



**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Financial Statements

June 30, 2025 and 2024

(With Independent Auditors' Report Thereon)

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

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KPMG LLP  
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## Independent Auditors' Report

The Board of Trustees  
Franciscan Missionaries of Our Lady Health System, Inc.:

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

#### *Opinion*

We have audited the consolidated financial statements of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the System as of June 30, 2025 and 2024, and the results of its operations, changes in its net assets 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

#### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

KPMG LLP

Baton Rouge, Louisiana  
October 20, 2025

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Balance Sheets

June 30, 2025 and 2024

(In thousands)

<b>Assets</b>	<b>2025</b>	<b>2024</b>
Current assets:		
Cash and cash equivalents	\$ 1,021,107	788,838
Short-term investments	6,905	6,543
Net patient accounts receivables	460,367	270,428
Other current assets	206,188	218,563
Total current assets	1,694,567	1,284,372
Assets limited as to use, net of current portion	2,119,289	1,894,546
Property and equipment, net	1,675,858	1,642,396
Other assets	323,363	372,826
Total assets	\$ 5,813,077	5,194,140
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Line of credit	\$ 885	500
Current installments of long-term debt	9,971	8,823
Current portion of lease obligations	26,814	26,652
Accounts payable	153,920	173,651
Other current liabilities	610,752	466,953
Total current liabilities	802,342	676,579
Professional and general liabilities	72,283	68,504
Long-term debt, excluding current installments	890,610	898,195
Lease obligations, excluding current portion	121,969	109,327
Accrued pension cost	176,234	217,554
Other long-term liabilities	153,018	161,740
Total liabilities	2,216,456	2,131,899
Net assets:		
Without donor restrictions	3,482,451	2,963,327
With donor restrictions	72,965	61,458
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.	3,555,416	3,024,785
Noncontrolling interests	41,205	37,456
Total net assets	3,596,621	3,062,241
Total liabilities and net assets	\$ 5,813,077	5,194,140

See accompanying notes to consolidated financial statements.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2025 and 2024

(In thousands)

	<b>2025</b>	<b>2024</b>
Changes in net assets without donor restrictions:		
Operating revenues:		
Net patient service revenue	\$ 3,783,213	3,482,555
Other revenue	416,828	338,650
Equity in income from equity investees, net	6,424	204
Total operating revenues	4,206,465	3,821,409
Net assets released from restrictions used for operations:		
Satisfaction of program restrictions	6,796	6,066
Total net assets released from restrictions used for operations	6,796	6,066
Total operating revenues and other support	4,213,261	3,827,475
Operating expenses:		
Salaries and wages	1,546,414	1,455,151
Employee benefits	288,481	258,062
Total salaries, wages, and employee benefits	1,834,895	1,713,213
Physician fees	186,581	174,750
Professional services	35,643	37,602
Other services	675,773	607,107
Leases, insurance, and utilities	114,955	118,341
Supplies	895,044	795,016
Depreciation and amortization	142,213	151,147
Interest	35,668	36,427
Other	19,420	15,614
Total operating expenses	3,940,192	3,649,217
Operating income before impairment and gain on sale	273,069	178,258
Impairment	(10,859)	—
Gain on sale of property and equipment	—	9,882
Operating income	\$ 262,210	188,140

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2025 and 2024

(In thousands)

	<b>2025</b>	<b>2024</b>
Nonoperating gains:		
Investment return	243,952	234,512
Other	3,014	589
Total nonoperating gains, net	246,966	235,101
Revenues, gains, and other support in excess of expenses and losses before noncontrolling interest	509,176	423,241
Noncontrolling interests	(18,685)	(19,219)
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	490,491	404,022
Pension-related changes other than net periodic pension credit	30,655	12,076
Released from restrictions for capital	825	8,164
Other	(2,847)	1,082
Increase in net assets without donor restrictions	\$ 519,124	425,344

See accompanying notes to consolidated financial statements.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2025 and 2024

(In thousands)

	<b>2025</b>	<b>2024</b>
Changes in net assets without donor restrictions:		
Revenues, gains, and other support in excess of expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	\$ 490,491	404,022
Pension-related changes other than net periodic pension credit	30,655	12,076
Released from restrictions for capital	825	8,164
Other	(2,847)	1,082
Increase in net assets without donor restrictions	519,124	425,344
Changes in net assets with donor restrictions:		
Contributions	17,551	18,170
Income from long-term investments, net	1,577	1,383
Net assets released from restrictions	(7,621)	(14,230)
Increase in net assets with donor restrictions	11,507	5,323
Changes in noncontrolling interests:		
Revenues, gains, and other support in excess of expenses and losses	18,685	19,219
Distributions	(18,796)	(17,443)
Change in noncontrolling interest	10,865	—
Other	(7,005)	198
Increase in noncontrolling interests	3,749	1,974
Increase in net assets	534,380	432,641
Net assets, beginning of year	3,062,241	2,629,600
Net assets, end of year	\$ 3,596,621	3,062,241

See accompanying notes to consolidated financial statements.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<b>2025</b>	<b>2024</b>
Cash flows from operating activities:		
Increase in net assets	\$ 534,380	432,641
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	142,213	151,147
Impairment	10,859	—
Gain on sale of property and equipment	—	(9,882)
Net realized and unrealized gains on assets limited as to use and investment securities	(243,952)	(234,512)
Income from equity investees	(6,424)	(204)
Amortization included in interest	(1,981)	(2,021)
Pension-related changes other than net periodic pension credit	(30,655)	(12,076)
Distributions to noncontrolling interest	18,796	17,443
Acquired noncontrolling interest	(3,275)	—
Return of income from equity investees	9,942	12,417
Changes in operating assets and liabilities, net of acquisitions:		
Receivables	(92,086)	(20,779)
Other receivables	16,133	—
Inventories	4,033	10,226
Prepaid expenses and other assets	(7,118)	(8,571)
Accounts payable, accrued expenses, and other liabilities	(21,362)	47,704
Other liabilities	35,699	—
Professional and general liabilities	3,779	4,834
Net cash provided by operating activities	368,981	388,367

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024

(In thousands)

	<b>2025</b>	<b>2024</b>
Cash flows from investing activities:		
Capital and software expenditures	(132,563)	(39,007)
Purchases of assets limited as to use	(667,469)	(223,712)
Sales of assets limited as to use	679,401	263,497
Proceeds from sale of property and equipment	—	9,882
Cash paid for acquisitions, net of cash acquired	6,587	(12,553)
Net cash used in investing activities	(114,044)	(1,893)
Cash flows from financing activities:		
Repayment of long-term debt	(8,461)	(6,221)
Repayment of finance lease obligations, net	(3,701)	(10,576)
Proceeds from line of credit	885	500
Payments on line of credit	(500)	—
Distributions to noncontrolling interest	(18,796)	(17,443)
Net cash used in financing activities	(30,573)	(33,740)
Increase in cash and cash equivalents and restricted cash	224,364	352,734
Cash, cash equivalents, and restricted cash, beginning of year	894,695	541,961
Cash, cash equivalents, and restricted cash, end of year	\$ 1,119,059	894,695
Supplemental noncash disclosures:		
Accounts payable for capital expenditures projects	\$ (5,221)	4,998
Interest paid	32,394	32,536

See accompanying notes to consolidated financial statements.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

**(1) Organization and Summary of Significant Accounting Policies**

Franciscan Missionaries of Our Lady Health System, Inc. (FMOLHS or the System) is a not-for-profit, nonstock membership corporation and is a wholly owned subsidiary of Franciscan Missionaries of Our Lady (FMOL) in Baton Rouge, Louisiana. The members of FMOL are the provincial and the members of the Council of the Franciscan Missionaries of Our Lady – North American Province. FMOLHS is the sole member and has sole voting control of five medical centers, a captive insurance company, and their affiliates (the FMOLHS Affiliates). All of these entities are not-for-profit, nonstock membership corporations. The medical centers and captive insurance company are as follows:

- Our Lady of the Lake Hospital, Inc. d/b/a Our Lady of the Lake Regional Medical Center (Lake) – Baton Rouge, Louisiana
- Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes) – Lafayette, Louisiana
- St. Francis Medical Center, Inc. (St. Francis) – Monroe, Louisiana
- Our Lady of the Angels Hospital, Inc. (Angels) – Bogalusa, Louisiana
- St. Dominic Jackson Memorial Hospital, Inc. (St. Dominic) – Jackson, Mississippi
- Louise Insurance Co., Ltd. (Louise), - The FMOLHS Affiliates participate together in a captive insurance company, which is wholly owned by FMOLHS (note 18).
- FMOLHS also has ownership interest in other entities providing services to meet its mission.

The significant accounting policies used by FMOLHS in preparing and presenting its consolidated financial statements are as follows:

**(a) Basis of Presentation**

These consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles.

**(b) Principles of Consolidation**

The consolidated financial statements include the accounts of FMOLHS, its wholly owned subsidiaries, and the FMOLHS Affiliates. All significant intercompany balances and transactions have been eliminated in consolidation. Third-party equity interest in the consolidated subsidiaries and affiliates are reflected as noncontrolling interest in FMOLHS's consolidated financial statements. For subsidiaries in which FMOLHS does not have a controlling interest, FMOLHS records such investments under the equity method of accounting.

**(c) Use of Estimates**

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

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Significant items subject to such estimates and assumptions include the determination of the allowances for implicit price concessions and explicit price concessions (contractual adjustments), allowances for credit losses, assumptions related to assets acquired and liabilities assumed, reserves for general and professional liability claims, reserves for workers' compensation claims, reserves for employee healthcare claims, estimated third-party payor settlements, certain investments in alternative funds, lease liabilities and the actuarially determined benefit liability related to pension plans and postretirement health plans. In addition, 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 related to these programs will change by a material amount in the near term.

**(d) Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased, excluding amounts included in assets limited as to use.

FMOLHS maintains bank accounts at various financial institutions covered by Federal Depository Insurance Corporation (FDIC). FMOLHS may maintain bank account balances in excess of the FDIC-insured limit. FMOLHS believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Cash and cash equivalents and restricted cash as shown on the consolidated statements of cash flows consist of the following:

	<b>2025</b>	<b>2024</b>
Balance sheet caption:		
Cash and cash equivalents	\$ 1,021,107	788,838
Short-term investments (see note 2)	105	105
Assets limited as to use (see note 2)	97,847	105,752
Total	\$ 1,119,059	894,695

**(e) Investments and Investment Return**

Investments in equity securities with readily determinable fair values and all investments in debt securities, except for investments in the common stock of equity investees accounted for using the equity method, are recorded at fair value. The estimated fair value of these investments is based on quoted market prices.

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(In thousands)

FMOLHS also invests in alternative investments such as hedge funds, private equity funds, and commingled funds. When FMOLHS's alternative investments represent investments organized as corporations, or trusts with legal structures similar to a corporation, with ownership less than 20%, and transacts frequently (at least quarterly), FMOLHS accounts for these investments at fair value or net asset value (NAV) as a practical expedient to fair value. Net asset value is based on the fair value of the underlying investments. When FMOLHS's alternative investments represent investments organized as limited partnerships or limited liability companies with specific ownership accounts or trusts with legal structures similar to a partnership, FMOLHS accounts for these investments using the equity method, which generally approximates NAV.

The NAV for alternative investments for which quoted market prices are not available is based on the most recent valuations provided by the external investment managers, adjusted for receipts and disbursements through June 30. FMOLHS reviews and evaluates the values provided by the managers and agrees with the valuation methods and assumptions used to determine those values. Therefore, FMOLHS believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

Dividend, interest and other income, realized and unrealized gains and losses on investments recorded at fair value, alternative investments recorded at NAV, and changes in the carrying value of alternative investments recorded on the equity method, are included as revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Donated investments are recorded at fair value at the date of receipt.

**(f) Inventories and Supplies**

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

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

Assets limited as to use include the following:

- Assets set aside by the board of directors for future capital acquisitions, capital improvements, and debt service, over which the board of directors retains control and may at its discretion subsequently use for other purposes
- Assets held by trustees under indenture agreements, self-insurance trust arrangements, and other deposits.
- Assets set aside subject to donor-imposed stipulations

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(In thousands)

Amounts required to satisfy current requirements for the payment of current construction costs and debt service costs are classified as other current assets in the accompanying consolidated balance sheets.

**(h) Components of Net Assets**

Net assets, revenues, and other support and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of FMOLHS and changes therein are classified and reported as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that are available for use either by the passage of time or for specific purposes; certain of these net assets are subject to donor-imposed stipulations that they be maintained permanently by FMOLHS. Generally, the donors of these assets permit FMOLHS to use all or part of the income earned on related investment for general or specific purposes.

Revenue is reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions, whose restrictions are met in the same reporting period as the contributions are recorded, are reported as increases in net assets without donor restrictions.

**(i) Property and Equipment**

Property and equipment, including leasehold improvements, are stated at cost upon acquisition or fair value if donated. Depreciation is computed primarily on the straight-line method based upon the shorter of the estimated useful lives of the assets or the lease term.

FMOLHS capitalizes costs associated with the acquisition or development of major software for internal use in other assets in the consolidated balance sheets and amortizes the assets over the expected life of the software, generally between three and seven years. FMOLHS only capitalizes subsequent additions, modifications, or upgrades to internal-use software to the extent that such changes allow the software to perform a task it previously did not perform. FMOLHS expenses software maintenance and training costs as incurred.

FMOLHS evaluates cloud computing arrangements to determine whether the arrangement includes a software license or is a service contract. If determined to be a software license, then FMOLHS capitalizes the arrangement as other assets and amortizes it over the expected life of the software

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(In thousands)

license, generally between three and five years. If determined to be a service contract, then FMOLHS expenses the cost of the arrangement as the services are provided.

**(j) Leases**

FMOLHS is the lessee with several noncancellable contracts that include (1) operating leases, primarily for office space, and (2) finance leases, for certain equipment and information technology equipment.

FMOLHS accounts for leases in accordance with *Leases (Topic 842)* (see note 20). FMOLHS determines if an arrangement is or contains a lease at contract inception. FMOLHS recognizes a right of use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method.

FMOLHS uses key estimates and judgements to determine (1) the discount rate it uses to discount the unpaid lease payments to present value, (2) lease term, and (3) lease payments.

FMOLHS generally uses its incremental borrowing rate as the discount rate for the lease. FMOLHS's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms. *For operating leases, the System has elected the practical expedient to account for the lease and non-lease maintenance components as a single lease component. Therefore, for those leases, the lease payments used to measure the lease liability include all the fixed consideration in the contract.*

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to FMOLHS or FMOLHS is reasonably certain to exercise an option to purchase the underlying asset.

ROU assets for operating and finance leases are periodically reduced by impairment losses. FMOLHS uses the long-lived assets impairment guidance in ASC Topic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See note 1(m).

FMOLHS monitors for events or changes in circumstances that require a reassessment of one or more of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding ROU asset unless doing so would reduce the carrying amount of the ROU asset to an amount less than zero. In that case, the amount of

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

the adjustment that would result in a negative ROU asset balance is recorded in operating income in the consolidated statements of operations and changes in net assets without donor restrictions.

ROU assets are presented in property and equipment, net in the consolidated balance sheets. The current portion of finance lease obligations is presented separately as current portion of lease obligations and the long-term portion is presented separately as lease obligations, excluding current portion on the consolidated balance sheets.

**(k) Business Combination**

FMOLHS accounts for business combinations using the acquisition method. The assets acquired and liabilities assumed are measured at fair value on the acquisition date using appropriate valuation methods. The residual purchase price is recorded as costs in excess of net assets acquired. The operations of the acquisitions are included in the consolidated financial statements from their respective dates of acquisition.

**(l) Cost in Excess of Net Assets Acquired**

Cost in excess of net assets acquired, or goodwill, included in other assets in the consolidated balance sheets, 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. Cost in excess of net assets acquired is reviewed for impairment at least annually. FMOLHS applies the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 350, *Intangibles – Goodwill and Other*, which provides an entity the option to perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount prior to performing the two-step goodwill impairment test.

FMOLHS performs its annual impairment review of cost in excess of net assets acquired at June 30, and when a triggering event occurs between annual impairment tests. For the fiscal year ended June 30, 2025, FMOLHS performed a qualitative assessment of cost in excess of net assets acquired and determined that it is not likely the fair values of its reporting units are less than the carrying amounts.

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

Long-lived assets, such as property and equipment, including ROU assets, and equity method investments, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset to be tested for possible impairment, FMOLHS first compares the undiscounted future cash flows expected to be generated by the assets to its carrying value. If the carrying amount of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent the carrying amount of the asset exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third-party appraisals, as considered necessary.

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**(n) Cost of Issuances**

Bond issuance costs are presented as a direct deduction from the carrying value of debt in the accompanying consolidated financial statements. Premiums, discounts, costs of letters of credit, and standby purchase agreements are being amortized over the terms of the related bond issues using a method that approximates the effective-interest method. Accumulated amortization of bond issuance costs was approximately \$10,378 and \$10,007 at June 30, 2025 and 2024, respectively.

**(o) Estimated Workers' Compensation, Professional Liability, and Employee Health Claims**

The provisions for estimated workers' compensation, professional liability, and employee health claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported. These estimates incorporate FMOLHS's past experience, as well as other considerations, including the nature of claims, industry data, relevant trends, and/or the use of actuarial information.

**(p) Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions**

Transactions deemed to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Investment return, consisting of dividends and interest earned on investments, as well as realized and unrealized gains and losses on the investment portfolio, are reported as nonoperating gains or losses.

The consolidated statements of operations and changes in net assets without donor restrictions include revenues, gains, and other support in excess of expenses and losses, which is an indicator of financial performance. Changes in net assets without donor restrictions which are excluded from revenues, gains, and other support in excess of expenses and losses include permanent transfers of assets to and from affiliates for other than goods and services, pension-related changes other than net periodic pension credit, and contributions of long-lived assets (including assets acquired using contributions that by donor restriction were to be used for the purpose of acquiring such assets).

**(q) Net Patient Service Revenue and Patient Accounts Receivable**

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlements of audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to audits, review, and investigations. Generally, the System 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 the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The System believes this method provides a

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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 patients receiving services in outpatient centers. The System measures the performance obligation from admission into the hospital, or commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to the System's patients and customers in a retail setting (for example, pharmaceuticals) as a component of other revenue in the accompanying consolidated statements of operations and changes in net assets without donor restrictions and the System does not believe it is required to provide additional goods or services related to that sale.

The System's performance obligations relate to contracts with a duration of less than one year; therefore, the System 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.

The System is utilizing the portfolio approach practical expedient in ASC 606, *Revenue From Contracts With Customers*, for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment patterns 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, the System has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates, subject to certain discounts and implicit price concessions as determined by the System.

The System determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. 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 the System expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

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Consistent with the System's mission, care is provided to patients regardless of their ability to pay. Therefore, the System has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (e.g., co-pays and deductibles). The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the System expects to collect based on its collection history with those patients.

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The System also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The System estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard 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. For the years ended June 30, 2025 and 2024, additional revenue of \$23,739 and \$25,821, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments for performance obligations satisfied in prior years. The additional revenue primarily represents patient account recoveries that were previously written off as uncollectible. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The System owns and operates a continuing care retirement community. These contractual arrangements require payment in advance for goods and services to be provided. For the years ended June 30, 2025 and 2024, the associated contract liabilities for such collections in advance were \$32,158 and \$31,456 are reported in other long-term liabilities on the consolidated balance sheets. Revenue for the continuing care retirement community is recognized over the estimated remaining life expectancy of the residents, which is actuarially determined.

**(r) Charity Care**

The System provides services to patients who meet the charity care criteria of its financial assistance policy without charge or at amounts less than its established rates. The criteria for charity care considers household income in relation to the federal poverty guidelines and the equity value of real

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property assets. The System provides qualifying services without charge for patients with adjusted gross income equal to or less than 275% of the poverty guidelines. If the patient's household income exceeds 275% of the poverty guidelines, the patient may still receive charity care services under the System's catastrophic medical policies.

The System maintains records to identify and monitor the level of charity care it provides for financial reporting and community benefit reporting requirements. For financial reporting purposes, the cost of providing charity care for the years ended June 30, 2025 and 2024 was approximately \$46,652 and \$29,410, respectively, calculated based on the percentage of total operating expenses to established charges, applied to total charity adjustments recognized in net patient service revenue.

**(s) Income Taxes**

FMOLHS and the FMOLHS Affiliates are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as organizations described in IRC Section 501(c)(3). Certain of the FMOLHS Affiliates' subsidiaries are subject to federal and state income taxes, provisions for which have been reflected in the accompanying consolidated financial statements. The amounts of such provisions are not material.

FMOLHS recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. No reserves for uncertain tax positions have been recorded. The statute of limitations remains open for tax years 2021 through 2024 in the System's main tax jurisdictions.

**(t) Fair Value Measurements**

FMOLHS applies ASC Topic 820, *Fair Value Measurement*, which defines fair value, establishes an enhanced framework for measuring fair value, and expands disclosures about fair value measurements, including those required for certain investments in funds that do not have readily determinable fair values, including private equity investments, hedge funds, real estate, and other funds. ASC Topic 820 permits, as a practical expedient, the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using NAV per share or its equivalent. NAV, in many instances, may not equal fair value that would be calculated pursuant to other related requirements of ASC Topic 820.

FMOLHS utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. FMOLHS determines fair value based on assumptions that market participants would use in pricing an asset or a liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date

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- Level 2 inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability
- Level 3 inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

**(u) Fair Value Option**

ASC Subtopic 825-10, *Financial Instruments – Overall*, gives FMOLHS the irrevocable option to report most financial assets and financial liabilities at fair value on an instrument-by-instrument basis, with changes in fair value reported in earnings. FMOLHS has not elected to apply the fair value option to any assets or liabilities.

**(v) Recently Adopted Accounting Pronouncements**

In June 2022, the FASB issued ASU 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. The ASU clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring the fair value of the equity security, and also cannot be recognized as a separate unit of account. The ASU also requires the investor to disclose the fair value of equity securities subject to contractual sale restrictions, the nature and remaining duration of the restriction(s), and the circumstances that could cause a lapse in the restriction(s). The ASU is effective for the System for annual and interim periods beginning after December 15, 2024. Early adoption is permitted. The System does not expect the adoption of ASU 2022-03 to have a material effect on its consolidated financial statements.

**(2) Short-Term Investments and Assets Limited as to Use**

Short-term investments at June 30, 2025 and 2024 consist of the following:

	2025	2024
Cash equivalents	\$ 105	105
Fixed income	6,800	6,438
Total	\$ 6,905	6,543

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The composition of assets limited as to use at June 30, 2025 and 2024 is as follows:

	2025					
	Board- designated for capital	Trusteed bond funds	Self- insurance trust funds	Other	Donor- restricted Other	Total
Asset category:						
Cash and cash equivalents	\$ 56,683	19,351	—	2,408	19,405	97,847
Equity securities:						
Global equity	282,727	—	—	—	—	282,727
U.S. equity	515,132	—	14,801	—	8,938	538,871
Non-U.S. equity	283,038	—	—	—	—	283,038
Private investments:						
Private equity/venture capital	224,442	—	—	—	—	224,442
Private real assets	561	—	—	—	—	561
Hedge funds	242,599	—	—	—	166	242,765
Real assets	95,603	—	—	—	—	95,603
Fixed income	295,430	—	93,271	—	3,992	392,693
	<u>1,996,215</u>	<u>19,351</u>	<u>108,072</u>	<u>2,408</u>	<u>32,501</u>	<u>2,158,547</u>
Less amounts classified as current assets, included in other current assets	<u>—</u>	<u>19,351</u>	<u>—</u>	<u>2,408</u>	<u>17,499</u>	<u>39,258</u>
Noncurrent portion	<u>\$ 1,996,215</u>	<u>—</u>	<u>108,072</u>	<u>—</u>	<u>15,002</u>	<u>2,119,289</u>

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	2024					
	Board- designated for capital	Trusteed bond funds	Self- insurance trust funds	Other	Donor- restricted Other	Total
Asset category:						
Cash and cash equivalents	\$ 64,688	19,542	—	3,208	18,314	105,752
Equity securities:						
Global equity	223,461	—	—	—	—	223,461
U.S. equity	483,862	—	11,143	—	7,960	502,965
Non-U.S. equity	293,569	—	—	—	—	293,569
Private investments:						
Private equity/venture capital	176,916	—	—	—	—	176,916
Private real assets	946	—	—	—	—	946
Hedge funds	215,975	—	—	—	151	216,126
Real assets	84,401	—	—	—	—	84,401
Fixed income	240,013	—	87,360	—	3,286	330,659
	1,783,831	19,542	98,503	3,208	29,711	1,934,795
Less amounts classified as current assets, included in other current assets	—	19,542	—	3,208	17,499	40,249
Noncurrent portion	\$ 1,783,831	—	98,503	—	12,212	1,894,546

**(a) Board-Designated for Capital**

In accordance with board of directors' approval, the FMOLHS Affiliates have designated assets to fund future capital acquisitions and capital improvements.

The FMOLHS Affiliates invest their board-designated for capital funds together within FMOLHS in a capital reserve investment fund held in a Northern Trust custodial account. Through usage of unitized accounting, these investments are segregated for each FMOLHS Affiliate. Investments held as board-designated for capital are managed by several money managers, which focus on different investment strategies and provide diversity to the investments.

Within Board-Designated for Capital, alternative assets include limited partnerships and offshore investment funds. These funds invest in certain types of financial instruments, including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying

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degrees of risk, may result in loss due to changes in the market (market risk). Alternative assets by strategy type are as follows:

	<b>2025</b>	<b>2024</b>
Alternative assets:		
Global equity	\$ 242,462	223,461
U.S. equity	276,355	274,762
Non-U.S. equity	179,332	226,664
Private equity/venture capital	224,442	176,916
Private real assets	561	946
Hedge funds	242,765	216,126
Real assets	35,441	32,462
Fixed income	2,628	3,564
Total alternative assets	\$ 1,203,986	1,154,901

At June 30, 2025, FMOLHS's remaining outstanding commitments to private equity interests totaled \$1,596,300. The projected capital call amounts for the next four fiscal years and thereafter are summarized in the table below:

	<b>Projected capital calls</b>
Fiscal year:	
2026	\$ 107,600
2027	131,300
2028	144,600
2029	147,600
Thereafter	1,065,200
	\$ 1,596,300

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2025, the average remaining life of the private equity interests is approximately 3 years.

At June 30, 2025, FMOLHS had investments with restrictions of \$411,613 which were restricted from redemption for lock-up periods. Some of the investments with restrictions allow early redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

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Based upon the terms and conditions in effect at June 30, 2025, FMOLHS's investments with restrictions can be redeemed or sold as follows:

	<b>Amount</b>
Fiscal years:	
2026	\$ 375,011
2027	17,385
Thereafter	19,217
	\$ 411,613

**(b) Self-Insurance Trust Funds**

The self-insurance trust funds represent amounts designated to pay certain self-insured losses (note 18).

**(c) Other**

Other assets limited as to use as of June 30, 2025 and 2024 consist of the following:

	<b>2025</b>	<b>2024</b>
Scholarships – by donor	\$ 1,503	2,000
Healthcare services – by donor	15,905	13,417
Resident deposits	2	3
Capital improvements – by bond requirements	17,499	17,499
	34,909	32,919
Less amounts classified as current	(19,907)	(20,707)
	\$ 15,002	12,212

All investments are considered “trading” for accounting purposes. All investment income, not restricted by donors or by law, including both realized and unrealized gains and losses, is included in the reported total of revenues, gains, and other support in excess of expenses and losses in the consolidated statements of operations and changes in net assets without donor restrictions.

Investments, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets, statements of operations and changes in net assets without donor restrictions, and statements of changes in net assets.

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**(3) Other Current Assets**

The composition of other current assets at June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Other receivables	\$ 24,699	45,790
Inventories and supplies	78,048	77,546
Prepaid expenses and other current assets	64,183	54,978
Assets limited as to use required for current liabilities	<u>39,258</u>	<u>40,249</u>
	<u>\$ 206,188</u>	<u>218,563</u>

**(4) Property and Equipment**

A summary of property and equipment as of June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>	<u>Estimated useful lives</u>
Land	\$ 205,687	199,532	—
Land improvements	28,085	27,559	2–40 Years
Buildings and building improvements	1,796,709	1,717,178	5–40 Years
Fixed equipment	178,340	187,831	3–40 Years
Movable equipment	901,923	857,029	3–25 Years
Leasehold improvements	5,963	11,318	5–15 Years
ROU assets	138,273	125,072	4–9 Years
Construction in progress	<u>65,366</u>	<u>74,254</u>	—
	3,320,345	3,199,773	
Less accumulated depreciation	<u>1,644,487</u>	<u>1,557,377</u>	
	<u>\$ 1,675,858</u>	<u>1,642,396</u>	

At June 30, 2025, the FMOLHS Affiliates were obligated under purchase commitments of \$42,912 relating to the completion of various construction projects and purchases of equipment. Approximately \$2,607 and \$3,383 related to such projects are included in accounts payable in the consolidated balance sheets at June 30, 2025 and 2024, respectively.

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**(5) Other Assets**

The composition of other assets at June 30, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Investments in equity investees	\$ 71,220	113,960
Cost in excess of net assets acquired	183,811	176,740
Software license and build, net of accumulated amortization	47,787	61,412
Other	20,545	20,714
	\$ 323,363	372,826

**(6) Investment in Equity Investees**

A summary of the FMOLHS's investment in equity investees at June 30, 2025 and 2024 included in other assets in the consolidated balance sheets, and its income from equity investees for the years ended June 30, 2025 and 2024 are as follows:

	<b>2025</b>		
	<b>Ownership interest</b>	<b>Investment in investees</b>	<b>Equity income (loss) of investees</b>
Surgical Specialty Center of Baton Rouge, LLC	49%	\$ 26,077	4,851
Baton Rouge Physical Therapy – Lake	15	2,043	195
Mary Bird Perkins Cancer Center	35	4,059	171
Nuco Health, LLC	10	14,180	1,966
Innovation Institute	17	9,744	(1,753)
Others	Various	15,117	994
		\$ 71,220	6,424

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	<b>2024</b>		
	<b>Ownership interest</b>	<b>Investment in investees</b>	<b>Equity income (loss) of investees</b>
Convenient Care, LLC	50 %	\$ 1,551	(2,109)
Surgical Specialty Center of Baton Rouge, LLC	49	26,924	5,434
Baton Rouge Physical Therapy – Lake	15	1,960	79
Premier Health Holdings, LLC	20	11,958	(2,345)
Innovation Institute	20	13,135	(1,701)
Park Place Surgery Center	45	21,530	3,724
Others	Various	36,902	(2,878)
		\$ 113,960	204

**(7) Lines of Credit**

The FMOLHS Affiliates had various unsecured working capital lines of credit with banks in an aggregate amount of \$199,100, bearing interest at variable rates expiring at various dates through June 2028. The amount outstanding was \$885 at June 30, 2025. FMOLHS affiliates expect to renew the lines of credit at expiration under substantially the same terms and conditions.

**(8) Other Current Liabilities**

The composition of other current liabilities at June 30, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Accrued salaries and related expenses	\$ 203,170	190,408
Accrued interest	15,354	15,464
Due to third-party payors	247,620	137,923
LSU contract liability	13,200	8,200
Accrued expenses and other current liabilities	131,408	114,958
	\$ 610,752	466,953

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**(9) Long-Term Debt**

A summary of long-term debt at June 30, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Obligated group bonds:		
Louisiana Public Facilities Authority Hospital Revenue and Refunding Bonds Series 1998A, \$72,560 tax-exempt bonds; due in varying installments through fiscal year 2026 with interest fixed rates ranging from 5.50% to 5.75%	\$ 2,185	4,385
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2012A, \$56,530 bonds; due in varying installments through 2033, with interest at a fixed rate of 2.92%	54,530	56,395
Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds Series 2015A, \$190,710; due in varying installments through July 1, 2039, with interest fixed rates ranging from 3.50% to 5.00%	189,560	189,560
Louisiana Public Facilities Authority Hospital Revenue Bonds Series 2017A, \$150,000 bonds; due in varying installments through fiscal year 2048, with fixed interest rates ranging from 3.75% to 5.00%	150,000	150,000
Master Trust Indenture Note (Franciscan Missionaries of Our Lady Health System Series 2019A) PNC Term Loan Agreement; Maturity date of October 9, 2029, which bears interest at a fixed rate of 2.06%	78,015	78,015
Franciscan Missionaries of Our Lady Health System, Inc. Taxable Revenue Bonds, Series 2019B Bonds due July 1, 2049 with interest at a fixed rate of 3.91%	332,000	332,000
	806,290	810,355
Add unamortized premiums	39,929	41,910
Total obligated group debt	846,219	852,265
Capital improvement financing	32,265	33,740
Other debt due in varying installments through 2037	27,438	26,725
Total long-term debt for FMOLHS	905,922	912,730
Less current installments of long-term debt	9,971	8,823
Less costs of issuance	5,341	5,712
	<b>\$ 890,610</b>	<b>898,195</b>

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FMOLHS and certain FMOLHS Affiliates participate in an Obligated Group Master Trust Indenture whereby the obligated issuers have agreed to be jointly and severally liable for timely payments due and for the performance and observance of all covenants and agreements pursuant to the trust indenture. FMOLHS directs the proceeds of the borrowed funds to the particular affiliate benefiting therefrom and separate escrow funds are maintained by the trustee for each of the affiliates to support each affiliate's allocated portion of the bonds. The total debt subject to the Obligated Group Guarantee and Master Trust Indenture amounted to \$846,219 and \$852,265 as of June 30, 2025 and 2024, respectively.

The Master Trust Indenture covering the bond issues contains financial and non-financial covenants typical of such agreements. In addition, the Obligated Group members are subject to restrictions on maintenance of revenue, incurrence of additional debt, disposition of assets, maintenance of insurance, and other restrictions. Obligations of the Obligated Group under the Master Trust Indenture are general obligations secured by the full faith and credit of the Obligated Group. None of the bonds are secured by a mortgage on, or security interest in, any real or personal property of FMOLHS or its affiliates.

In 2012, FMOLHS completed a \$56,530 issuance of Hospital Revenue Bonds Series 2012 (the 2012A Series). The proceeds for the 2012A Series were used to refund all outstanding Series 2005C bonds and prepayment cost.

On March 1, 2015, FMOLHS completed the issuance of \$190,710 of the Louisiana Public Facilities Authority Hospital Revenue Refunding Bonds (FMOLHS Project – Series 2015A). The proceeds of the bonds were issued for the purpose of advance refunding \$44,980 of the Series 2005A, advance refunding all \$125,000 of the outstanding Series 2009A, and paying the costs of issuance. Series 2015A shall mature on July 1, 2039.

On June 29, 2017, FMOLHS completed the issuance of \$150,000 Louisiana Public Facilities Authority Hospital Revenue Bond Series 2017A. The proceeds of the bonds were used for the purpose of (i) financing a portion of the cost of acquiring, constructing, furnishing, and equipping a new freestanding children's hospital in Baton Rouge, Louisiana and (ii) paying costs of issuance of the bonds.

On October 1, 2019, FMOLHS refunded the Series 2005B and Series 2015B bond debt through a term loan agreement with PNC Bank in connection with Series 2019A Taxable Fixed Direct Placement debt. The Series 2019A has a par value of \$78,015 with a 2.06% fixed rate.

On October 1, 2019, FMOLHS completed the issuance of \$150,000 Taxable Revenue Bonds (Series 2019B) that will be used to finance certain capital projects of the Corporation and to reimburse the Corporation for prior expenditures. The Series 2019B has a 3.91% fixed rate.

On December 10, 2020, FMOLHS issued \$182,000 in additional Series 2019B Taxable Revenue Bonds. The bond funds were used to advance refund Series 2012B bonds, Series 2005D bonds, Series 2008A bonds, and to terminate its interest rate swaps.

On July 1, 2022, FMOLHS completed a refinance of the Series 2012A bonds with an original principal amount of \$56,395, of which \$56,395, were outstanding at June 30, 2024. DNT Asset Trust purchased the Series 2012A bonds outstanding and amended the interest rate on the bonds to 2.92%.

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In December 2017, the Lake and Baton Rouge Hospital Energy Holdings I, LLC (BREHEH) entered into a concession agreement to manage and optimize the Lake's heating and cooling infrastructure, which will provide energy efficiencies and capacity. In association with the concession agreement, the Lake and BRHEH also entered into a thermal services agreement, with payment terms that will fund operating and maintenance costs, thermal services costs, and debt repayments for capital improvement financing. The concession agreement has a term of 20 years and the amount of the borrowing under the agreement at June 30, 2025 and 2024 totaled \$32,265 and \$33,740, respectively.

As of July 1, 2019, FMOLHS acquired St. Dominic's long-term debt. This consisted of several notes payables with financial institutions with rates ranging from 2.75% – 3.35% and maturity dates through year 2030. Total debt of St. Dominic as of June 30, 2025 is \$20,498.

Aggregate maturities of long-term debt at June 30, 2025 are as follows:

Year ending June 30:			
2026		\$	9,971
2027			19,273
2028			6,664
2029			13,269
2030			15,494
Thereafter			801,322
		\$	865,993

**(10) Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30, 2025 and 2024 are available for the following purposes:

		<b>2025</b>	<b>2024</b>
Healthcare services	\$	49,625	40,051
Elderly housing		7,487	6,973
Educational services		15,853	14,434
	\$	72,965	61,458

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Net assets released from restrictions for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Healthcare services	\$ 4,710	4,763
Release for long-lived assets	825	8,164
Educational services and other	<u>2,086</u>	<u>1,303</u>
	<u>\$ 7,621</u>	<u>14,230</u>

**(11) Net Patient Service Revenue**

The System 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.

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

	<u>2025</u>	<u>2024</u>
Medicare	\$ 1,295,722	1,291,973
Medicaid	982,776	843,147
Blue Cross	826,615	727,711
Self-pay	95,207	124,489
Managed care/other	<u>582,893</u>	<u>495,235</u>
	<u>\$ 3,783,213</u>	<u>3,482,555</u>

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

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The composition of net patient service revenue based on the System's lines of business for the years ended June 30, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Service lines:		
Hospitals (inpatient and outpatient)	\$ 3,248,806	2,965,841
Physician groups	370,901	354,970
Elderly services	36,433	35,066
Joint ventures and other	127,073	126,678
	\$ 3,783,213	3,482,555

The FMOLHS Affiliates have agreements with governmental and other third-party payors that provide for reimbursement to the FMOLHS Affiliates at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between billings at established rates for services and amounts reimbursed by third-party payors. Management regularly analyzes the historical contractual adjustments for each payor group to determine if current estimates for contractual adjustment allowances need to be revised. A summary of the basis of reimbursement with major third-party payors is as follows:

**(a) Medicare**

Substantially all acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain types of exempt services and other defined payments related to Medicare beneficiaries are paid based on cost reimbursement or other retroactive determination methodologies. The FMOLHS Affiliates are paid for retroactively determined items at tentative rates with final settlement determined after submission of annual cost reports by FMOLHS Affiliates and audits by the Medicare fiscal intermediary. The FMOLHS Affiliates' Medicare cost reports have been audited by the Medicare fiscal intermediary through varying years ranging from June 30, 2011 to June 30, 2019. Periods for which final settlements have not been made are subject to audit by program representatives. In the opinion of management, adequate provision has been made in the accompanying consolidated financial statements for the effects of estimated final settlements.

**(b) Medicaid**

Inpatient services provided to Medicaid beneficiaries are reimbursed through prospectively determined per diem rates, which vary based on hospital classification factors such as bed size and teaching status. Outlier payments are made for neonatal intensive care patients with extended stays. Outpatient services are reimbursed under a combination of fee schedules and cost-based methodologies. FMOLHS Louisiana affiliates are paid at tentative rates, with final settlement determined after

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submission of annual cost reports and audits by the Medicaid fiscal intermediary. Management believes adequate provisions have been recorded for estimated final settlements.

FMOLHS Affiliates also participate in state-administered supplemental payment programs for Medicaid and uninsured patients, including Directed Payment Plans (DPP), the Disproportionate Share Hospital (DSH) program, Full Medicaid Pricing (FMP), Medicaid Upper Payment Limit (UPL) and the Mississippi Hospital Access Program (MHAP). These programs vary in qualification and payment criteria but require CMS approval due to the level of federal funding.

Beginning in fiscal year 2023, qualifying Louisiana hospitals participated in a Medicaid direct payment program (DPP) under the Louisiana State Plan, receiving interim quarterly payments based on a tiered methodology for inpatient and outpatient services. Final payments are determined by the Louisiana Department of Health upon reconciliation of Medicaid utilization. For the years ended June 30, 2025 and 2024, the System recognized net patient service revenue of \$282,159 and \$277,485, respectively, from this program.

Revenue recognized for all other Medicaid supplemental programs for FMOLHS affiliates for the years ended June 30, 2025 and 2024, was \$187,797 and \$110,996, respectively.

The System recognized third-party settlements included in Other Current Liabilities on the consolidated balance sheet. Management believes adequate provisions have been recorded for any pending final reconciliations of the Medicaid supplemental payment programs.

**(c) Blue Cross**

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined Diagnosis-Related Group (DRG) rates. Outpatient services are paid based on a fee schedule.

**(d) Other Payors – Certain Commercial Insurance Carriers, Health Maintenance Organizations, and Preferred Provider Organizations**

Payment methodologies under these agreements include prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and fee schedules.

Revenue from the Medicare and Medicaid programs accounted for approximately 34% and 26%, respectively, of the System's net patient service revenue for the year ended June 30, 2025. Revenue from the Medicare and Medicaid programs accounted for approximately 37% and 24%, respectively, of the System's net patient service revenue for the year ended June 30, 2024. Net patient service revenue from Medicare and Medicaid programs decreased by approximately \$4,129 and \$1,196 in 2025 and 2024, respectively, due to final settlements and revised estimated settlements in excess of amounts previously recorded, removal of allowances previously estimated that are no longer necessary as a result of final settlements, and years that are no longer subject to audits, reviews, and investigations.

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The System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross System receivables from patients and third-party payors at June 30, 2025 and 2024 was as follows:

	<b>2025</b>	<b>2024</b>
Medicare	35 %	38 %
Medicaid	26	25
Blue Cross	22	21
Self-pay	1	1
Managed care/other	16	15
	100 %	100 %

**(12) Related-Party Transactions**

The FMOL Sisters formed the Franciscan Fund (the Fund) to support community programs in the operating areas of the FMOLHS hospitals. Each FMOLHS hospital makes contributions to the Fund based on a percentage of earnings determined by the Fund, then can submit grant applications to the Fund to receive money back for supporting its community programs. Grant-making decisions are made by the FMOL Sisters and no guarantee is provided that each hospital will receive back its specific contribution amounts in the form of a formal grant from the Fund. During fiscal year 2025 and 2024, no contributions were made to the Fund. This fund is included in the System's investment portfolio and recognized on the consolidated balance sheets in both assets limited as to use and other long-term liabilities.

**(13) Pension and Other Postretirement Benefits**

**(a) Defined-Benefit Plans**

Prior to July 1, 2021, FMOLHS sponsored the benefit plans for the Retirement Plan of Our Lady of the Lake Hospital and Affiliated Organizations (Lake Pension), Pension Plan for Employees of Our Lady of Lourdes Regional Medical Center, Inc. (Lourdes Pension), and Retirement Plan for Employees of St. Francis Medical Center, Inc. (St. Francis Pension). Effective July 1, 2021, the Lake Pension, Lourdes Pension, and St. Francis Pension were merged into the FMOLHS Pension Plan for Franciscan Missionaries of Our Lady Health System, Inc (FMOLHS Pension).

The Retirement Plan of St. Dominic Health Services, Inc. (St. Dominic Pension) was acquired on July 1, 2019 through the acquisition of St. Dominic Health Services, Inc. As of July 1, 2021, FMOLHS sponsors the FMOLHS Pension and the St. Dominic Pension (collectively, the Plans).

In September of 2020, the System's Board of Directors approved the freezing of the Lake Pension, Lourdes Pension, and St. Francis Pension effective January 1, 2021, and the defined-benefit plan participants were transitioned to a defined-contribution plan and their defined-benefit plan assets were frozen.

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The following table sets forth the Plans' benefit obligation, fair value of plan assets, and funded status at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Benefit obligation	\$ (1,323,870)	(1,339,432)
Fair value of plan assets	<u>1,147,636</u>	<u>1,121,878</u>
Funded status	\$ <u>(176,234)</u>	<u>(217,554)</u>

Amounts recognized in the consolidated balance sheets consist of accrued pension costs of \$176,234 and \$217,554 and accumulated unrealized losses of \$159,541 and \$190,196 in June 30, 2025 and 2024, respectively.

Changes in benefit obligation of the Plans include the following:

	<u>2025</u>	<u>2024</u>
Interest costs	\$ 68,970	66,660
Actuarial gain	(16,527)	(20,456)
Benefits paid	<u>(68,005)</u>	<u>(67,334)</u>
	\$ <u>(15,562)</u>	<u>(21,130)</u>

At June 30, 2025 and 2024, the net actuarial gain of \$(16,527) and \$(20,456), respectively, on projected benefit obligations for the Plans was a result of gains attributable to increasing discount rates due to changes in the corporate bond markets.

The System does not expect to contribute to the St. Dominic Plan during the fiscal year beginning July 1, 2025. The System does not expect to contribute to the FMOLHS plan during the fiscal year beginning July 1, 2025.

The following table summarizes contributions made and benefits paid.

	<u>2025</u>	<u>2024</u>
Contribution made	\$ 6,300	11,000
Benefits paid	(68,005)	(67,334)

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Weighted average assumptions used to determine the projected benefit obligations at June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Interest crediting rate:		
St. Dominic Pension	4.38 %	4.31 %
Weighted average discount rate:		
FMOLHS Pension	5.63 %	5.44 %
St. Dominic Pension	5.55 %	5.39 %
Rate of compensation increase	N/A	N/A

Net periodic pension credit for the years ended June 30, 2025 and 2024 includes the following components:

	<u>2025</u>	<u>2024</u>
Interest cost on projected benefit obligation	\$ 68,970	66,660
Expected return on plan assets	(75,171)	(73,892)
Amortization of actuarial losses	1,836	2,108
Net periodic pension credit	<u>(4,365)</u>	<u>(5,124)</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions:		
Net actuarial gain	(28,819)	(9,968)
Actuarial (gain) loss	(1,836)	(2,108)
	<u>(30,655)</u>	<u>(12,076)</u>
Total recognized in net periodic benefit credit and net assets without donor restrictions	\$ <u><u>(35,020)</u></u>	<u><u>(17,200)</u></u>

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Weighted average assumptions used to determine net periodic pension credit for the years ended June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Weighted average discount rate:		
FMOLHS Pension	5.31 %	5.06 %
St. Dominic Pension	5.26	5.08
Expected return on plan assets:		
FMOLHS Pension	7.10 %	7.30 %
St. Dominic Pension	6.90	5.60
Rate of compensation increase:		
FMOLHS Pension	N/A	N/A
St. Dominic Pension	N/A	N/A
Interest crediting rate:		
St. Dominic Pension	4.31 %	3.75 %

The defined-benefit pension plan asset allocation of the FMOLHS Pension as of the measurement date (June 30, 2025 and 2024) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	<u>2025</u>	<u>2024</u>	<u>Target allocation</u>
Growth	49 %	46 %	45%-60%
Diversifiers	17	21	10%-30%
Liability hedge	32	32	15%-35%
Cash	2	1	0%-15%

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The defined-benefit pension plan asset allocation of the St. Dominic Pension as of the measurement date (June 30, 2025 and 2024) and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	<u>2025</u>	<u>2024</u>	<u>Target allocation</u>
Growth	45 %	43 %	32%–53%
Diversifiers	7	5	0%–15%
Inflation sensitive	5	5	0%–10%
Liability hedge	40	43	34%–54%
Cash	3	4	0%–10%

The allocation percentages above reflect investments recognized by investee funds within one day of year-end.

The asset allocation policy provides for a range of minimum and maximum investments in each asset class to allow flexibility in achieving expected long-term rate of return. Historical return patterns and correlations, consensus return forecast, and other relevant financial factors are analyzed to check for reasonableness and appropriateness of the asset allocation to ensure that the probability of meeting actuarial assumptions is reasonable. The Investment Committee monitors manager performance, rate of return, and risk factors on a quarterly basis and makes required adjustments to achieve expected returns.

FMOLHS's overall expected long-term rate of return on assets is 7.10% for the FMOL Pension and 6.90% for the St. Dominic Pension. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based on historical returns, without adjustments.

Asset allocations and investment performance are formally reviewed quarterly by the FMOLHS Investment Committee (Investment Committee). FMOLHS utilizes an investment adviser, multiple managers for different asset classes, and a separate custodian in managing the pooled funds.

The asset allocation is designed to provide a diversified mix of asset classes, including U.S. and foreign equity securities, fixed-income securities, hedge funds, real estate investment trusts, and cash. The investment goals for the pooled funds are to achieve returns in the top half of a representative universe of professionally managed funds with a percentage of equity, fixed income, and alternative investments to be indicative of the asset mix policy of the fund; to exceed the return of a balanced market index weighted to replicate the asset allocation policy of the plan; to exceed the rate of inflation as measured by the consumer price index by at least 500 basis points on an annualized basis; to achieve a positive risk-adjusted return; and to achieve a rate of return above the current actuarial assumption. Risk management practices include various criteria for each asset class, including measurement against various benchmarks, achievement of a positive risk-adjusted return, and

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investment guidelines for each class of assets that enumerate types of investments allowed in each category.

FMOLHS's retirement plan assets are reported at fair value. Level 1 assets include investments in publicly traded equity securities and mutual funds. These securities (or the underlying investments of the funds) are actively traded and valued using quoted prices for identical securities from the market exchanges. Level 2 assets consist of investments that are not actively traded or whose underlying investments are valued using observable marketplace inputs. The fair value of plan assets invested in fixed-income securities is generally determined using valuation models that use observable inputs, such as interest rates, bond yields, low-volume market quotes, and quoted prices for similar assets. Level 3 assets include investments in private equities and hedge funds valued using significant unobservable inputs. Plan assets that are invested in commingled, hedge, and private equity funds are valued using a unit price or NAV that is based on the underlying investments of the fund.

The following is a summary of the levels within the fair value hierarchy of plan assets as of June 30, 2025 and 2024:

	<b>June 30, 2025</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Asset category:				
Cash	\$ 24,191	—	—	24,191
Equity:				
U.S. equity	45,493	—	—	45,493
Non-U.S. equity	44,394	—	—	44,394
Fixed income	6,453	—	—	6,453
Real assets	14,905	—	—	14,905
Fixed income	391,323	—	—	391,323
Assets measured at NAV(1)				620,877
Total	\$ 526,759	—	—	1,147,636

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<b>June 30, 2024</b>					
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Asset category:					
Cash	\$	23,050	—	—	23,050
Equity:					
U.S. equity		16,311	—	—	16,311
Non-U.S. equity		13,102	—	—	13,102
Fixed income		5,769	—	—	5,769
Real assets		13,777	—	—	13,777
Fixed income		224,577	—	—	224,577
Assets measured at NAV(1)					825,292
Total	\$	296,586	—	—	1,121,878

(1) Investments measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table for these investments are included to permit reconciliation of the fair value hierarchy to the total plan assets.

There were no transfers into or out of Level 1, Level 2, or Level 3 investments during fiscal year 2025 or 2024.

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The fair values of the following plan assets have been estimated using the NAV per share as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>	<u>Redemption terms**</u>	<u>Notice period (Days)</u>	<u>Remaining life**</u>
Asset category:					
U.S. equity funds (a)	\$ 129,801	101,576	Monthly–Quarterly	30–60	—
International equity funds (b)	136,368	165,882	Monthly	5–15	—
International emerging markets (c)	15,130	35,974	Semi-Monthly–Monthly	5–30	—
Fixed-income funds (d)	16,592	176,412	Daily–illiquid	2-illiquid	—
Hedge fund of funds (e)	161,980	186,249	Monthly–Illiquid	5-Illiquid	—
U.S. venture capital funds (f)	14,825	12,891	—	—	1–3 Years
U.S. private equity (f)	88,858	80,405	—	—	1–7 Years
International private equity (f)	39,335	43,491	—	—	1–10 Years
Natural resources (f)	4,618	7,805	—	—	1–8 Years
Real estate funds (f)	13,370	14,607	—	—	0–6 Years
Total	<u>\$ 620,877</u>	<u>825,292</u>			

\*\* Information reflects a range of various terms from multiple investments.

- (a) Objective is to drive overall portfolio growth while also outperforming the Russell 3000 Index with similar levels of risk.
- (b) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.
- (c) Objective is to drive overall portfolio growth while also outperforming the MSCI Emerging Markets Index (Net) with similar levels of risk.
- (d) Objective is to ensure a liquid source of capital for spending and/or rebalancing during a period of economic contraction by investing primarily in high-quality bonds of sufficient duration.
- (e) Objective is to reduce the volatility inherent in a portfolio with an equity bias while providing: 1) a return between that of equities and bonds, 2) lower volatility than equity markets, and 3) low correlation to other portfolio assets.
- (f) Objective is to drive growth while capturing an “illiquidity premium” above that of public equity markets for locking up capital for an extended period of time.

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At June 30, 2025, FMOLHS Pension's remaining outstanding commitments to private equity interests within the plan assets totaled \$180,900. The projected capital calls for the next four fiscal years and thereafter are summarized in the table below:

	<u>Projected capital calls</u>
Fiscal year:	
2026	\$ 19,100
2027	17,500
2028	17,200
2029	16,700
Thereafter	<u>110,400</u>
	<u>\$ 180,900</u>

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2025, the average remaining life of the private equity interests in the FMOLHS Pension plan assets is approximately 2.5 years.

At June 30, 2025, St. Dominic Pension's remaining outstanding commitments to private equity interests within the plan assets totaled \$28,500. The projected capital calls for the next four fiscal years and thereafter are summarized in the table below:

	<u>Projected capital calls</u>
Fiscal year:	
2026	\$ 3,200
2027	3,300
2028	3,700
2029	3,200
Thereafter	<u>15,100</u>
	<u>\$ 28,500</u>

Private equity interests have 10-year terms, with extensions of 1 to 4 years. As of June 30, 2025, the average remaining life of the private equity interests in the St. Dominic Pension plan assets is approximately 7.6 years.

At June 30, 2025, FMOLHS and St. Dominic plans had plan assets of \$251,234, which were restricted from redemption for lock-up periods. Some of the investments with redemption restrictions allow early

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redemption for specified fees. The terms and conditions upon which an investor may redeem an investment vary, usually requiring 30 to 180 days' notice after the initial lock-up period.

Based upon the terms and conditions in effect at June 30, 2025, FMOLHS and St. Dominic Plans' assets investments with restrictions can be redeemed or sold as follows:

	<b>Amount</b>
Fiscal year:	
2026	\$ 237,121
2027	4,598
Thereafter	9,515
	\$ 251,234

As of June 30, 2025 and 2024, the Plans had accumulated benefit obligations (ABO) of \$1,323,870 and \$1,339,432, respectively. At June 30, 2025 and 2024, the fair value of plan assets falls short of the ABO by \$176,234 and \$217,554, respectively.

Future benefit payments expected to be paid in each of the next five fiscal years and five years thereafter as of June 30, 2025 are as follows:

2026	\$ 76,862
2027	80,642
2028	84,109
2029	86,603
2030	89,103
2031–2035	470,958

**(b) Defined-Contribution Plans**

Effective January 1, 2021, all employees of FMOLHS and affiliates, meeting eligibility requirements, can participate in an enhanced 403(b) plan. Participants will qualify for annual employer contributions if they work at least 1,000 hours in the calendar year and are actively employed as of the last day of the calendar year in which their contribution applies. The 403(b) plan includes two types of employer contributions: an annual 2% of pay core contribution and an annual employer match of 50 cents for every dollar a team member contributes up to 6% of their pay.

Contribution expense of \$61,192 and \$53,788 was recorded for the years ended June 30, 2025 and 2024, respectively.

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**(14) Other Long-Term Liabilities**

The composition of other long-term liabilities at June 30, 2025 and 2024 is as follows:

	<b>2025</b>	<b>2024</b>
Purchase price obligation	\$ —	5,875
Contract liability	32,188	31,523
LSU contract liability	35,943	43,498
Due to Franciscan Fund	75,145	67,142
Other	9,742	13,702
	\$ 153,018	161,740

**(15) Functional Expenses**

The FMOLHS Affiliates provide healthcare and other services to residents within its service area. Expenses related to providing these services for the years ended June 30, 2025 and 2024 are as follows:

<b>2025</b>	<b>Educational</b>	<b>Fundraising</b>	<b>General and administrative</b>	<b>Healthcare services</b>	<b>Total</b>
Salaries and wages	\$ 12,884	1,337	236,673	1,295,520	1,546,414
Employee benefits	3,133	208	56,192	228,948	288,481
Physician fees	—	3	5,089	181,489	186,581
Professional services	—	1	12,961	22,681	35,643
Other services	3,292	1,470	375,819	295,192	675,773
Leases, insurance, and utilities	1,820	—	51,663	61,472	114,955
Supplies	862	841	9,894	883,447	895,044
Depreciation and amortization	1,449	10	34,670	106,084	142,213
Interest	—	—	33,310	2,358	35,668
Other	28	5,393	22,188	2,670	30,279
	\$ 23,468	9,263	838,459	3,079,861	3,951,051

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

<u>2024</u>	<u>Educational</u>	<u>Fundraising</u>	<u>General and administrative</u>	<u>Healthcare services</u>	<u>Total</u>
Salaries and wages	\$ 12,229	871	275,439	1,166,612	1,455,151
Employee benefits	2,831	108	49,438	205,685	258,062
Physician fees	—	—	5,884	168,866	174,750
Professional services	2	32	21,368	16,200	37,602
Other services	3,530	1,200	265,789	336,588	607,107
Leases, insurance, and utilities	1,728	1	44,248	72,364	118,341
Supplies	904	583	35,864	757,665	795,016
Depreciation and amortization	1,340	2	43,903	105,902	151,147
Interest	—	—	36,410	17	36,427
Other	84	3,946	8,901	2,683	15,614
	<u>\$ 22,648</u>	<u>6,743</u>	<u>787,244</u>	<u>2,832,582</u>	<u>3,649,217</u>

**(16) Availability of Resources and Liquidity**

In 2025, the System has \$1,488,379 of financial assets available to meet cash needs for general expenditures within one year of the consolidated balance sheet date. Available financial assets consist of cash and cash equivalents of \$1,021,107, short-term investments of \$6,905, and patient accounts receivable, collectible within one year, of \$460,367. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditure within one year of the balance sheet date. The System has a goal to maintain cash and investments sufficient to cover operating expenses at levels that meet or exceed standards established by rating agencies for similar organizations. That goal is currently 200 days. With average daily operating expenses of approximately \$10,400, the System's financial asset coverage is approximately 283 days. The System has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

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

The carrying amounts of all applicable asset and liability financial instruments reported in the consolidated balance sheets approximate their estimated fair values, in all significant respects, at June 30, 2025 and 2024, with the exception of long-term debt which is reported at amortized cost.

**(a) Fair Value Hierarchy**

The following tables present the placement in the fair value hierarchy of assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2025 and 2024:

	June 30, 2025			
	Level 1	Level 2	Level 3	Total
Assets category:				
Equity securities:				
Global Equity	40,264	—	—	40,264
U.S. equity	\$ 262,516	—	—	262,516
Non-U.S. equity	103,705	—	—	103,705
Real assets	60,163	—	—	60,163
Fixed income	71,394	325,471	—	396,865
Total – categorized	\$ 538,042	325,471	—	863,513
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				1,301,938
				\$ 2,165,451

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

June 30, 2024				
	Level 1	Level 2	Level 3	Total
Assets category:				
Equity securities:				
U.S. equity	\$ 228,202	—	—	228,202
Non-U.S. equity	66,905	—	—	66,905
Real assets	51,939	—	—	51,939
Fixed income	110,522	223,012	—	333,534
Total – categorized	\$ 457,568	223,012	—	680,580
Assets limited as to use and short-term investments accounted for using the equity method and cash – uncategorized				1,260,758
				\$ 1,941,338

\*\* Information reflects a range of various terms from multiple investments.

(a) Objective is to drive overall portfolio growth while also outperforming MSCI EAFE Index (Net) with similar levels of risk.

FMOLHS's accounting policy is to recognize transfers between levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no significant transfers into or out of Level 1, Level 2, or Level 3 for the years ended June 30, 2025 or 2024.

The investments classified as Level 2 are as follows:

- Bonds whose fair values are determined by independent vendors. The vendors compile prices from various sources and may apply 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.

**(b) Limitations**

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
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Notes to Consolidated Financial Statements

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(In thousands)

**(18) Insurance Programs**

The FMOLHS Affiliates, excluding St. Dominic, are qualified under the State of Louisiana medical malpractice program and are self-insured for the first \$100 of professional liability per occurrence; additional coverage is provided by the Louisiana Patients' Compensation Fund for the next \$400 of professional liability up to the present statutory maximum of \$500 per claim (exclusive of additional amounts for future medical expenses provided by law). FMOLHS's professional and general liability insurance program is managed through Louise, its wholly owned captive insurer. As of June 30, 2025, FMOLHS has excess insurance coverage in place for general and professional liability risks, with a \$2,000 self-insured retention for professional liability and a \$1,000 layer of self-insurance for general liability. A \$6,000 aggregate sits above these limits, covering general and professional liability. Incurred losses identified under FMOLHS's incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate FMOLHS'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.

FMOLHS has established a self-insurance trust fund for payment of liability claims and makes deposits to the fund in amounts determined by consulting actuaries. FMOLHS also has substantial excess liability coverage available under the provisions of certain claims-made policies, currently expiring on June 30, 2025. To the extent that any claims-made coverage is not renewed or replaced with equivalent value insurance, claims based on occurrences during the term of such coverage, but reported subsequently, would be uninsured. Management believes, based on incidents identified through the incident reporting process that any such claims would not have a material effect on FMOLHS's results of operations or financial position. In any event, management anticipates that the claims-made coverage currently in place will be renewed or replaced with equivalent insurance as the term of such coverage expires.

St. Dominic Jackson Memorial Hospital and its affiliates is self-insured with respect to professional and general liability risks for the first \$5,000 per occurrence and \$10,000 in aggregate of medical malpractice risks. St. Dominic Jackson Memorial Hospital purchases commercial excess liability coverage through claims-made policies above the self-insurance limits. Professional liability reserves estimates represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet date. The reserves for unpaid losses and loss expense are estimated using individual case basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed, and adjustments are recorded as experience develops or new information becomes known. Although considerable variability is inherent in professional liability reserve estimates, St. Dominic Jackson Memorial Hospital believes the reserves for losses and loss expense are adequate based on information currently known.

The reserve for long-term estimated professional and general liability, and workers' compensation costs is approximately \$72,283 and \$68,504 as of June 30, 2025 and 2024, respectively.

FMOLHS is also self-insured with respect to employee health coverage (up to \$500 limit per claim) and workers' compensation (up to a limit of \$500 per individual claim). Substantial coverage with a third-party carrier is maintained for potential excess losses under the workers' compensation program. The employee health self-insured reserves are approximately \$11,258 and \$9,527 as of June 30, 2025 and 2024, respectively, and are included in other current liabilities in the consolidated balance sheets. The workers'

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

compensation reserves are approximately \$21,427 and \$20,347 as of June 30, 2025 and 2024, respectively, and are included in other current liabilities in the consolidated balance sheets.

**(19) Leases – Lessor**

FMOLHS Affiliates lease office space and clinical facilities under operating leases. The terms of these leases range from month to month to 20 years. Assets held for lease at June 30, 2025 and 2024 consist of buildings and improvements with an original cost of \$411,010 and \$403,714, respectively, and fixed equipment with an original cost of \$22,599 and \$21,770, respectively. Total accumulated depreciation is \$217,777 and \$200,436 at June 30, 2025 and 2024, respectively. Future minimum lease payments to be received at June 30, 2025 are as follows:

Year ending June 30:		
2026	\$	12,791
2027		8,686
2028		7,352
2029		6,660
2030		6,698
Thereafter		<u>10,788</u>
	\$	<u><u>52,975</u></u>

**(20) Leases – Lessee**

The components of lease cost for the year ended June 30, 2025 and 2024 were as follows:

	<b>2025</b>	<b>2024</b>
Operating lease cost	\$ <u>20,516</u>	<u>25,652</u>
Finance lease cost:		
Amortization of ROU assets	6,444	7,910
Interest on lease liabilities	<u>2,415</u>	<u>2,666</u>
Total finance lease cost	<u>8,859</u>	<u>10,576</u>
Variable lease cost	2,377	1,620
Short-term lease cost	<u>10,032</u>	<u>3,965</u>
Total lease cost	\$ <u><u>41,784</u></u>	<u><u>41,813</u></u>

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

Amounts reported in the consolidated balance sheets for the System's operating and finance leases as of June 30, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Operating leases:		
Operating lease ROU assets, net	\$ 106,104	96,502
Current portion of operating lease liabilities	\$ 20,647	21,529
Operating lease liabilities, less current portion	81,428	69,721
Total operating lease liabilities	\$ 102,075	91,250
Finance leases:		
Machinery and equipment	\$ 65,591	63,733
Accumulated depreciation	(28,534)	(25,188)
Property and equipment, net	\$ 37,057	38,545
Current portion of finance lease liabilities	\$ 6,167	5,123
Finance lease liabilities, less current portion	40,541	39,606
Total finance lease liabilities	\$ 46,708	44,729

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

Other information related to leases as of June 30, 2025 and 2024 was as follows:

	<b>2025</b>	<b>2024</b>
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 20,516	27,272
Operating cash flow from finance leases	8,859	10,576
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 21,973	29,655
Finance leases	—	—
Reductions to ROU assets resulting from reductions to lease obligations:		
Operating leases	\$ (11,768)	(11,963)
Finance leases	(28,534)	(25,188)
Weighted average remaining lease term:		
Operating leases	12 Years	13 years
Finance leases	9 Years	7 years
Weighted average discount rate:		
Operating leases	3.66 %	3.66 %
Finance leases	3.66	3.66

Maturities of lease liabilities under noncancellable leases as of June 30, 2025 are as follows:

	<b>Operating leases</b>	<b>Finance leases</b>
Year ending June 30:		
2026	\$ 22,972	8,589
2027	18,763	6,461
2028	17,270	5,547
2029	12,572	4,038
2030	6,281	3,778
Thereafter	34,315	37,960
Total undiscounted lease payments	112,173	66,373
Less imputed interest	(10,098)	(19,665)
Total lease liabilities	\$ 102,075	46,708

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June 30, 2025 and 2024

(In thousands)

**(21) Commitments and Contingencies**

**(a) Investments**

FMOLHS is obligated under certain limited partnership agreements to provide advance funding up to specific levels upon the request of the general partner. See note 2(b).

**(b) Contingent Liabilities**

FMOLHS and the FMOLHS Affiliates have certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the self-insurance reserves or insurance coverage, and will not materially affect the financial position or the results of operations.

**(c) Regulatory Compliance**

Grant monies received and disbursed by the System are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the System does not believe that such disallowances, if any, would have a material effect on the financial position of the System.

The U.S. Department of Justice and other federal agencies are increasing resources dedicated to regulatory investigations and compliance audits of healthcare providers. The FMOLHS Affiliates are subject to these regulatory efforts and have corporate compliance committees that monitor and respond to regulatory changes and any issues that may arise.

In consultation with legal counsel, management is not aware of any issues that could have a material adverse effect on the FMOLHS Affiliates' financial position or results of operations.

**(d) Our Lady of the Lake and Louisiana State University Partnership**

In June 2022, the System entered into an affiliation agreement with Louisiana State University (LSU). This agreement includes funding for research, student health services and a student health center, continuation and expansion of residency and fellowship programs, construction of a new science building, recognition as exclusive championship healthcare partner and programmatic support fund for LSU athletics, and commitment to develop efficiencies in the cost of health and wellness for athletic programs. Payments are due in varying installments through 2032. As of June 30, 2025, the remaining commitments were \$13,200 recorded in other current liabilities and \$35,943 in other long-term liabilities in the consolidated balance sheets.

**(22) Cooperative Endeavor Agreements**

**(a) Our Lady of the Lake Cooperative Endeavor Agreement**

As part of its mission to ensure an appropriate supply of medical professionals in its service area and improve graduate medical education in the region, the Lake entered into an agreement with the State of Louisiana Department of Health and Hospitals (DHH) and Louisiana State University Health Sciences (LSU Health) in February 2010. The parties received associated governmental approval of the agreement from the CMS on July 13, 2010.

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Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

The Cooperative Endeavor Agreement was amended on April 10, 2013 to ensure viability of existing LSU Health outpatient facilities and patient care services and programs. The major components of the Lake's amended agreement include:

- The Lake manages and operates the LSU Health outpatient facilities. The reimbursement structure of the agreement was revised to include payment to the Lake for the operations of these facilities. Lease agreements were implemented for LSU Health outpatient facilities and equipment.
- Graduate Medical Education (GME) program amendments were implemented for assignment of GME reimbursement caps.
- Clinical service agreements were implemented with LSU School of Medicine to provide professional services at the LSU Health clinics.
- For the years ended June 30, 2025 and 2024, the amount paid to LSU Health for leased buildings and equipment, GME faculty and resident expenses, and costs of clinical services associated with the Cooperative Endeavor Agreement was \$69,673 and \$44,636, respectively.

In addition to Medicaid claims payments, DHH provided payments under a reimbursement structure to the Lake, which are intended to compensate the Lake for incremental costs associated with higher Medicaid and uninsured patient volumes that have occurred with the Lake's increased role in LSU Health's graduate medical education program. Starting July 1, 2022, DHH implemented a new Medicaid supplemental payment system. For the period July 1, 2022 through June 30, 2024 DHH and the Lake agreed to eliminate the Cooperative Endeavor Agreement (CEA) Cost Analysis Worksheets. DHH and the Lake agreed that the payments received under the new payment model will not be subject to the CEA reconciliation and there will be no separate settlement for the CEA for fiscal years ending June 30, 2025 and 2024.

**(23) Acquisitions**

On April 1, 2025, FMOLHS purchased additional equity interest in Park Place Surgery Center, LLC representing controlling interest of 50.01% total ownership for total consideration of \$1,020.

On April 21, 2025, FMOLHS sold its membership interest in OLOL Pontchartrain Surgery Center, LLC for a total consideration of \$1,192.

On May 15, 2025, FMOLHS acquired 100% interest in Northeast Louisiana Cancer Institute LLC for total consideration of \$1,750.

On June 30, 2025, FMOLHS acquired 100% interest in Convenient Care, LLC, Lake Urgent Care Ascension, LLC, Lourdes After Hours, LLC and St. Francis Urgent Care LLC for total consideration of \$3,005.

The System's preliminary valuation of identifiable assets and liabilities assumed for the above-mentioned acquisitions is in accordance with the requirements of ASC Topic 805, Business Combinations, and are presented in the table below (amounts in thousands).

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

(In thousands)

Fair value of total consideration transferred:

Cash	\$	14,265
Current assets		21,682
Cost in excess of net assets		(6,776)
Property and equipment		27,370
Other assets		(17,607)
Current liabilities		(11,670)
Long term liabilities		(19,406)
Noncontrolling interest		(3,275)

**(24) Subsequent Events**

FMOLHS has evaluated subsequent events from the balance sheet date through October 20, 2025, the date at which the consolidated financial statements were issued, and determined that there were no additional items to disclose.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidating Schedule – Balance Sheet Information

June 30, 2025

(with comparative totals as of June 30, 2024)

(In thousands)

Assets	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total		
									2025	2024	
Current assets:											
Cash and cash equivalents	\$ 869,113	12,341	417,456	40,550	207,371	31,610	109,310	(666,644)	1,021,107	788,838	
Short-term investments	6,905	—	—	—	—	—	—	—	6,905	6,543	
Net patient accounts receivables	(6,513)	—	260,058	52,628	86,133	10,244	57,817	—	460,367	270,428	
Other current assets	(839,812)	(587)	773,203	(32,562)	323,935	4,823	(20,902)	(1,910)	206,188	218,563	
Total current assets	29,693	11,754	1,450,717	60,616	617,439	46,677	146,225	(668,554)	1,694,567	1,284,372	
Assets limited as to use, net of current portion	2,101,070	—	1,521,852	128,314	40,053	31,598	245,552	(1,949,150)	2,119,289	1,894,546	
Property and equipment, net	45,311	32,540	827,239	145,578	310,879	28,192	286,119	—	1,675,858	1,642,396	
Other assets	452,922	14,966	217,778	9,272	31,710	205	17,835	(421,325)	323,363	372,826	
Total assets	\$ 2,628,996	59,260	4,017,586	343,780	1,000,081	106,672	695,731	(3,039,029)	5,813,077	5,194,140	
<b>Liabilities and Net Assets</b>											
Current liabilities:											
Line of credit	\$ —	—	535	—	350	—	—	—	885	500	
Current installments of long-term debt	—	—	4,951	1,888	1,332	—	1,800	—	9,971	8,823	
Current portion of lease obligations	589	—	9,639	903	5,439	5,001	5,243	—	26,814	26,652	
Accounts payable	38,565	1,597	68,543	11,314	18,894	1,893	13,114	—	153,920	173,651	
Other current liabilities	153,717	2,680	300,731	28,860	61,230	16,431	49,013	(1,910)	610,752	466,953	
Total current liabilities	192,871	4,277	384,399	42,965	87,245	23,325	69,170	(1,910)	802,342	676,579	
Professional and general liabilities	49,271	—	20,164	7,788	10,240	201	29,611	(44,992)	72,283	68,504	
Long-term debt, excluding current installments	16,838	17,981	505,136	112,097	219,860	—	18,698	—	890,610	898,195	
Lease obligations, excluding current portion	523	—	73,091	2,519	26,795	14,905	4,136	—	121,969	109,327	
Accrued pension cost	—	—	66,246	14,685	20,185	—	75,118	—	176,234	217,554	
Other long-term liabilities	2,011,404	—	392,761	31,377	181,270	31,326	120,674	(2,615,794)	153,018	161,740	
Total liabilities	2,270,907	22,258	1,441,797	211,431	545,595	69,757	317,407	(2,662,696)	2,216,456	2,131,899	
Net assets:											
Without donor restrictions	358,085	21,149	2,530,735	127,134	425,608	36,915	359,154	(376,329)	3,482,451	2,963,327	
With donor restrictions	4	15,853	24,187	5,215	10,666	—	17,044	(4)	72,965	61,458	
Total net assets attributable to Franciscan Missionaries of Our Lady Health System, Inc.	358,089	37,002	2,554,922	132,349	436,274	36,915	376,198	(376,333)	3,555,416	3,024,785	
Noncontrolling interests	—	—	20,867	—	18,212	—	2,126	—	41,205	37,456	
Total net assets	358,089	37,002	2,575,789	132,349	454,486	36,915	378,324	(376,333)	3,596,621	3,062,241	
Total liabilities and net assets	\$ 2,628,996	59,260	4,017,586	343,780	1,000,081	106,672	695,731	(3,039,029)	5,813,077	5,194,140	

See accompanying independent auditors' report.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidating Schedule – Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2025  
(with comparative totals year ended June 30, 2024)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total	
									2025	2024
Changes in net assets without donor restrictions:										
Operating revenues:										
Net patient service revenue	\$ —	—	1,982,101	482,584	667,242	68,289	588,568	(5,571)	3,783,213	3,482,555
Other revenue	531,023	25,524	224,743	18,399	21,468	6,957	34,518	(445,804)	416,828	338,650
Equity in income from equity investees, net	28,347	—	4,755	517	2,102	—	286	(29,583)	6,424	204
Total operating revenues	559,370	25,524	2,211,599	501,500	690,812	75,246	623,372	(480,958)	4,206,465	3,821,409
Net assets released from restrictions used for operations:										
Satisfaction of program restrictions	—	2,087	3,960	7	515	—	227	—	6,796	6,066
Total net assets released from restrictions used for operations	—	2,087	3,960	7	515	—	227	—	6,796	6,066
Total operating revenues and other support	559,370	27,611	2,215,559	501,507	691,327	75,246	623,599	(480,958)	4,213,261	3,827,475
Operating expenses:										
Salaries and wages	170,032	15,252	706,343	179,147	220,611	34,833	220,196	—	1,546,414	1,455,151
Employee benefits	45,786	3,710	118,311	34,169	40,982	6,552	39,016	(45)	288,481	258,062
Total salaries, wages, and employee benefits	215,818	18,962	824,654	213,316	261,593	41,385	259,212	(45)	1,834,895	1,713,213
Physician fees	1,343	—	99,912	23,263	20,596	5,910	35,557	—	186,581	174,750
Professional services	5,589	69	21,339	6,270	1,317	150	909	—	35,643	37,602
Other services	207,488	6,624	458,144	98,952	123,514	20,909	132,232	(372,090)	675,773	607,107
Leases, insurance, and utilities	20,420	2,046	42,185	13,126	20,233	7,457	16,756	(7,268)	114,955	118,341
Supplies	96,396	1,097	446,410	117,404	153,065	7,691	144,953	(71,972)	895,044	795,016
Depreciation and amortization	21,097	1,721	65,441	12,399	17,842	1,698	22,015	—	142,213	151,147
Interest	564	758	21,554	3,183	8,119	56	1,434	—	35,668	36,427
Other	1,467	31	13,520	1,159	1,353	151	1,739	—	19,420	15,614
Total operating expenses	570,182	31,308	1,993,159	489,072	607,632	85,407	614,807	(451,375)	3,940,192	3,649,217
Operating income (loss) before impairment and gain on sale	(10,812)	(3,697)	222,400	12,435	83,695	(10,161)	8,792	(29,583)	273,069	178,258
Impairment	(10,859)	—	—	—	—	—	—	—	(10,859)	—
Gain on sale of property and equipment	—	—	—	—	—	—	—	—	—	9,882
Operating income (loss)	(21,671)	(3,697)	222,400	12,435	83,695	(10,161)	8,792	(29,583)	262,210	188,140

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidating Schedule – Statement of Operations and Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2025  
(with comparative totals year ended June 30, 2024)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total	
									2025	2024
Nonoperating gains:										
Investment return	8,632	464	179,380	15,169	10,619	4,700	24,988	—	243,952	234,512
Other	—	—	1,341	383	718	—	572	—	3,014	589
Total nonoperating gains, net	8,632	464	180,721	15,552	11,337	4,700	25,560	—	246,966	235,101
Revenues, gains, and other support in excess of (less than) expenses and losses before noncontrolling interest	(13,039)	(3,233)	403,121	27,987	95,032	(5,461)	34,352	(29,583)	509,176	423,241
Noncontrolling interests	—	—	(17,741)	—	(627)	—	(317)	—	(18,685)	(19,219)
Revenues, gains, and other support in excess of (less than) expenses and losses attributable to Franciscan Missionaries of Our Lady Health System, Inc.	(13,039)	(3,233)	385,380	27,987	94,405	(5,461)	34,035	(29,583)	490,491	404,022
Pension-related changes other than net periodic pension credit	—	—	17,356	3,847	5,288	—	4,164	—	30,655	12,076
Released from restrictions for capital	—	38	38	—	—	—	749	—	825	8,164
Other	7,550	874	(1,160)	9,230	(8,241)	(141)	(10,959)	—	(2,847)	1,082
Increase (decrease) in net assets without donor restrictions	\$ (5,489)	(2,321)	401,614	41,064	91,452	(5,602)	27,989	(29,583)	519,124	425,344

See accompanying independent auditors' report.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH  
SYSTEM, INC. AND AFFILIATED ORGANIZATIONS**

Consolidating Schedule – Statement of Changes in Net Assets Information

Year ended June 30, 2025  
(with comparative totals year ended June 30, 2024)

(In thousands)

	Franciscan Missionaries of Our Lady Health System, Inc. and subsidiaries	Franciscan Missionaries of Our Lady University, Inc.	Our Lady of the Lake Regional Medical Center, Inc. and affiliated organizations	St. Francis Medical Center, Inc. and subsidiaries	Our Lady of Lourdes Regional Medical Center, Inc. and subsidiaries	Our Lady of the Angels Hospital	St Dominic	Eliminations	Total	
									2025	2024
									Changes in net assets without donor restrictions:	
Revenues, gains, and other support in excess of (less than) expenses and losses attributable to Franciscan Missionaries of Our Lady Health System	\$ (13,039)	(3,233)	385,380	27,987	94,405	(5,461)	34,035	(29,583)	490,491	404,022
Pension-related changes other than the service credit Released from restrictions for capital	—	—	17,356	3,847	5,288	—	4,164	—	30,655	12,076
Other	—	38	38	—	—	—	749	—	825	8,164
	7,550	874	(1,160)	9,230	(8,241)	(141)	(10,959)	—	(2,847)	1,082
Increase (decrease) in assets without donor restrictions	(5,489)	(2,321)	401,614	41,064	91,452	(5,602)	27,989	(29,583)	519,124	425,344
Changes in net assets with donor restrictions:										
Contributions	—	3,543	8,116	674	3,408	—	1,810	—	17,551	18,170
Income from long-term investments, net	—	—	797	—	—	—	780	—	1,577	1,383
Net assets released from restrictions	—	(2,125)	(3,999)	(7)	(515)	—	(975)	—	(7,621)	(14,230)
Increase in net assets with donor restrictions	—	1,418	4,914	667	2,893	—	1,615	—	11,507	5,323
Changes in noncontrolling interests:										
Revenues, gains, and other support in excess of expenses and losses	—	—	17,741	—	627	—	317	—	18,685	19,219
Distributions	—	—	(18,586)	—	(210)	—	—	—	(18,796)	(17,443)
Acquisitions	—	—	—	—	10,865	—	—	—	10,865	—
Change in noncontrolling interest	—	—	(6,901)	—	(104)	—	—	—	(7,005)	198
Increase (decrease) in noncontrolling interests	—	—	(7,746)	—	11,178	—	317	—	3,749	1,974
Increase (decrease) in net assets	(5,489)	(903)	398,782	41,731	105,523	(5,602)	29,921	(29,583)	534,380	432,641
Net assets, beginning of year	363,578	37,905	2,177,007	90,618	348,963	42,517	348,403	(346,750)	3,062,241	2,629,600
Net assets, end of year	\$ 358,089	37,002	2,575,789	132,349	454,486	36,915	378,324	(376,333)	3,596,621	3,062,241

See accompanying independent auditors' report.

## Schedule of Compensation Information

**Franciscan Missionaries of Our Lady Health System, Inc.**

**Schedule of Compensation Information**

**Year Ended June 30, 2025**

**Chief Executive Officer:** E.J. Kuiper

None of the Chief Executive Officer's compensation is paid from public funds received by Franciscan Missionaries of Our Lady Health System and its affiliates.

## Report under Uniform Guidance



**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Report on Federal Awards in Accordance with the Uniform Guidance

Year Ended June 30, 2025

(With Independent Auditors' Report Thereon)

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

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KPMG LLP  
Suite 2150  
301 Main Street  
Baton Rouge, LA 70801

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
Franciscan Missionaries of Our Lady Health System, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System), which comprise the System's consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 20, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Baton Rouge, Louisiana  
October 20, 2025



KPMG LLP  
Suite 2150  
301 Main Street  
Baton Rouge, LA 70801

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Trustees  
Franciscan Missionaries of Our Lady Health System, Inc.:

**Report on Compliance for Each Major Federal Program**

*Qualified and Unmodified Opinions*

We have audited Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations' (the System) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the System's major federal programs for the year ended June 30, 2025. The System's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*Qualified Opinion on Congressional Directives – ALN 93.493*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Congressional Directives for the year ended June 30, 2025.

*Unmodified Opinion on the Other Major Federal Program*

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

*Basis for Qualified and Unmodified Opinions*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the System's compliance with the compliance requirements referred to above.



### *Matters Giving Rise to Qualified Opinion on Congressional Directives – ALN 93.493*

As described in the accompanying schedule of findings and questioned costs, the System did not comply with requirements regarding cash management for the Congressional Directives program as described in finding number 2025-001. Compliance with such requirements is necessary, in our opinion, for the System to comply with the requirements applicable to that program.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the System's federal programs.

### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the System's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the System's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 System's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the System's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not



identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the System's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The System is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The System's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the consolidated financial statements of the System as of and for the year ended June 30, 2025, and have issued our report thereon dated October 20, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Baton Rouge, Louisiana  
March 30, 2026

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

Federal sponsor/program title	Federal assistance listing number	Pass-through from award number	Pass-through from entity	Direct expenditures	Pass-through to expenditures	Total expenditures
Student Financial Assistance Cluster:						
U.S. Department of Education:						
Federal Work-Study Program (FWS)	84.033			\$ 83,040	—	83,040
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007			83,935	—	83,935
Federal Pell Grant Program	84.063			1,770,238	—	1,770,238
Federal Direct Student Loans (Direct Loan)	84.268			16,669,475	—	16,669,475
Total Student Financial Assistance Cluster				<u>18,606,688</u>	<u>—</u>	<u>18,606,688</u>
Federal Family Education Loans - Lenders	84.032L			100,000	—	100,000
Fund for the Improvement of Postsecondary Education	84.116			36,000	—	36,000
Total U.S. Department of Education				<u>18,742,688</u>	<u>—</u>	<u>18,742,688</u>
Research and Development Cluster:						
U.S. Department of Health and Human Services:						
Trans-NIH Research Support	93.310	UG1OD24959	LSU Pennington Biomedical Research	20,468	—	20,468
Blood Diseases and Resources Research	93.839			10,050	—	10,050
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853			23,606	—	23,606
Aging Research-Impact Minds	93.866	TUL-HSC-560639-22/23	Tulane University	45,154	—	45,154
Allergy and Infectious Diseases Research	93.855	303000880	Duke University	201,153	—	201,153
Total Research and Development Cluster				<u>300,431</u>	<u>—</u>	<u>300,431</u>
U.S. Department of Health and Human Services:						
Nurse Anesthetist Traineeships	93.124			30,954	—	30,954
Coordinated Services and Access to Research for Women, Infants, Children, and Youth – Ryan White Part D	93.153			699,321	—	699,321
Coordinated Services and Access to Research for Women, Infants, Children, and Youth – Ryan White Part D Affected	93.153	22H12HA24808	Louisiana State University Health System	133,025	—	133,025
Subtotal ALN 93.153				<u>832,346</u>	<u>—</u>	<u>832,346</u>
Congressional Directives	93.493			1,623,845	—	1,623,845
Ending the HIV Epidemic: A Plan for America - Ryan White HIV/AIDS Program Parts A and B	93.686	5 H89HA11432-16-00	City of Baton Rouge	291,693	—	291,693
National Bioterrorism Hospital Preparedness Program	93.889	059583	Louisiana Hospital Association	156,186	—	156,186
HIV Emergency Relief Project Grants – Ryan White Part A	93.914	5 H89HA11432-16-00	City of Baton Rouge	626,122	—	626,122
HIV Emergency Relief Project Grants – Aids United/The Fenway Institute	93.914	3031018-AU	Aids United	166,947	—	166,947
Subtotal ALN 93.914				<u>793,069</u>	<u>—</u>	<u>793,069</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease – Ryan White Part C	93.918			535,422	—	535,422
Total U.S. Department of Health and Human Services				<u>4,263,515</u>	<u>—</u>	<u>4,263,515</u>
Foster Grandparent/Senior Companion Cluster:						
Corporation for National and Community Service:						
AmeriCorps Seniors Senior Companion Program (SCP)	94.016			250,786	—	250,786
Total Foster Grandparent/Senior Companion Cluster				<u>250,786</u>	<u>—</u>	<u>250,786</u>
U.S. Department of Homeland Security:						
COVID-19 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	not available	State of Louisiana	6,843,402	—	6,843,402
COVID-19 – Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	not available	State of Mississippi	123,287	—	123,287
Total U.S. Department of Homeland Security				<u>6,966,689</u>	<u>—</u>	<u>6,966,689</u>
Total federal expenditures				\$ <u>30,524,109</u>	<u>—</u>	<u>30,524,109</u>

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Franciscan Missionaries of Our Lady Health System, Inc. and affiliated organizations (the System) under programs of the federal government for the year ended June 30, 2025. The amounts reported as federal expenditures were obtained from the System's general ledger. Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, results of operations, changes in net assets, and cash flows of the System.

For purposes of the Schedule, federal expenditures include all grants, contracts, and similar agreements entered into directly between the System, the agencies and departments of the federal government, and all subawards to the System by nonfederal organizations pursuant to federal grants, contracts, and similar agreements. The information in the Schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**(2) Summary of Significant Accounting Policies**

For purposes of the Schedule, expenditures of federal award programs are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The System has elected not to use the de minimis indirect cost rate as allowed under the Uniform Guidance.

**(3) Federal Direct Student Loans (ALN 84.268)**

The System's Federal Direct Student Loans (Direct Loans) included in the Schedule represent loans received by students during fiscal year 2025, which were not made by the System. The System is responsible only for the performance of certain administrative duties with respect to its Direct Loans Program, and accordingly, these loans are not included in its consolidated financial statements. The System is not required to maintain the balance of the loans outstanding to students and former students of the System under these programs. Such balances are maintained and administered by the lenders and guarantors of these loans.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2025

During the year ended June 30, 2025, the System advanced the following amounts of new loans under the Direct Loan Program:

	<b>Assistance listing number</b>	<b>Amount expended</b>
Unsubsidized direct loans	84.286	\$ 7,441,517
Subsidized direct loans	84.286	1,375,017
Parents' loans for undergraduate students	84.286	980,153
Parents' loans for graduate students	84.286	6,872,788
		\$ 16,669,475

**(4) Relationship to Consolidated Financial Statements**

Federal expenditures are reported in the System's 2025 consolidated financial statements as follows:

Total expenditures under federal grants and contracts included in other revenue in the consolidated financial statements of the System	\$ 10,293,576
Total expenditures under federal grants and contracts included in property and equipment, net	1,623,845
Federal Supplemental Education Opportunity Grant – agency transactions	83,935
Federal Pell Grant Program – agency transactions	1,770,238
Federal Direct Student Loans (Direct Loan) – agency transactions	16,669,475
Federal Work Study	83,040
Federal expenditures per the schedule	\$ 30,524,109

**(5) Expenditures of Federal Awards to Subrecipients**

The System did not pass through any expenditures of federal awards to subrecipients during 2025.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

**(1) Summary of Auditors' Results**

- (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles: **Unmodified**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **Yes – finding 2025-001**
  - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major program:
  - Student Financial Aid Assistance Cluster: **Unmodified**
  - Congressional Directives – ALN 93.493: **Qualified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes – finding 2025-001**
- (g) Major programs:
  - Student Financial Aid Assistance Cluster – ALNs 84.033, 84.007, 84.063, 84.268
  - Congressional Directives – ALN 93.493
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$915,723**
- (i) Auditee qualified as a low-risk auditee: **No**

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding No: 2025-001 Cash Management**

**Federal Agency:** U.S. Department of Health and Human Services

**Pass-Through Entities:** N/A

**Assistance Listing Number:** 93.493

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

**Federal Award Identification Number:** CE152405

**Federal Program:** Congressional Directives

**Federal Award Year:** September 30, 2023 – September 29, 2026

**Criteria or Requirement**

Per section 2 CFR 200.305, non-federal entities must minimize the time elapsing between the transfer of funds from the US Treasury and disbursement by the non-federal entity for direct program or project costs. Interest earned on Federal funds must be returned annually to the Department of Health and Human Services Payment Management System (PMS). Expenditures must be incurred prior to the date of the reimbursement request.

Per section 2 CFR 200.303, non-Federal entities must establish, document and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

**Condition Found**

The System entity did not minimize the time elapsing between the transfer of funds and disbursement and did not remit interest earned on advances to the designated federal agency. The System requested reimbursement of federal grant funds of \$1,042,278 over 350 days in advance of incurring the related expenditures for the St. Francis Medical Center Community Project Funding Congressionally Directed Spending – Construction award (ALN 93.493) and did not perform the required interest calculation or remit interest timely, representing a departure from the Uniform Guidance cash management requirements. We tested 100% of the expenditures and related cash draw activity for this award during the audit period; therefore, no sampling was used and no extrapolation was necessary.

**Possible Cause and Asserted Effect**

The System's internal controls did not ensure the federal funds requested for the program were either already expended or encumbered to be expended timely and did not implement the process steps and control to periodically identify and calculate the resulting accumulated interest earned on federal cash balances drawn in advance related to this program. Failing to minimize the time between the transfer and disbursement of funds, as well as failing to remit interest earned on advances, constitutes noncompliance with the Uniform Guidance.

**Questioned Cost**

Interest earned of \$44,750

**Statistical Validity**

The sample was not intended to be, and was not, a statistically valid sample.

**Identification of Whether the Audit Finding is a Repeat of a Finding in the Immediately Prior Audit**

No.

**FRANCISCAN MISSIONARIES OF OUR LADY HEALTH SYSTEM, INC.  
AND AFFILIATED ORGANIZATIONS**

Schedule of Findings and Questioned Costs

Year ended June 30, 2025

**Recommendation**

We recommend that the System strengthen its internal controls over cash management controls to ensure that all federal fund drawdowns are based on incurred expenditures and documented immediate cash needs, and that a process is implemented to periodically calculate and remit any interest earned on advance balances as required by the Uniform Guidance.

**View of Responsible Officials**

Management concurs with this finding. The System is implementing a management review control through periodic inquiry and review of advance fundings to ensure drawdowns are supported by incurred expenditures or are for immediate cash needs and any interest calculations to ensure timely compliance with the Uniform Guidance.