



Baylor Scott & White
HEALTH

Uniform Guidance

**Supplemental Financial
and Compliance Report**

Year Ended June 30, 2025

**BAYLOR SCOTT & WHITE HEALTH
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, 2025

Primary EIN #46-3130985

**BAYLOR SCOTT & WHITE HEALTH
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, 2025

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Report of Independent Auditors

To the Board of Trustees of Baylor Scott & White Health

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Baylor Scott & White Health and its controlled affiliates (the “Company”), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets 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, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with 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 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.

Required Supplemental Information

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.

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, 2025 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 is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

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 October 31, 2025 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, 2025. 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.

PricewaterhouseCoopers LLP

Dallas, Texas
February 19, 2026

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

CONSOLIDATED BALANCE SHEETS - JUNE 30, 2025 AND 2024

(In millions)

ASSETS	<u>2025</u>	<u>2024</u>	LIABILITIES AND NET ASSETS	<u>2025</u>	<u>2024</u>
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and cash equivalents	\$ 2,472	\$ 2,535	Current maturities of long-term debt and finance lease obligations	\$ 363	\$ 119
Short-term investments	294	352	Long-term debt subject to short-term remarketing arrangements	117	95
THVG funds due from United Surgical Partners International	158	158	Trade accounts payable	602	533
Accounts receivable:			Accrued liabilities:		
Patient	1,172	1,005	Payroll related	684	628
Premiums	94	79	Third-party programs	76	66
Other	543	536	Medical claims payable	179	148
Other current assets	<u>603</u>	<u>456</u>	Operating lease liabilities	170	169
			Other	1,387	1,280
Total current assets	<u>5,336</u>	<u>5,121</u>	Total current liabilities	<u>3,578</u>	<u>3,038</u>
LONG-TERM INVESTMENTS:			LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS, less		
Unrestricted	8,744	6,927	current maturities	3,877	4,191
Restricted	<u>688</u>	<u>610</u>			
Total long-term investments	<u>9,432</u>	<u>7,537</u>	OTHER LONG-TERM LIABILITIES:		
			Self insurance and other insurance liabilities	219	197
ASSETS WHOSE USE IS LIMITED:			Interest rate swap liabilities, net	76	76
Other designated assets	373	318	Long-term operating lease liabilities	719	689
Self insurance reserves	219	197	Other	308	289
Funds held by bond trustee	<u>—</u>	<u>306</u>	Total other long-term liabilities	<u>1,322</u>	<u>1,251</u>
Total assets whose use is limited	<u>592</u>	<u>821</u>	Total liabilities	<u>8,777</u>	<u>8,480</u>
PROPERTY AND EQUIPMENT, net	5,260	4,619	COMMITMENTS AND CONTINGENCIES		
RIGHT OF USE OPERATING LEASE ASSETS, net	789	770	NONCONTROLLING INTERESTS - REDEEMABLE	320	393
CONTRIBUTIONS RECEIVABLE, net	144	143	NET ASSETS:		
			Net assets without donor restrictions:		
OTHER LONG-TERM ASSETS:			Attributable to BSWH	12,298	10,063
Equity investment in unconsolidated entities	77	65	Noncontrolling interests-nonredeemable	674	690
Goodwill and intangible assets, net	1,264	1,304	Total net assets without donor restrictions	<u>12,972</u>	<u>10,753</u>
Other	<u>31</u>	<u>29</u>	Net assets with donor restrictions	856	783
Total other long-term assets	<u>1,372</u>	<u>1,398</u>	Total net assets	<u>13,828</u>	<u>11,536</u>
Total assets	<u>\$ 22,925</u>	<u>\$ 20,409</u>	Total liabilities and net assets	<u>\$ 22,925</u>	<u>\$ 20,409</u>

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

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(In millions)

	2025	2024
OPERATING REVENUE:		
Net patient care revenue	\$ 13,488	\$ 12,047
Premium revenue	2,808	2,499
Other operating revenue	944	891
Net assets released from restrictions for operations	88	83
Total operating revenue	17,328	15,520
OPERATING EXPENSES:		
Salaries, wages, and employee benefits	7,042	6,629
Supplies	2,715	2,492
Other operating expenses	3,526	3,172
Medical claims	1,654	1,368
Depreciation and amortization	528	498
Interest	127	137
Total operating expenses	15,592	14,296
INCOME FROM OPERATIONS	1,736	1,224
NONOPERATING GAINS:		
Gains on investments, net	1,024	723
Interest rate swap activity	(4)	19
Equity in earnings of unconsolidated entities	2	7
Losses from extinguishment of debt	(1)	—
Other nonoperating gains	2	—
Total nonoperating gains	1,023	749
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES BEFORE TAXES	2,759	1,973
LESS INCOME TAX EXPENSE	19	20
REVENUE AND GAINS IN EXCESS OF EXPENSES AND LOSSES	2,740	1,953

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - continued
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(In millions)

	2025	2024
OTHER CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Net assets released from restrictions for capital expenditures	\$ 18	\$ 7
Other changes in net assets attributable to noncontrolling interests - nonredeemable	(160)	142
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(380)	(362)
Other	1	1
	2,219	1,741
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
Contributions of cash and other financial assets	88	75
Contributions of nonfinancial assets	2	1
Realized gains on investments, net	72	38
Unrealized gains on investments, net	17	29
Net assets released from restrictions for operations	(88)	(83)
Net assets released from restrictions for capital expenditures	(18)	(7)
Other	—	1
	73	54
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS		
INCREASE IN NET ASSETS	2,292	1,795
NET ASSETS, beginning of year	11,536	9,741
NET ASSETS, end of year	\$ 13,828	\$ 11,536

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(In millions)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 2,292	\$ 1,795
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Unrealized gains on investments, net	(265)	(298)
Realized gains on investments, net	(611)	(232)
Unrealized gains on interest rate swap, net	—	(21)
Depreciation and amortization	528	498
Losses from extinguishment of debt	1	—
Equity in earnings of unconsolidated entities	(2)	(7)
Other	92	51
Other changes attributable to noncontrolling interests	540	220
Changes in operating assets and liabilities (net of acquisitions):		
Increase in patient accounts receivable	(167)	(23)
Increase in other accounts receivable	(22)	(106)
(Increase) decrease in other assets	(159)	36
Increase in trade accounts payable and accrued liabilities	226	378
Increase in other long-term liabilities	53	21
Net cash provided by operating activities	2,506	2,312
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,090)	(864)
Cash proceeds from sales of assets	15	39
Cash paid for acquisitions, net of cash received	(43)	(113)
Increase in THVG funds due from United Surgical Partners International	—	(27)
Purchases of investments	(959)	(183)
Net (payments) receipts on interest rate swaps	(4)	2
Decrease in assets whose use is limited	224	93
Net cash used in investing activities	(1,857)	(1,053)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(406)	(344)
Proceeds from issuance of long-term debt	312	91
Distributions to noncontrolling interests	(624)	(566)
Purchases of noncontrolling interests	(59)	(47)
Sales of noncontrolling interests	62	71
Net cash used in financing activities	(715)	(795)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS - continued

FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

(In millions)

	2025	2024
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	\$ (66)	\$ 464
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	2,551	2,087
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	\$ 2,485	\$ 2,551
SUPPLEMENTAL CASH FLOW DATA:		
Cash paid for interest	\$ 127	\$ 137
Cash paid for income tax	\$ 16	\$ 21
Property and equipment acquired under finance leases	\$ 44	\$ 52
Right of use assets acquired under operating leases	\$ 191	\$ 169
Increase in accounts payable due to property and equipment received but not paid	\$ 48	\$ 51
Decrease in contributions receivable for property and equipment	\$ (4)	\$ —
RECONCILIATION OF CASH AND CASH EQUIVALENTS AND RESTRICTED CASH:		
Cash and cash equivalents at beginning of year	\$ 2,535	\$ 2,013
Cash in short-term investments at beginning of year	—	65
Cash in unrestricted long-term investments at beginning of year	1	1
Cash in restricted long-term investments at beginning of year	10	7
Cash in assets whose use is limited at beginning of year	5	1
Cash and cash equivalents and restricted cash at beginning of year	\$ 2,551	\$ 2,087
Cash and cash equivalents at end of year	\$ 2,472	\$ 2,535
Cash in unrestricted long-term investments at end of year	1	1
Cash in restricted long-term investments at end of year	12	10
Cash in assets whose use is limited at end of year	—	5
Cash and cash equivalents and restricted cash at end of year	\$ 2,485	\$ 2,551

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

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2025 and 2024

1. ORGANIZATION

Baylor Scott & White Health (BSW Health), formerly known as 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 was merged into BSW Health for the purpose of streamlining the corporate structure. BSW Health 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 Health is the sole member of BHCS and SWH and has control and substantial reserved powers over all BHCS and SWH material affiliates. BSW Health serves as the ultimate parent entity for the System and provides the overall governance, strategic planning, and related services for the System. BSW Health also 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 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, 26 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 six 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 ambulatory surgery services, BIR JV, LLP, providing rehabilitation services, BTDI JV, LLP, providing imaging services, EBD JV, LLP, providing emergency medical 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 HEALTH AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

The following summarizes significant changes in the System in 2025 and 2024:

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%. Net patient care revenue of THVG included in the System's consolidated financial statements was approximately \$1,648 million and \$1,539 million for the years ended June 30, 2025 and 2024, respectively.

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 Health, 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 (BHVH) d/b/a Baylor Scott & White Heart and Vascular Hospital - Dallas opened Baylor Scott & White Heart and Vascular Hospital - Waxahachie, a four-bed hospital on the campus of Baylor Medical Center at Waxahachie (Waxahachie). The hospital provides heart and vascular care to patients in Ellis County.

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

Texas Heart Hospital of the Southwest, LLP and BHVH Merger

Effective February 1, 2025, BHVH merged with Texas Heart Hospital of the Southwest, LLP (THHSW LLP), with Texas Heart Hospital of the Southwest, LLC (THHSW) as the surviving entity.

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 previous standard delayed the recognition of a credit loss on a financial asset until the loss was 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

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

fair value of a reporting unit's goodwill with the carrying amount of that goodwill. 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 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.

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 System adopted the provisions of this ASU in fiscal year 2025, which did 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 System adopted the provisions of this ASU in fiscal year 2025, which did not have a material impact on the consolidated financial statements.

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.

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

Notes to Consolidated Financial Statements - continued

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 at both June 30, 2025 and 2024. 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 five-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. As of June 30, 2025, the related note receivable has been paid in full.

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

Notes to Consolidated Financial Statements - continued

Interest and dividends, realized and unrealized gains for the years ended June 30, 2025 and 2024 consisted of the following (in millions):

	2025			
	Interest and Dividends	Realized Gains	Unrealized Gains	Total
Nonoperating gains	\$ 216	\$ 560	\$ 248	\$ 1,024
Changes in net assets with donor restrictions	21	51	17	89
	\$ 237	\$ 611	\$ 265	\$ 1,113
	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

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 and are included in other accrued liabilities in the accompanying consolidated balance sheets.

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Property and Equipment, net

Property and equipment are stated at cost on the date of purchase or fair value on the date of contribution. Property and equipment and related accumulated depreciation and amortization as of June 30, 2025 and 2024 are summarized below (in millions):

	Useful Life	2025	2024
Land	—	\$ 361	\$ 341
Building and improvements	5 - 40 Years	5,658	5,084
Major moveable equipment and other	3 - 20 Years	3,914	3,586
Construction-in-progress	—	860	794
		10,793	9,805
Accumulated depreciation and amortization		(5,533)	(5,186)
		<u>\$ 5,260</u>	<u>\$ 4,619</u>

Property and equipment financed under finance leases totaled approximately \$494 million and \$501 million at June 30, 2025 and 2024, respectively, and related accumulated amortization was approximately \$237 million and \$213 million at June 30, 2025 and 2024, 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 \$526 million and \$495 million for the years ended June 30, 2025 and 2024, 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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from the use and ultimate disposition of the asset. No material impairments were identified in 2025 or 2024.

Goodwill and Intangible Assets, net

Goodwill and intangible assets recorded in connection with acquisitions 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 material impairments were identified in 2025 or 2024.

Goodwill and indefinite-lived intangible assets are tested for impairment annually or more frequently if changing circumstances warrant. No material impairments were identified in 2025 or 2024.

At June 30, 2025 and 2024, goodwill and intangible assets, net consisted of the following (in millions):

	2025		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Goodwill	\$ 1,226	\$ —	\$ 1,226
Intangible assets:			
Definite-lived intangible assets	21	(15)	6
Indefinite-lived intangible assets	32	—	32
Total intangible assets	53	(15)	38
Total goodwill and intangible assets	<u>\$ 1,279</u>	<u>\$ (15)</u>	<u>\$ 1,264</u>

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

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 2020.

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, 2025 and 2024, the System had no material gross unrecognized tax benefits.

Supplier Financing Programs

The System participates in supplier financing programs 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 payments 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

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outlined in the settlement terms of the supplier financing program contracts. 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 \$15 million and \$7 million at June 30, 2025 and 2024, respectively. These amounts are included in trade accounts payable in the accompanying consolidated balance sheets.

The rollforward of the System's confirmed outstanding obligations under its supplier financing programs for years ended June 30, 2025 and 2024, are as follows (in millions):

	2025	2024
Confirmed obligation outstanding at beginning of year	\$ 7	\$ 4
Invoices confirmed during the year	437	483
Confirmed invoices paid during the year	(429)	(480)
Confirmed obligation outstanding at end of year	\$ 15	\$ 7

Insurance

For 2025 and 2024, 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 2025 and 2024. Total undiscounted reserves for losses and loss adjustment expenses were approximately \$202 million and \$183 million at June 30, 2025 and

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2024, respectively. Discounted reserves for losses and loss adjustment expenses, including a risk margin at a 70% confidence level, were approximately \$205 million and \$186 million at June 30, 2025 and 2024, 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 capital equipment, supplies, meals and entertainment, advertising, printing, and space and equipment rental of approximately \$2 million and \$1 million, for the years ended 2025 and 2024, 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

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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 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 2024 financial statements to conform to the 2025 presentation.

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 35% and 36% of the System’s patient accounts receivable was due from Medicare and Medicaid at June 30, 2025 and 2024, respectively.

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The collection risk related to uninsured patient accounts includes the patient portion of insured accounts. Implicit price concessions on these accounts are based on historical collection experience using a portfolio approach, as a practical expedient, rather than arriving at an individualized estimate for each patient service encounter. The financial statement effects of using this practical expedient are not material as compared to estimating implicit price concessions on an individual basis. 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 39% and 38% of the System's total net patient care revenue for the years ended June 30, 2025 and 2024, respectively. Net patient care revenue from managed care contracts accounted for approximately 60% and 61% of the System's total net patient care revenue for the years ended June 30, 2025 and 2024, 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, 2025 and 2024.

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 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, 2025 and 2024. Premium revenue from local, state, and federal agencies accounted for approximately 92% and 94% of the System's total premium revenue for the years ended June 30, 2025 and 2024, 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 June 30, 2025 and 2024, the settlement amount receivable from CMS under this contract was approximately \$25 million and \$23 million, respectively. Premiums receivable generally are not collateralized.

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

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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.
- 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.

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

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BHCS Foundation d/b/a Baylor Scott & White Dallas Foundation, has other real estate and oil and gas interests which are carried at the lower of cost or fair value and 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.

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.

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.

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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, 2025 and 2024 are as follows (in millions):

	2025			
	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	\$ 2,472	\$ 2,457	\$ 15	\$ —
Short-term investments:				
Mutual funds	252	252	—	—
Fixed income securities	14	—	14	—
U.S. government securities	27	1	26	—
Other	1	1	—	—
Total short-term investments	294	254	40	—
Unrestricted long-term investments:				
Cash and cash equivalents	1	1	—	—
Certificates of deposit	1	1	—	—
Mutual funds	193	193	—	—
Equity securities	1,267	30	1,231	6
Fixed income securities	2,335	—	2,335	—
U.S. government securities	793	—	793	—
Mortgage-backed securities	350	—	350	—
Split-interest agreements	1	—	1	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	1	—	1	—
	4,943	225	4,711	7
Assets held at NAV practical expedient ⁽¹⁾				
Public equity ⁽¹⁾	1,721			
Diversifiers ⁽¹⁾	1,388			
Private equity/debt ⁽¹⁾	381			
Private real assets ⁽¹⁾	174			
Total assets held at NAV practical expedient ⁽¹⁾	3,664			
Total unrestricted long-term investments	8,607			

In the accompanying consolidated balance sheets, unrestricted long-term investments at June 30, 2025, includes investments of approximately \$137 million accounted for under the measurement alternative.

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Notes to Consolidated Financial Statements - continued

	2025			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Restricted long-term investments:				
Cash and cash equivalents	\$ 12	\$ 12	\$ —	\$ —
Mutual funds	86	86	—	—
Equity securities	113	3	110	—
Fixed income securities	38	—	38	—
U.S. government securities	13	—	13	—
Mortgage-backed securities	14	—	14	—
Split-interest agreements	5	—	5	—
Cash surrender value of life insurance	1	—	—	1
Common funds				
Group investment fund	67	—	67	—
Group bond fund	2	—	2	—
Group equity fund	5	—	5	—
Other funds	4	—	1	3
	360	101	255	4
Assets held at NAV practical expedient ⁽¹⁾				
Public equity ⁽¹⁾	154			
Diversifiers ⁽¹⁾	124			
Private equity/debt ⁽¹⁾	34			
Private real assets ⁽¹⁾	16			
Total assets held at NAV practical expedient ⁽¹⁾	328			
Total restricted long-term investments	688			

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

	2025			
	Total	Level 1	Level 2	Level 3
Assets (continued):				
Assets whose use is limited:				
Guaranteed investment contracts	\$ 7	\$ 7	\$ —	\$ —
Mutual funds	478	478	—	—
Equity securities	2	2	—	—
Fixed income securities	33	—	33	—
U.S. government securities	65	—	65	—
Mortgage-backed securities	7	—	7	—
Total assets whose use is limited	592	487	105	—
Contributions receivable, net:				
Total beneficial interests in split-interest agreements	26	—	—	26
Total assets at fair value	\$ 12,679	\$ 3,524	\$ 5,126	\$ 37
Liabilities:				
Interest rate swap liabilities, net	\$ 76	\$ —	\$ 76	\$ —
Total liabilities at fair value	\$ 76	\$ —	\$ 76	\$ —

(1) Public equity, diversifiers, private equity/debt, and private real assets 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 HEALTH
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Notes to Consolidated Financial Statements - continued

	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	352	279	73	—
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	—
	3,860	864	2,993	3
Assets held at NAV practical expedient ⁽¹⁾				
Public equity ⁽¹⁾	1,414			
Diversifiers ⁽¹⁾	1,076			
Private equity/debt ⁽¹⁾	314			
Private real assets ⁽¹⁾	180			
Total assets held at NAV practical expedient ⁽¹⁾	2,984			
Total unrestricted long-term investments	6,844			

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 HEALTH
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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 ⁽¹⁾	136			
Diversifiers ⁽¹⁾	103			
Private equity/debt ⁽¹⁾	30			
Private real assets ⁽¹⁾	18			
Total assets held at NAV practical expedient ⁽¹⁾	287			
Total restricted long-term investments	610			

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**BAYLOR SCOTT & WHITE HEALTH
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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, diversifiers, private equity/debt, and private real assets 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 HEALTH
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Notes to Consolidated Financial Statements - continued

At June 30, 2025 and 2024, alternative investments recorded at NAV consisted of the following (in millions):

	2025			
	Fair Value	Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
Public equity ^a	\$ 1,875	\$ —	semi-monthly, monthly, quarterly, semi-annually, annually	6-365 days
Diversifiers ^b	1,512	30	monthly, quarterly, annually, illiquid	45-120 days
Private equity ^c	392	380	illiquid	
Private debt ^d	23	55	illiquid	
Private real assets ^e	190	89	illiquid, quarterly	90 days
Total	<u>\$ 3,992</u>	<u>\$ 554</u>		

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

	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, illiquid	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	\$ 3,271	\$ 356		

- 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 (86%), credit-focused (11%), and multi-strategy (3%) at June 30, 2025, and equity-oriented (81%), credit-focused (6%), and multi-strategy (13%) at June 30, 2024. 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

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

interests are not freely transferable and are subject to various lock-up periods, redemption frequencies, notice requirements, and certain gating provisions.

- c) Private equity - For the years 2025 and 2024, 68 and 53 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 ten 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 2025 and 2024, ten and seven 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 (36%) and 23 closed-end funds (64%) at June 30, 2025, and one open-end fund (33%) and 20 closed-end funds (67%) at June 30, 2024. 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

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Notes to Consolidated Financial Statements - continued

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 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 \$3,983 million and \$4,001 million at June 30, 2025 and 2024, respectively.

5. LIQUIDITY

The System's financial assets available as of June 30, 2025 and 2024, for general expenditure within one year of the balance sheet date, are comprised of the following (in millions):

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,472	\$ 2,535
Short-term investments	294	352
THVG funds due from United Surgical Partners International	158	158
Patient accounts receivable	<u>1,172</u>	<u>1,005</u>
	<u>\$ 4,096</u>	<u>\$ 4,050</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 and revolving lines of credit as additional sources of liquidity.

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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, 2025 and 2024. 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, 2025 and 2024. A roll forward of medical claims payable for the years ended June 30, 2025 and 2024, is as follows (in millions):

	2025	2024
Medical claims payable - beginning of year	\$ 148	\$ 115
Incurred related to:		
Current year	1,673	1,375
Prior years	(19)	(7)
	1,654	1,368
Paid related to:		
Current year	(1,489)	(1,231)
Prior years	(134)	(104)
	(1,623)	(1,335)
Medical claims payable - end of year	\$ 179	\$ 148

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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, 2025 and 2024 (in millions):

	<u>2025</u>	<u>2024</u>
	<u>Unaudited</u>	<u>Unaudited</u>
Incurring medical claims by claim year		
2023	\$ 1,078	\$ 1,088
2024	1,366	1,375
2025	1,673	—
Total incurred medical claims	<u>4,117</u>	<u>2,463</u>
Paid medical claims by claim year		
2023	1,078	1,084
2024	1,371	1,231
2025	1,489	—
Total paid medical claims	<u>3,938</u>	<u>2,315</u>
Medical claims payable - end of year	<u>\$ 179</u>	<u>\$ 148</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 real estate agreements typically have initial terms of three to 15 years 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

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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. 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 6.30 years and 6.37 years for the years ended June 30, 2025 and 2024, respectively, and the weighted-average discount rate was 3.90% and 3.73% for the years ended June 30, 2025 and 2024, respectively.

For the years ended June 30, 2025 and 2024, the System's total lease cost was as follows (in millions):

	2025	2024
Operating lease cost	\$ 201	\$ 198
Short-term lease cost	18	18
Variable lease cost	76	88
Sublease income	(8)	(7)
Total lease cost	\$ 287	\$ 297

For the years ended June 30, 2025 and 2024, supplemental cash flow information related to operating leases was as follows (in millions):

	2025	2024
Operating cash flows from operating leases	\$ 209	\$ 187
Right of use assets obtained in exchange for lease obligations	191	169

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Notes to Consolidated Financial Statements - continued

Future maturities of operating lease liabilities as of June 30, 2025 are as follows (in millions):

2026	\$	199
2027		183
2028		162
2029		132
2030		98
Thereafter		236
		<u>1,010</u>
Less imputed interest		121
		<u>\$ 889</u>

As of June 30, 2025, 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 \$58 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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8. LONG-TERM DEBT AND FINANCE LEASE OBLIGATIONS

Long-term debt and finance lease obligations as of June 30, 2025 and 2024, consist of the following:

	2025		2024
	(In millions)		
BSW Health -			
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		75	98
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		347	348
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
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

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Notes to Consolidated Financial Statements - continued

	2025	2024
	(In millions)	
Series 2022A Revenue Bonds - Variable interest rate payable monthly (3.89% at June 30, 2025), principal payable August 2030 through August 2046	\$ 180	\$ 180
Series 2022B Revenue Bonds - Variable interest rate payable monthly (3.86% at June 30, 2025), 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
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 2024A Revenue Bonds - Daily variable interest rate payable monthly (3.65% at June 30, 2025), principal payable November 2032 through November 2050	97	—
Series 2024B Revenue Bonds - Daily variable interest rate payable monthly (3.35% at June 30, 2025), principal payable August 2025 through August 2050	88	—

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

	2025	2024
	(In millions)	
Series 2024C Revenue Bonds - Weekly variable interest rate payable monthly (1.65% at June 30, 2025), principal payable November 2032 through November 2050	\$ 45	\$ —
Series 2024D Revenue Bonds - Weekly variable interest rate payable monthly (1.55% at June 30, 2025), principal payable November 2032 through November 2050	50	—
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
Series 2011C Revenue Bonds - Variable Rate Demand Bonds, variable interest rate (3.70% at June 30, 2025), 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
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	38	39
Baylor Medical Center at Irving - Building Lease - Interest rate of 3.70% payable monthly, principal and interest payments through March 2045	124	128

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

	2025	2024
	(In millions)	
Baylor Scott & White Sports Therapy & Research at The Star in Frisco - Building Leases - Interest rates ranging from 5.81% to 6.80%, payable monthly, principal and interest payments through May 2033	\$ 43	\$ 46
THVG -		
Equipment Notes Payable - Interest rates ranging from 2.29% to 9.11%, payable monthly, principal and interest payments through June 2050	44	36
Building Lease, Frisco Medical Center, LLP - Interest rate of 4.95%, payable monthly, principal and interest payments through March 2040	96	99
Building Lease, Arlington Orthopedic and Spine Hospital - Interest rate of 8.61%, payable monthly, principal and interest payments through January 2030	14	17
Building Lease, Dallas Uptown - Interest rate of 9.43%, payable monthly, principal and interest payments through January 2031	14	16
Other THVG Leases - Interest rates ranging from 2.50% to 13.60%, payable monthly, principal and interest payments through May 2030	12	5
Other finance leases and long-term debt	89	106
	4,335	4,379
Net unamortized original issue premium/discount and bond issuance costs	22	26
Current maturities of long-term debt and finance lease obligations	(363)	(119)
Long-term debt subject to short-term remarketing arrangements	(117)	(95)
	\$ 3,877	\$ 4,191

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

Notes to Consolidated Financial Statements - continued

BSW Health

BSW Health 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 Health, 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 Health, BHCS, SWH, BUMC, SWMH, Baylor All Saints Medical Center, a Texas nonprofit corporation, Baylor Scott & White Medical Centers - Greater North Texas (BSWGNT), a Texas nonprofit corporation doing business as Baylor Scott & White Medical Center – McKinney and Baylor Scott & White Medical Center - Frisco at PGA Parkway (opened 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 Health 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

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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. Effective December 4, 2024, BSWH terminated the \$400 million BSW Holdings CP Program. Concurrently, BSW Health established a taxable commercial paper program ("BSW Health CP Program"), which allows for the issuance of up to \$900 million of commercial paper notes. As of June 2025, there is \$0 drawn on the BSW Health CP 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-

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exempt bonds. This transaction did not have a material impact on the consolidated financial statements.

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, scheduled to 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 expired in May 2025. Effective January 2025, BSW Health amended all eight lines of credit to reference BSW Health as the borrower. In May 2025, BSW Health renewed five lines of credit, totaling \$500 million, which would have expired in May 2025 and August 2025. The renewed lines of credit expire in May 2026 and August 2026. As of June 30, 2025, 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 would have expired in March 2025. In December 2024, BHVH terminated this \$10 million line of credit. In February 2023, THHSW, a controlled affiliate of the System, entered into a line of credit, totaling \$50 million, which expires February 2026. As of June 30, 2025, there is \$0 drawn on the THHSW line of credit.

In January 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.

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Notes to Consolidated Financial Statements - continued

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 are being used to fund development and construction costs of various expansion 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.

In December 2024, BSW Health issued the \$97 million Series 2024A, the \$88 million Series 2024B, the \$45 million Series 2024C, and the \$50 million Series 2024D Revenue Refunding Bonds (collectively “BSW Health Series 2024A, B, C, and D”) through TCCEFFC. Proceeds from this issuance were used to refinance the BHCS Series 2011B, the BHCS Series 2013B, the BSW Holdings Series 2019B, and the BSW Holdings Series 2022C Revenue Bonds. The BSW Health Series 2024A, B, C, and D bonds are subject to optional tender for purchase by the holders of such bonds and may be remarketed in accordance with certain remarketing arrangements. To the extent that the bondholders may, under the terms of the debt agreements, put their bonds within 12 months after June 30, 2025 and 2024, the principal amount of such bonds has been classified as a current obligation in the accompanying consolidated balance sheets.

In support of the Series 2024A and Series 2024B Revenue Refunding Bonds, BSW Health entered into a standby bond purchase agreement and contracted for issuance of an irrevocable direct-pay letter of credit, respectively. These agreements will expire in December 2029. The Series 2024C and 2024D Revenue Refunding Bonds are supported by self-liquidity.

In December 2024, BSW Health also renewed an irrevocable direct-pay letter of credit, supporting the BHCS 2011C Revenue Refunding Bonds, which would have expired in January 2025. The renewed letter of credit will expire in December 2029.

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

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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, 2025 and 2024, 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, 2025 and 2024, 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.

Finance Leases

The System's finance lease costs for the years ended June 30, 2025 and 2024 included approximately \$29 million and \$28 million, respectively, of amortization of financed property and equipment, and approximately \$16 million and \$17 million, respectively, in interest. The weighted-average remaining lease term for finance leases was 12.69 and 12.98 years for the years ended June 30, 2025 and 2024, respectively, and weighted average discount rate was 4.88% and 4.80% for the years ended June 30, 2025 and 2024, respectively.

The System's finance leases are primarily for select real estate properties, medical equipment, and vehicles. The System's real estate agreements typically have initial terms of three to 15 years 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. 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 0.61% to 16.72%.

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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.

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, 2025 and 2024, supplemental cash flow information related to finance leases was as follows (in millions):

	<u>2025</u>	<u>2024</u>
Operating cash flows from finance leases	\$ 16	\$ 17
Financing cash flows from finance leases	70	27
Property and equipment acquired under finance leases	44	52

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AND ITS CONTROLLED AFFILIATES**

Notes to Consolidated Financial Statements - continued

Future maturities of long-term debt and finance lease obligations as of June 30, 2025, are shown below (in millions):

	Long-Term Debt	Finance Lease Obligations	Total
2026	\$ 332	\$ 49	\$ 381
2027	182	59	241
2028	44	38	82
2029	39	37	76
2030	41	34	75
Thereafter	3,345	251	3,596
	<u>3,983</u>	<u>468</u>	<u>4,451</u>
Less imputed interest	—	116	116
	<u>\$ 3,983</u>	<u>\$ 352</u>	<u>\$ 4,335</u>

9. INTEREST RATE SWAPS

At June 30, 2025, BSW Health, SWH and BHCS (collectively, the “BSWH Swap Entities”) had fifteen interest rate swap agreements with a total notional amount of approximately \$568 million comprised of approximately \$315 million in notional fixed payer swaps held by BSW Health, approximately \$64 million in notional fixed payer swaps held by BHCS, and approximately \$189 million in notional fixed payer swaps held by SWH.

Net settlements paid on interest rate swap agreements totaled approximately \$4 million and \$2 million for years ended June 30, 2025 and 2024, 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 \$0 and \$21 million for the fiscal years ended June 30, 2025 and 2024, respectively.

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

The following table summarizes the fair value of interest rate swaps, by counterparty, as of June 30, 2025 and 2024 (in millions):

	Notional* Amount	Fair Value	
		2025	2024
Bank of America, N.A.	\$ 64	\$ (9)	\$ (9)
Citibank, N.A.	86	(8)	(8)
Goldman Sachs Bank, USA	229	(31)	(31)
JPMorgan Chase Bank, N.A.	133	(21)	(21)
Wells Fargo Bank, N.A.	56	(7)	(7)
Total interest rate swap liability	568	(76)	(76)
Interest rate swap collateral	—	—	—
Total interest rate swap liability, net	<u>\$ 568</u>	<u>\$ (76)</u>	<u>\$ (76)</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. Based on the average length of stay, the performance obligations for these contracts have a duration of less than one year and are

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

completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Because all of its performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in ASC 606 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. 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.

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 \$13 million and \$33 million for the years ended June 30, 2025 and 2024, 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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**BAYLOR SCOTT & WHITE HEALTH
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Notes to Consolidated Financial Statements - continued

The estimated amount of net patient care revenue, net of all price concessions for the years ended June 30, 2025 and 2024, disaggregated by major service lines, is as follows (in millions):

	2025	2024
Inpatient	\$ 5,139	\$ 4,498
Outpatient	8,349	7,549
Total	\$ 13,488	\$ 12,047

Medicaid Supplemental Payments

The Section 1115 Waiver Program, known as the Texas Healthcare Transformation and Quality Improvement Program, was established to replace previous Upper Payment Limit funding and expand managed care across Texas. This program, approved by the Centers for Medicare & Medicaid Services (CMS), initially provided supplemental funding through an uncompensated care pool and formerly through a delivery system reform incentive pool (DSRIP). The DSRIP program ended in September 2021, transitioning to integrated directed payment programs, while audits and wind-down activities continue.

CMS initially approved the waiver for a limited period, but subsequent extensions have kept it active through September 2030. Legal challenges arose when CMS rescinded a ten-year extension in 2021, prompting litigation by the Texas Attorney General. A federal injunction preserved the extension during litigation, and CMS ultimately withdrew its revocation in April 2022, allowing the waiver's extension to remain in effect. Throughout this period, BSWH hospitals have participated in the program, engaging in various affiliation agreements with county hospital districts to secure supplemental Medicaid payments.

BSWH hospitals have continued to participate in county-level Local Provider Participation Fund (LPPF) programs, authorized by statutes adopted by the Texas Legislature, which require mandatory payments from non-public hospitals and use those funds as the non-federal share for supplemental Medicaid payments. The programs where BSWH hospitals participate include the following counties or county hospital districts: Dallas, Tarrant, Ellis, Collin, Denton, McLennan, Bell, Williamson, Brazos, Burnet, Travis, Hays, Grayson, and Smith.

For the years ended June 30, 2025 and 2024, as a result of their participation in the Waiver Program and directed payment programs, these BSWH hospitals have recognized Medicaid supplemental payments, as net patient care revenue, totaling approximately \$873 million and

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

\$507 million, respectively. These payments are contingent on achieving required metrics and are subject to extensive federal and state regulations.

Settlements relating to these payments involving third-party payors 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, metrics, 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. These settlements are complex and are often subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount. These initial estimates are revised, as needed, until finally reconciled.

BSWH hospitals have incurred expenditures through their participation in LPPF programs, totaling approximately \$334 million and \$279 million for the years ended June 30, 2025, and 2024, respectively.

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 \$391 million and \$378 million for the years ended June 30, 2025 and 2024, 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.

**BAYLOR SCOTT & WHITE HEALTH
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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 \$182 million and \$170 million for the years ended June 30, 2025 and 2024, respectively, and are included in salaries, wages, and employee benefits in the accompanying consolidated statements of operations and changes in net assets.

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

Expenses related to providing these services are as follows for the years ended June 30, 2025 and 2024 (in millions):

	2025				
	Patient Care	Education and Research	Health Plan	General and Administrative	Total
Salaries, wages, and employee benefits	\$ 6,168	\$ 167	\$ 102	\$ 605	\$ 7,042
Supplies	2,593	3	—	119	2,715
Other operating expenses	2,226	108	325	867	3,526
Medical claims	—	—	1,654	—	1,654
Tangible and intangible asset related expenses	268	—	1	259	528
Interest	87	—	—	40	127
Total	\$ 11,342	\$ 278	\$ 2,082	\$ 1,890	\$ 15,592
	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

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

Notes to Consolidated Financial Statements - continued

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. The basis difference between the System's carrying amount and the proceeds received or paid in each transaction is recorded as an adjustment to the System's net assets. 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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**BAYLOR SCOTT & WHITE HEALTH
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Notes to Consolidated Financial Statements - continued

The activity for net assets without donor restrictions presented as attributable to BSWH and noncontrolling interests - nonredeemable for the years ended June 30, 2025 and 2024 is summarized below (in millions):

	Attributable to BSWH	Noncontrolling Interest- Nonredeemable	Total Net Assets Without Donor Restrictions
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
Revenue and gains in excess of expenses and losses	2,521	219	2,740
Net assets released from restrictions for capital expenditures	18	—	18
Distributions to noncontrolling interests	—	(230)	(230)
Purchases of noncontrolling interests	—	(1)	(1)
Other changes in noncontrolling interests	75	(4)	71
Revenue and gains in excess of expenses and losses attributable to noncontrolling interests - redeemable	(380)	—	(380)
Other	1	—	1
Change in net assets without donor restrictions	2,235	(16)	2,219
Balance, as of June 30, 2025	\$ 12,298	\$ 674	\$ 12,972

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

The activity for noncontrolling interests - redeemable for the years ended June 30, 2025 and 2024 is summarized below (in millions):

Balance, as of June 30, 2023	\$ 636
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	\$ 393
Net income attributable to noncontrolling interests - redeemable	380
Distributions to noncontrolling interests	(394)
Purchases of noncontrolling interests	(10)
Sales of noncontrolling interests	18
Other changes	(67)
Balance, as of June 30, 2025	\$ 320

15. ENDOWMENTS

The System's endowments consist of board-designated and donor-restricted 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

**BAYLOR SCOTT & WHITE HEALTH
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- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the System and
- 7) The investment policies of the System

Endowment fund composition by type of fund as of June 30, 2025 and 2024, is as follows (in millions):

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 10	\$ —	\$ 10
Donor-restricted endowment funds	—	506	506
Total endowment funds	\$ 10	\$ 506	\$ 516

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

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

Changes in endowment funds for the years ended June 30, 2025 and 2024 are as follows (in millions):

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, as of June 30, 2024	\$ 10	\$ 465	\$ 475
Investment income and realized gains	—	45	45
Net appreciation and unrealized gains	—	10	10
Gifts	—	5	5
Appropriation of endowment assets for expenditure	—	(21)	(21)
Other	—	2	2
Endowment funds, as of June 30, 2025	\$ 10	\$ 506	\$ 516

	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

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**BAYLOR SCOTT & WHITE HEALTH
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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, 2025 and 2024 is as follows (in millions):

	2025	2024
Education	\$ 145	\$ 142
Research	78	77
Patient care	69	65
General operations	2	2
Total	<u>\$ 294</u>	<u>\$ 286</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 2025 and 2024 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 endowments 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 considers the long-term expected return on its endowments. Accordingly,

BAYLOR SCOTT & WHITE HEALTH AND ITS CONTROLLED AFFILIATES

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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 HEALTH 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 \$4 million and \$3 million at June 30, 2025 and 2024, 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 both 2025 and 2024. 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, 2025 and 2024, 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

Baylor Scott & White Medical Center – Frisco at PGA Parkway

In July 2025, BSWGNT opened Baylor Scott & White Medical Center – Frisco at PGA Parkway, an 84-bed hospital in North Texas. The hospital is a full-service hospital serving patients in Collin County.

BSW Geode JV, LLC

On August 1, 2025, BSW Geode JV, LLC (Geode), a Texas Limited Liability Company, was formed between BSWHE and Geode Health Inc. (Geode Health), a Delaware corporation. BSWHE has a majority ownership of 51% in Geode, with 49% minority ownership by Geode Health. The purpose of this partnership is to develop, acquire, own, operate, and manage ambulatory care centers, providing mental health and substance use disorder services to its patients. Purchase price accounting is still ongoing and was not finalized at the date the financial statements were issued.

The System has performed an evaluation of subsequent events through October 31, 2025, 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.

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Supplemental Unaudited Information

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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 \$1,226 million and \$1,400 million for the years ended June 30, 2025 and 2024, 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 Health

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 Health and its controlled affiliates (the “Company”), which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statement 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 October 31, 2025.

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.

PricewaterhouseCoopers LLP

Dallas, Texas
February 19, 2026



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 Health

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Baylor Scott & White Health 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, 2025. 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, 2025.

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.

PricewaterhouseCoopers LLP

Dallas, Texas
February 19, 2026

**Baylor Scott & White Health and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025**

<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)							
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	\$ 1,590,275	\$ —			\$ 1,590,275	\$ 92,351
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	—	130,108	Kessler Foundation, Inc.	40645-02	130,108	—
Centers for Disease Control and Prevention							
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185	1,505,124	—			1,505,124	—
Occupational Safety and Health Program	93.262	580,614	—			580,614	131,645
Emerging Infections Programs	93.317	—	9,439	United Way of the Greater Fort Hood Area	5611/2-554-01	9,439	—
Substance Abuse and Mental Health Services Administration							
Opioid STR	93.788	122,023	—			122,023	—
Opioid STR	93.788	—	11,214	The University of Texas at Austin	UTAUS-SUB00001698	11,214	—
Opioid STR	93.788	—	17,500	The University of Texas at Austin	UTAUS-SUB00000383	17,500	—
National Institutes of Health							
Human Genome Research	93.172	—	45,474	Duke University	A032838	45,474	—
Research Related to Deafness and Communication Disorders	93.173	—	10,273	Baylor University	102729-01	10,273	—
Mental Health Research Grants	93.242	—	1,117	Kaiser Foundation Research Institute	RNG210280-BUDG01	1,117	—
Mental Health Research Grants	93.242	—	54,779	Dimagi	2R44MH130305-02	54,779	—
Alcohol Research Programs	93.272	—	41,839	University of Washington	UWSC15175	41,839	—
Drug Use and Addiction Research Programs	93.279	—	9,502	Kaiser Foundation Research Institute	RNG210715-BRI-01	9,502	—
Minority Health and Health Disparities Research	93.307	—	284,915	The University of Texas at Arlington	2022GC1668	284,915	—
Minority Health and Health Disparities Research	93.307	—	23,094	COG Analytics, LLC	11206-S	23,094	—
Trans-NIH Research Support	93.310	—	1,925,793	Michigan State University d/b/a Henry Ford Health+Michigan State University Health	RC115771-Baylor	1,925,793	—
Trans-NIH Research Support	93.310	—	(51,207)	Henry Ford Health System	B11170BRI	(51,207)	—
National Center for Advancing Translational Sciences	93.350	—	6,256	National Jewish Health	20115904	6,256	—
Cancer Cause and Prevention Research	93.393	—	37,851	Baylor College of Medicine	7000001753	37,851	—

**Baylor Scott & White Health and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2025**

<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>
Cancer Detection and Diagnosis Research	93.394	\$ —	\$ 98,892	Baylor College of Medicine	PO700000759	\$ 98,892	\$ —
Cancer Detection and Diagnosis Research	93.394	—	(1,514)	Mayo Clinic	BAY-285429/ PO#68198995	(1,514)	—
Cancer Detection and Diagnosis Research	93.394	—	(17,516)	Baylor College of Medicine	7000000838	(17,516)	—
Cancer Detection and Diagnosis Research	93.394	—	8,630	Case Western Reserve University	RES600955	8,630	—
Cancer Treatment Research	93.395	(2,300)	—			(2,300)	—
Cancer Biology Research	93.396	—	2,286	Baylor College of Medicine	7000000928	2,286	—
Cardiovascular Diseases Research	93.837	—	35,071	UT Southwestern Medical Center	GMO230621	35,071	—
Cardiovascular Diseases Research	93.837	—	10,072	UT Southwestern Medical Center	GMO 251017 PO000003561	10,072	—
Cardiovascular Diseases Research	93.837	—	16,201	Trustees of Indiana University	9575	16,201	—
Cardiovascular Diseases Research	93.837	—	121,611	The Icahn School of Medicine at Mount Sinai	0255-A342-4605 0255-A346-4609 0255-A349-4609	121,611	—
Cardiovascular Diseases Research	93.837	—	39,693	New York University, on behalf of its Grossman School of Medicine	23-A0-00-1010576	39,693	—
Cardiovascular Diseases Research	93.837	—	5,800	Duke University	SPS-277265 WBSE-303001994	5,800	—
Cardiovascular Diseases Research	93.837	—	3,600	Duke University	A035535	3,600	—
Cardiovascular Diseases Research	93.837	—	17,369	Aventusoft	HT-17-VV-020	17,369	—
Cardiovascular Diseases Research	93.837	—	(32,742)	Northwestern University	60060152BAY	(32,742)	—
Lung Diseases Research	93.838	—	111,000	The Icahn School of Medicine at Mount Sinai	Pro00045358	111,000	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	134,846	—			134,846	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	21,350	George Washington University	S-GRD1718-LL4	21,350	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	6,810	The University of Texas at Arlington	2024GC0312	6,810	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	59,421	The Regents of the University of California, San Francisco	14940sc	59,421	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	45,524	Vanderbilt University Medical Center	VUMC119972	45,524	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	53,568	University of Colorado Denver - Anschutz Medical Center	FY23.1035.008	53,568	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	5,604	Regents of the University of Minnesota	N005115001	5,604	—
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	—	233,850	Trustees of the University of Pennsylvania	584798	233,850	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	207,704	The University of Texas at Dallas	2109689 23011288	207,704	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	173,671	The Ohio State University	GR125941 SPC-1000006083	173,671	—
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	—	6,453	National Coordinating Center University of Cincinnati	011337-136955	6,453	—

**Baylor Scott & White Health and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2025**

<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>
Allergy and Infectious Diseases Research	93.855	\$ —	\$ 3,209	The General Hospital Corporation d/b/a Massachusetts General Hospital	232561	\$ 3,209	\$ —
Allergy and Infectious Diseases Research	93.855	—	44,943	Trustees of the University of Pennsylvania	586483 501348	44,943	—
Aging Research	93.866	319,402	—			319,402	217,293
Aging Research	93.866	—	6,335	Johns Hopkins Institute	2003455946	6,335	—
Aging Research	93.866	—	(568)	The Regents of the University of California	1558GWA346	(568)	—
Aging Research	93.866	—	82,053	The Trustees of Columbia University in the City of New York	1(GG015357-01) 1(GG020062-01)	82,053	—
Aging Research	93.866	—	10,680	Baylor University	1001587-03	10,680	—
Aging Research	93.866	—	7,958	The Board of Regents of the University of Oklahoma Health Sciences Center	RS20250066-04	7,958	—
Aging Research	93.866	—	85,550	The Regents of the University of California, San Francisco	14914sc	85,550	—
Aging Research	93.866	—	19	Baylor Research	1001124-02	19	—
Aging Research	93.866	—	56,627	Duke University	A032814	56,627	—
Total Department of Health and Human Services		<u>4,249,984</u>	<u>4,090,761</u>			<u>8,340,745</u>	<u>441,289</u>
UNITED STATES DEPARTMENT OF DEFENSE							
Military Medical Research and Development	12.420	1,533,192	—			1,533,192	340,369
Military Medical Research and Development	12.420	—	378,193	Rehabilitation Institute of Chicago d/b/a Shirley Ryan AbilityLab	86037_Grant-000853_Baylor	378,193	—
Military Medical Research and Development	12.420	—	11,550	Icahn School of Medicine at Mount Sinai	0258-A921-4605	11,550	—
Military Medical Research and Development	12.420	—	147,911	University of Kansas Medical Center Research Institute, Inc.	AWD10000282	147,911	—
Military Medical Research and Development	12.420	—	323,575	The University of Texas at Dallas	23010962	323,575	—
Research and Technology Development	12.910	—	(6,757)	The University of Texas at Dallas	1604551	(6,757)	—
Total United States Department of Defense		<u>1,533,192</u>	<u>854,472</u>			<u>2,387,664</u>	<u>340,369</u>
Total Research and Development - Cluster		<u>5,783,176</u>	<u>4,945,233</u>			<u>10,728,409</u>	<u>781,658</u>
WIOA - CLUSTER							
DEPARTMENT OF LABOR							
WIOA Dislocated Worker Formula Grants	17.278	—	222,000	Texas Workforce Commission	0623AHC001	222,000	—
Total WIOA - Cluster		<u>—</u>	<u>222,000</u>			<u>222,000</u>	<u>—</u>

**Baylor Scott & White Health and Its Controlled Affiliates
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2025**

<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>
477 - CLUSTER							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Temporary Assistance for Needy Families	93.558	\$ —	\$ 710,820	Texas Department of Family and Protective	HHS000791900008	\$ 710,820	\$ —
Total 477 - Cluster		<u>—</u>	<u>710,820</u>			<u>710,820</u>	<u>—</u>
OTHER SPONSORED PROGRAMS							
DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Poison Center Support and Enhancement Grant	93.253	239,686	—			239,686	—
Community-Based Child Abuse Prevention Grants	93.590	—	370,000	Texas Department of Family and Protective Services	HHS000791900008	370,000	—
Total Department of Health and Human Services		<u>239,686</u>	<u>370,000</u>			<u>609,686</u>	<u>—</u>
DEPARTMENT OF HOMELAND SECURITY							
Assistance to Firefighters Grant	97.044	—	3,000	Project #668		3,000	—
DEPARTMENT OF JUSTICE							
Crime Victim Assistance	16.575	—	209,667	Texas Office of the Governor - Criminal Justice Division	3590405 3590406	209,667	—
DEPARTMENT OF LABOR							
Registered Apprenticeship	17.285	—	111,334	Texas Workforce Commission	0623AHC001	111,334	—
Total Other Sponsored Programs		<u>239,686</u>	<u>694,001</u>			<u>933,687</u>	<u>—</u>
TOTAL FEDERAL AWARD EXPENDITURES		<u>\$ 6,022,862</u>	<u>\$ 6,572,054</u>			<u>\$ 12,594,916</u>	<u>\$ 781,658</u>

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

Note to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2025

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of Baylor Scott & White Health 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.

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

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2025

Part I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements Section

Type of auditor's report issued: *unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses yes none reported
- Noncompliance material to financial statements noted yes no

Federal Awards Section

Internal control over major programs

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? yes 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 no

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

Schedule of Findings and Questioned Costs – continued

For the Year Ended June 30, 2025

Identification of major Federal Awards:

<u>Program Numbers</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development Cluster
17.278, 17.285 (one program)	WIOA Cluster and Registered Apprenticeship

The dollar threshold used to distinguish between Type A and Type B programs \$ 750,000

Auditee qualified as a low risk auditee. x 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 HEALTH
AND ITS CONTROLLED AFFILIATES**

Summary Schedule of Prior Audit Findings and Status

For the Year Ended June 30, 2025

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