



Baylor Scott & White
HEALTH

Uniform Guidance

**Supplemental Financial
and Compliance Report**

Year Ended June 30, 2024



**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

*Report on Federal Awards in Accordance with Title 2 U.S. Code of Federal Regulations Part
200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal
Awards (Uniform Guidance)*

Supplemental Financial and Compliance Report

For the Year Ended June 30, 2024

Primary EIN #46-3130985

**BAYLOR SCOTT & WHITE
AND ITS CONTROLLED AFFILIATES**

Report on Federal Awards in Accordance with the Uniform Guidance
Supplemental Financial and Compliance Report

For the Year Ended June 30, 2024

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Report of Independent Auditors

To the Board of Trustees of Baylor Scott & White Holdings

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Baylor Scott & White Holdings and its controlled affiliates (the “Company”), which comprise the consolidated balance sheet as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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 Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 financial statements.

In performing an audit in accordance with US 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2024 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that the information related to incurred and paid losses prior to the most recent year in Note 6 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The other community benefits information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2024 on our consideration of the Company'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 for the year ended June 30, 2024. 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 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 Company's internal control over financial reporting and compliance.

Pricewaterhouse Coopers LLP

Dallas, Texas
November 1, 2024

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

CONSOLIDATED BALANCE SHEETS - JUNE 30, 2024 AND 2023
(In millions)

ASSETS	<u>2024</u>	<u>2023</u>	LIABILITIES AND NET ASSETS	<u>2024</u>	<u>2023</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 2,535	\$ 2,013	Current maturities of long-term debt and finance lease obligations	\$ 119	\$ 69
Short-term investments	352	710	Long-term debt subject to short-term remarketing arrangements	95	95
THVG funds due from United Surgical Partners International	158	131	Commercial paper	—	207
Accounts receivable:			Trade accounts payable	533	447
Patient	1,005	982	Accrued liabilities:		
Premiums	79	77	Payroll related	628	598
Other	536	432	Third-party programs	66	59
Other current assets	<u>456</u>	<u>371</u>	Medical claims payable	148	115
			Operating lease liabilities	169	166
			Other	<u>1,280</u>	<u>1,008</u>
Total current assets	<u>5,121</u>	<u>4,716</u>	Total current liabilities	<u>3,038</u>	<u>2,764</u>
LONG-TERM INVESTMENTS:					
Unrestricted	6,927	5,974	LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS, less		
Restricted	<u>610</u>	<u>551</u>	current maturities	4,191	4,232
Total long-term investments	<u>7,537</u>	<u>6,525</u>			
ASSETS WHOSE USE IS LIMITED:			OTHER LONG-TERM LIABILITIES:		
Other designated assets	318	254	Self insurance and other insurance liabilities	197	162
Self insurance reserves	197	162	Interest rate swap liabilities, net	76	93
Funds held by bond trustee	<u>306</u>	<u>494</u>	Long-term operating lease liabilities	689	682
Total assets whose use is limited	<u>821</u>	<u>910</u>	Other	<u>289</u>	<u>305</u>
			Total other long-term liabilities	<u>1,251</u>	<u>1,242</u>
PROPERTY AND EQUIPMENT, net	4,619	4,236	Total liabilities	<u>8,480</u>	<u>8,238</u>
RIGHT OF USE OPERATING LEASE ASSETS, net	770	758	COMMITMENTS AND CONTINGENCIES		
CONTRIBUTIONS RECEIVABLE, net	143	144			
OTHER LONG-TERM ASSETS:			NONCONTROLLING INTERESTS - REDEEMABLE	393	636
Equity investment in unconsolidated entities	65	61			
Goodwill and intangible assets, net	1,304	1,115	NET ASSETS:		
Interest in net assets of related foundation	6	6	Net assets without donor restrictions:		
Other	<u>23</u>	<u>144</u>	Attributable to BSWH	10,063	8,675
Total other long-term assets	<u>1,398</u>	<u>1,326</u>	Noncontrolling interests-nonredeemable	690	337
Total assets	<u>\$ 20,409</u>	<u>\$ 18,615</u>	Total net assets without donor restrictions	<u>10,753</u>	<u>9,012</u>
			Net assets with donor restrictions	<u>783</u>	<u>729</u>
			Total net assets	<u>11,536</u>	<u>9,741</u>
			Total liabilities and net assets	<u>\$ 20,409</u>	<u>\$ 18,615</u>

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

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(In millions)

	2024	2023
OPERATING REVENUE:		
Net patient care revenue	\$ 12,047	\$ 10,965
Premium revenue	2,499	2,072
Other operating revenue	891	810
Net assets released from restrictions for operations	83	85
Total operating revenue	15,520	13,932
OPERATING EXPENSES:		
Salaries, wages, and employee benefits	6,629	6,188
Supplies	2,492	2,290
Other operating expenses	3,172	2,711
Medical claims	1,368	1,140
Losses on fixed asset sales and disposals, net	—	3
Depreciation and amortization	498	483
Interest	137	135
Total operating expenses	14,296	12,950
INCOME FROM OPERATIONS	1,224	982
NONOPERATING GAINS:		
Gains on investments, net	723	450
Interest rate swap activity	19	45
Equity in earnings (losses) of unconsolidated entities	7	(3)
Losses from extinguishment of debt	—	(1)
Total nonoperating gains	749	491
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES	1,973	1,473
LESS INCOME TAX EXPENSE	20	15
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	1,953	1,458

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(In millions)

	2024	2023
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net assets released from restrictions for capital expenditures	\$ 7	\$ 5
Other changes in net assets attributable to noncontrolling interests - nonredeemable	142	(115)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(362)	(401)
Other	1	7
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	1,741	954
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions of cash and other financial assets	75	70
Contributions of nonfinancial assets	1	2
Realized gains on investments, net	38	30
Unrealized gains on investments, net	29	20
Net assets released from restrictions for operations	(83)	(85)
Net assets released from restrictions for capital expenditures	(7)	(5)
Changes in net assets of related foundation	—	1
Other	1	(1)
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	54	32
INCREASE IN NET ASSETS	1,795	986
NET ASSETS, beginning of year	9,741	8,755
NET ASSETS, end of year	\$ 11,536	\$ 9,741

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

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(In millions)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 1,795	\$ 986
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gains on investments, net	(298)	(209)
Realized gains on investments, net	(232)	(101)
Unrealized gains on interest rate swap, net	(21)	(54)
Contributions restricted for long-term purposes	(2)	(5)
Depreciation and amortization	498	483
Losses from extinguishment of debt	—	1
Losses on fixed asset sales and disposals, net	—	3
Equity in (earnings) losses of unconsolidated entities	(7)	3
Other	51	2
Other changes attributable to noncontrolling interests	220	516
Changes in operating assets and liabilities (net of acquisitions):		
(Increase) decrease in patient accounts receivable	(23)	157
Increase in other accounts receivable	(106)	(73)
Decrease in other assets	39	118
Increase in trade accounts payable and accrued liabilities	378	124
Increase in other long-term liabilities	21	108
Net cash provided by operating activities	2,313	2,059
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(864)	(563)
Cash proceeds from sales of assets	39	2
Cash paid for acquisitions, net of cash received	(113)	(2)
Increase in THVG funds due from United Surgical Partners International	(27)	(13)
Purchase of investments	(185)	(366)
Net receipts (payments) on interest rate swaps	2	(41)
Decrease (increase) in assets whose use is limited	93	(550)
Net cash used in investing activities	(1,055)	(1,533)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(344)	(608)
Proceeds from issuance of long-term debt	91	1,049
Distributions to noncontrolling interests	(566)	(517)

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

(In millions)

	2024	2023
Purchases of noncontrolling interests	\$ (47)	\$ (26)
Sales of noncontrolling interests	71	11
Cash receipts restricted for long-term purposes	2	2
Annuity payments to beneficiaries	(1)	(1)
Net cash used in financing activities	(794)	(90)
 NET INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	 464	 436
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	2,087	1,651
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 2,551	\$ 2,087
 SUPPLEMENTAL CASH FLOW DATA:		
Cash paid for interest	\$ 137	\$ 135
Cash paid for income tax	\$ 21	\$ 16
Property and equipment acquired under finance leases	\$ 52	\$ 81
Right of use assets acquired under operating leases	\$ 169	\$ 179
Increase in accounts payable due to property and equipment received but not paid	\$ 51	\$ 9
Decrease in contributions receivable for property and equipment	\$ —	\$ 1
 RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents at beginning of year	\$ 2,013	\$ 1,624
Cash in short-term investments at beginning of year	65	14
Cash in unrestricted long-term investments at beginning of year	1	1
Cash in restricted long-term investments at beginning of year	7	8
Cash in assets whose use is limited at beginning of year	1	4
Cash and cash equivalents and restricted cash at beginning of year	\$ 2,087	\$ 1,651
 Cash and cash equivalents at end of year	 \$ 2,535	 \$ 2,013
Cash in short-term investments at end of year	—	65
Cash in unrestricted long-term investments at end of year	1	1
Cash in restricted long-term investments at end of year	10	7
Cash in assets whose use is limited at end of year	5	1
Cash and cash equivalents and restricted cash at end of year	\$ 2,551	\$ 2,087

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

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

1. ORGANIZATION

Baylor Scott & White Holdings (BSW Holdings) is a Texas nonprofit corporation and is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"), by virtue of being an entity described in Section 501(c)(3) of the Code. BSW Holdings and its controlled affiliates (collectively, the "System" or "BSWH") were created from the combination of two Texas health care systems, Baylor Health Care System (BHCS) and its affiliates, and Scott & White Healthcare (SWH) and its affiliates, and began operations on October 1, 2013. BSW Holdings and Baylor Scott & White Health (BSW Health), a Texas nonprofit corporation, were created by BHCS and SWH in connection with their combination. BSW Holdings is the sole member of BHCS and SWH and has control and substantial reserved powers over all BHCS and SWH material affiliates. BSW Holdings serves as the ultimate parent entity for the System and provides the overall governance, strategic planning, and related services for the System. BSW Health provides centralized support and management services to the affiliated hospitals and other entities of the System. The System is not affiliated with Baylor University.

The consolidated financial statements include the accounts of BSW Holdings, BSW Health, BHCS, SWH, Baylor University Medical Center (BUMC), Scott & White Memorial Hospital (SWMH), five health plan entities (collectively referred to as the "Health Plan" or "Consolidated Health Plan"), five foundations, twenty-five community and specialty hospitals located throughout Texas, one wholly owned captive insurance subsidiary (Baylor Scott & White Assurance SPC (BSWA)), Baylor Quality Health Care Alliance, LLC, an accountable care organization, physician practices, and other related entities. The transactions and balances for investments in certain related entities with greater than 50.0% ownership, and entities where the System exercises board control, are included in the accompanying consolidated financial statements with related noncontrolling interests reported in the consolidated financial statements. These entities include five acute and specialty hospitals referenced above, along with joint ventures and partnerships in: Texas Health Ventures Group, LLC (THVG), providing short-stay hospital and outpatient surgery services, BIR JV, LLP, providing rehabilitation services, BTDI JV, LLP, providing imaging services, EBD JV, LLP, providing emergency medical services, HealthTexas Provider Network - Gastroenterology Services, LLP, providing endoscopic services, and NextCare Texas JV, LLC, providing urgent care services. All significant intercompany accounts and transactions among entities, included in the consolidated financial statements, have been eliminated.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

The following summarizes significant changes in the System in 2024 and 2023:

THVG

BUMC has a majority ownership of 50.1% in THVG with USP North Texas, Inc. (USP), a Texas corporation and subsidiary of United Surgical Partners International, Inc. (USPI) holding the remaining 49.9%. THVG had net patient care revenue included in the System's consolidated financial statements of approximately \$1,539 million and \$1,441 million for the years ended June 30, 2024 and 2023, respectively.

THVG completed the acquisition of one ambulatory surgical center in fiscal year 2023. In connection with this transaction, THVG acquired goodwill and intangible assets, net of approximately \$3 million, fixed assets of approximately \$7 million, noncontrolling interests of approximately \$2 million, and other net liabilities of approximately \$8 million in fiscal year 2023.

THVG completed the acquisition of one ambulatory surgical center in fiscal year 2024. In connection with this transaction, THVG acquired goodwill and intangible assets, net of approximately \$7 million, noncontrolling interests of approximately \$3 million, and other net liabilities of approximately \$4 million in fiscal year 2024.

NextCare Texas JV, LLC

Effective July 1, 2023, NextCare Texas JV, LLC (NextCare), a Texas limited liability company, was formed between Baylor Scott & White Health Enterprises, Inc. (BSWHE), an affiliate of BSW Holdings, and NextCare, Inc., a wholly owned subsidiary of NextCare Holdings, Inc. NextCare was established for the purposes of owning, operating, and managing urgent care facilities, in order to provide high-quality and convenient care for patients throughout Texas. Pursuant to a contribution and purchase agreement that closed on July 1, 2023, BSWHE contributed cash, while NextCare, Inc. contributed urgent care facilities. BSWHE owns 60% of NextCare, with NextCare, Inc. holding the remaining 40%. In connection with this transaction, BSWH acquired goodwill and intangible assets, net of approximately \$183 million, fixed assets of approximately \$6 million, noncontrolling interests of approximately \$76 million, and other net liabilities of approximately \$113 million in fiscal year 2024.

Baylor Scott & White Heart and Vascular Hospital - Waxahachie

In August 2023, Baylor Heart and Vascular Center, LLP d/b/a Baylor Scott & White Heart and Vascular Hospital - Dallas (BHVH) opened Baylor Scott & White Heart and Vascular Hospital -

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

Waxahachie, a 4-bed hospital on the campus of Baylor Medical Center at Waxahachie (Waxahachie). The hospital provides heart and vascular care to patients in Ellis County.

2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the System have been prepared in conformity with generally accepted accounting principles in the United States (GAAP). The following is a summary of the significant accounting and reporting policies used in preparing the financial statements, as well as a summary of updates to the Accounting Standards Codification (ASC), issued by the Financial Accounting Standards Board (FASB) in the form of Accounting Standards Updates (ASU) that are applicable to the System.

Recently Adopted Accounting Pronouncements

In June 2016, November 2018, April 2019, May 2019, November 2019, and March 2022, FASB issued ASU 2016-13, *“Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”*; ASU 2018-19, *“Codification Improvements to Topic 326, Financial Instruments-Credit Losses”*; ASU 2019-04, *“Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”*; ASU 2019-05, *“Financial Instruments-Credit Losses (Topic 326): Targeted Transition Relief”*; ASU 2019-10, *“Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates”*; and ASU 2022-02, *“Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructuring and Vintage Disclosures,”* respectively. The current standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. These ASU’s remove the requirement that a credit loss be probable of occurring for it to be recognized. Instead, these ASU’s require entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The System adopted the provisions of these ASU’s in fiscal year 2024, which did not have a material impact on the consolidated financial statements.

In January 2017 and November 2019, FASB issued ASU 2017-04, *“Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”*; and ASU 2019-10, *“Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates,”* respectively. These ASU's eliminate Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The System

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

adopted the provisions of these ASU's in fiscal year 2024, which did not have a material impact on the consolidated financial statements.

In March 2020 and December 2022, FASB issued ASU 2020-04, "*Reference Rate Reform (Topic 848): Facilitation of Effects of Reference Rate Reform on Financial Reporting*" and ASU 2022-06, "*Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*", respectively. These ASU's provide optional expedients to simplify the accounting for contract modifications resulting from the expected discontinuation of LIBOR, or other reference rates, due to reference rate reform. The System adopted the provisions of these ASU's in fiscal year 2024, which did not have a material impact on the consolidated financial statements.

In September 2022, FASB issued ASU 2022-04, "*Liabilities-Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*." This ASU requires a buyer that uses supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period, and associated rollforward information. The System adopted the provisions of ASU 2022-04 in fiscal year 2024, which did not have a material impact on the consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2021, FASB issued ASU 2021-08, "*Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*." This ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "*Revenue from Contracts with Customers*." The provisions of ASU 2021-08 are effective for the System for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The System is currently evaluating the impact of this ASU and believes it will not have a material impact on the consolidated financial statements.

In March 2023, FASB issued ASU 2023-01, "*Leases (Topic 842): Common Control Arrangements*." This ASU requires the amortization of leasehold improvements associated with common control leases over the asset's useful life to the common control group regardless of the lease term. The provisions of ASU 2023-01 are effective for the System for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The System is currently evaluating the impact of this ASU and believes it will not have a material impact on the consolidated financial statements.

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

In August 2023, FASB issued ASU 2023-05, “*Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement.*” This ASU requires a joint venture to initially measure all contributions received upon its formation at fair value. The provisions of ASU 2023-05 are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. The System is currently evaluating the impact of this ASU.

Cash and Cash Equivalents

Cash equivalents are defined as highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist primarily of securities issued by the United States government or its agencies, certificates of deposit, commercial paper, money market funds, and dollar denominated foreign issued investments.

THVG Funds Due from United Surgical Partners International

THVG participates in a shared services accounts payable program with USPI, wherein USPI has custody of substantially all of THVG’s cash, paying THVG and its facilities interest income on the net balance at prevailing market rates. Amounts held by USPI on behalf of THVG totaled approximately \$158 million and \$131 million at June 30, 2024 and 2023, respectively. The funds due from USPI are available on demand.

Investments

For all investments, interest and dividends, realized and unrealized gains and losses are included in gains on investments, net, in the accompanying consolidated statements of operations and changes in net assets, unless restricted by donor.

Prior to June 30, 2022, BSWH held a 5% investment in USPI, a wholly owned subsidiary of Tenet Healthcare Corporation, classified in unrestricted long-term investments at approximately \$129 million. Effective June 30, 2022, BSWH executed a share purchase agreement for the investment in USPI, which terminated the original 5-year Investor Put/Call Agreement, valued at approximately \$406 million, to be paid over three years. BSWH recorded the present value of the purchase price as a short-term and long-term note receivable, in other accounts receivable and other long-term assets, respectively, with the offset to realized gains included in nonoperating gains in the accompanying consolidated statements of operations and changes in net assets.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

Interest and dividends, realized and unrealized gains for the years ended June 30, 2024 and 2023 consisted of the following (in millions):

	2024			
	Interest and Dividends	Realized Gains	Unrealized Gains	Total
Nonoperating gains	\$ 241	\$ 213	\$ 269	\$ 723
Changes in net assets with donor restrictions	19	19	29	67
	\$ 260	\$ 232	\$ 298	\$ 790
	2023			
	Interest and Dividends	Realized Gains	Unrealized Gains	Total
Nonoperating gains	\$ 168	\$ 93	\$ 189	\$ 450
Changes in net assets with donor restrictions	22	8	20	50
	\$ 190	\$ 101	\$ 209	\$ 500

Patient Accounts Receivable

Patient accounts receivables are related to providing healthcare services to patients, whose costs are primarily paid by government-related programs (i.e., Medicare and Medicaid), managed care payors, and other payors. The System reports patient accounts receivable at amounts equal to the consideration the System expects to receive in exchange for providing healthcare services to its patients. The expected consideration is estimated using contractual provisions associated with specific payors, historical reimbursement rates, and an analysis of historical adjustments.

Premium Revenue

Premium revenue is recognized as income in the period that members are entitled to receive services, as specified by the provisions of the arrangement. Premiums billed or received in advance of the service period are reported as unearned premiums.

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

Property and Equipment, net

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution or business acquisition. Property and equipment and related accumulated depreciation and amortization as of June 30, 2024 and 2023 are summarized below (in millions):

	Useful Life	2024	2023
Land	—	\$ 341	\$ 344
Building and improvements	5 - 40 Years	5,084	4,907
Major moveable equipment and other	3 - 20 Years	3,586	3,880
Construction-in-progress	—	794	357
		<u>9,805</u>	<u>9,488</u>
Accumulated depreciation and amortization		<u>(5,186)</u>	<u>(5,252)</u>
		<u>\$ 4,619</u>	<u>\$ 4,236</u>

Property and equipment financed under finance leases totaled approximately \$501 million and \$449 million at June 30, 2024 and 2023, respectively, and related accumulated amortization was approximately \$213 million and \$183 million at June 30, 2024 and 2023, respectively. Amortization expense is included in depreciation and amortization expense in the accompanying consolidated statements of operations and changes in net assets.

Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the property and equipment or the lease term, whichever is less. Depreciation expense was approximately \$495 million and \$480 million for the years ended June 30, 2024 and 2023, respectively. Routine maintenance and repairs are charged to expense as incurred. Expenditures that increase capacities or extend useful lives are capitalized.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or related groups of assets, may not be recoverable from estimated future undiscounted cash flows. If circumstances suggest that the recorded amounts cannot be recovered based upon estimated future undiscounted cash flows, the carrying values of such assets are reduced to fair value. In the event of impairment, measurement of the amount of impairment may be based on valuation models using Level 3 inputs consisting of appraisals, fair values of similar assets, or estimates of future discounted cash flows resulting

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Notes to Consolidated Financial Statements - continued

from the use and ultimate disposition of the asset. During the year ended June 30, 2024, BSWH recorded impairment losses of approximately \$58 million, primarily related to underperforming entities and underutilized assets, within other operating expenses in the accompanying consolidated statements of operations and changes in net assets. No impairments were identified for the year ended June 30, 2023.

Goodwill and Intangible Assets, net

Goodwill and intangible assets recorded in connection with acquisitions completed by the System are accounted for under ASC 350, “*Intangibles - Goodwill and Other.*” Goodwill consists of costs in excess of tangible and intangible net assets acquired. Intangible assets consist of management service contract rights and other intangibles.

The System amortizes definite-lived intangible assets over their respective useful lives to the estimated residual values and reviews for impairment in the same manner as long-lived assets, as discussed above. No impairments were identified in 2024 or 2023.

Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if changing circumstances warrant. No impairments were identified in 2024 or 2023.

At June 30, 2024 and 2023, intangible assets and goodwill, net consisted of the following (in millions):

	2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:			
Definite-lived intangible assets	\$ 23	\$ (14)	\$ 9
Indefinite-lived intangible assets	27	—	27
Total intangible assets	50	(14)	36
Goodwill	1,268	—	1,268
Total intangible assets and goodwill	\$ 1,318	\$ (14)	\$ 1,304

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:			
Definite-lived intangible assets	\$ 25	\$ (13)	\$ 12
Indefinite-lived intangible assets	27	—	27
Total intangible assets	52	(13)	39
Goodwill	1,076	—	1,076
Total intangible assets and goodwill	\$ 1,128	\$ (13)	\$ 1,115

Income Taxes

Due to the organizational structure, certain of the System’s entities are taxable under the Code and some entities are tax exempt but are required to pay income taxes for unrelated business activities. The overall impact of federal income taxes to the System’s consolidated financial statements is not significant. In addition, certain of the System’s entities file partnership income tax returns in the U.S. federal jurisdiction and franchise tax returns in the state of Texas. These entities are no longer subject to U.S. federal, state, and local income tax examinations by authorities for years prior to 2018.

The Texas franchise tax applies to certain of the System’s entities. The tax is calculated on a margin base, and is therefore reflected in the System's consolidated statements of operations and changes in net assets as income tax expense. The System recognizes accrued interest and penalties as a component of income tax expense.

The System follows the provisions of ASC 740, “*Income Taxes.*” As of June 30, 2024 and 2023, the System had no material gross unrecognized tax benefits.

Supplier Financing Program

The System participates in a supplier financing program designed to maximize working capital through relationships with third-party financial institutions. The System agrees to pay the financial institutions, for all confirmed invoices of participating suppliers, and in return the suppliers receive early payment from the financial institutions. The suppliers are paid the amount due from the System, less a processing fee charged by the financial institutions to the suppliers. The System receives quarterly volume rebates from the financial institutions, as outlined in the

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

settlement terms of the supplier financing program contracts. Additionally, upon reaching specified program volume thresholds, the System is paid rebates by the financial institutions. The financial institutions require full payment within 30 days from the System. The System or the financial institutions may terminate the agreements with a 30-60 day notice, dependent on contract terms. The System had outstanding payables under these contracts of approximately \$7 million and \$4 million at June 30, 2024 and 2023, respectively. These amounts are included in trade accounts payable in the accompanying consolidated balance sheets.

The rollforward of the System's confirmed outstanding obligation under its supplier financing program for year ended June 30, 2024, is as follows (in millions):

	2024
Confirmed obligation outstanding at beginning of year	\$ 4
Invoices confirmed during the year	483
Confirmed invoices paid during the year	(480)
Confirmed obligation outstanding at end of year	\$ 7

Insurance

For 2024 and 2023, excess policies that covered claims that exceeded \$10 million per incident and \$50 million in the general aggregate (shared) for hospital professional liability, general liability, and professional liability were provided by BSWA. The excess liability policies are reinsured 100% by ACE American Insurance Company (Chubb) and various other reinsurers.

Reserves for Self Insurance Losses and Loss Adjustment Expenses

The reserves for losses and loss adjustment expenses are based upon management's estimate of the ultimate liability for outstanding losses and loss adjustment expenses determined in comparison with historical and industry loss statistics. Management uses case basis evaluations and actuarial analysis to develop their estimates. Management believes that the reserves for losses and loss adjustment expenses are adequate. However, because of the extended period of time over which losses are settled and the general uncertainty surrounding the estimates, the ultimate settlement cost of the losses and the related loss adjustment expenses could vary, and these differences could be material. The estimates are continuously reviewed, and as adjustments to the liabilities become necessary, they are reflected in current operations.

Liabilities for outstanding claims, including estimates for claims incurred but not reported, as well as reported claims pending settlement, are actuarially determined and discounted using an interest rate of 2.0% in both 2024 and 2023. Total undiscounted reserves for losses and loss

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

adjustment expenses were approximately \$183 million and \$155 million at June 30, 2024 and 2023, respectively. Discounted reserves for losses and loss adjustment expenses, including a risk margin at an approximate seventy percent confidence level, were approximately \$186 million and \$158 million at June 30, 2024 and 2023, respectively.

Contributions and Gifts

When received or pledged, unrestricted gifts are reported as contributions to net assets without donor restrictions and donor-restricted items are reported as contributions to net assets with donor restrictions. Donor-restricted contributions are restricted as to use and are transferred from net assets with donor restrictions to net assets without donor restrictions when the restrictions are satisfied or, in the case of endowment funds, when related earnings are appropriated for expenditure.

The System recognized in-kind contributions including donated supplies, meals and entertainment, advertising, printing, and space and equipment rental of approximately \$1 million and \$2 million, for 2024 and 2023, respectively, which are reported at fair value in the accompanying consolidated statements of operations and changes in net assets. Donor restrictions for contributed goods and services include, but are not limited to, use for specific needs by the System. In valuing these items, the System estimated the fair value on the basis of estimates that would be received for selling or purchasing similar products and services in the United States.

Net Assets with Donor Restrictions

Net assets with donor restrictions are donor restricted as to use or time, and are transferred from net assets with donor restrictions to net assets without donor restrictions when the restrictions are satisfied. Net assets are primarily available for patient care, medical education, and research.

Net assets with donor restrictions include donor-restricted endowments in which the principal is invested in perpetuity and only the income from the investments is expended for designated purposes. Income on endowment funds restricted for specified purposes, or which is required to be invested in perpetuity, is reported in the accompanying consolidated statements of operations and changes in net assets.

Revenue and Gains in Excess of Expenses and Losses

The consolidated statements of operations and changes in net assets include revenue and gains in excess of expenses and losses. Other changes in net assets without donor restrictions, which are excluded from revenue and gains in excess of expenses and losses, consistent with industry

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

practice, include transactions related to noncontrolling interests and net assets released from restrictions for capital expenditures.

Derivative Financial Instruments

ASC 815, “*Derivatives and Hedging*,” requires that all derivative financial instruments be recognized in the consolidated financial statements and measured at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are recognized periodically in nonoperating gains in the accompanying consolidated statements of operations and changes in net assets. The System’s policy is to not enter into derivative transactions for speculative purposes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheets, disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification

Certain reclassifications were made to the 2023 financial statements to conform to the 2024 presentation.

CARES Act

In March 2020, the global COVID-19 pandemic began to impact the operations of the System. In response to the COVID-19 pandemic, the United States government passed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under programs included in the CARES Act, the System received and recognized approximately \$0 and \$49 million of emergency relief funds in other operating revenue for the years ended June 30, 2024 and 2023, respectively.

The System also received approximately \$765 million in Medicare advance payments in April 2020 and recorded a contract liability in accordance with ASC 606. Repayment of the Medicare advance payments was phased through September 2022. The System repaid the remaining balance of approximately \$120 million in the first six months of fiscal year 2023.

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The System deferred the employer portion of Federal Insurance Contributions Act (FICA) taxes as allowed under the CARES Act. The System repaid the remaining balance of approximately \$57 million in December 2022.

The federal COVID-19 public health emergency ended on May 11, 2023.

3. CREDIT RISK AND PAYOR CONCENTRATIONS

Patient Accounts Receivable and Net Patient Care Revenue

Financial instruments that potentially subject the System to concentrations of credit risk primarily consist of patient accounts receivable. The System grants unsecured credit to its patients, most of whom reside in the geographical area of the System's facilities and are insured under third-party payor arrangements.

Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and are subject to differing economic conditions. Because of the diversity in the System's non-governmental third-party payor base, accounts receivable from the Medicare and Medicaid programs represent the only significant third-party payor concentration for the System. The System does not believe there is significant credit risk associated with these governmental programs. Approximately 36% and 37% of the System's patient accounts receivable was due from Medicare and Medicaid at June 30, 2024 and 2023, respectively.

The collection risk related to uninsured patient accounts includes the patient portion of insured accounts. Implicit price concessions on these accounts are based on management's assessment of historical write-offs, cash collections, aging of the accounts, and other economic factors. Accounts are written off when collection efforts are exhausted.

Net patient care revenue from providing services to patients covered under the Medicare and Medicaid programs represented approximately 38% and 39% of the System's total net patient care revenue for the years ended June 30, 2024 and 2023, respectively. Net patient care revenue from managed care contracts accounted for approximately 61% and 60% of the System's total net patient care revenue for the years ended June 30, 2024 and 2023, respectively. Net patient care revenue from other payors accounted for approximately 1% of the System's total net patient care revenue for both years ended June 30, 2024 and 2023.

As a provider of services under the Medicare and Medicaid programs, the System is subject to extensive regulations. The inability of the System's hospitals and clinics to comply with

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

Medicare and Medicaid regulations can result in the System receiving significantly less Medicare and Medicaid payments than it currently receives for the services provided to its patients.

Premiums Receivable and Premium Revenue

Significant concentrations of premiums receivable was approximately 99% from local, state, and federal government-related programs at both June 30, 2024 and 2023. Premium revenue from local, state, and federal agencies accounted for approximately 94% and 89% of the System's total premium revenue for the years ended June 30, 2024 and 2023, respectively.

Premiums receivable also includes settlements under the cost contract established between the Health Plan and the Centers for Medicare & Medicaid Services (CMS). The CMS Medicare Part B (Section 1876) cost plan contract, which ended in calendar year 2018, covered Medicare-covered members' medical services allowed under Medicare Part B coverage and contained provisions for risk sharing and reimbursement of allowed costs for which the Health Plan was not at risk. At both June 30, 2024 and 2023, the settlement amount receivable from CMS under this contract was approximately \$23 million. Premiums receivable generally are not collateralized.

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

As defined in ASC 820, "*Fair Value Measurement*", fair value is based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a three-tier fair value hierarchy for disclosure of fair value measurements.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable by market participants for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

- Level 3 - Inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability are unobservable and developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying values of cash and cash equivalents, THVG funds due from USPI, patient accounts receivable, other receivables, trade accounts payable, other accrued liabilities, and third-party programs payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments.

Fair values of short-term investments and long-term investments are generally based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. This applies to investments such as domestic equities, U.S. treasuries, exchange-traded mutual funds, and agency securities.

Alternative Investments

Investments held consist of marketable securities as well as securities that do not have readily determinable fair values. Public equity, diversifiers, private equity, private debt, and private real assets are collectively referred to as "alternative investments." These are included in unrestricted and restricted long-term investments in the accompanying consolidated balance sheets. The investments in alternative investments are valued by management at fair value utilizing the net asset value (NAV) provided by the underlying investment companies, unless management determines some other valuation is more appropriate. Such fair value estimates do not reflect early redemption penalties as the System does not intend to sell such investments before the expiration of the early redemption periods. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Investments valued at NAV are not leveled within the fair value hierarchy. BHCS Foundation d/b/a Baylor Scott &

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Notes to Consolidated Financial Statements - continued

White Dallas Foundation, also has other real estate and oil and gas interests which are carried at the lower of cost or market and represent Level 3 assets.

Beneficial Interests

The System records charitable remainder trusts, where it is not the trustee, at the net present value of the projected cash flows. These trusts are reported in contributions receivable, net, in the accompanying consolidated balance sheets. When a third-party serves as trustee, the beneficial interests are required to be measured at fair value on a recurring basis. As beneficial interests utilize multiple unobservable inputs, including no active markets, and are measured using management's assumption about risk inherent in the valuation technique, beneficial interests in split-interest agreements represent Level 3 assets.

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

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

The financial assets and liabilities measured at fair value on a recurring basis by level at June 30, 2024 and 2023 are as follows (in millions):

	2024			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 2,535	\$ 2,513	\$ 22	\$ —
Short-term investments:				
Mutual funds	278	278	—	—
Fixed income securities	41	—	41	—
U.S. government securities	32	—	32	—
Other	1	1	—	—
Total short-term investments	<u>352</u>	<u>279</u>	<u>73</u>	<u>—</u>
Unrestricted long-term investments:				
Cash and cash equivalents	1	1	—	—
Certificates of deposit	1	1	—	—
Mutual funds	862	862	—	—
Equity securities	1,169	—	1,169	—
Fixed income securities	974	—	972	2
U.S. government securities	603	—	603	—
Mortgage-backed securities	247	—	247	—
Split-interest agreements	1	—	1	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	1	—	1	—
	<u>3,860</u>	<u>864</u>	<u>2,993</u>	<u>3</u>
Assets held at NAV practical expedient ⁽¹⁾				
Public equity alternative investments ⁽¹⁾	1,414			
Diversifiers alternative investments ⁽¹⁾	1,076			
Private equity/debt alternative investments ⁽¹⁾	314			
Private real assets alternative investments ⁽¹⁾	180			
Total assets held at NAV practical expedient ⁽¹⁾	<u>2,984</u>			
Total unrestricted long-term investments	<u>6,844</u>			

In the accompanying consolidated balance sheets, unrestricted long-term investments at June 30, 2024, includes investments of approximately \$83 million accounted for under the measurement alternative.

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2024			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments:				
Cash and cash equivalents	\$ 10	\$ 10	\$ —	\$ —
Mutual funds	77	77	—	—
Equity securities	101	—	101	—
Fixed income securities	26	—	26	—
U.S. government securities	16	—	16	—
Mortgage-backed securities	15	—	15	—
Split-interest agreements	5	—	5	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	62	—	62	—
Group bond fund	2	—	2	—
Group equity fund	4	—	4	—
Other funds	4	—	1	3
	323	87	232	4
Assets held at NAV practical expedient ⁽¹⁾				
Public equity alternative investments ⁽¹⁾	136			
Diversifiers alternative investments ⁽¹⁾	103			
Private equity/debt alternative investments ⁽¹⁾	30			
Private real assets alternative investments ⁽¹⁾	18			
Total assets held at NAV practical expedient ⁽¹⁾	287			
Total restricted long-term investments	610			

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2024			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Assets whose use is limited:				
Cash and cash equivalents	\$ 5	\$ 5	\$ —	\$ —
Guaranteed investment contracts	312	312	—	—
Mutual funds	412	412	—	—
Equity securities	2	2	—	—
Fixed income securities	26	—	26	—
U.S. government securities	46	—	46	—
Mortgage-backed securities	18	—	18	—
Total assets whose use is limited	821	731	90	—
Contributions receivable, net:				
Total beneficial interests in split-interest agreements	26	—	—	26
Total assets at fair value	\$ 11,188	\$ 4,474	\$ 3,410	\$ 33
Liabilities:				
Interest rate swap liabilities, net	\$ 76	\$ —	\$ 76	\$ —
Total liabilities at fair value	\$ 76	\$ —	\$ 76	\$ —

(1) Public equity alternative investments, diversifiers alternative investments, private equity/debt alternative investments, and private real assets alternative investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2023			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 2,013	\$ 1,880	\$ 133	\$ —
Short-term investments:				
Cash and cash equivalents	65	—	65	—
Mutual funds	345	345	—	—
Fixed income securities	259	—	259	—
U.S. government securities	40	—	40	—
Other	1	1	—	—
Total short-term investments	710	346	364	—
Unrestricted long-term investments:				
Cash and cash equivalents	1	1	—	—
Mutual funds	534	534	—	—
Equity securities	1,592	232	1,360	—
Fixed income securities	1,379	—	1,379	—
U.S. government securities	1,025	—	1,025	—
Mortgage-backed securities	314	—	314	—
Split-interest agreements	1	—	1	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	1	—	1	—
	4,848	767	4,080	1
Assets held at NAV practical expedient ⁽¹⁾				
Public equity alternative investments ⁽¹⁾	261			
Diversifiers alternative investments ⁽¹⁾	289			
Private equity/debt alternative investments ⁽¹⁾	325			
Private real assets alternative investments ⁽¹⁾	181			
Total assets held at NAV practical expedient ⁽¹⁾	1,056			
Total unrestricted long-term investments	5,904			

In the accompanying consolidated balance sheets, unrestricted long-term investments at June 30, 2023, includes an investment of approximately \$70 million accounted for under the measurement alternative.

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2023			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments:				
Cash and cash equivalents	\$ 7	\$ 7	\$ —	\$ —
Mutual funds	107	107	—	—
Equity securities	155	23	132	—
Fixed income securities	81	—	81	—
U.S. government securities	12	—	12	—
Mortgage-backed securities	14	—	14	—
Split-interest agreements	5	—	5	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	57	—	57	—
Group bond fund	2	—	2	—
Group equity fund	4	—	4	—
Other funds	3	—	—	3
	448	137	307	4
Assets held at NAV practical expedient ⁽¹⁾				
Public equity alternative investments ⁽¹⁾	25			
Diversifiers alternative investments ⁽¹⁾	28			
Private equity/debt alternative investments ⁽¹⁾	32			
Private real assets alternative investments ⁽¹⁾	18			
Total assets held at NAV practical expedient ⁽¹⁾	103			
Total restricted long-term investments	551			

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2023			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Assets whose use is limited:				
Cash and cash equivalents	\$ 1	\$ 1	\$ —	\$ —
Guaranteed investment contracts	501	501	—	—
Mutual funds	337	337	—	—
Equity securities	2	2	—	—
Fixed income securities	22	—	22	—
U.S. government securities	30	—	30	—
Mortgage-backed securities	17	—	17	—
Total assets whose use is limited	910	841	69	—
Contributions receivable, net:				
Total beneficial interests in split-interest agreements	27	—	—	27
Total assets at fair value	\$ 10,115	\$ 3,971	\$ 4,953	\$ 32
Liabilities:				
Interest rate swap liabilities, net	\$ 93	\$ —	\$ 93	\$ —
Total liabilities at fair value	\$ 93	\$ —	\$ 93	\$ —

(1) Public equity alternative investments, diversifiers alternative investments, private equity/debt alternative investments, and private real assets alternative investments for which fair value is measured using the NAV per share as a practical expedient are not leveled within the fair value hierarchy and are included as a reconciling item to total investments.

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

At June 30, 2024 and 2023, alternative investments recorded at NAV consisted of the following (in millions):

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Public equity ^a	\$ 1,550	\$ —	weekly, monthly, quarterly, biennially	5-90 days
Diversifiers ^b	1,179	—	monthly, quarterly, annually	45-90 days
Private equity ^c	317	276	illiquid	
Private debt ^d	27	24	illiquid	
Private real assets ^e	198	56	illiquid, quarterly	90 days
Total	<u>\$ 3,271</u>	<u>\$ 356</u>		

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

2023

	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Public equity ^a	\$ 286	\$ —	weekly, monthly, biennially	5-90 days
Diversifiers ^b	317	—	monthly, quarterly, annually	45-90 days
Private equity ^c	321	244	illiquid	
Private debt ^d	36	19	illiquid	
Private real assets ^e	199	74	illiquid, quarterly	90 days
Total	<u>\$ 1,159</u>	<u>\$ 337</u>		

- a) Public equity - Consists of equity commingled fund investments including, but not limited to, commingled funds invested in U.S., non-U.S., and emerging market public equities. These investments are primarily made through offshore corporations and limited partnerships. The funds have limited liquidity since the shares or interests are not freely transferable and are subject to various lock up periods, redemption frequencies, notice requirements, and certain gating provisions.
- b) Diversifiers - This group includes a broad range of mandates, but the typical objective is to generate strong absolute returns in a variety of market conditions. Portfolios range from net short to net long, depending on market conditions. Aggressive funds may capture returns by exceeding 100% exposure while conservative funds mitigate market risk by maintaining net exposures of between 0-50%. Asset classes that these managers invest in can range from distressed debt to public equity, while some managers have exposure to private investments as well. Diversifiers are expected to provide additional downside protection from public equities while generally offering more upside than traditional fixed income. Strategies include: equity-oriented (81%), credit-focused (6%), and multi-strategy (13%) at June 30, 2024, and equity-oriented (31%), credit-focused (24%), and multi-strategy (45%) at June 30, 2023. Diversifier manager liquidity profiles differ based on their underlying investments, but are generally less liquid than public equity and fixed income managers while more liquid than private investments. These investments are primarily made through offshore corporations and limited partnerships. The funds have limited liquidity since the shares or interests are not freely transferable and are subject to various lock up periods, redemption frequencies, notice requirements, and certain gating provisions.

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

- c) Private equity - For the years 2024 and 2023, fifty-three and fifty funds, respectively, managed to invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 3-6 years of the partnership's life. It is expected that most of the unfunded commitments should be called within the next six years. These partnerships are illiquid, and therefore do not have a redemption feature. Instead, the nature of the investments in this class, is that distributions are received as the investment in the underlying companies are sold. It is estimated that the current underlying assets of these partnerships should be liquidated within the next 10 years. The investments are valued based on each partnership's valuation policy, which is then subject to annual third-party financial audits. Financial audits are available approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation, with adjustments for new capital calls and distributions.
- d) Private debt - For the years 2024 and 2023, seven and nine funds, respectively, managed to invest in a variety of mostly private companies. These investments have a drawdown structure where a portion of commitments (which are made upon entering the partnership) are called gradually over the first 1-3 years of the partnership's life. It is expected that most of the unfunded commitments should be called within the next four years. These partnerships are illiquid, and therefore do not have a redemption feature. Instead, distributions are received as income from the debt and as the investment in the underlying companies are sold or the debt principal is repaid. It is estimated that the current underlying assets of these partnerships should be liquidated within the next six years. The investments are valued based on each partnership's valuation policy, which is then subject to annual third-party financial audits. Financial audits are available approximately 90 days following year end. Therefore, the valuation at year end reflects the latest reported manager valuation, with adjustments for new capital calls and distributions.
- e) Private real assets - Private real assets are invested in one open-end fund (33%) and 20 closed-end funds (67%) at June 30, 2024, and one open-end fund (37%) and 20 closed-end funds (63%) at June 30, 2023. Open-end fund managers invest in U.S. commercial real estate. Redemptions are available on a quarterly basis, subject to the discretion of the General Partners. The General Partners may elect to establish a redemption queue, should the level of redemptions for a given quarter be detrimental to the fund's overall performance. The fair values of the investments in this class have been estimated using the NAV, which is based on the ownership interest of partners' capital. Closed-end fund managers invest primarily in U.S. commercial real estate and industries related to real estate, with some having minimal exposure outside of the U.S. These partnerships are illiquid, and therefore do not have a

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

redemption feature. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of these funds will be liquidated over the next six years, with the value of those underlying assets being replaced by investments in new real estate funds. The fair values of the investments in this class have been estimated using the NAV, which is based on the ownership interest of partners' capital.

Long-term Debt

The System's long-term debt obligations, excluding finance leases, are reported in the accompanying consolidated balance sheets at carrying value, which totaled approximately \$4,001 million and \$4,221 million at June 30, 2024 and 2023, respectively.

5. LIQUIDITY

The System's financial assets available as of June 30, 2024 and 2023, for general expenditure within one year of the balance sheet date, are comprised of the following (in millions):

	2024	2023
Cash and cash equivalents	\$ 2,535	\$ 2,013
Short-term investments	352	710
THVG funds due from United Surgical Partners International	158	131
Patient accounts receivable	1,005	982
	<u>\$ 4,050</u>	<u>\$ 3,836</u>

As a part of the System's liquidity management plan, BSWH structures its financial assets to be available for general operating expenses, current liabilities, and other obligations as they become due. Excess daily cash requirements are invested in short-term obligations. Additionally, BSWH has access to public and private debt-markets.

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

6. MEDICAL CLAIMS PAYABLE

Medical claims payable represents management’s estimate of the ultimate net cost of all reported and unreported medical claims and claim adjustment expenses incurred through June 30, 2024 and 2023. Reserves for unpaid medical claims are actuarially estimated using individual case-basis valuations and statistical analysis. These estimates are subject to the effects of trends in claim severity and frequency. Although considerable variability is inherent in such estimates, management believes that reserves for unpaid medical claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are included in operations when determined. There were no material adjustments recorded to these estimates during the years ended June 30, 2024 and 2023. A roll forward of medical claims payable for the years ended June 30, 2024 and 2023, is as follows (in millions):

	2024	2023
Medical claims payable - beginning of year	\$ 115	\$ 91
Incurred related to:		
Current year	1,375	1,093
Prior years	(7)	47
	1,368	1,140
Paid related to:		
Current year	(1,231)	(981)
Prior years	(104)	(135)
	(1,335)	(1,116)
Medical claims payable - end of year	\$ 148	\$ 115

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Notes to Consolidated Financial Statements - continued

The following table provides information about incurred and paid medical claims development for the years ended June 30, 2024 and 2023 (in millions):

	2024	2023
	<u>Unaudited</u>	<u>Unaudited</u>
Incurred medical claims by claim year		
2021	\$ 732	\$ 730
2022	995	999
2023	1,088	1,093
2024	1,375	—
Total incurred medical claims	<u>4,190</u>	<u>2,822</u>
Paid medical claims by claim year		
2021	732	739
2022	995	987
2023	1,084	981
2024	1,231	—
Total paid medical claims	<u>4,042</u>	<u>2,707</u>
Medical claims payable - end of year	<u>\$ 148</u>	<u>\$ 115</u>

7. OPERATING LEASE LIABILITIES

The System determines if an arrangement is a lease at inception of the contract. The right of use assets represent the System's right to use the underlying assets for the lease term, and the lease liabilities represent the System's obligation to make lease payments arising from the leases. Right of use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The System estimates an incremental borrowing rate for each lease by utilizing historical and projected financial data, estimating a hypothetical credit rating using publicly available market data, and adjusting the market data to reflect the effects of collateralization.

The System's operating leases are primarily for real estate, including office space, as well as vehicles, medical and office equipment. The System's finance leases are primarily for select real estate properties, medical equipment, and vehicles. For finance lease related disclosures, see Note 8. The System's real estate agreements typically have initial terms of three to fifteen years

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

with longer terms for select properties. Renewal options are typically negotiated for real estate leases, most commonly for one or more renewal option terms of five to ten years each. Equipment lease agreements typically have initial terms of two to seven years. The System does not record leases with an initial term of 12 months or less (referred to as "short-term leases") in its consolidated balance sheets.

Certain real estate and equipment leases also include options to purchase the leased property. The useful life of assets and leasehold improvements are limited by the lease term, unless there is a purchase or renewal option reasonably certain of exercise or transfer of title. When lease agreements include a purchase option that is reasonably certain of exercise, the useful lives assigned to the leased assets are based on the life normally used for an owned asset. Certain lease agreements include additional payments for actual common area maintenance and other operating expenses, equipment usage charges, or rental payments adjusted periodically for inflation. These variable lease payments are recognized in other operating expenses but are not included in the right of use asset or liability balances. The System's lease agreements do not contain any material residual value guarantees, restrictions or covenants.

The weighted-average remaining lease term for operating leases was 6.37 years and 6.60 years for the years ended June 30, 2024 and 2023, respectively, and the weighted-average discount rate was 3.73% and 3.18% for the years ended June 30, 2024 and 2023, respectively.

For the years ended June 30, 2024 and 2023, the System's total lease cost was as follows (in millions):

	2024	2023
Operating lease cost	\$ 198	\$ 184
Short-term lease cost	18	18
Variable lease cost	88	69
Sublease income	(7)	(6)
Total lease cost	<u>\$ 297</u>	<u>\$ 265</u>

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

For the years ended June 30, 2024 and 2023, supplemental cash flow information related to operating leases was as follows (in millions):

	2024	2023
Operating cash flows from operating leases	\$ 187	\$ 194
Right of use assets obtained in exchange for lease obligations	169	179

Future maturities of operating lease liabilities as of June 30, 2024 are as follows (in millions):

2025	\$	196
2026		169
2027		148
2028		129
2029		101
Thereafter		229
		972
Less imputed interest		114
	\$	858

As of June 30, 2024, the System has executed real estate lease agreements, primarily for clinics, which have not yet commenced but have created rights and obligations for future years of approximately \$68 million. The System works with real estate landlords to design and often construct the tenant improvements within the leased space on the System's behalf. Lease assets and liabilities are recorded on the consolidated balance sheets on the lease commencement date, which occurs when the lessor makes a leased asset available for use by the lessee. Differences between lease execution and commencement dates routinely occur due to normal design, approval, and permitting processes for construction of new buildings and leasehold improvements, as well as agreed upon delays.

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**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

8. LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Long-term debt and finance lease obligations as of June 30, 2024 and 2023, consist of the following:

	2024	2023
	(In millions)	
BSW Holdings -		
Series 2015 Bonds (Taxable) -		
Term Bonds, fixed interest rates ranging from 3.10% to 4.19%, payable semi-annually, principal payable November 2025 and 2045	\$ 505	\$ 505
Series 2015A Revenue Bonds -		
Term Bonds, fixed interest rate of 2.19%, payable semi-annually, principal payable through November 2027	98	118
Series 2016 Bonds (Taxable) -		
Term Bonds, fixed interest rates ranging from 2.65% to 3.97%, payable semi-annually, principal payable November 2026 and 2046	485	485
Series 2016A Revenue Bonds -		
Serial and Term Bonds, fixed interest rates ranging from 3.00% to 5.00%, payable semi-annually, principal payable through November 2045	348	349
Series 2019A Revenue Bonds -		
Fixed interest rate of 2.01%, payable semi-annually, principal payable through November 2030	40	40
Series 2019B Revenue Bonds -		
Variable interest rate payable monthly (4.36% at June 30, 2024), principal payable November 2032 through November 2050	97	97
Series 2021 Bonds (Taxable) -		
Term Bonds, fixed interest rates ranging from 0.83% to 2.84%, payable semi-annually, principal payable November 2025, 2030, and 2050	1,300	1,300

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2024	2023
	(In millions)	
Series 2022A Revenue Bonds - Variable interest rate payable monthly (4.58% at June 30, 2024), principal payable August 2030 through August 2046	\$ 180	\$ 180
Series 2022B Revenue Bonds - Variable interest rate payable monthly (4.55% at June 30, 2024), principal payable November 2032 through November 2049	41	41
Series 2022C Revenue Bonds - Variable interest rate payable monthly (4.33% at June 30, 2024), principal payable annually through August 2050	90	92
Series 2022D Revenue Bonds - Serial and Term Bonds, fixed interest rates ranging from 5.00% to 5.50%, payable semi-annually, principal payable November 2047, 2048, 2049 and 2051	248	248
Series 2022E Revenue Bonds - Put Bonds, fixed interest rate of 5.00%, payable semi-annually, mandatory tender date in May 2026 and principal payable November 2052	124	124
Series 2022F Revenue Bonds - Put Bonds, fixed interest rate of 5.00%, payable semi-annually, with mandatory tender date in November 2030 and principal payable November 2051 and 2052	128	128
Series A Commercial Paper Notes (Taxable) - Variable interest rate (No outstanding tranches at June 30, 2024)	—	207
BHCS -		
Series 2011B Revenue Bonds - Windows Variable Rate Demand Bonds, variable interest rate (4.21% at June 30, 2024), payable monthly, principal payable November 2032 through 2050	50	50

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2024	2023
	(In millions)	
Series 2011C Revenue Bonds - Variable Rate Demand Bonds, variable interest rate (4.95% at June 30, 2024), payable monthly, principal payable November 2032 through 2050	\$ 45	\$ 45
Series 2013B Revenue Bonds - Windows Variable Rate Demand Bonds, variable interest rate (4.21% at June 30, 2024), payable monthly, principal payable November 2032 through 2050	45	45
Series 2013C Revenue Bonds (Taxable) - Term Bonds, fixed interest rate of 4.45%, payable semi- annually, principal payable November 2032 through 2043	63	63
Lake Pointe Construction Loan - Interest rate of 4.21% payable monthly, principal and interest payable through December 2026	39	40
Baylor Medical Center at Irving - Building Lease - Interest rate of 3.70% payable monthly, principal and interest payments through March 2045	128	132
Baylor Scott & White Sports Therapy & Research at The Star in Frisco - Building Leases - Interest rates ranging from 4.10% to 6.80%, payable monthly, principal and interest payments through May 2033	46	49
THVG - Equipment Notes Payable - Interest rates ranging from 2.32% to 8.00%, payable monthly, principal and interest payments through December 2025	36	44
Building Lease, Frisco Medical Center, LLP - Interest rate of 4.95%, payable monthly, principal and interest payments through March 2040	99	101
Building Lease, Arlington Orthopedic and Spine Hospital - Interest rate of 8.61%, payable monthly, principal and interest payments through January 2030	17	19

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

	2024	2023
	(In millions)	
Building Lease, Dallas Uptown - Interest rate of 9.43%, payable monthly, principal and interest payments through January 2031	\$ 16	\$ 17
Other THVG Leases - Interest rates ranging from 0.50% to 8.70%, payable monthly, principal and interest payments through May 2025	5	5
Other finance leases and long-term debt	106	50
	4,379	4,574
Net unamortized original issue premium/discount and bond issuance costs	26	29
Current maturities of long-term debt and finance lease obligations	(119)	(69)
Commercial paper	—	(207)
Long-term debt subject to short-term remarketing arrangements	(95)	(95)
	\$ 4,191	\$ 4,232

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BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

BSW Holdings

BSW Holdings and certain of its affiliates issue and secure debt under a Master Indenture of Trust and Security Agreement, dated as of February 1, 2014, as supplemented and amended (the “Master Indenture”), among BSW Holdings, the affiliates from time to time obligated thereunder (the “Obligated Affiliates”), and The Bank of New York Mellon Trust Company, National Association, as trustee. The following entities are currently Obligated Affiliates: BSW Holdings, BSW Health, BHCS, SWH, BUMC, SWMH, Baylor All Saints Medical Center, a Texas nonprofit corporation, Baylor Scott & White Medical Centers - Greater North Texas, a Texas nonprofit corporation doing business as Baylor Scott & White Medical Center – McKinney and Baylor Scott & White Medical Center - Frisco at PGA Parkway (scheduled to open July 2025), Baylor Regional Medical Center at Grapevine, a Texas nonprofit corporation, Waxahachie, a Texas nonprofit corporation, Baylor Regional Medical Center at Plano, a Texas nonprofit corporation, Scott & White Hospital – College Station, a Texas nonprofit corporation, Scott & White Clinic, a Texas nonprofit corporation, Scott & White Hospital – Round Rock, a Texas nonprofit corporation, Scott & White Continuing Care Hospital, a Texas nonprofit corporation, and Hillcrest Baptist Medical Center, a Texas nonprofit corporation. BSW Holdings is currently the Combined Group Representative under the Master Indenture.

In April and May 2015, BSW Holdings issued the \$550 million Series 2015 Taxable Bonds and the \$177 million Series 2015A Revenue Bonds (collectively, the “BSW Holdings Series 2015 Bonds”). Proceeds of the BSW Holdings Series 2015 Bonds were used to advance refund approximately \$407 million of the outstanding principal of the SWH Series 2008A and BHCS Series 2009 Bonds and to partially advance refund the SWH Series 2010 Bonds. Upon issuance of the BSW Holdings Series 2015 Bonds, \$271 million of the SWH Series 2010 Bonds remained outstanding. Remaining proceeds of the BSW Holdings Series 2015 Bonds were used to fund development and construction costs of various expansion and construction projects, pay costs of issuance, and provide for any eligible corporate purpose.

In April 2016, BSW Holdings issued the \$535 million Series 2016 Taxable Bonds (the “BSW Holdings Series 2016 Bonds”). Proceeds were used to pay off a \$250 million bridge facility and costs of issuance. The remaining BSW Holdings Series 2016 Bonds proceeds were used for eligible corporate purposes.

Additionally, in April 2016, BSW Holdings issued the \$373 million Series 2016A Revenue Bonds (the “BSW Holdings Series 2016A Bonds”) through Tarrant County Cultural Education Facilities Finance Corporation (TCCEFFC). Proceeds from the BSW Holdings Series 2016A Bonds were used to completely advance refund \$267 million of the outstanding par value of the

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

TCCEFFC Hospital Revenue Bonds (Scott & White Healthcare Project) Series 2010 Revenue Bonds plus accrued interest. In connection with the defeasance of the SWH Series 2010 Revenue Bonds, the Obligated Affiliates' revenue pledge under the Master Indenture was released as provided in such document. As a result, no collateral secures the debt and swap obligations issued by the Obligated Affiliates under the Master Indenture. The remaining BSW Holdings Series 2016A Bonds proceeds were used for various tax-exempt project expenditures and to pay costs of issuance.

In September 2017, BSW Holdings created a taxable commercial paper program ("BSW Holdings CP Program"). The BSW Holdings CP Program allows for the issuance of up to \$400 million of commercial paper notes, of which an aggregate amount of \$188 million was issued in September 2017. Additionally, in September 2017, BSW Holdings placed the \$77 million Series 2017A, \$75 million Series 2017B, and \$44 million Series 2017C Revenue Bonds (collectively "BSW Holdings Series 2017A, B, and C Bonds") with various banks. Proceeds from the BSW Holdings CP Program issuance and BSW Holdings Series 2017A, B, and C Bonds were used to redeem the BHCS Series 2011F, BHCS Series 2011G, BSW Holdings Series 2015D Bonds, as well as a SWH taxable loan, a SWH tax-exempt note, and a BHCS taxable loan. In November 2018, BSW Holdings issued additional commercial paper, increasing the amount outstanding under the BSW Holdings CP Program by \$20 million to an undiscounted total of \$208 million. Proceeds of the additional commercial paper issuance were used to redeem the outstanding BHCS Series 2000 Auction Rate Securities in full. In October 2020, BSW Holdings issued \$45 million to pay Series 2015 principal that was due in November 2020. This issuance was later refunded in January 2021 with proceeds from the BSW Holdings Series 2021 Bonds (as defined below). In December 2023, BSW Holdings paid off the balance of outstanding commercial paper totaling approximately \$207 million. As of June 2024, there is \$0 drawn on the commercial paper program.

In December 2019, BSW Holdings issued the \$41 million Series 2019A, \$97 million Series 2019B, \$180 million Series 2019C, \$45 million Series 2019D, and \$96 million Series 2019E Revenue Bonds (collectively "BSW Holdings Series 2019A, B, C, D, and E") through TCCEFFC with various banks. Proceeds from this issuance were used to defease \$38 million of the BHCS 2011A bonds and redeem the SWH 2013C, BSW Holdings 2015B and 2015C, BSW Holdings Series 2017A, 2017B and 2017C bonds. On October 28, 2021, upon approval from TCCEFFC, BSWH converted the BSW Holdings Series 2019A from taxable bonds to tax-exempt bonds. This transaction did not have a material impact on the consolidated financial statements.

**BAYLOR SCOTT & WHITE HOLDINGS
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Notes to Consolidated Financial Statements - continued

Effective January 2020, BSWH entered into a \$400 million line of credit with an expiration date of January 2023. BSWH drew \$400 million from the revolving line of credit, which was repaid in January 2021 as further described below. In August 2022, BSW Holdings terminated the existing revolving line of credit and entered into a new \$200 million revolving line of credit, which expires in August 2027, and two additional lines of credit, totaling \$200 million, which expire in August 2025. In May 2023, BSW Holdings entered into three additional lines of credit, totaling \$350 million, which expire between May 2024 and May 2028. In June 2023, BSW Holdings entered into two additional lines of credit, totaling \$200 million, which expire in June 2024 and June 2028. In May 2024, BSW Holdings renewed three lines of credit, totaling \$300 million, which would have expired in May 2024 and June 2024. The renewed lines of credit will expire in May 2025. As of June 30, 2024, there is \$0 drawn on these eight lines of credit with an aggregate available credit commitment in the amount of \$950 million.

In March 2020, BHVH, a controlled affiliate of the System, entered into a line of credit, totaling \$10 million, which expires March 2025. In February 2023, Texas Heart Hospital of the Southwest, LLP, d/b/a Baylor Scott & White The Heart Hospital – Plano (THHSW), a controlled affiliate of the System, entered into a line of credit, totaling \$50 million, which expires February 2026. As of June 30, 2024, there is \$0 drawn on these two lines of credit.

On January 21, 2021, BSW Holdings issued its \$1,300 million Taxable Bonds, Series 2021 (the "BSW Holdings Series 2021 Bonds"). Proceeds of the BSW Holdings Series 2021 Bonds were used to refund all of the TCCEFFC Hospital Revenue Bonds (Baylor Health Care System Project) Series 2013A and the TCCEFFC Hospital Revenue Bonds (Scott & White Healthcare Project) Series 2013A, with an aggregate balance of approximately \$332 million. Remaining proceeds were used to refinance \$400 million outstanding under the BSW Holdings revolving line of credit agreement, refinance \$45 million of commercial paper under the BSW Holdings commercial paper program, fund development and construction costs of various expansion and construction projects, pay costs of issuance, and provide for any other eligible corporate purpose.

In August 2022, BSW Holdings issued the \$180 million Series 2022A, the \$41 million Series 2022B, and the \$92 million Series 2022C Revenue Bonds (collectively "BSW Holdings Series 2022A, B, and C") through TCCEFFC with various banks. Proceeds from this issuance were used to refinance the Series 2019C, Series 2019D, and Series 2019E Revenue Bonds.

In November 2022, BSW Holdings issued the \$248 million Series 2022D, the \$124 million Series 2022E, and the \$128 million Series 2022F Revenue Bonds (collectively "BSW Holdings Series 2022 Revenue Bonds") through TCCEFFC. Proceeds of the BSW Holdings Series 2022 Revenue Bonds will be used to fund development and construction costs of various expansion

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Notes to Consolidated Financial Statements - continued

and construction projects, and pay costs of issuance. The Series 2022E and Series 2022F Bonds are subject to mandatory tender for purchase in May 2026 and November 2030, respectively.

BHCS

In June 2011, BHCS issued the Series 2011A, B, C, D, E, F, and G Revenue Bonds (“BHCS Series 2011 Bonds”) in the aggregate amount of \$359 million through TCCEFFC. Proceeds from the BHCS Series 2011 Bonds were used to repay \$75 million in borrowings under the taxable revolving line of credit and refund \$150 million of the Series 2006B and 2006C Revenue Bonds. The remaining BHCS Series 2011 Bonds proceeds were used for various project expenditures and to pay cost of issuance.

The BHCS Series 2011 Bonds issuance included \$50 million of Windows Variable Rate Demand Bonds. These bonds are subject to long-term amortization periods and may be put to BHCS at the option of the bondholders in connection with certain remarketing arrangements. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2024 and 2023, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Although management believes the likelihood to be remote, management has taken steps to provide various sources of liquidity in the event any bonds were to be put back to BHCS.

In April 2013, BHCS issued the Series 2013A and B Hospital Revenue Bonds and Series 2013C Taxable Hospital Revenue Bonds (“BHCS Series 2013 Bonds”) through the TCCEFFC in the aggregate amount of \$277 million. Proceeds from the BHCS Series 2013 Bonds were used to repay \$112 million in borrowings under a taxable revolving line of credit. The remaining bond proceeds were used for various project expenditures and to pay cost of issuance. The BHCS Series 2013 Bonds issuance included \$45 million of Windows Variable Rate Demand Bonds. These bonds are subject to long-term amortization and may be put to BHCS at the option of the bondholders in connection with certain remarketing arrangements. To the extent the bondholders may, under the terms of the debt, put their bonds within 12 months after June 30, 2024 and 2023, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets. Although management believes the likelihood to be remote, management has taken steps to provide various sources of liquidity in the event any bonds were to be put back to BHCS.

**BAYLOR SCOTT & WHITE HOLDINGS
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FINANCE LEASES

The System's finance lease costs for the years ended June 30, 2024 and 2023 included approximately \$28 million and \$25 million, respectively, of amortization of financed property and equipment, and approximately \$17 million and \$18 million, respectively, in interest. The weighted-average remaining lease term for finance leases was 12.98 and 15.35 years for the years ended June 30, 2024 and 2023, respectively, and weighted average discount rate was 4.80% and 4.89% for the years ended June 30, 2024 and 2023, respectively. Renewal options are typically negotiated for real estate leases, most commonly for one or more renewal option terms of five to ten years each. Only renewal options considered reasonably certain to be exercised are included in finance lease asset and liability calculations. Interest rates on finance leases range from 0.35% to 16.72%.

Multiple real estate lease agreements include rights of first refusal or rights of first offer, which invoke an option to purchase the building if it becomes available for sale. In May 2024, a right of first refusal was offered and exercised for a leased building, changing its accounting classification from an operating lease to a finance lease. As of June 30, 2024, approximately \$43 million was recorded as a finance lease liability in current maturities of long-term debt and finance lease obligations on the accompanying consolidated balance sheets related to this transaction. The purchase transaction closed in September 2024.

For the years ended June 30, 2024 and 2023, supplemental cash flow information related to finance leases was as follows (in millions):

	<u>2024</u>	<u>2023</u>
Operating cash flows from finance leases	\$ 17	\$ 17
Financing cash flows from finance leases	27	28
Property and equipment acquired under finance leases	52	81

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Future maturities of long-term debt and finance lease obligations as of June 30, 2024, are shown below (in millions):

	Long-Term Debt	Finance Lease Obligations	Total
2025	\$ 49	\$ 86	\$ 135
2026	203	40	243
2027	177	35	212
2028	40	33	73
2029	34	33	67
Thereafter	3,498	279	3,777
	4,001	506	4,507
Less imputed interest	—	128	128
	<u>\$ 4,001</u>	<u>\$ 378</u>	<u>\$ 4,379</u>

9. INTEREST RATE SWAPS

Effective July 30, 2014, BSWH consolidated its separate International Swaps and Derivatives Association (ISDA) agreements with Goldman Sachs Bank, USA (Goldman) and related swap portfolios at BHCS and SWH under a single BSW Holdings ISDA. Upon completion of the BSW Holdings ISDA, BHCS and SWH swaps with Goldman were novated to the new BSW Holdings ISDA in an aggregate notional amount of \$250 million.

Effective August 29, 2014, SWH novated a portion (cash flows through August 15, 2022) of two swaps with JPMorgan Chase Bank, N.A. (JPMorgan) to Wells Fargo Bank, N.A. (Wells Fargo). The residual remaining cash flows (from September 15, 2022 through August 15, 2045) remain at JPMorgan under the SWH ISDA.

Effective October 23, 2014, BHCS novated the two SWH swaps with Wells Fargo (originally novated from JPMorgan to Wells Fargo on August 29, 2014) from the SWH ISDA to the BHCS ISDA. Concurrent with this novation, the Wells Fargo collateral thresholds under the BHCS Credit Support Annex were increased to accommodate the novated swaps.

Effective November 15, 2016, BSW Holdings, BHCS, and SWH entered into a swap novation transaction that novated two swaps previously between BHCS and Deutsche Bank, N.A. and two

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swaps previously between SWH and Deutsche Bank, N.A., such that, all four swaps are now between BSW Holdings and Citibank, N.A. under the BSW Holdings ISDA.

On August 15, 2022, two Wells Fargo swaps expired with outstanding notional amounts totaling approximately \$142 million as of June 30, 2022.

On September 27, 2022, BSW Holdings terminated two of the swaps with Citibank, N.A. with outstanding notional amounts totaling approximately \$92 million as of June 30, 2022. The termination payment from BSW Holdings to Citibank, N.A. in the aggregate amount of approximately \$20 million settled on September 30, 2022.

On February 13, 2023, BSW Holdings terminated a swap with Wells Fargo, N.A. with an outstanding notional amount of approximately \$74 million as of December 31, 2022. The termination payment from BSW Holdings to Wells Fargo, N.A. in the aggregate amount of approximately \$16 million was settled on February 15, 2023.

At June 30, 2024, BSW Holdings, SWH and BHCS (collectively, the “BSWH Swap Entities”) had fifteen interest rate swap agreements with a total notional amount of approximately \$572 million comprised of approximately \$316 million in notional fixed payer swaps held by BSW Holdings, approximately \$64 million in notional fixed payer swaps held by BHCS, and approximately \$192 million in notional fixed payer swaps held by SWH.

Net settlements on interest rate swap agreements totaled approximately \$2 million and \$9 million for years ended June 30, 2024 and 2023, respectively. Net settlements and the change in fair value on interest rate swap agreements are reported in interest rate swap activity in the nonoperating section of the accompanying consolidated statements of operations and changes in net assets. The fair value of interest rate swap agreements is reported in other long-term liabilities in the accompanying consolidated balance sheets. The change in the fair value of interest rate swap agreements was an unrealized gain of approximately \$21 million and \$54 million for the fiscal years ended June 30, 2024 and 2023, respectively.

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The following table summarizes the fair value of interest rate swaps, by counterparty, as of June 30, 2024 and 2023 (in millions):

	Notional* Amount	Fair Value	
		2024	2023
Bank of America, N.A.	\$ 64	\$ (9)	\$ (12)
Citibank, N.A.	86	(8)	(11)
Goldman Sachs Bank, USA	230	(31)	(39)
JPMorgan Chase Bank, N.A.	136	(21)	(26)
Wells Fargo Bank, N.A.	56	(7)	(9)
Total interest rate swap liability	572	(76)	(97)
Interest rate swap collateral	—	—	4
Total interest rate swap liability, net	<u>\$ 572</u>	<u>\$ (76)</u>	<u>\$ (93)</u>

*Notional amount is the face value of a financial instrument used in the calculation of interest.

10. NET PATIENT CARE REVENUE

Net patient care revenue generally relates to contracts with patients, in which the performance obligation is to provide healthcare services. The contractual relationship with patients typically involves a third-party payor. The System has agreements with third-party payors that provide for payments to the System at amounts different from the System's established rates, which are explicit price concessions. The transaction prices for services provided are dependent upon the terms provided by, or negotiated with, third-party payors. Payment arrangements include prospectively determined rates per case, reimbursed costs, discounted charges, and per diem payments. The System offers discounts to uninsured patients, which are also explicit price concessions. Implicit price concessions relate primarily to uninsured patients and patient copays, co-insurance, and deductibles, and are estimated using historical collection data. Net patient care revenue (exclusive of charity care - see Note 11) is recognized as performance obligations are satisfied and reported at amounts that reflect the consideration which the System expects to be entitled in exchange for providing patient care.

Generally, performance obligations satisfied over time relate to inpatient acute care services from the time of admission to discharge. Performance obligations satisfied at a point in time relate to outpatient services at the time the services are provided. Because performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional

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exemption provided in ASC 606. Therefore, the System is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at fiscal year end. Any unsatisfied or partially unsatisfied performance obligations primarily relate to in-house patients receiving inpatient acute care services as of the end of the reporting period. Based on the average length of stays, the performance obligations for these contracts have a duration of less than one year and are completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews, or investigations are considered variable consideration, and are included in the determination of the estimated transaction price for providing patient care, using the most likely outcome method. These settlements are estimated in the period the related services are rendered and adjusted in future periods based on contract terms, correspondence with payors, and historical settlement activity. Estimates include an assessment to ensure that it is probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available.

Federal regulations require submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount, as interpretations are clarified and cost reports are settled. These initial estimates are revised, as needed, until the final cost report is settled. Net patient care revenue from the Medicare and Medicaid programs increased approximately \$33 million and \$63 million for the years ended June 30, 2024 and 2023, respectively, due to changes in previously estimated amounts due to or due from Medicare and Medicaid, as a result of changes in regulations, and final settlement of numerous cost reports.

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The estimated amount of net patient care revenue, net of all price concessions for the years ended June 30, 2024 and 2023, disaggregated by major service lines, is as follows (in millions):

	2024	2023
Inpatient	\$ 4,498	\$ 3,801
Outpatient	7,549	7,164
Total	\$ 12,047	\$ 10,965

Section 1115 Waiver Program

In December 2011, the Centers for Medicare & Medicaid Services (CMS) approved the Texas Health and Human Services Commission’s (THHSC) request for a Section 1115 waiver (Waiver Program) replacing Upper Payment Limit funding with new supplemental payment methodology, coupled with allowing managed care expansion to additional areas of the State. CMS initially approved the Waiver Program for the time period December 12, 2011, through September 30, 2016. Subsequently, CMS approved extensions of the Waiver Program through September 30, 2030. The current Waiver Program is entitled the “Texas Healthcare Transformation and Quality Improvement Program.” The Waiver Program originally provided for two pools of Medicaid supplemental funding – an uncompensated care (UC) pool and a delivery system reform incentive pool (DSRIP). UC pool payments are intended to improve access to and the quality of health care for patients as served under a Regional Healthcare Partnership (RHP). DSRIP pool payments are incentive payments to hospitals and other providers that develop programs or strategies (approved by CMS) to enhance access to health care and to improve the quality of care, the cost-effectiveness of care provided, and the health of the patients and families served. The DSRIP program ended effective September 30, 2021, and has been transitioned to integrated directed payment programs while the DSRIP program is wound down and audits of the program are completed. A provider’s eligibility to receive UC pool payments and/or DSRIP pool payments requires participation in a RHP and affiliation with a local governmental entity.

An extension of the Waiver Program was approved by CMS in January 2021 for a period of ten years, but this extension was subsequently rescinded by CMS in April 2021. The Texas Attorney General then filed a lawsuit in July 2021 on behalf of the State of Texas and THHSC asking for a preliminary injunction to enjoin the rescission of the Waiver Program extension. A district judge in the Northern District of Texas granted the injunction thereby preserving the extension of the Waiver Program for the duration of litigation. In April 2022, CMS withdrew its revocation of the

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Waiver Programs, effectively ending the litigation and allowing the extension of the Waiver Programs to remain in effect.

During the years ended June 30, 2024 and 2023, certain BSWH hospitals (legacy Baylor Health Care System (BHCS) hospitals except as otherwise noted herein) participated in the Waiver Program.

During the years ended June 30, 2024 and 2023, BHCS (on behalf of Baylor University Medical Center, Baylor Medical Center at Irving d/b/a Baylor Scott & White Medical Center – Irving (BSW Irving), and Baylor Medical Center at Carrollton d/b/a Baylor Scott & White Medical Center – Carrollton (BSW Carrollton)) (effective March 1, 2020, BSW Carrollton ceased operations), Baylor Heart and Vascular Center, LLP d/b/a Baylor Scott & White Heart and Vascular Hospital (BHVH), BT Garland JV, LLP d/b/a Baylor Scott & White Medical Center – Garland (on February 28, 2018, this hospital ceased operations), BT East Dallas JV, LLP d/b/a Baylor Scott & White Medical Center – White Rock (BSW White Rock) (effective March 1, 2018, BSW White Rock ceased operations), and Texas Regional Medical Center, LLC d/b/a Baylor Scott & White Medical Center – Sunnyvale were parties to the Amended and Restated Dallas and Neighboring Counties Indigent Care Affiliation Agreement with the Dallas County Hospital District d/b/a Parkland Health & Hospital System (Dallas Affiliation Agreement) and participated in RHP Nine and the Waiver Program.

During the years ended June 30, 2024 and 2023, Baylor All Saints Medical Center d/b/a Baylor Scott & White All Saints Medical Center – Fort Worth (BSW Fort Worth) and Baylor Regional Medical Center at Grapevine d/b/a Baylor Scott & White Medical Center – Grapevine (BSW Grapevine) were parties to the Tarrant County Regional Healthcare Partnership Affiliation Agreement with the Tarrant County Hospital District d/b/a JPS Health Network (Tarrant Affiliation Agreement) and participated in RHP Ten and the Waiver Program.

In a September 30, 2014, letter to THHSC, CMS announced that it was deferring the federal share (Federal Financial Participation (FFP)) of Waiver Program UC payments to private hospitals in certain counties, including those that were parties to the Dallas Affiliation Agreement and the Tarrant Affiliation Agreement during the third quarter of federal fiscal year 2014. The initial total amount of the deferral was \$74,891,536 in FFP for Waiver Program UC payments made during the third quarter of federal fiscal year 2014 to private hospitals in Dallas, Tarrant, and Nueces Counties (\$47,403,926 of which was attributable to private hospitals in Dallas and Tarrant Counties). Medicaid supplemental payments to certain BSWH hospitals were subject to the deferral. CMS indicated that it would review various funding arrangements under the Waiver Program to ensure that the arrangements complied with applicable federal

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requirements. CMS ultimately released this deferral, which allowed for the continuation of UC payments subject to CMS's continuing review.

In a letter dated September 1, 2016, to THHSC, CMS announced that it was disallowing \$26,844,551 in FFP as reported on the CMS-64 form for the quarter ending December 31, 2015. The disallowed amount was based on the projected value of purported in-kind donations to the Dallas County Hospital District and the Tarrant County Hospital District by DCICC and TCICC, respectively, during the fourth quarter of 2015. CMS alleges that these Medicaid payments failed to comply with the federal provider-related donation requirements. The services agreements that were the subject of the disallowance expired or were effectively terminated on September 30, 2017. BSWH hospitals and affiliated hospitals subject to the disallowance are: (i) BHCS (on behalf of Baylor University Medical Center, BSW Irving, BSW Carrollton, and Baylor Scott & White Medical Centers – Greater North Texas d/b/a Baylor Medical Center at Garland) (effective January 1, 2016, this hospital was replaced by BT Garland JV, LLP d/b/a Baylor Scott & White Medical Center – Garland (on February 28, 2018, this hospital ceased operations)); (ii) BHVH; (iii) BSW Fort Worth; (iv) BSW Grapevine; and (v) Baylor Medical Center at Waxahachie (now d/b/a Baylor Scott & White Medical Center – Waxahachie) (BSW Waxahachie). THHSC requested reconsideration of the disallowance, which request was denied. THHSC then appealed the disallowance to the Department of Health and Human Services' Departmental Appeals Board – Appellate Division (DAB or Board). BHCS (on behalf of the BSWH hospitals participating in the Dallas and Tarrant County Affiliations) and certain other private hospital systems were intervenors in the DAB litigation and requested the Board to reverse CMS's disallowance. In August 2018, the DAB upheld CMS's disallowance, but reduced the disallowed amount to \$25,276,116. THHSC and the intervenor hospitals, including BHCS, filed with the Board a joint motion for reconsideration and reversal of the DAB decision, which motion was denied. In the meantime, CMS issued a formal negative grant award, seeking recoupment from THHSC as a result of the disallowance. THHSC, in turn, requested that the private hospitals remit payment to satisfy CMS's demand. BHCS returned its approximately 40 percent share (based on payment amounts received in the fourth quarter of 2015) of the total disallowed amount of \$25,276,116 – and the other private hospitals returned their respective percentage shares of the total disallowed amount as well. In December 2019, THHSC filed a complaint in the United States District Court for the Northern District of Texas, Dallas Division, requesting the court to set aside and reverse the DAB decision affirming the disallowance. In December 2019, the private hospitals, including BHCS, filed a motion to intervene in THHSC's lawsuit against Secretary Azar and the U.S. Department of Health and Human Services. In March 2020, the motion to intervene was granted and the private hospitals' complaint in intervention was filed. Since then, the private hospitals, including, BHCS, have filed a motion seeking additional discovery from CMS. This motion is

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fully briefed and pending before the district court. Additionally, all parties have fully briefed cross-motions for summary judgment, which are likewise pending before the district court. The lawsuit is currently administratively closed but remains ongoing.

At this time, management cannot predict the ultimate outcome of the dispute or its possible financial impact on BSWH hospitals.

The Texas Legislature approved legislation effective in May 2017, amending the Texas Health & Safety Code to enable the Dallas County Hospital District to create and operate a Local Provider Participation Fund program (LPPF) that would require mandatory payments by all hospitals in the county based upon net patient revenue and the option of using the mandatory payment revenue as the non-federal share of supplemental Medicaid payments. The Dallas County Hospital District's board of managers subsequently authorized creation of a LPPF in Dallas County and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments under the Waiver Program. BSWH hospitals that are parties to the Dallas Affiliation Agreement are eligible to receive supplemental payments funded through the LPPF program. Effective July 20, 2017, BSWH (on behalf of BSW Waxahachie, Baylor Scott & White Medical Centers – Greater North Texas d/b/a Baylor Scott & White Medical Center – McKinney, Baylor Regional Medical Center at Plano d/b/a Baylor Scott & White Medical Center – Plano), BT East Dallas JV, LLP, d/b/a Baylor Scott & White Medical Center – Centennial, and Lake Pointe Operating Company, LLC, d/b/a Baylor Scott & White Medical Center – Lake Pointe entered into an Indigent Care Affiliation Agreement with the Dallas County Hospital District for purposes of participating in the LPPF program in Dallas County and being eligible to receive Medicaid supplemental payments. Also effective July 20, 2017, Texas Heart Hospital of the Southwest, L.L.P., d/b/a The Heart Hospital Baylor Plano and THHBP Management Company, L.L.C., d/b/a The Heart Hospital Baylor Denton entered into an Indigent Care Affiliation Agreement with the Dallas County Hospital District for purposes of participating in the LPPF program in Dallas County and being eligible to receive Medicaid supplemental payments.

The Texas Legislature approved legislation effective in June 2017, amending the Texas Health & Safety Code to enable the Tarrant County Hospital District to create and operate a health care provider participation program that would require mandatory payments by all hospitals in the county based upon net patient revenue and the option of using the mandatory payment revenue as the non-federal share of Medicaid payments. The Tarrant County Hospital District's board of managers subsequently authorized creation of a LPPF in Tarrant County and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments under the Waiver Program. BSWH hospitals that are parties to the Tarrant County Affiliation Agreement are eligible to receive supplemental payments funded through the LPPF program.

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Effective June 2019, the Texas Legislature approved legislation amending the Texas Health & Safety Code to enable Ellis County to create and operate a health care provider participation program that would require mandatory payments by all hospitals in the county based upon net patient revenue and the option of using the mandatory payment revenue as the non-federal share of Medicaid payments. The Ellis County Commissioners Court subsequently authorized creation of a LPPF in Ellis County and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments under the Waiver Program. BSW Waxahachie is a party to the Ellis County Affiliation Agreement and is eligible to receive supplemental payments funded through the LPPF program.

Effective December 4, 2023, the Collin County Commissioners Court authorized creation of a LPPF in Collin County and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments under the Waiver Program.

Effective June 25, 2024, the Denton County Commissioners Court authorized creation of a LPPF in Denton County and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments under the Waiver Program.

BSWH hospitals in North Texas incurred expenditures of approximately \$31 million and \$18 million for the years ended June 30, 2024 and 2023, respectively, through the hospitals' participation in the various LPPF programs discussed above.

BSWH hospitals in North Texas incurred expenditures of approximately \$0 and \$3 million for the years ended June 30, 2024 and 2023, respectively, in the operation and maintenance of the hospital's DSRIP projects approved under the 1115 Waiver Program, which are recorded as other operating expenses in the System consolidated statements of operations and changes in net assets.

For the years ended June 30, 2024 and 2023, as a result of their participation in the Waiver Program, these BSWH hospitals (as parties to the Dallas Affiliation Agreement and Tarrant Affiliation Agreement) achieved required metrics, recorded as other receivables in the System consolidated balance sheets, and received Waiver Program payments totaling approximately \$88 million and \$60 million, respectively, such amounts are Medicaid supplemental payments and recognized as net patient care revenue in the System consolidated statements of operations and changes in net assets.

During the years ended June 30, 2024 and 2023, certain BSWH hospitals (from legacy Scott & White Healthcare) participated in the Waiver Program.

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Scott & White Memorial Hospital d/b/a Baylor Scott & White Medical Center – Temple (BSW Temple) is a party to an Indigent Care Affiliation Agreement with Bell County and under this agreement participates in RHP Eight and the Waiver Program.

Hillcrest Baptist Medical Center d/b/a Baylor Scott & White Medical Center – Hillcrest (BSW Hillcrest), Scott & White Hospital - Round Rock d/b/a Baylor Scott & White Medical Center – Round Rock and d/b/a Baylor Scott & White Medical Center – Lakeway (BSW Round Rock), Scott & White Hospital – Taylor d/b/a Baylor Scott & White Medical Center – Taylor (BSW Taylor), Scott & White Hospital – Marble Falls d/b/a Baylor Scott & White Medical Center – Marble Falls (BSW Marble Falls) and BSW Waxahachie are parties to the Indigent Care Affiliation Agreements with McLennan County and under these agreements participate in RHP Sixteen and the Waiver Program.

BSW Round Rock, BSW Taylor, Scott & White Hospital – Llano d/b/a Baylor Scott & White Medical Center – Llano (BSW Llano) (effective December 31, 2020, BSW Llano ceased operations) and BSW Marble Falls are parties to Indigent Care Affiliation Agreements with Williamson County and under these agreements participate in RHP Eight and the Waiver Program.

Scott & White Hospital Brenham d/b/a Baylor Scott & White Medical Center – Brenham is a party to an Indigent Care Affiliation Agreement with Washington County and under this agreement participates in RHP Seventeen and the Waiver Program.

BSW Llano is a party to an Indigent Care Affiliation Agreement with Llano and under this agreement participates in RHP Eight and the Waiver Program. Effective December 31, 2020, BSW Llano ceased operations.

BSW Temple, Scott & White Hospital – College Station d/b/a Baylor Scott & White Medical Center – College Station (BSW College Station), and BSW Hillcrest participate in LPPF programs in Bell, Brazos, and McLennan Counties respectively pursuant to legislation enacted into law by the Texas Legislature. The bills amended the Texas Health & Safety Code to create health care provider participation programs that would require mandatory payments by all hospitals in the counties based upon net revenue and the option of using the mandatory payment revenue as the non-federal share of Medicaid payments. Bell, Brazos, and McLennan Counties authorized creation of LPPF programs in the respective counties and chose to utilize mandatory payment revenue as the non-federal share of Medicaid payments. BSW Temple, BSW College Station, and BSW Hillcrest are eligible to receive Medicaid payments as a result of their participation in these LPPF programs. BSW Waxahachie, BSW Round Rock, BSW Marble Falls,

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BSW Taylor, and BSW Llano (effective December 31, 2020, BSW Llano ceased operations) are also affiliated with Brazos and McLennan Counties and are eligible to receive Medicaid payments under the McLennan County LPPF program.

BSWH hospitals in Central Texas incurred expenditures of approximately \$26 million and \$18 million for the years ended June 30, 2024 and 2023, respectively, through the hospitals' participation in the various LPPF programs discussed above.

For the years ended June 30, 2024 and 2023, BSWH hospitals in Central Texas achieved required metrics, recorded as other receivables in the accompanying consolidated balance sheets, and received Waiver Program payments totaling approximately \$69 million and \$62 million, respectively, such amounts are Medicaid supplemental payments and recognized as net patient care revenue in the consolidated statements of operations and changes in net assets.

As recipients of Waiver Program payments, the BSWH hospitals are subject to extensive federal and state laws, regulations, conditions of participation, and certification requirements.

11. CHARITY CARE

BSWH provides care to patients who lack financial resources and are deemed medically or financially indigent. Because BSWH does not pursue collection of amounts determined to qualify as charity care, these amounts have been removed from net patient care revenue. The estimated direct and indirect cost of providing these services, calculated using the ratio of patient care cost to charges, was approximately \$378 million and \$364 million for the years ended June 30, 2024 and 2023, respectively. The ratio of cost to charges is an estimate calculated based on total expenses, less non-patient care activities and other community benefit expenses, divided by gross patient care charges. In addition, BSWH provides services through government-sponsored indigent health care programs to other indigent patients.

BSWH also commits time and resources to endeavors and critical services which meet otherwise unfulfilled community needs. Many of these activities are entered into with the understanding that they will not be self-supporting or financially viable. The expenditures for medical research activities and direct medical education are reported in Note 13.

12. RETIREMENT BENEFITS

The System provides 401(k) defined contribution plans for eligible employees. Employees are eligible to contribute to the plans immediately with no minimum service or age requirement. The System's contributions to the 401(k) plans totaled approximately \$170 million and \$152 million

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for the years ended June 30, 2024 and 2023, respectively, and are included in salaries, wages, and employee benefits in the accompanying consolidated statements of operations and changes in net assets.

The System provided three defined benefit plans for employees. All three plans are frozen to new participants and two are fully funded. The two fully funded plans are in the final stages of the termination process, while the third has an unfunded obligation of less than \$1 million as of June 30, 2024. The total unfunded benefit obligation as of June 30, 2023, was approximately \$13 million.

13. FUNCTIONAL EXPENSES

The System provides general health care services to residents within its geographic area. The consolidated financial statements report expenses that can be attributable to more than one function. These expenses require an allocation, on a reasonable basis, that is consistently applied. The System allocates expenses by function based on the nature of each business unit's operations.

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Expenses related to providing these services are as follows for the years ended June 30, 2024 and 2023 (in millions):

	2024				
	Patient Care	Education and Research	Health Plan	General and Administrative	Total
Salaries, wages, and employee benefits	\$ 5,844	\$ 157	\$ 95	\$ 533	\$ 6,629
Supplies	2,376	3	—	113	2,492
Other operating expenses	2,036	80	199	857	3,172
Medical claims	—	—	1,368	—	1,368
Tangible and intangible asset related expenses	251	—	1	246	498
Interest	93	—	—	44	137
Total	\$ 10,600	\$ 240	\$ 1,663	\$ 1,793	\$ 14,296
	2023				
	Patient Care	Education and Research	Health Plan	General and Administrative	Total
Salaries, wages, and employee benefits	\$ 5,452	\$ 138	\$ 79	\$ 519	\$ 6,188
Supplies	2,177	3	—	110	2,290
Other operating expenses	1,696	69	177	769	2,711
Medical claims	—	—	1,140	—	1,140
Tangible and intangible asset related expenses	249	—	1	236	486
Interest	94	—	—	41	135
Total	\$ 9,668	\$ 210	\$ 1,397	\$ 1,675	\$ 12,950

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14. NONCONTROLLING INTERESTS

The System controls, and therefore consolidates, certain investees of its subsidiaries. The System regularly engages in the purchase and sale of noncontrolling interests in these investees that do not result in a change of control. These transactions are accounted for as equity transactions as they are undertaken among the System, its consolidated subsidiaries, and noncontrolling interests. The cash flows of these equity transactions are classified within cash flows from financing activities in the accompanying consolidated statements of cash flows. The System reflects noncontrolling interests in subsidiaries as either noncontrolling interests - redeemable in the mezzanine section of the accompanying consolidated balance sheets, or noncontrolling interests - nonredeemable in net assets in the accompanying consolidated balance sheets, according to ASC 810, "*Consolidation.*"

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The activity for net assets without donor restrictions presented as attributable to BSWH and noncontrolling interests - nonredeemable for the years ended June 30, 2024 and 2023 is summarized below (in millions):

	Attributable to BSWH	Noncontrolling Interest- Nonredeemable	Total Net Assets Without Donor Restrictions
Balance, as of June 30, 2022	\$ 7,724	\$ 334	\$ 8,058
Revenue and gains in excess of expenses and losses	1,341	117	1,458
Net assets released from restrictions for capital expenditures	5	—	5
Distributions to noncontrolling interests	—	(114)	(114)
Purchases of noncontrolling interests	—	(3)	(3)
Sales of noncontrolling interests	—	1	1
Noncontrolling interest of acquired entities	—	2	2
Other changes in noncontrolling interests	(1)	—	(1)
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(401)	—	(401)
Other	7	—	7
Change in net assets without donor restrictions	951	3	954
Balance, as of June 30, 2023	\$ 8,675	\$ 337	\$ 9,012
Revenue and gains in excess of expenses and losses	1,727	226	1,953
Net assets released from restrictions for capital expenditures	7	—	7
Distributions to noncontrolling interests	—	(198)	(198)
Purchases of noncontrolling interests	—	(3)	(3)
Sales of noncontrolling interests	—	9	9
Noncontrolling interest of acquired entities	—	76	76
Other changes in noncontrolling interests	15	243	258
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(362)	—	(362)
Other	1	—	1
Change in net assets without donor restrictions	1,388	353	1,741
Balance, as of June 30, 2024	\$ 10,063	\$ 690	\$ 10,753

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The activity for noncontrolling interests - redeemable for the years ended June 30, 2024 and 2023 is summarized below (in millions):

Balance, as of June 30, 2022	\$ 649
Net income attributable to noncontrolling interests - redeemable	401
Distributions to noncontrolling interests	(403)
Purchases of noncontrolling interests	(21)
Sales of noncontrolling interests	10
Balance, as of June 30, 2023	<u>\$ 636</u>
Net income attributable to noncontrolling interests - redeemable	362
Distributions to noncontrolling interests	(368)
Purchases of noncontrolling interests	(41)
Sales of noncontrolling interests	60
Noncontrolling interests of acquired entities	3
Other changes	(259)
Balance, as of June 30, 2024	<u><u>\$ 393</u></u>

15. ENDOWMENTS

The System's endowments consist of donor-restricted and board-designated endowment funds for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions. The System has interpreted the State of Texas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulation to the contrary. As a result of this interpretation, the System classifies as donor-restricted endowments, (a) the original value of gift donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate an endowment fund:

- 1) The duration and preservation of the fund
- 2) The purposes of the System and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the System and
- 7) The investment policies of the System

Endowment fund composition by type of fund as of June 30, 2024 and 2023, is as follows (in millions):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 465	\$ 465
Board-designated endowment funds	10	—	10
Total endowment funds	\$ 10	\$ 465	\$ 475

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ —	\$ 432	\$ 432
Board-designated endowment funds	11	—	11
Total endowment funds	\$ 11	\$ 432	\$ 443

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**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

Changes in endowment funds for the years ended June 30, 2024 and 2023 are as follows (in millions):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, as of June 30, 2023	\$ 11	\$ 432	\$ 443
Investment income and realized gains	—	27	27
Net appreciation and unrealized gains	—	22	22
Gifts	—	2	2
Appropriation of endowment assets for expenditure	(1)	(18)	(19)
Endowment funds, as of June 30, 2024	\$ 10	\$ 465	\$ 475
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, as of June 30, 2022	\$ 11	\$ 405	\$ 416
Investment income and realized gains	—	16	16
Net appreciation and unrealized gains	—	14	14
Gifts	—	5	5
Appropriation of endowment assets for expenditure	—	(17)	(17)
Other	—	9	9
Endowment funds, as of June 30, 2023	\$ 11	\$ 432	\$ 443

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**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by State of Texas UPMIFA as of June 30, 2024 and 2023 is as follows (in millions):

	2024	2023
Education	\$ 142	\$ 141
Research	77	77
Patient care	65	65
General operations	2	2
Total	<u>\$ 286</u>	<u>\$ 285</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts. When donor endowment deficits exist, they are classified as a reduction of net assets with donor restrictions. Deficiencies of this nature existed in 2024 and 2023 and were less than \$1 million in total. These deficits resulted from unfavorable market fluctuations and authorized appropriation that was deemed prudent.

Endowment Return Objectives and Risk Parameters

The System follows an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against various indices, based on the endowment's target allocation applied to the appropriate individual benchmarks. To achieve its long-term rate of return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The System targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of Endowment Spending Practices to Investment Objectives

The System determines the appropriation of endowment funds for expenditure reimbursement through the budgeting process. Distribution policies for the System's endowments govern the amount of endowment funds that may be appropriated during this process. In establishing its policies, the System considered the long-term expected return on its endowments. Accordingly,

BAYLOR SCOTT & WHITE HOLDINGS AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

over the long-term, the System expects the current distribution policies to allow its endowments to grow at an average of the long-term rate of inflation and maintain its purchasing power. In order to maintain the purchasing power of endowment assets, expenditures are based on investment performance and spending is curbed in response to deficit situations. Over the long-term, the System expects its endowments to grow consistent with its intention to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts.

16. COMMITMENTS AND CONTINGENCIES

BSWH

The healthcare industry is subject to numerous federal and state laws and regulations. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participation requirements, reimbursement for patient services, physician ownership and self-referral, and fraud and abuse. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The System has ongoing routine government audits and investigations. Management believes that the System is in compliance with applicable fraud and abuse laws and regulations as well as other applicable federal and state laws and regulations.

BSW Irving

The Irving Hospital Authority (the "Authority") entered into a Master Agreement (the "Master Agreement") with Baylor Medical Center at Irving (BSW Irving) and BHCS, and a Lease Agreement (the "Lease Agreement") with BSW Irving.

Under the terms of the Lease Agreement, BSW Irving agreed to manage and lease substantially all properties of the Authority over an initial lease term of twenty years, beginning August 1, 1995, with an option to renew the lease for two additional ten year terms. An Amended and Restated Lease Agreement (the "Amended Lease Agreement") was entered into by the Authority and BSW Irving effective April 1, 2010, to extend the lease thirty-five years through March 31, 2045, and to supersede nearly all the obligations of the original Master Agreement and Lease Agreement.

The Amended Lease Agreement is accounted for as a finance lease with (a) fixed rent payments of approximately \$9 million per year, as adjusted by a September 24, 2010 amendment to the

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

Amended Lease Agreement, plus (b) a contingent rent payment equal to 20.0% of the excess operating cash flow derived from the prior fiscal year's operations, as defined in the Amended Lease Agreement. BSW Irving accrued approximately \$3 million and \$6 million at June 30, 2024 and 2023, respectively, for the contingent rent payment, which is due to the Authority within five business days following the issuance of BSW Irving's audited financial statements.

BHCS signed a Limited Joinder to evidence its agreement with the BHCS obligations included in the Amended Lease Agreement and to covenant that BHCS will pay the rent and the early termination fee/liquidated damages if BSW Irving fails to pay those obligations. BHCS is required to contribute \$100,000 per year to BSW Irving, to be matched by the BSW Irving Healthcare Foundation, for community health projects, which are mutually agreed upon by BHCS and BSW Irving. BHCS contributed \$100,000 directly to BSW Irving in 2024 and 2023. At the end of the lease term, the leased assets, as defined in the Amended Lease Agreement will be surrendered to the Authority. At June 30, 2024 and 2023, no liability, related to the surrender of assets at the end of the lease term, was recorded as no amount can be reasonably estimated.

17. SUBSEQUENT EVENTS

BSW Holdings and BSW Health Merger

In April 2024, the Board of Trustees of BSW Holdings approved merging BSW Holdings with BSW Health. BSW Health would become the new ultimate parent entity and Combined Group Representative. The primary purpose of this organizational change is to streamline the BSWH corporate structure. This merger is planned to be effective January 1, 2025.

BSW Holdings CP Program

On October 31, 2024, BSW Holdings sent a notice of termination of the BSW Holdings CP Program to the issuing and paying agent and dealer for the BSW Holdings CP Program. This notice informed such parties of BSW Holdings' intent to terminate the BSW Holdings CP Program, effective December 4, 2024, concurrent with the anticipated establishment of a new BSW Health taxable commercial paper program expected to allow for issuance of up to \$900 million of commercial paper notes.

The System has performed an evaluation of subsequent events through November 1, 2024, which is the date the financial statements were issued. The System is not aware of any events or transactions occurring subsequent to the consolidated balance sheets date, but before the issuance of the financial statements, which may have a material effect on its financial condition.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Supplemental Unaudited Information

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**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

OTHER COMMUNITY BENEFITS - UNAUDITED

Nonprofit hospitals are required to report community benefits under the requirements of Texas Health and Safety Code Chapter 311. For Texas state law purposes, unaudited community benefits include the unreimbursed cost of charity care; the unreimbursed cost of government-sponsored indigent health care (i.e., Medicaid); the unreimbursed cost of government-sponsored health care (i.e., Medicare), medical education, medical research, and other community benefits and services. The amount of community benefits reportable for Texas state law purposes by all BSWH nonprofit hospitals totaled approximately \$1,197 million and \$1,293 million for the years ended June 30, 2024 and 2023, respectively.



Report of Independent Auditors 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*

To the Board of Trustees of Baylor Scott & White Holdings

We have audited, in accordance with 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 Baylor Scott & White Holdings and its controlled affiliates (the “Company”), which comprise the consolidated balance sheet as of June 30, 2024, and the related consolidated statements of operations and changes in net assets, and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”), and have issued our report thereon dated November 1, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Company’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 Company’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Company’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 Company’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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pricewaterhouse Coopers LLP

Dallas, Texas
November 1, 2024



Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Trustees of Baylor Scott & White Holdings

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Baylor Scott & White Holdings and its controlled affiliates' (the "Company") 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 Company's major federal programs for the year ended June 30, 2024. The Company's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US 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 Company 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company's compliance with the compliance requirements referred to above.

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 Company'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 Company'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 US 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 Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US 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 Company'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 Company'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 Company'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

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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses,

as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Pricewaterhouse Coopers LLP

Dallas, Texas
December 18, 2024

Baylor Scott & White Holdings and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

<u>Name of Agency and Office</u>	<u>Assistance Listing Number</u>	<u>Direct</u>	<u>Pass-Through</u>	<u>Pass - Through Entity</u>	<u>Identifier Number</u>	<u>Total</u>	<u>Passed to Sub-Recipients</u>
RESEARCH AND DEVELOPMENT - CLUSTER							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Administration for Community Living							
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	\$ 1,383,501	\$ —			\$ 1,383,501	\$ 91,772
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	—	3,600	Trustees of Indiana University	8703	3,600	—
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	—	179,118	Kessler Foundation, Inc.	40645-02	179,118	—
Alzheimer's Disease Program Initiative (ADPI)	93.470	—	(1,846)	North Central Texas Council of Governments	90ADPI0070	(1,846)	—
Centers for Disease Control and Prevention							
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	1,674,284	—			1,674,284	—
Occupational Safety and Health Program	93.262	357,623	—			357,623	74,934
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	—	(3,764)	UT Southwestern Medical Center	GMO 190504	(3,764)	—
Substance Abuse and Mental Health Services Administration							
Opioid Response Grants	93.788	—	(27,737)	The University of Texas at Austin	UTA21-000427	(27,737)	—
Opioid Response Grants	93.788	—	40,000	The University of Texas at Austin	UTAUS-SUB00000383	40,000	—
National Institutes of Health							
Human Genome Research	93.172	—	305,408	Duke University	A032838	305,408	—
Research Related to Deafness and Communication Disorders	93.173	—	1,538	Baylor University	102729-01	1,538	—
Mental Health Research Grants	93.242	—	49,034	Kaiser Foundation Research Institute	RNG210280-BUDG01	49,034	—
Drug Abuse and Addiction Research Programs	93.279	—	1,554	Kaiser Foundation Research Institute	RNG210715-BRI-01	1,554	—
Minority Health and Health Disparities Research	93.307	—	38,241	The University of Texas at Arlington	2022GC1668	38,241	—
Minority Health and Health Disparities Research	93.307	—	230,291	COG Analytics, LLC	11206-S	230,291	—
Minority Health and Health Disparities Research	93.307	—	39,169	The University of Texas Southwestern Medical Center	GMO 231112 PO 0000002848	39,169	—
Trans-NIH Research Support	93.310	—	2,116,144	Michigan State University d/b/a Henry Ford	RC115771-Baylor	2,116,144	—

Baylor Scott & White Holdings and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2024

<u>Name of Agency and Office</u>	<u>Assistance Listing Number</u>	<u>Direct</u>	<u>Pass-Through</u>	<u>Pass - Through Entity</u>	<u>Identifier Number</u>	<u>Total</u>	<u>Passed to Sub-Recipients</u>
Trans-NIH Research Support	93.310	\$ —	\$ 538,973	Henry Ford Health System	B11170BRI	\$ 538,973	\$ —
National Center for Advancing Translational Sciences	93.350	—	120,564	National Jewish Health	20115904	120,564	—
Cancer Cause and Prevention Research	93.393	—	435	Fred Hutchinson Cancer Research Center	0000971510	435	—
Cancer Cause and Prevention Research	93.393	—	19,332	Baylor College of Medicine	7000001753	19,332	—
Cancer Detection and Diagnosis Research	93.394	—	72,084	Baylor College of Medicine	PO700000759	72,084	—
Cancer Detection and Diagnosis Research	93.394	—	1,514	Mayo Clinic	BAY-285429/ PO#68198995	1,514	—
Cancer Detection and Diagnosis Research	93.394	—	(14,368)	Baylor College of Medicine	7000000838	(14,368)	—
Cancer Detection and Diagnosis Research	93.394	—	7,363	Case Western Reserve University	RES600955	7,363	—
Cancer Treatment Research	93.395	122,199	—			122,199	—
Cancer Treatment Research	93.395	—	(17,154)	The Jackson Laboratory	TBI	(17,154)	—
Cancer Treatment Research	93.395	—	66,750	Public Health Institute	7U10CA180886	66,750	—
Cancer Treatment Research	93.395	—	5,450	Children's Hospital of Philadelphia	APEC1481	5,450	—
Cancer Biology Research	93.396	—	17,026	Baylor College of Medicine	7000000928	17,026	—
Cardiovascular Diseases Research	93.837	—	16,718	UT Southwestern Medical Center	GMO230621	16,718	—
Cardiovascular Diseases Research	93.837	—	19,700	Trustees of Indiana University	9383-BRI 9575	19,700	—
Cardiovascular Diseases Research	93.837	—	121,821	The Icahn School of Medicine at Mount Sinai	0255-A342-4605 0255-A346-4609	121,821	—
Cardiovascular Diseases Research	93.837	—	5,063	Northwestern University	60060152BAY	5,063	—
Lung Diseases Research	93.838	—	(15,000)	Covance, Inc.	20203331	(15,000)	—
Lung Diseases Research	93.838	—	173,000	The Icahn School of Medicine at Mount Sinai	00045358	173,000	—
Lung Diseases Research	93.838	—	16,000	The Trustees of Indiana University	R01GL132358	16,000	—
Lung Diseases Research	93.838	—	9,800	Society of Critical Care Medicine	R01HL162954	9,800	—
Translation and Implementation Science Research for Heart, Lung, Blood Diseases, and Sleep Disorders	93.840	—	3,200	The Regents of the University of California, San Francisco	14330sc	3,200	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	255,421	—			255,421	25,730
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	14,487	George Washington University	S-GRD1718-LL4	14,487	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	41,417	University of Colorado Denver - Anschutz Medical Center	FY23.1035.008	41,417	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	184	Regents of the University of Minnesota	N005115001	184	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	119,940	Trustees of the University of Pennsylvania	584798	119,940	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	492,659	The University of Texas at Dallas	2109689	492,659	—

**Baylor Scott & White Holdings and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2024**

<u>Name of Agency and Office</u>	<u>Assistance Listing Number</u>	<u>Direct</u>	<u>Pass-Through</u>	<u>Pass - Through Entity</u>	<u>Identifier Number</u>	<u>Total</u>	<u>Passed to Sub-Recipients</u>
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	\$ —	\$ 148,275	The Ohio State University	GR125941 SPC-1000006083	\$ 148,275	\$ —
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	12,674	National Coordinating Center University of Cincinnati	011337-136955	12,674	—
Allergy and Infectious Diseases Research	93.855	—	58,555	The General Hospital Corporation d/b/a Massachusetts General Hospital	232561	58,555	—
Allergy and Infectious Diseases Research	93.855	—	44,912	Northwestern University	60060177 BAY	44,912	—
Allergy and Infectious Diseases Research	93.855	—	4,760	Trustees of the University of Pennsylvania	586483	4,760	—
Aging Research	93.866	363,397	—			363,397	195,452
Aging Research	93.866	—	32,594	Johns Hopkins Institute	2003455946	32,594	—
Aging Research	93.866	—	162,697	The Regents of the University of California	10849sc 1558GWA346	162,697	—
Aging Research	93.866	—	47,146	The Trustees of Columbia University in the City of New York	1(GG015357-01)	47,146	—
Aging Research	93.866	—	15,145	Baylor University	1001124-02	15,145	—
Aging Research	93.866	—	44,381	The Regents of the University of California, San Francisco	14914sc	44,381	—
Aging Research	93.866	—	15,155	Duke University	A032814	15,155	—
Total Department of Health and Human Services		<u>4,156,425</u>	<u>5,394,002</u>			<u>9,550,427</u>	<u>387,888</u>
UNITED STATES DEPARTMENT OF DEFENSE							
Military Medical Research and Development	12.420	1,361,723	—			1,361,723	22,552
Minority Business Development Management and Technical Assistance	12.001	—	10,920	University of Colorado Denver	FY22.891.026 FY22.891.027	10,920	—
Military Medical Research and Development	12.420	—	73,999	Rehabilitation Institute of Chicago d/b/a Shirley Ryan AbilityLab	86037_Grant-000853_Baylor	73,999	—
Military Medical Research and Development	12.420	—	(146)	Baylor University	1001033-01A	(146)	—
Military Medical Research and Development	12.420	—	62,382	University of Kansas Medical Center Research	AWD10000282	62,382	—
Military Medical Research and Development	12.420	—	214,536	The University of Texas at Dallas	23010962	214,536	—
Research and Technology Development	12.910	—	(103,699)	The University of Texas at Dallas	1604551	(103,699)	—
Total United States Department of Defense		<u>1,361,723</u>	<u>257,992</u>			<u>1,619,715</u>	<u>22,552</u>
Total Research and Development - Cluster		<u>5,518,148</u>	<u>5,651,994</u>			<u>11,170,142</u>	<u>410,440</u>
OTHER SPONSORED PROGRAMS							
DEPARTMENT OF AGRICULTURE							
Child and Adult Care Food Program	10.558	—	333	Texas Department of Agriculture	N/A	333	—

Baylor Scott & White Holdings and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2024

<u>Name of Agency and Office</u>	<u>Assistance Listing Number</u>	<u>Direct</u>	<u>Pass-Through</u>	<u>Pass - Through Entity</u>	<u>Identifier Number</u>	<u>Total</u>	<u>Passed to Sub-Recipients</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Rural Health Research Centers	93.155	\$ —	\$ 93,581	Texas Department of Agriculture	2021CTM0089	\$ 93,581	\$ —
Poison Control Stabilization and Enhancement Grants	93.253	230,491	—			230,491	—
COVID-19 HRSA Claims Reimbursement for the Uninsured Program and the COVID-19 Coverage Assistance Fund	93.461	1,510,245	—			1,510,245	—
COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498	45,227,967	—			45,227,967	—
Temporary Assistance for Needy Families	93.558	—	999,348	Texas Department of Family and Protective Services	529-16000300011	999,348	—
Community-Based Child Abuse Prevention Grants	93.590	—	376,000	Texas Department of Family and Protective Services	529-16000300011	376,000	—
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	17,088	—			17,088	—
Total Health Resources and Services Administration		<u>46,985,791</u>	<u>1,468,929</u>			<u>48,454,720</u>	<u>—</u>
DEPARTMENT OF HOMELAND SECURITY							
Assistance to Firefighters Grant	97.044	(76)	—			(76)	—
DEPARTMENT OF JUSTICE							
Crime Victim Assistance	16.575	—	253,241	Texas Office of the Governor-Criminal Justice Division	3590403 3590404 3590405	253,241	—
DEPARTMENT OF LABOR							
WIOA Dislocated Worker Formula Grants	17.278	—	444,000	Texas Workforce Commission	0623AHC001	444,000	—
Registered Apprenticeship	17.285	—	222,667	Texas Workforce Commission	0623AHC001	222,667	—
Total Department of Labor		<u>—</u>	<u>666,667</u>			<u>666,667</u>	<u>—</u>
Total Other Sponsored Programs		<u>46,985,715</u>	<u>2,389,170</u>			<u>49,374,885</u>	<u>—</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>\$ 52,503,863</u>	<u>\$ 8,041,164</u>			<u>\$ 60,545,027</u>	<u>\$ 410,440</u>

The accompanying notes are an integral part of this schedule.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Baylor Scott & White Holdings and Its Controlled Affiliates (collectively referred to as the “System” or “BSWH”) and are presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the 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). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements of BSWH. Negative amounts represent adjustments made to amounts reported in the prior year in the normal course of business. BSWH uses its predetermined/negotiated indirect cost rate rather than the 10% de minimis indirect cost rate described in the Uniform Guidance. The Identifier Number included in the Schedule represents the pass through entity identifying number or other identifier.

2. Provider Relief Fund

The Schedule includes grant activity related to the Department of Health and Human Services (“HHS”) Coronavirus Aid Relief and Economic Security (CARES) Act Assistance Listing Number 93.498. As required based on guidance in the 2024 *OMB Compliance Supplement*, the Schedule includes period 6 funds received between July 1, 2022 and December 31, 2022 and expended by December 31, 2023 as reported to the Health Resources and Services Administration (“HRSA”) via the Provider Relief Fund Reporting Portal.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2024

Part I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? ___ yes x none reported
- Noncompliance material to financial statements noted ___ yes x no

Federal Awards

Internal control over major programs

- Material weakness(es) identified? ___ yes x no
- Significant deficiency(ies) identified? ___ yes x none reported

Type of auditor's report issued on compliance for major programs:

unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? ___ yes x no

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Schedule of Findings and Questioned Costs – continued

For the Year Ended June 30, 2024

Identification of major Federal Awards:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
93.498	Department of Health and Human Services – COVID-19 Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution

The dollar threshold used to distinguish
between Type A and Type B programs: \$ 1,816,351

Auditee qualified as a low risk auditee. yes no

Part II. FINANCIAL STATEMENT FINDINGS SECTION

There were no findings related to the consolidated financial statements which are required to be reported in accordance with *Government Auditing Standards*.

Part III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings which are required to be reported in accordance with the Uniform Guidance.

**BAYLOR SCOTT & WHITE HOLDINGS
AND ITS CONTROLLED AFFILIATES**

Summary Schedule of Prior Audit Findings and Status

For the Year Ended June 30, 2024

There are no findings from prior years which require an update in this report.