hospital Authority (Series 2017B CCKHA Certificates) in the original principal amount of \$60.1 million to Banc of America Public Capital Corp. to provide funds to refund the outstanding Cobb County Kennestone Hospital Authority Revenue Anticipation Certificates Series 2005A (Series 2005A Certificates) and to pay for certain costs of issuance. The proceeds of the Series 2017B CCKHA Certificates were paid to bond holders to redeem the outstanding certificates. The Series 2017B CCKHA Certificates bear interest at a variable rate (1-month term SOFR plus the applicable spread of 0.67%) and are subject to an index put date on June 30, 2030. The Series 2017B CCKHA Certificates have mandatory redemptions under the agreement through April 1, 2047. Interest payments are due annually. Principal payments are due annually on April 1 through 2047. The Series 2017B CCKHA Certificates were refinanced on April 9, 2025 with the issuance of the Series 2025A CCKHA Certificates.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

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On August 3, 2017, Wellstar issued Revenue Anticipation Certificates Series 2017B Griffin-Spalding Authority (Series 2017B GSHA Certificates) in the original principal amount of \$50.0 million to Banc of America Public Capital Corp. to provide funds to repay a portion of the \$600.0 million outstanding bank loan with Bank of America and to pay for certain costs of issuance. The proceeds of the Series 2017B GSHA Certificates were paid to Bank of America under the loan agreement. The Series 2017B GSHA Certificates bear interest at a variable rate (79% term SOFR plus the applicable spread of 0.65%) and are subject to an index put date on June 21, 2030. The Series 2017B GSHA Certificates have mandatory redemptions under the agreement through April 1, 2047. Interest payments are due annually. Principal payments are due annually on April 1 through 2030.

On November 15, 2012, Wellstar issued Revenue Anticipation Refunding Certificates Series 2012 (Series 2012 CCKHA Certificates) in the original principal amount of \$108.5 million to provide funds to refund the Hospital Authority of Cobb County Revenue Anticipation Refunding and Improvement Certificates Series 2003 (Series 2003 Certificates) and to pay for certain costs of issuance. The proceeds of the Series 2012 CCKHA Certificates were deposited in a defeasance trust for refunding the Series 2003 Certificates. The Series 2012 CCKHA Certificates bear interest at fixed rates ranging from 2.0% to 5.0%. Interest payments are due annually. Principal payments are due annually on April 1 through 2032. Wellstar refinanced \$35.4 million of the Series 2012 CCKHA Certificates with the Series 2023A CCKHA Certificates on November 2, 2023 as further described herein.

The 2004 and 2006 Cobb County Hospital Authority Revenue Certificates (Series 2004 CCHA Certificates and Series 2006 CCHA Certificates) bear interest at variable rates and are secured by direct-pay letters of credit expiring June 1, 2028. Interest rates are set weekly by the remarketing agent based upon prevailing rates for the contract period related to the remarketed tranche. In the event a market for variable rate instruments is not sustained, the letter of credit agreements require the bank to purchase the certificates. Interest payments are due monthly. Principal payments are due annually beginning April 1, 2032 through 2034 and April 1, 2034 through 2036, respectively.

On February 1, 2023, Wellstar entered into Facility No. 3 under the term loan agreement with Bank of America, N.A. dated October 15, 2018 with an original principal amount of \$79.5 million to refinance the Series 2017B DAFC Bonds. The interest rate is 1-month term SOFR plus 0.65% per annum and subject to an index rate put date on February 1, 2028. Interest is paid monthly. Principal is paid annually on April 1 through maturity on February 1, 2027. Facility No. 3 was repaid in full on April 9, 2025.

On May 27, 2022, Wellstar entered into a term loan agreement with Wells Fargo Bank, National Association for \$53 million to refinance the Revenue Bonds Series 2017C Development Authority of Fulton County (Series 2017C DAFC Bonds) and the Revenue Bonds Series 2017D Development Authority of Fulton County (Series 2017D DAFC Bonds). The proceeds were used to pay the redemption price of the Series 2017C DAFC Bonds and Series 2017D DAFC Bonds. The interest rate is based on the Daily Simple SOFR plus 0.50% per annum in effect from time to time through maturity on May 27, 2027. Interest payments are due monthly. Principal payments are due annually beginning April 1, 2023 through maturity.

On May 13, 2021, Wellstar entered into Facility No. 2 under the term loan agreement dated October 15, 2018 with Bank of America, N.A. with an original principal amount of \$24.3 million to finance the acquisition of a building previously under a finance lease obligation. The interest rate is 1-month term SOFR plus 0.75% per annum and subject to an index put date on the fifth anniversary of the issue date. The term loan

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

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agreement has mandatory redemptions annually. Principal and interest are paid monthly, maturing on May 12, 2026. The Facility No. 2 was repaid in full on April 9, 2025.

The average annual interest rate on Wellstar's variable rate obligations approximated 4.7% and 5.7% for the years ended June 30, 2025 and 2024, respectively.

Certain trusted assets described in note 2 and the future net revenue of Wellstar are pledged as security for payment of the various series' of hospital revenue certificates and revenue bonds outlined above. Substantially all of Wellstar's long-term debt agreements subject Wellstar to certain debt covenants typical of such obligations.

Wellstar maintains an unsecured revolving line of credit with a bank for \$150 million. The facility is available until March 26, 2026. Wellstar anticipates renewal of the facility at expiration under substantially the same terms and conditions as the existing facility. The line of credit agreement subjects Wellstar to certain debt covenants typical of such arrangements. There were no amounts outstanding under the facility at June 30, 2025 or 2024.

Wellstar paid interest of approximately \$93.3 million and \$75.1 million during the years ended June 30, 2025 and 2024, respectively.

Net interest capitalized on capital projects was approximately \$25.6 million and \$19.1 million during the years ended June 30, 2025 and 2024, respectively.

Future maturities of long-term debt and finance lease obligations follow (in thousands):

2026	\$	46,699
2027		46,467
2028		46,956
2029		46,553
2030		46,480
Thereafter		<u>1,719,694</u>
	\$	<u>1,952,849</u>

#### (7) Net Patient Service Revenue and Patient Accounts Receivable, net

Wellstar revenues generally relate to contracts with patients in which the performance obligations are to provide health care services to the patients. Revenues are recorded during the period in which the obligations to provide health care services are satisfied. The performance obligations for inpatient services are generally satisfied over periods that average approximately five days, and revenues are recognized based on charges incurred in relation to total expected charges. The performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services provided to the

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

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related patients typically specify payments at amounts less than the standard charges. A summary of the basis of reimbursement with major third-party payors follows:

*Medicare* – Inpatient and outpatient services rendered to Medicare program beneficiaries are generally paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, payments for certain other reimbursable items are made at tentative rates, with final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. Wellstar affiliate hospitals received Medicare fee for service Disproportionate Share payments totaling \$76.6 million and \$76.9 million during the years ended June 30, 2025 and 2024, respectively. Wellstar affiliate hospitals received Medicare Advantage Disproportionate share payments totaling \$94.2 million and \$76.2 million during the years ended June 30, 2025 and 2024, respectively. The cost reports of all Wellstar affiliates have been audited and final settled for all fiscal years through June 30, 2018. Net revenue from the Medicare program accounted for approximately 30.4% and 31.4% of Wellstar's net patient service revenue for the years ended June 30, 2025 and 2024, respectively.

Wellstar, through one of its subsidiaries, participates in the Medicare Shared Saving Program (MSSP) "Track 1" involving upside only gain-sharing. Other revenue in the accompanying June 30, 2025 and 2024 combined statements of operations includes shared savings payments totaling \$5.4 million and \$6.3 million, respectively.

*Medicaid* – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. Outpatient services are generally paid based upon cost reimbursement methodologies. Wellstar's Medicaid cost reports have been final settled through June 30, 2018 for all Wellstar affiliates. Net revenue from the Medicaid program accounted for approximately 8.6% and 9.7% of Wellstar's net patient service revenue for the years ended June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, net patient service revenue decreased by approximately \$23.4 million and increased by approximately \$15.2 million, respectively, due to changes in estimates for open Medicare and Medicaid cost reports and removal of allowances previously estimated that are no longer necessary as a result of final settlements. Wellstar has incorporated the most current and relevant data received from Medicare and Medicaid in the preparation of associated estimates at both June 30, 2025 and 2024.

Wellstar's affiliate hospitals, physicians, nursing facilities and ambulance service participate in the Georgia Medicaid Upper Payment Limit (UPL) program for providers participating in the State of Georgia (the State) Medicaid program. Wellstar's net reimbursement benefit associated with the program, totaling approximately \$74.7 million and \$34.3 million for the years ended June 30, 2025 and 2024, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that Wellstar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Wellstar's affiliate hospitals participate in the Georgia Indigent Care Trust Fund (ICTF). Under the provisions of the ICTF, Medicaid disproportionate share hospitals (DSH) may contribute funds to be used by the State in the Medicaid Program that are supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. Wellstar's net

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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reimbursement benefit associated with the program, totaling approximately \$81.6 million and \$92.8 million for the years ended June 30, 2025 and 2024, respectively, is recognized as additional Medicaid reimbursement and, therefore, is reflected as a reduction in associated contractual adjustments in the accompanying combined statements of operations.

Wellstar affiliate hospitals and physicians participate in the Georgia Medicaid Directed Payment Program (the Medicaid DPP) for providers participating in the State Medicaid program. The Medicaid DPP plans for delivery system and provider payment initiatives under Medicaid managed care plan contracts and how payments should be distributed to providers. Wellstar's net reimbursement benefit associated with the program, totaling approximately \$118.4 million and \$84.9 million for the years ended June 30, 2025 and 2024, respectively, is recognized as a reduction in related contractual adjustments in the accompanying combined statements of operations. There can be no assurance that Wellstar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Wellstar's affiliate teaching hospitals participate in the Georgia Medicaid Directed Payment Program - Georgia Strong (GA Strong) and GeorgiaAide program for providers participating in the State Medicaid program. Wellstar's net reimbursement benefit associated with the program, totaling approximately \$128.4 million and \$101.5 million for the years ended June 30, 2025 and 2024, respectively, is recognized as additional Medicaid reimbursement and therefore is reflected as a reduction in related contractual adjustments in the accompanying combined statements of operations.

The State's determination related to Wellstar's participation in the State's fiscal year 2026 plans is currently in process, and the terms of the fiscal year 2026 plan have not been finalized. Accordingly, contributions to the State's plan during 2026 and related amounts to be potentially received from Medicaid during 2025 have not been established. There can be no assurance that Wellstar will continue to qualify for future participation in this program or that the program will not ultimately be discontinued or materially modified.

Certain affiliates of Wellstar have also entered into other reimbursement arrangements providing for payment methodologies, which include prospectively determined rates per discharge, capitated payment arrangements, discounts from established charges, and prospectively determined per diem rates.

Wellstar has determined that the nature, amount, and uncertainty of revenue and cash flows are affected by the following factors: payors and service lines. The following tables provide details of these factors.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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The composition of net patient service revenue by primary payor for the years ended June 30, 2025 and 2024 follow:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Medicare	\$ 2,085,589	1,920,222
Medicaid	592,381	591,715
Other third-party payors	3,950,187	3,401,397
Patients	<u>230,479</u>	<u>198,517</u>
Net patient service revenue	\$ <u>6,858,636</u>	<u>6,111,851</u>

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

The composition of net patient service revenue, based on Wellstar's primary lines of business for the years ended June 30, 2025 and 2024 follow:

<u>Service lines</u>	<u>2025</u>	<u>2024</u>
	(In thousands)	
Hospital services	\$ 5,735,268	5,106,949
Physician services	1,053,493	925,573
Other healthcare services	<u>69,875</u>	<u>79,329</u>
Net patient service revenue	\$ <u>6,858,636</u>	<u>6,111,851</u>

**(8) Community Benefits and Uncompensated Care**

Wellstar maintains records to identify and monitor the level of charity care it provides through its affiliates. These records include the costs and amount of charges foregone for services and supplies furnished under its Community Financial Aid Policy. Wellstar owns and operates two indigent clinics located on the campuses of two of its affiliate hospitals. In addition, Wellstar provides free lab and medical imaging services for a local community clinic, as well as funding for nurse practitioner services for a disadvantaged population within the community.

Wellstar also participates in certain governmental insurance programs, including Medicare and Medicaid. Under these programs, Wellstar provides care to patients at payment rates, which are determined by the federal and state governments, regardless of Wellstar's actual charges. In some cases, these programs pay Wellstar at amounts which are less than its cost of providing services.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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The following is the cost to provide care to those patients qualifying for Community Financial Aid along with the unreimbursed cost of providing care to Medicare and Medicaid beneficiaries and other patients. These costs are determined using a cost-to-charge ratio.

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Cost of providing charity care	\$ 211,698	204,783
Unreimbursed cost of providing care to Medicaid beneficiaries	29,397	59,205
Unreimbursed cost of providing care to Medicare beneficiaries	645,922	733,422
Unreimbursed cost of providing care to other patients	281,259	262,212
Cost of other community programs	36,575	46,825
	<u>\$ 1,204,851</u>	<u>1,306,447</u>

The State of Georgia Provider Payment Agreement Act provides that each hospital shall be assessed a provider payment in the amount of 1.45% (1.40% for three Wellstar affiliate hospitals [WCH, WKH, WNFH] designated as Georgia Trauma Centers) of net patient service revenue of the hospital based on the annual financial survey filed with the State of Georgia Department of Community Health and such payments be recognized as a community benefit. For the years ended June 30, 2025 and 2024, Wellstar affiliate hospitals made \$55.8 million and \$56.2 million, respectively, in provider payments and recognized such payments as a reduction in net patient service revenue in the accompanying combined financial statements.

Wellstar offers many wellness and educational services at little or no cost to the community. Health fairs are held throughout the year at accessible locations, providing various health screenings, such as mammograms, bone density, blood pressure, and cholesterol checks. A large number of educational programs are offered for all ages. These programs include bicycle safety, car seat safety, defensive driving, CPR, and first-aid classes. Flu shots are available to the community during flu season and health screenings, medical supplies, and immunizations are provided to children through local health departments and health fairs. The costs of these services are included in revenue, gains, and other support in excess of expenses and losses in the accompanying combined statements of operations.

#### **(9) Employee Benefit Plans**

Wellstar sponsors the Wellstar Health System, Inc Active Employees Retirement Plan A (the Plan) and is a guarantor of the LaGrange Troup County Authority Pension Plan (LT Authority Plan). Effective June 30, 2024 the Wellstar Health System, Inc. Active Employees Retirement Plan B merged into the Wellstar Health System, Inc. Active Employees Retirement Plan A. Effective November 1, 2020, the Plans were frozen to future participation, service and benefit accruals.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(a) Pension Benefits – Wellstar Health System, Inc.**

The changes in the projected benefit obligations for the Plans for the years ended June 30, 2025 and 2024 follow:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Projected benefit obligation, beginning of year	\$ 1,257,817	1,287,992
Interest cost	66,896	67,602
Actuarial gain	(21,199)	(10,685)
Benefits paid	(56,442)	(57,034)
Settlements	—	(30,058)
Projected benefit obligation, end of year	\$ <u>1,247,072</u>	<u>1,257,817</u>

The accumulated benefit obligation at June 30, 2025 and 2024 totaled \$1.2 billion and \$1.3 billion, respectively.

The changes in the fair value of the Plans' assets, funded status of the Plans, and the status of amounts recognized in Wellstar's combined balance sheets as of June 30, 2025 and 2024 related to the Plans follow:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Fair value of plan assets, beginning of year	\$ 1,411,618	1,311,268
Actual return on plan assets	142,180	173,242
Employer contributions	—	14,200
Benefits paid	(56,442)	(57,034)
Settlements	—	(30,058)
Fair value of assets, end of year	\$ <u>1,497,356</u>	<u>1,411,618</u>
Prepaid pension asset – funded status	\$ 250,284	153,801

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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The components of the Plans' net periodic pension (credit) cost for 2025 and 2024 follow:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Interest cost	\$ 66,896	67,602
Expected return on plan assets	(80,119)	(70,622)
Amortization of net loss	—	2,353
Settlement loss	—	4,930
	<hr/>	<hr/>
Net periodic pension (credit) cost	\$ <u>(13,223)</u>	<u>4,263</u>
Other changes in net assets without donor restrictions:		
Net gain in net assets without donor restrictions	\$ (83,260)	(113,305)
Amortization of net loss	—	(2,353)
Net loss due to settlement	—	(4,930)
	<hr/>	<hr/>
Total gain recognized in net assets without donor restrictions	\$ <u>(83,260)</u>	<u>(120,588)</u>

The amounts accumulated in net assets without donor restrictions in the combined balance sheets follow:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Actuarial loss	\$ 18,729	101,989

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at June 30:

	<u>2025</u>	<u>2024</u>
Discount rate	5.68 %	5.62 %

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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Weighted average assumptions used to determine net periodic pension (credit) cost for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Discount rate – Active Plan A	5.62 %	5.36 %
Discount rate – interest cost – Active Plan A	5.48	5.38
Discount rate – Active Plan B	—	5.46
Discount rate – interest cost – Active Plan B	—	5.40
Expected return on plan assets	6.25	6.25

Wellstar determines the interest cost component of net periodic pension cost by using the specific spot rates across the yield curve corresponding to the varying cash flow duration groups to calculate the interest cost component.

(i) *Plan Assets*

The Plans' investment objectives are to protect long-term asset value by applying prudent, low-risk, high-quality investment disciplines and to enhance the values by maximizing investment returns through active security management within the framework of the plans' investment policy. Asset allocation strategies and investment management structure are designed to meet the plan's investment objectives.

Wellstar's pension plan target and weighted average asset allocations follow:

	<u>Target allocation</u>	<u>2025</u>	<u>2024</u>
Plan assets:			
Cash and cash equivalents	— %	1 %	4 %
Equities	59	62	60
Domestic bonds	35	33	32
Global value	6	4	4
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

The expected long-term rate of return assumption is based on the targeted asset allocation and the average return to be earned over the period of payment of the expected benefits included in the benefit obligation. In developing the expected returns, consideration is given to actual returns earned on the components of pension plan assets, projection of returns, current economic conditions, and historical rates of return, volatilities, and interactions of asset classifications.

Wellstar categorizes its pension assets, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy (note 14).

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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(ii) *Cash Flows*

Wellstar does not expect to make any contributions to the Plans in fiscal year 2025.

(iii) *Expected Future Benefit Payments*

Benefit payments are expected to be paid as follows (in thousands):

Year ending June 30:		
2026	\$	72,236
2027		68,664
2028		72,374
2029		75,636
2030		78,566
2031–2035		423,033

**(b) Pension Benefits – Wellstar West Georgia Health Services Inc. and Affiliates**

Pursuant to the lease and transfer agreement between the LT Authority and WWGMC, employees of the LT Authority became employees of WWGMC on October 1, 2009. Pension benefit accruals under the LT Authority's pension plan were frozen on September 30, 2009. Employees who had participated in the LT Authority's pension plan (LT Authority Plan) retained their accrued benefit and on October 1, 2009 began accruing benefits under a new defined benefit pension plan sponsored by WWGMC (WWGMC Plan). The lease and transfer agreement requires WWGMC to fund all pension obligations of the LT Authority Plan. Obligations under the LT Authority Plan are reflected in the actuarial valuation related to that plan. The WWGMC Plan merged into the Wellstar pension plans effective December 31, 2019.

Actuarial services for the LT Authority Plan is provided by an independent consulting firm. WWGMC is required to contribute the amounts necessary to fund the LT Authority Plan, using the actuarial basis specified by LT Authority Plan. The participants are fully vested in their benefits under the LT Authority Plan and LT Authority Plan is closed to new participants. Employees may retire at age 55 if they have completed 10 years of service; normal retirement is at age 65 with 5 years of credited service. Upon retirement, each participant will receive a benefit under the Wellstar pension plan that is calculated on the basis of consolidated service with the LT Authority and WWGMC and is offset by the amount of his or her frozen benefit under the LT Authority Plan.

The funded status of the WWGMC Plan plus amounts due to the LT Authority related to the LT Authority Plan is recognized as an asset or liability in the combined balance sheets.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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The following table presents a reconciliation of the beginning and ending balances of the LT Authority Plan's projected benefit obligation, the fair value of plan assets, and the funded status of the LT Authority Plan for the years ended June 30:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Projected benefit obligation, beginning of period	\$ 76,695	78,441
Interest cost	3,961	4,069
Actuarial (gain) / loss	36	(817)
Benefits paid	<u>(5,227)</u>	<u>(4,998)</u>
Projected benefit obligation, end of period	<u>75,465</u>	<u>76,695</u>
Fair value of LT Authority Plan assets, beginning of period	57,097	52,369
Actual return on LT Authority Plan assets	6,024	7,726
Contributions from the LT Authority Plan's sponsor	2,000	2,000
Benefits paid	<u>(5,227)</u>	<u>(4,998)</u>
Fair value of LT Authority Plan assets, end of period	<u>59,894</u>	<u>57,097</u>
Accrued pension liability – funded status of the LT Authority Plan, end of period	\$ <u><u>(15,571)</u></u>	\$ <u><u>(19,598)</u></u>

The accumulated benefit obligation at June 30, 2025 and 2024 totaled \$75.5 million and \$76.7 million, respectively.

Amounts accumulated in net assets without donor restrictions related to the LT Authority Plan consist of the following:

	<u>June 30</u>	
	<u>2025</u>	<u>2024</u>
	(In thousands)	
Actuarial (gain) loss	\$ (3,098)	(560)

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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Net periodic pension cost and other amounts recognized in net assets without donor restrictions consist of the following:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Net periodic pension cost components:		
Interest cost	\$ 3,961	4,069
Expected return on plan assets	<u>(3,450)</u>	<u>(3,161)</u>
Net periodic pension cost	\$ <u>511</u>	<u>908</u>
Other changes in net assets without donor restrictions:		
Net gain in net assets without donor restrictions	\$ (2,538)	(5,382)

Weighted average assumptions used to determine benefit obligations in the accompanying combined balance sheets at June 30:

	<u>2025</u>	<u>2024</u>
Discount rate	5.45 %	5.53 %

Weighted average assumptions used to determine net periodic pension cost for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Discount rate	5.53 %	5.34 %
Discount rate – interest cost	5.41	5.40
Expected return on plan assets	6.25	6.25

Wellstar determines the interest cost component of net periodic pension cost by using the specific spot rates across the yield curve corresponding to the varying cash flow duration groups to calculate the interest cost component.

(i) *Plan Assets*

The LT Authority Plan's target and weighted average asset allocations follow:

	<u>Target allocation</u>	<u>Plan assets at June 30</u>	
		<u>2025</u>	<u>2024</u>
Cash and cash equivalents	0–10%	3 %	5 %
Fixed income	35–100	22	24
Equities	0–65	75	71

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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On a quarterly basis, the investment committee evaluates and monitors such factors as general economic and financial market conditions and trends, overall diversification of the investment options, the adherence of each option to its stated investment objective, and the role of the investment option in determining the asset allocation strategy for funding of the plans. The LT Authority utilizes an outside investment consultant to implement its investment strategy.

(ii) *Cash Flows*

Wellstar expects to contribute approximately \$2.0 million to the Plan in fiscal year 2026.

(iii) *Expected Future Benefit Payments*

Benefit payments are expected to be paid as follows (in thousands):

Year ending June 30:	
2026	\$ 6,228
2027	5,923
2028	5,992
2029	6,023
2030	6,030
2031–2035	29,268

(c) *Other Benefits*

Wellstar sponsors a 403(b) defined contribution benefit plan (the Wellstar 403(b) Plan), which covers substantially all employees. Wellstar matches employee contributions based on the employees' primary affiliate employer and eligibility. Eligible employees may contribute up to 20% of compensation in any one year, subject to a regulatory limit.

The Wellstar 403(b) Plan provides employer matching contributions of 50% of the first 4% of compensation contributed by the participant up to a maximum of 2% of total compensation for contributing team members.

Wellstar contributed approximately \$41.9 million and \$32.6 million to the Wellstar 403(b) Plan under the employee matching contribution during the years ended June 30, 2025 and 2024, respectively.

The Wellstar 403(b) Plan also provides a noncontributory employer discretionary contribution and a transitional contribution to eligible participants based on a percentage of eligible compensation defined by the Wellstar 403(b) Plan, regardless of whether an employee contributes to the Wellstar 403(b) Plan. The contribution is payable following the end of each fiscal year and is contingent on Wellstar achieving certain financial performance standards. Estimated contributions totaling \$112.0 million and \$88.7 million are included in accrued salaries, wages, and benefits in the accompanying combined balance sheets as of June 30, 2025 and 2024, respectively.

WMCG sponsored a 403(b) defined contribution benefit plan, which covers substantially all WMCG employees through August 3, 2024 when the plan was frozen and merged into the Wellstar 403(b) Plan and began accruing benefits under that Plan. Prior to the freeze and merge, WMCG matched 100% of participant contributions into their 403(b) plan up to 5% of compensation as defined by the plan.

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Employees vest immediately in employer contributions. WMCG contributed approximately \$10.9 million to the WMCG Health Inc. 403(b) plan during the fiscal year ended June 30, 2024.

Wellstar sponsors a 457(f) plan for officers of the organization. Total liabilities under the plan included in other long-term liabilities in the accompanying combined balance sheets total \$49.2 million and \$43.0 million as of June 30, 2025 and 2024, respectively.

Wellstar also sponsors an unfunded postretirement medical plan covering members of the Board and their dependents upon retirement from completion of 12 years of board service. The unfunded status of the plan at both June 30, 2025 and 2024 is \$1.9 million, and is included in other long-term liabilities in the accompanying combined balance sheets. The plan is measured as of June 30 using a discount rate of 5.44% and 5.36% at June 30, 2025 and 2024, respectively. The assumed initial and ultimate healthcare trend rate is 5% at both June 30, 2025 and 2024.

#### (10) Business and Credit Concentrations

Wellstar grants credit to patients, substantially all of whom reside in the service areas of Wellstar's affiliates. Wellstar generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Managed Care, capitated, and other preferred provider arrangements and commercial insurance policies).

The mix of net receivables from patients and third-party payors follows:

	<u>2025</u>	<u>2024</u>
Managed care	61 %	60 %
Medicare	29	26
Medicaid	5	7
Patients	—	2
Other third-party payors	5	5
	<u>100 %</u>	<u>100 %</u>

The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been exhausted.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and collections at facilities that represent a majority of Wellstar's revenues and accounts receivable (the hindsight analysis) as a primary source of information in estimating the collectability of patient accounts receivable. Wellstar performs the hindsight analysis quarterly, utilizing

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

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rolling twelve-months patient accounts receivable collection and write-off data. Wellstar believes quarterly updates to the estimated implicit price concession amounts at each of the hospital facilities provides reasonable estimates of revenues and valuation of patient accounts receivable. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuation of patient accounts receivable or period-to-period comparisons of the results of operations.

#### **(11) Self-insurance Programs**

Wellstar has established a wholly owned captive insurance company, (CAC), for the purpose of self-insuring first-dollar coverage related to general liability, professional liability and workers' compensation risks on a claims-made basis. Wellstar funds CAC in amounts as determined by consulting actuaries. General and professional liability risks are self-insured on a primary annual basis within the captive at \$2.0 million per claim for General Liability and \$15.0 million per claim for Professional Liability, with a shared \$120.0 million Aggregate. The Workers' Compensation self-insured retention within the captive is at \$500,000 per claim.

CAC also provides first-dollar coverage for Directors and Officers Liability, Employment Practices Liability, Fiduciary Liability, Property Damage, Business Automobile Comprehensive and Collision coverage, Crime coverage, and Network Security & Privacy Liability ("Cyber") coverage. In addition, Wellstar is self-insured through other arrangements for employee group health insurance.

Losses for all self-insured coverages, except for employee group health insurance, are managed through the Risk Management and Claims Committee process. Identified and incurred-but-not-reported losses are accrued based on estimates that incorporate Wellstar's past experience, as well as other considerations such as the nature of each claim or incident, relevant trend factors, and advice from consulting actuaries. The identified and estimated incurred-but-not-reported losses included in the accompanying combined balance sheets at June 30, 2025 and 2024 have been discounted at 4.0% and 4.50%, respectively.

Wellstar also maintains substantial excess liability coverage for amounts in excess of the above-described limits through the provisions of certain claims-made insurance policies. To the extent that any claims-made coverage is not renewed or replaced with equivalent insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through Wellstar's incident reporting system and other reporting procedures, that any such claims would not have a material effect on Wellstar's operations or financial position. In any event, management anticipates that the claims-made coverages currently in place will be renewed or replaced with equivalent insurance as the terms of these coverages expire.

#### **(12) Leases**

Wellstar leases certain property, buildings, and equipment under both operating and financing leases expiring through May 31, 2045. Leases with terms greater than 12 months are recorded with the related ROU assets and ROU obligations at the present value of lease payments over the lease term. Wellstar uses an incremental borrowing rate to discount lease payments based on information available at lease commencement, as most leases do not provide a readily determinable implicit interest rate. The incremental borrowing rate for the years ended June 30, 2025 and 2024 ranged from 3.80% to 5.20% and 0.79% to 6.00%, respectively. Leases that include rental escalation clauses and renewal options are factored into the determination of lease payments when appropriate.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

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The following table presents ROU assets and lease liabilities included in the accompanying combined balance sheets for the years ended June 30:

		<u>2025</u>	<u>2024</u>
		(In thousands)	
ROU assets:			
Operating	Other assets	\$ 135,019	120,800
Finance	Property and equipment, net	<u>79,565</u>	<u>91,124</u>
	Total	\$ <u><u>214,584</u></u>	<u><u>211,924</u></u>
Lease liabilities:			
Current:			
Operating	Other accrued expenses	\$ 26,998	17,730
Finance	Current installments of long-term debt and finance lease obligations	13,150	14,299
Noncurrent:			
Operating	Long-term operating lease obligations	112,221	105,684
Finance	Long-term debt and finance lease obligations, excluding current installments	<u>67,204</u>	<u>80,447</u>
	Total	\$ <u><u>219,573</u></u>	<u><u>218,160</u></u>

Operating and financing lease expense included in the accompanying combined statements of operations follows for the years ended June 30:

		<u>2025</u>	<u>2024</u>
		(In thousands)	
Supplies and other expenses:			
	Operating lease expense	\$ 30,249	31,167
	Short-term lease expense	13,754	16,035
	Variable lease expense	80	20
Depreciation and amortization:			
Finance lease expense:			
	Amortization of lease assets	12,775	14,108
	Interest on lease liabilities	<u>2,604</u>	<u>2,357</u>
	Total	\$ <u><u>59,462</u></u>	<u><u>63,687</u></u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

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The following table presents other supplemental quantitative disclosures as of and for the years ended June 30, 2025 and 2024 (dollars in thousands):

	<b>2025</b>	<b>2024</b>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	\$ 30,281	31,217
Financing cash flows used for finance leases	14,092	14,170
Additions to right-of-use assets obtained from operating leases	46,476	11,855
Additions to right-of-use assets obtained from finance leases	1,420	16,574
Weighted average remaining lease term (years):		
Operating leases	8.62	9.66
Finance leases	8.39	8.94
Weighted average discount rate:		
Operating leases	3.09 %	3.04 %
Finance leases	3.16	3.18

The undiscounted future lease payments under non-cancelable operating and financing leases and reconciliation to the corresponding liabilities included in the accompanying combined balance sheets follows (in thousands):

	<b>2025</b>		
<b>Lease maturity</b>	<b>Operating leases</b>	<b>Finance leases</b>	<b>Total</b>
Year ending June 30:			
2026	\$ 29,384	15,155	44,539
2027	24,711	13,141	37,852
2028	19,642	12,200	31,842
2029	16,113	9,617	25,730
2030	11,461	7,654	19,115
Thereafter	72,285	32,742	105,027
Total lease payments	173,596	90,509	264,105
Less amount representing interest	(34,377)	(10,155)	(44,532)
Present value of undiscounted future cash flows	\$ 139,219	80,354	219,573

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(13) Functional Expenses**

Wellstar provides healthcare services to individuals generally residing within its geographic location. Expenses related to providing these services are characterized functionally as follows:

	<b>Year ended June 30, 2025</b>		
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Total</b>
		(In thousands)	
Salaries and employee benefits	\$ 3,321,757	563,421	3,885,178
Supplies and other expenses	2,461,443	353,960	2,815,403
Depreciation and amortization	222,677	58,004	280,681
Interest	58,337	2,576	60,913
Total expenses	<u>\$ 6,064,214</u>	<u>977,961</u>	<u>7,042,175</u>

	<b>Year ended June 30, 2024</b>		
	<b>Healthcare services</b>	<b>General and administrative</b>	<b>Total</b>
		(In thousands)	
Salaries and employee benefits	\$ 2,866,450	580,617	3,447,067
Supplies and other expenses	2,186,304	268,310	2,454,614
Depreciation and amortization	196,585	57,479	254,064
Interest	61,818	2,803	64,621
Total expenses	<u>\$ 5,311,157</u>	<u>909,209</u>	<u>6,220,366</u>

The combined financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, supplies and other expenses and depreciation and amortization which includes allocations on the basis of estimates of time and effort.

**(14) Fair Value of Financial Instruments**

In accordance with FASB ASC 820, *Fair Value Measurement*, Wellstar has categorized its financial instruments, based on the priority of inputs used in related valuation techniques, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

When available, Wellstar generally uses quoted market prices to determine fair value and classifies such items as Level 1. Wellstar's Level 2 securities are bonds and other debt securities whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

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matrix pricing for similar bonds or loans where no price is observable in an actively traded market. If available, the vendor may also use quoted prices for recent trading activity of assets with similar characteristics to the bond being valued. Wellstar does not consider any of its investment holdings to be Level 3 securities.

The fair value hierarchy of assets limited as to use at June 30 follows:

	<b>2025</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
		(In thousands)	
Cash	\$ 83,467	—	83,467
Fixed Income - Domestic	373,950	713,268	1,087,218
Fixed Income - International	—	28,360	28,360
Equity - Domestic	882,656	—	882,656
Equity - International	118,920	—	118,920
Mutual funds	296,487	—	296,487
	<u>1,755,480</u>	<u>741,628</u>	<u>2,497,108</u>
Cash	16,793	—	16,793
Fixed Income - Domestic	124,217	105,008	229,225
Fixed Income - International	—	2,791	2,791
Equity - Domestic	41,961	—	41,961
Equity - International	3,995	—	3,995
	<u>186,966</u>	<u>107,799</u>	<u>294,765</u>
Cash	39,626	—	39,626
Equity - Domestic	5,276	—	5,276
Mutual Funds	13,094	—	13,094
Beneficial Interest in Assets Held by others	15,547	—	15,547
Other	—	5,241	5,241
	<u>73,543</u>	<u>5,241</u>	<u>78,784</u>
Cash and cash equivalents	<u>168,943</u>	<u>—</u>	<u>168,943</u>
	<u>168,943</u>	<u>—</u>	<u>168,943</u>
	<u>\$ 2,184,932</u>	<u>854,668</u>	<u>3,039,600</u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

	<b>2024</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
		(in thousands)	
Cash	\$ 78,554	—	78,554
Fixed Income - Domestic	241,944	742,913	984,857
Fixed Income - International	—	27,251	27,251
Equity - Domestic	735,872	—	735,872
Equity - International	210,888	—	210,888
Mutual funds	38,487	—	38,487
	<u>1,305,745</u>	<u>770,164</u>	<u>2,075,909</u>
Cash	36,693	—	36,693
Fixed Income - Domestic	80,351	87,037	167,388
Fixed Income - International	—	817	817
Equity - Domestic	33,588	—	33,588
Equity - International	4,220	—	4,220
Mutual Funds	22,283	—	22,283
	<u>177,135</u>	<u>87,854</u>	<u>264,989</u>
Cash	35,862	—	35,862
Fixed Income - Domestic	—	—	—
Fixed Income - International	—	—	—
Equity - Domestic	5,096	—	5,096
Mutual Funds	10,918	652	11,570
Beneficial Interest in Assets Held by others	15,543	—	15,543
Other	—	5,325	5,325
	<u>67,419</u>	<u>5,977</u>	<u>73,396</u>
Cash and cash equivalents	337,728	—	337,728
Obligations of the U.S. Government and its agencies	61,581	—	61,581
	<u>399,309</u>	<u>—</u>	<u>399,309</u>
	\$ <u>1,949,608</u>	<u>863,995</u>	<u>2,813,603</u>

The carrying amounts of all applicable asset and liability financial instruments reported in the accompanying combined balance sheets (except various debt instruments) approximate their estimated fair values, in all material respects, at June 30, 2025 and 2024. Fair value of a financial instrument is defined as the amount which would be received to sell an asset or paid to transfer a liability in an orderly transaction between willing market participants at the measurement date.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

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The fair value hierarchy of the Wellstar pension plan assets at June 30, 2025 and 2024 follows:

	<b>2025</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
		(In thousands)	
Cash and cash equivalents	\$ 21,848	—	21,848
Debt securities - Domestic	225,851	264,248	490,099
Equity securities - Domestic	931,217	—	931,217
Global value	49,580	4,612	54,192
	<u>\$ 1,228,496</u>	<u>268,860</u>	<u>1,497,356</u>

  

	<b>2024</b>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
		(In thousands)	
Cash and cash equivalents	\$ 57,285	—	57,285
Debt securities - Domestic	198,692	251,107	449,799
Equity securities - Domestic	850,362	—	850,362
Global value	48,416	5,756	54,172
	<u>\$ 1,154,755</u>	<u>256,863</u>	<u>1,411,618</u>

The fair value hierarchy of the LT Authority pension plan at June 30, 2025 and 2024 follows:

	<u>2025</u>	<u>2024</u>
	<u>Level 1</u>	<u>Level 1</u>
	(In thousands)	
Cash and cash equivalents	\$ 2,168	2,850
Mutual funds - domestic equity	39,412	35,691
Mutual funds - international equity	5,288	4,720
Mutual funds - domestic fixed income	13,026	13,836
	<u>\$ 59,894</u>	<u>57,097</u>

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

**(15) Net Assets with Donor Restrictions**

Net assets with donor restrictions as of June 30, 2025 and 2024 are available for the use of various Wellstar programs and affiliates as follows:

	<u>2025</u>	<u>2024</u>
	(In thousands)	
Subject to spending policy and appropriation:		
Patient services	\$ 14,720	11,988
Hospital general purpose	28,891	28,073
Education and employee assistance	751	1,066
Any activities of the organization	<u>10,978</u>	<u>9,399</u>
	55,340	50,526
Subject to appropriation and expenditure when a specified event occurs:	550	537
Not subject to appropriation or expenditure	13,218	13,279
Beneficial interest in net assets held by others		
Subject to spending policy and appropriation	7,500	10,330
Not subject to appropriation or expenditure	<u>5,342</u>	<u>5,213</u>
Total net assets with donor restrictions	\$ <u>81,950</u>	<u>79,885</u>

Wellstar Foundation has two separate endowments: The Hodges Fund and the Tranquility Angel Fund. The Hodges Fund is comprised of one investment account established for providing nursing scholarships. Related investment income is classified as net assets with donor restrictions until scholarships are appropriated for expenditure by the Wellstar Foundation Board. The related donor documents also call for an annual CPI adjustment to the corpus balance each year. The Tranquility Angel Fund consists of two separate investment accounts established for providing support to hospice care patients and supporting functions. Related investment income is classified as net assets with donor restrictions until such amounts are appropriated for expenditure in accordance with the donor's intent.

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

Endowment net assets and classification of related unappropriated income at June 30, 2025 and 2024 follow (in thousands):

	<b>2025</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ —	13,218	13,218
Accumulated investment gains	—	4,561	4,561
Total	\$ —	17,779	17,779
	<b>2024</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ —	13,279	13,279
Accumulated investment gains	—	4,039	4,039
Total	\$ —	17,318	17,318

**WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES**

Notes to Combined Financial Statements

June 30, 2025 and 2024

The change in endowment net assets and related income classifications for the years ended June 30, 2025 and 2024 follows (in thousands):

	<b>2025</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Beginning of year	\$ —	17,318	17,318
Contributions	—	132	132
Other	—	(834)	(834)
Investment return:			
Interest and dividend income	—	210	210
Net appreciation	—	953	953
	—	1,163	1,163
End of year	\$ —	17,779	17,779
	<b>2024</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Beginning of year	\$ —	16,477	16,477
Contributions	—	292	292
Other	—	(782)	(782)
Investment return:			
Interest and dividend income	—	196	196
Net appreciation	—	1,135	1,135
	—	1,331	1,331
End of year	\$ —	17,318	17,318

All assets and liabilities of the LaGrange-Troup County Hospital Authority transferred to WWGMC are subject to the restrictions and covenants required by Callaway Foundation, Inc. and Fuller E. Callaway Foundation. Net assets with donor restrictions consist of land and the assets attached thereto contributed with donor-imposed restrictions by Callaway Foundation, Inc. The restrictions limit the use of the property to hospital purposes. In the event the property ceases to be used for such purposes, said land, along with all assets attached, shall revert to Callaway Foundation, Inc., its successors or assignee.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

Notes to Combined Financial Statements

June 30, 2025 and 2024

### (16) Business Combinations

On August 29, 2023, Wellstar and AU Health System, Inc., a Georgia nonprofit corporation (AUHS), consummated their affiliation (the Transaction) pursuant to a Membership Substitution Agreement dated August 29, 2023. As a result of the Transaction, Wellstar became the sole corporate member of AUHS, AUHS changed its corporate legal name to Wellstar MCG Health, Inc. (WMCG), and the health system operated by AUHS became a part of the health system operated by Wellstar. By virtue of Wellstar becoming the sole corporate member of WMCG, Wellstar became the ultimate parent corporation of WMCG and its affiliates, AU Medical Center, Inc., a Georgia nonprofit corporation (AUMC), AU Medical Associates, Inc., a Georgia nonprofit corporation (AUMA), and Roosevelt Warm Springs Rehabilitation & Specialty Hospitals, Inc., a Georgia nonprofit corporation (RWSH), which as a result of the Transaction, changed its corporate legal name to Wellstar MCG Health Warm Springs, Inc (WMCGWS).

Certain financial and other terms of the Agreement are as follows:

- i. AUMC, Children's Hospital of Georgia, Roosevelt Warm Springs Long Term Acute Care Hospital, RWSH and the yet to be built new Columbia County hospital, will be leased from the Board of Regents of the University System of Georgia (the Regents) under 40-year lease terms.
- ii. There will be a 40-year affiliation agreement with the Medical College of Georgia whereby 600 faculty physicians will provide clinical services exclusively to WMCG in exchange for compensation to the Regents.
- iii. Wellstar will fund approximately \$800 million in capital improvements to WMCG over 10 years.
- iv. Wellstar will construct a new hospital in Columbia County at an estimated cost of \$350 million anticipated to be financed by the issuance of tax-exempt bonds.

AUHS, AUMC, AUMA and RWSH were members of an obligated group (collectively, the AUHS Obligated Group) created under an Amended and Restated Master Trust Indenture, dated as of October 1, 2017, as amended, supplemented and restated to date (the AUHS Master Indenture), among the members of the AUHS Obligated Group and The Bank of New York Mellon Trust Company, N.A., as master trustee. In connection with the Transaction and in furtherance of the integration of the health systems of Wellstar and WMCG (f/k/a AUHS), effective August 29, 2023:

- i. the AUHS Master Indenture, pursuant to the provisions thereof, has been discharged and replaced by the Amended and Restated Master Trust Indenture, dated as of August 1, 2017, as amended, supplemented and restated from time to time (the Wellstar Master Indenture), by and among Wellstar, the other Members of the Obligated Group party thereto from time to time (together with Wellstar, the Wellstar Obligated Group), and U.S. Bank National Association, as trustee;
- ii. WMCG (f/k/a AUHS), AUMC and AUMA have become members of the Wellstar Obligated Group and RWSH has been designated as a Designated Member, as defined in and pursuant to the Wellstar Master Indenture;
- iii. the master note issued by the AUHS Obligated Group under the AUHS Master Indenture to evidence and secure the payment obligations of AUHS relating to the Development Authority of Augusta,

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

### Notes to Combined Financial Statements

June 30, 2025 and 2024

Georgia Revenue Bonds (AU Health System, Inc. Project), Series 2018, has been discharged and substituted by a related debt obligation issued by Wellstar under the Wellstar Master Indenture; and

- iv. the master note issued by the AUHS Obligated Group under the AUHS Master Indenture to evidence and secure the payment obligations of AUHS relating to the Development Authority of Augusta, Georgia Revenue Bonds, Series 2021A (AU Health System, Inc.), has been discharged and substituted by a related debt obligation issued by Wellstar under the Wellstar Master Indenture.

The fair value of the assets and liabilities acquired in the business combination, resulting in a net contribution received totaling \$175.4 million, follow (in thousands):

Cash	\$	58,667
Patient accounts receivable		125,527
Other current assets		93,671
Assets limited as to use*		93,860
Property and equipment		280,119
Other assets		19,487
Total fair value of assets acquired	\$	<u>671,331</u>
Accounts payable and accrued expenses	\$	221,428
Long-term debt		219,294
Self-insurance reserves		39,212
Other long-term liabilities		15,967
Total fair value of liabilities acquired	\$	<u>495,901</u>
Contribution received without donor restrictions	\$	163,125
Contribution received with donor restrictions		12,305
Total contribution received	\$	<u>175,430</u>

\* Includes restricted cash totaling \$57,007.

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The pro forma operating income before acquisition costs and unrestricted contribution received in business combination for fiscal year 2024 as if the acquisitions occurred on July 1, 2023 follow (in thousands):

	<b>Year ended June 30, 2024</b>		
	<b>Legacy Wellstar</b>	<b>WMCG Health</b>	<b>Pro-forma total</b>
		(Unaudited)	
Total unrestricted revenue, gains, and other support	\$ 5,363,954	1,375,699	6,739,653
Operating expenses:			
Operating expenses	4,785,576	1,331,604	6,117,180
Depreciation	219,148	43,891	263,039
Interest	56,288	10,228	66,516
Total expenses	<u>5,061,012</u>	<u>1,385,723</u>	<u>6,446,735</u>
Operating income (loss) before unrestricted contribution received in business combination	\$ <u>302,942</u>	<u>(10,024)</u>	<u>292,918</u>

	<b>Year ended June 30, 2024</b>		
	<b>Legacy Wellstar</b>	<b>WMCG Health</b>	<b>Pro-forma total</b>
		(Unaudited)	
Change in net assets without donor restrictions	\$ 652,674	1,538	654,212
Change in net assets with donor restrictions	7,638	1,623	9,261

**(17) Subsequent Events**

Wellstar has evaluated subsequent events through October 6, 2025, the date the combined financial statements were issued. There were no material subsequent events that required recognition or disclosure in Wellstar's June 30, 2025 combined financial statements.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

## Combining Balance Sheet

June 30, 2025

(In thousands)

Assets	Obligated group	Designated members	Eliminations	Combined group Subtotal	Nonobligated	Eliminations	Total
Current assets:							
Cash and cash equivalents	\$ 358,169	29,425	—	387,594	25,511	—	413,105
Patient accounts receivable, net	994,905	7,088	(136)	1,001,857	1,677	—	1,003,534
Assets limited as to use – required for current liabilities	6,904	—	—	6,904	—	—	6,904
Other current assets	338,265	15,198	(17,834)	335,629	221	(5,023)	330,827
Total current assets	1,698,243	51,711	(17,970)	1,731,984	27,409	(5,023)	1,754,370
Assets limited as to use	2,667,858	364,838	—	3,032,696	—	—	3,032,696
Property and equipment, net	2,971,603	17,198	—	2,988,801	9,480	—	2,998,281
Goodwill	418,373	—	—	418,373	—	—	418,373
Other assets	299,097	—	—	299,097	475	(11,174)	288,398
Prepaid pension asset, net	234,713	—	—	234,713	—	—	234,713
Total assets	\$ 8,289,887	433,747	(17,970)	8,705,664	37,364	(16,197)	8,726,831
<b>Liabilities and Net Assets</b>							
Current liabilities:							
Accounts payable	\$ 436,158	134	3,631	439,923	727	—	440,650
Accrued salaries, wages, and benefits	489,620	753	—	490,373	62	—	490,435
Other accrued expenses	270,596	97,551	(34,279)	333,868	1,824	(2,712)	332,980
Current installments of long-term debt and finance lease obligations	46,747	332	—	47,079	3	(383)	46,699
Total current liabilities	1,243,121	98,770	(30,648)	1,311,243	2,616	(3,095)	1,310,764
Long-term debt and finance lease obligations, excluding current installments	1,994,171	461	—	1,994,632	8	(1,928)	1,992,712
Self-insurance reserves	145,332	213,792	12,668	371,792	—	—	371,792
Long-term operating lease obligations	111,712	—	—	111,712	509	—	112,221
Other long-term liabilities	99,982	1,528	—	101,510	—	—	101,510
Total liabilities	3,594,318	314,551	(17,980)	3,890,889	3,133	(5,023)	3,888,999
Net assets:							
Without donor restrictions	4,680,655	53,567	(1,397)	4,732,825	34,231	(11,174)	4,755,882
With donor restrictions	14,914	65,629	1,407	81,950	—	—	81,950
Total net assets	4,695,569	119,196	10	4,814,775	34,231	(11,174)	4,837,832
Total liabilities and net assets	\$ 8,289,887	433,747	(17,970)	8,705,664	37,364	(16,197)	8,726,831

See accompanying independent auditors' report.

## WELLSTAR HEALTH SYSTEM, INC. AND AFFILIATES

## Combining Statement of Operations

Year ended June 30, 2025

(In thousands)

	Obligated group	Designated members	Eliminations	Combined group total	Nonobligated members	Eliminations	Total
Revenues, gains, and other support:							
Patient service revenue, net of contractual allowances and discounts	\$ 6,797,592	48,627	(353)	6,845,866	13,366	(596)	6,858,636
Other revenue	474,975	83,776	(73,393)	485,358	15,759	(19,469)	481,648
Total revenue, gains, and other support	7,272,567	132,403	(73,746)	7,331,224	29,125	(20,065)	7,340,284
Expenses:							
Salaries and employee benefits	3,850,424	56,581	(10,291)	3,896,714	5,833	(17,369)	3,885,178
Supplies and other expenses	2,737,894	131,350	(73,309)	2,795,935	22,147	(2,679)	2,815,403
Depreciation and amortization	278,182	1,499	(6)	279,675	1,028	(22)	280,681
Interest	60,395	10	—	60,405	632	(124)	60,913
Total expenses	6,926,895	189,440	(83,606)	7,032,729	29,640	(20,194)	7,042,175
Operating income, before FEMA funding for operating expenses	345,672	(57,037)	9,860	298,495	(515)	129	298,109
FEMA funding for operating expenses	9,298	—	—	9,298	—	—	9,298
Operating income (loss)	354,970	(57,037)	9,860	307,793	(515)	129	307,407
Nonoperating gains (losses):							
Investment income, net	222,584	21,608	(9,851)	234,341	561	209	235,111
Other components of net periodic pension credit	12,606	—	—	12,606	—	—	12,606
Gain on disposal of property and equipment	40,348	—	—	40,348	—	—	40,348
(Loss) gain on extinguishment of long-term debt	(35)	—	—	(35)	487	—	452
Revenue, gains, and other support in excess of (less than) expenses and losses	630,473	(35,429)	9	595,053	533	338	595,924
Accrued pension liability adjustments	85,798	—	—	85,798	—	—	85,798
Contribution and net assets released from restrictions used for the purchase of property and equipment	58,887	—	—	58,887	—	—	58,887
State of Georgia funding for capital expenditures	—	—	—	—	—	—	—
Other	183	—	—	183	—	—	183
Change in net assets without donor restrictions	\$ 775,341	(35,429)	9	739,921	533	338	740,792

See accompanying independent auditors' report.