

# **Novant Health, Inc. and Affiliates**

**Consolidated Financial Statements and  
Supplemental Information  
December 31, 2025 and 2024**

**Novant Health, Inc. and Affiliates**  
**Index**  
**December 31, 2025 and 2024**

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## Report of Independent Auditors

To the Board of Trustees of Novant Health, Inc.

### ***Opinion***

We have audited the accompanying consolidated financial statements of Novant Health, Inc. and Affiliates (the "Company"), which comprise the consolidated balance sheets as of December 31, 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 financial position of the Company as of December 31, 2025 and 2024, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

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

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

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

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

In performing an audit in accordance with US GAAS, we:

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

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

*PricewaterhouseCoopers LLP*

Charlotte, North Carolina  
April 10, 2026

**Novant Health, Inc. and Affiliates**  
**Consolidated Balance Sheets**  
**December 31, 2025 and 2024**

*(in thousands of dollars)*

	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 945,590	\$ 644,080
Accounts receivable, net	1,245,062	1,354,734
Short-term investments	65,317	193
Current portion of assets limited as to use	49,675	16,297
Receivable for settlement with third-party payors	295,606	333,963
Other current assets	581,488	560,940
Total current assets	<u>3,182,738</u>	<u>2,910,207</u>
Assets limited as to use	399,305	302,213
Long-term investments	4,730,369	3,835,982
Property and equipment, net	4,226,658	3,687,042
Right-of-use assets, net	907,046	639,098
Intangible assets and goodwill, net	3,898,434	2,980,125
Investments in affiliates	154,765	384,981
Deferred tax asset	252	522
Other assets	309,527	285,932
Total assets	<u>\$ 17,809,094</u>	<u>\$ 15,026,102</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current portion of long-term debt	\$ 54,476	\$ 51,851
Short-term borrowings	453,993	-
Accounts payable	402,006	453,442
Accrued liabilities	1,031,158	938,464
Current portion of operating lease liabilities	151,342	119,925
Estimated third-party payor settlements	133,818	170,994
Total current liabilities	<u>2,226,793</u>	<u>1,734,676</u>
Long-term debt, net of current portion	5,230,286	5,245,330
Deferred tax liability	31,558	10,250
Operating lease liabilities, net of current portion	799,732	550,096
Derivative financial instruments	8,872	7,491
Deferred revenue	794,673	-
Employee benefits and other liabilities	496,314	491,286
Total liabilities	<u>9,588,228</u>	<u>8,039,129</u>
Commitments and contingencies		
Net assets		
Without donor restrictions - attributable to Novant Health	7,978,791	6,804,014
Without donor restrictions - noncontrolling interests	118,360	65,664
Total net assets without donor restrictions	<u>8,097,151</u>	<u>6,869,678</u>
With donor restrictions	123,715	117,295
Total net assets	<u>8,220,866</u>	<u>6,986,973</u>
Total liabilities and net assets	<u>\$ 17,809,094</u>	<u>\$ 15,026,102</u>

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

**Novant Health, Inc. and Affiliates**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended December 31, 2025 and 2024**

*(in thousands of dollars)*

	2025	2024
<b>Total operating revenues, gains, and other support</b>		
Net patient service revenues	\$ 9,880,364	\$ 8,971,524
Other revenue and gains	2,028,609	1,202,094
Total operating revenues, gains, and other support	<u>11,908,973</u>	<u>10,173,618</u>
<b>Operating expenses</b>		
Salaries and employee benefits	5,692,009	4,953,533
Supplies and other	5,094,844	4,165,550
Depreciation and amortization expense	344,924	318,330
Gain on sale of property and equipment	(3,530)	(21,860)
Interest expense	204,088	201,749
Total operating expenses, net	<u>11,332,335</u>	<u>9,617,302</u>
Operating income	576,638	556,316
<b>Non-operating income (expense)</b>		
Investment income	604,842	358,927
Income tax benefit (expense)	(18,599)	5,182
Other net periodic pension benefits (costs)	25	(654)
Excess of revenues over expenses	<u>\$ 1,162,906</u>	<u>\$ 919,771</u>
<b>Other changes in net assets without donor restrictions</b>		
Change in net assets due to purchase of consolidated affiliates	72,604	71,877
Amortization of deferred loss on derivative financial instruments	1,828	2,991
Change in net assets due to sale of consolidated affiliate	-	1,370
Change in funded status of defined benefit plans	-	389
Other changes in net assets without donor restrictions	(9,865)	(2,790)
Increase in net assets without donor restrictions	<u>1,227,473</u>	<u>993,608</u>
<b>Net assets with donor restrictions</b>		
Contributions and investment income	32,920	21,783
Net assets released from restrictions for operations	(26,500)	(10,590)
Increase in net assets with donor restrictions	<u>6,420</u>	<u>11,193</u>
Increase in total net assets	1,233,893	1,004,801
Net assets, beginning of period	6,986,973	5,982,172
Net assets, end of period	<u>\$ 8,220,866</u>	<u>\$ 6,986,973</u>

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

**Novant Health, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

*(in thousands of dollars)*

	2025	2024
<b>Cash flows from operating activities</b>		
Increase in total net assets	\$ 1,233,893	\$ 1,004,801
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	336,295	317,628
Gain on sale of property and equipment	(3,530)	(21,860)
Change in net assets due to sale of consolidated affiliate	-	(1,370)
Change in net assets due to purchase of consolidated affiliate	(72,604)	(71,877)
Gain on purchase of consolidated affiliate	(117,000)	-
Gain on sale of consolidated entities	-	(868)
Share of earnings in affiliates, net of distributions	2,882	34,705
Net realized and unrealized gains on assets limited as to use and investments	(522,847)	(285,523)
Change in fair value of interest rate swap	1,381	(4,763)
Contributions restricted for capital	(3,629)	(4,069)
Changes in operating assets and liabilities, net of assets acquired and liabilities assumed		
Accounts receivable	99,665	(258,663)
Accounts payable and accrued liabilities	(36,440)	193,475
Long-term liabilities	7,937	13,409
Other current assets	10,417	(13,040)
Deferred revenue	794,673	-
Third-party payor settlements, net	1,181	(253,146)
Deferred taxes, net	21,578	(1,634)
Other long-term assets	85,374	(96,937)
Other assets and liabilities, net	44,592	(2,511)
Net cash provided by operating activities	<u>1,883,818</u>	<u>547,757</u>
<b>Cash flows from investing activities</b>		
Capital expenditures	(815,544)	(564,088)
Advance payments on capital expenditures	(92,598)	-
Proceeds from sales of long-term investments	1,975,449	1,441,614
Purchases of long-term investments	(2,359,857)	(1,528,478)
Proceeds from sales of short-term investments	-	10,908
Purchases of short-term investments	(65,194)	-
Proceeds from sale of property and equipment	10,943	65,942
Payments on purchase of consolidated entities, net of cash acquired	(593,047)	(2,615,786)
Proceeds on sale of consolidated entities, net of cash disposed	-	2,806
Proceeds on sale of unconsolidated affiliates	35,366	-
Investments in unconsolidated affiliates	(11,399)	(22,598)
Other investing activities	(4,513)	453
Net cash used in investing activities	<u>(1,920,394)</u>	<u>(3,209,227)</u>

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

**Novant Health, Inc. and Affiliates**  
**Consolidated Statements of Cash Flows, continued**  
**Years Ended December 31, 2025 and 2024**

(in thousands of dollars)

	2025	2024
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(19,178)	(46,501)
Proceeds from long-term debt	-	2,445,295
Proceeds from sale of accounts receivable	13,943	23,490
Proceeds from repurchase agreements, net	104,828	-
Payments on short-term debt	(47,111)	(2,360,000)
Proceeds from issuance of short-term debt	396,276	2,360,000
Proceeds from revolving credit facility	202,350	212,500
Payments on revolving credit facility	(202,350)	(258,325)
Proceeds from real estate financing	-	288,659
Other financing activities	3,629	1,105
Net cash provided by financing activities	<u>452,387</u>	<u>2,666,223</u>
Net increase in cash, cash equivalents and restricted cash	415,811	4,753
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of period	<u>877,832</u>	<u>873,079</u>
End of period	<u>\$ 1,293,643</u>	<u>\$ 877,832</u>

	2025	2024
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	\$ 215,119	\$ 191,115
Income taxes paid	360	577
<b>Supplemental disclosure of noncash financing and investing activities</b>		
Property and equipment financed through current liabilities	80,324	117,616

The following table reconciles cash and cash equivalents on the consolidated balance sheets to cash, cash equivalents and restricted cash on the consolidated statements of cash flows:

	2025	2024
Cash and cash equivalents	\$ 945,590	\$ 644,080
Restricted cash included in assets limited as to use:		
Held by trustee	81,599	-
Nonqualified plans	14,606	12,689
Transition stabilization escrow	29,234	32,211
Other	7,956	10,654
Cash and cash equivalents included in long-term investments	<u>214,658</u>	<u>178,198</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 1,293,643</u>	<u>\$ 877,832</u>

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

# Novant Health, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### December 31, 2025 and 2024

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*(in thousands of dollars)*

#### 1. Reporting Entity

Novant Health, Inc. (“Novant Health” or the “Company”) is a not-for-profit integrated network of more than 900 locations, including 19 medical centers, more than 750 physician clinics and urgent care centers, outpatient facilities, and imaging and pharmacy services. Novant Health’s more than 40,000 team members along with more than 8,500 independent and employed clinicians care for patients and communities in North Carolina and South Carolina.

#### 2. Summary of Significant Accounting Policies

##### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of Novant Health and all affiliates controlled by the Company. All intercompany transactions and balances have been eliminated.

##### **Use of Estimates**

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

Significant estimates include, but are not limited to, accounts receivable price concessions, third-party payor settlements, goodwill and intangible asset valuation and subsequent recoverability, useful lives of intangible assets and property and equipment and medical and professional liability and other self-insurance accruals related assumptions.

##### **Fair Value of Financial Instruments**

The fair value of financial instruments approximates the carrying amount reported in the consolidated balance sheets for cash and cash equivalents, investments other than alternatives, assets limited as to use and interest rate swaps.

##### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding amounts limited as to use by board designation, donors or trustees and certain amounts that are reported as long-term investments.

##### **Restricted Cash**

Novant Health holds cash that is restricted by the Company to purchase investments, pay participants in the Company’s nonqualified plan, and make payments related to the transition stabilization fund. Restricted cash balances were \$348,053 and \$233,752 as of December 31, 2025 and 2024 respectively, and are classified as current or long-term, consistent with the nature of their intended use based on the restrictions.

# Novant Health, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### December 31, 2025 and 2024

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*(in thousands of dollars)*

#### **Accounts Receivable**

Accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients. Novant Health manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. Amounts the Company receives for treatment of patients covered by governmental programs and third-party payors as well as directly from patients are subject to both explicit and implicit price concessions. The Company estimates these price concessions using contractual agreements, discount policies, historical experience as well as current and expected future economic conditions. Novant Health records price concessions in the period of service based on the analysis and consideration of these factors.

#### **Leases**

Novant Health leases property and equipment under finance and operating leases and determines if an arrangement is a lease at the inception of the contract. Right-of-use assets represent the Company's right to use the underlying assets for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the leases. For leases with terms greater than 12 months, the related right-of-use assets and liabilities are recorded at the present value of lease payments over the term. Many of the Company's leases include rental escalation clauses and renewal options that are factored into our determination of lease payments when appropriate. The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of the lease payment.

#### **Other Current Assets**

Other current assets include supplies (which primarily consist of hospital and medical supplies and pharmaceuticals), prepaid expenses and other receivables. Supply costs are determined primarily using the average cost method and are stated at the lower of cost or net realizable value.

#### **Investments**

Debt investments are classified as trading securities. All debt investments are designated as trading at the time of acquisition. Unrealized gains and losses on debt and equity investments are included in excess of revenues over expenses, unless the income or loss is restricted by donor or law. Long-term investments are classified as noncurrent assets as the Company does not expect to use these funds to meet its current liabilities.

Investments in equity and debt securities with readily determinable fair values are measured at fair value based on prices obtained on active markets or exchanges. The Company also invests in alternative and private equity investments through funds structured as limited liability partnerships ("LLPs"), limited liability companies ("LLCs") and corporations. These investments are recorded using the equity method, with the values provided by the respective partnership, LLC or corporation based on market value or other estimates that require varying degrees of judgment. The Company also has certain investments that are reported at net asset value ("NAV") as a practical expedient as permitted under GAAP. Novant Health believes the NAV reported at the end of the period is representative of the price we would receive if we sold the investment. For all of the Company's long-term investments, the related earnings are reported as investment income in the consolidated statements of operations and changes in net assets. At December 31, 2025 and 2024, the Company held \$123,650 and \$56,750, respectively, of long-term investments that were accounted for at cost less impairment with adjustments made for any observable price changes resulting from an orderly transaction for the identical or a similar investment of the same issuer.

**Novant Health, Inc. and Affiliates**  
**Notes to Consolidated Financial Statements**  
**December 31, 2025 and 2024**

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*(in thousands of dollars)*

The determination of any other-than-temporary impairment (“OTTI”) of the Company’s equity method hedge funds and private equity fund investments is based upon periodic evaluations and assessments of known and inherent risks associated with the respective asset class. The Company updates its evaluations regularly and recognizes OTTI as conditions change and new information becomes available. OTTI is included in investment income in the consolidated statements of operations and changes in net assets. There was no OTTI for the years ended December 31, 2025 and 2024.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the investment balances included in the consolidated financial statements.

**Assets Limited as to Use**

Assets limited as to use are reported at fair value and primarily include assets held by trustees, funds designated for wind down expenses related to an acquisition (transition stabilization fund), bond sinking fund, and assets designated for specific purposes by the Board of Trustees.

**Derivatives**

The Company selectively enters into interest rate protection agreements to mitigate changes in interest rates on variable rate borrowings. The notional amounts of such agreements are used to measure the interest to be paid or received and do not represent the amount of exposure to loss. None of these agreements are used for speculative or trading purposes.

Derivatives are recognized on the consolidated balance sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. The Company formally documents the hedging relationships at inception of the contract for derivative transactions, including identifying the hedge instruments and hedged items, as well as the risk management objectives and strategies for entering into the hedge transaction. At inception and on a quarterly basis thereafter, the Company assesses the effectiveness of derivatives used to hedge transactions. If a cash flow hedge is deemed highly effective, the change in fair value is recorded as a change in net assets without donor restrictions. The change in fair value of derivatives that do not qualify for hedge accounting is recognized in excess of revenues over expenses.

**Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at fair value at the date of donation, if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the lease or the useful life of the asset, whichever is shorter.

# Novant Health, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### December 31, 2025 and 2024

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*(in thousands of dollars)*

Following is a summary of the estimated useful lives used in computing depreciation:

Land improvements	5–45 years
Buildings	30–50 years
Machinery and equipment	3–15 years
Software	3–10 years
Furniture and fixtures	7–14 years

Maintenance and repairs of property and equipment are expensed in the period incurred. Replacements or improvements that increase the estimated useful life of an asset are capitalized. The Company also capitalizes the cost of software developed for internal use. Assets that are sold, retired or otherwise disposed of are removed from the respective asset cost and accumulated depreciation accounts and any gain or loss is included in the results of operations.

Gifts of long-lived assets such as land, buildings or equipment are excluded from excess of revenues over expenses and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

#### **Goodwill and Other Intangible Assets**

Goodwill represents the excess of the purchase price over the fair value of the net assets of acquired companies. Intangible assets generally represent the acquisition date fair value of certain rights or relationships obtained in such business acquisitions.

The Company considers certificates of need, which are required by certain states prior to the acquisition of high cost capital items, to be indefinite-lived intangible assets. During 2023, regulatory changes in states where the Company does business eliminated these requirements for certain types of equipment at dates in the future. As a result of these changes, these intangible assets now have estimated useful lives and are being amortized accordingly. The Company also has intangible assets with identifiable useful lives related to business acquisitions. These assets include business relationships and corporate trade names. In accordance with GAAP, the Company amortizes the cost of these intangible assets over their estimated useful lives.

Following is a summary of the estimated useful lives used in computing amortization:

Certificates of need	Based on state regulatory requirements
Business relationships	26 years
Corporate trade name	29 years

On October 1<sup>st</sup> each year, Novant Health tests goodwill and indefinite-lived assets for impairment. The Company has elected to evaluate goodwill triggering events at the end of each quarterly reporting period. If it is more likely than not that the indefinite-lived asset is impaired, additional testing for impairment is required. GAAP prescribes that impairment for indefinite-lived intangibles is evaluated

# Novant Health, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### December 31, 2025 and 2024

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*(in thousands of dollars)*

by comparing the fair value of the asset with its carrying amount. If the carrying amount exceeds the fair value, an impairment loss is recognized as the amount of that excess.

Impairment tests are performed at the reporting unit level for units that have goodwill. If it is more likely than not that the fair value of the reporting unit exceeds the carrying value of the reporting unit, additional impairment testing is not required. If it is more likely than not that the carrying value of the reporting unit exceeds the fair value of the reporting unit, additional testing for impairment is required. The first step is to determine if the carrying value of the reporting unit with goodwill is less than the related fair value of the reporting unit. The fair value of the reporting unit is determined through use of discounted cash flow methods and/or market based multiples of earnings and sales methods. If the carrying value of the reporting unit is less than the fair value of the reporting unit, the goodwill is not considered impaired. If the carrying value is greater than the fair value, the goodwill is considered impaired and an impairment charge is recorded for the amount by which the carrying value exceeds the fair value of the reporting unit.

#### **Investments in Affiliates**

Investments in entities which Novant Health does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method. Investments for which the Company does not have the ability to exercise significant influence are accounted for at fair value or, if fair value is not readily determinable, at cost less impairment with adjustments made for any observable price changes resulting from an orderly transaction for the identical or a similar investment of the same issuer. Distributions from affiliates which are considered a return on investment are shown as operating cash flows on the Company's consolidated statements of cash flows while distributions considered a return of investment are shown as investing cash flows on the Company's consolidated statements of cash flows.

#### **Other Assets**

Other assets consist primarily of notes and pledges receivable, prepaid construction, reinsurance receivables, deferred rent income and the cash surrender value of insurance policies.

#### **Compensated Absences**

The Company's employees earn paid time off at varying rates depending on years of service. Paid time off accumulates up to certain limits, at which time no additional hours can be earned. Provided this hourly limit is not met, employees can continue to accumulate hours and time can be carried over to future years. Accrued paid time off is included in accrued liabilities on the Company's consolidated balance sheets.

#### **Pension and Postretirement Benefit Plans**

Novant Health's defined benefit plans are measured using actuarial techniques that reflect management's assumptions for discount rate, investment returns on plan assets, salary increases, expected retirement, mortality, employee turnover and future increases in healthcare costs. The discount rate (which is required to be the rate at which the projected benefit obligation could be effectively settled as of the measurement date) is determined with the assistance of actuaries, who calculate the yield on a theoretical portfolio of high-grade corporate bonds (rated Aa or better) with cash flows that are designed to match expected benefit payments in future years. The expected rate of return is a judgmental matter which is reviewed on an annual basis and revised as appropriate. The accounting guidance related to employers' accounting for defined benefit pension and other

# Novant Health, Inc. and Affiliates

## Notes to Consolidated Financial Statements

### December 31, 2025 and 2024

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*(in thousands of dollars)*

postretirement plans requires recognition in the consolidated balance sheets of the funded status of these plans. The Company uses mark-to-market accounting and immediately recognizes changes in the fair value of plan assets and actuarial gains or losses in operating results.

#### **Self-Insurance Reserves**

The Company is self-insured for certain employee health benefit options, workers' compensation and malpractice. These costs are accounted for on an accrual basis to include estimates of future payments for claims incurred.

#### **Net Assets**

Net assets without donor restrictions include undesignated amounts as well as amounts designated by the board for a specific purpose. Net assets with donor restrictions are held by related foundations and consist primarily of amounts contributed to foundations by donors with purpose restrictions. The Company also has net assets with donor restrictions that are perpetual in nature. Earnings on these assets are available for use as specified by the donors.

#### **Contributions Received**

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition is met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as net assets released from restrictions, which is included in other operating revenue. Donor-restricted contributions whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

#### **Statement of Operations**

All activities of Novant Health deemed by management to be ongoing, major and central to the provision of healthcare services are reported as operating revenues and expenses. Other activities are deemed to be non-operating and include investment income, income tax benefit (expense) and other net periodic pension (costs) benefits.

Certain Novant Health hospitals receive supplemental Medicaid payments from the state of North Carolina through a federally approved directed payment program which was approved during 2023. This program, the North Carolina Healthcare Access and Stabilization Program ("NC HASP"), provides a funding model whereby hospitals are assessed an amount based on a percentage of their costs and are then paid supplemental amounts in an effort to reduce Medicaid losses. Novant Health records payments earned as net patient service revenue; assessments are recorded as supplies and other on the consolidated statements of operations and changes in net assets. These supplemental payments are recognized in income when earned, if reasonably estimable and deemed collectible. During 2025, Novant Health's North Carolina hospitals recorded net patient service revenue of \$919,529 and expensed assessments of \$252,071. Of these amounts, \$79,128 of revenue and \$14,754 of expense was related to a change in estimate of claims from 2024. During 2024, Novant Health's North Carolina hospitals recorded net patient service revenue of \$789,126 and expensed assessments of \$246,698. North Carolina hospitals also pay assessments to finance portions of North Carolina's Medicaid fee-for-

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service, general medical education and managed care program. Novant Health's North Carolina hospitals paid assessments of \$178,604 in 2025 and \$175,051 in 2024. The Medicaid program in the state of North Carolina was expanded on December 1, 2023. This expansion increases Medicaid access for individuals and families meeting certain criteria. North Carolina hospitals also pay assessments to finance this program. Novant Health's North Carolina hospitals paid \$81,531 in Medicaid expansion assessments in 2025 and \$76,532 in 2024.

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses include changes in net assets due to purchases and sales of consolidated affiliates, the change in funded status of defined benefit plans, and amortization of deferred loss on derivative financial instruments that apply hedge accounting.

#### **Other Revenue**

Other revenue consists primarily of pharmacy revenue, revenue from pay-for-performance contracts, FEMA revenue, earnings from investments in affiliates accounted for using the equity method of accounting, revenue from services agreements, net assets released from restriction, gain on sale of consolidated entities, gain on purchase of controlling interest, premium revenue, and rental income.

#### **Income Taxes**

Novant Health is classified as a nonprofit organization pursuant to Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on revenue earned from its tax-exempt purposes. Novant Health also operates various for-profit subsidiaries which operate in service lines that are complementary to the Company's tax-exempt purpose. Income from activities that are determined by IRS regulations to be unrelated to the tax-exempt purposes as well as income from activities of for-profit subsidiaries of the Company are subject to federal and state taxation.

The Company provides for income taxes using the asset and liability method. This approach recognizes the amount of federal, state and local taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequences of events recognized in the consolidated financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates in the period in which such laws or rates are enacted. A valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient future taxable income.

### **3. Organizational Changes**

#### **2025 Acquisitions**

On January 1, 2025, the Company purchased The Southeastern Spine Institute, LLC ("SSIP") for cash consideration of \$33,516. SSIP is a clinic in South Carolina that provides spine procedures including surgery and nonsurgical care, rehabilitation, pain management, physical therapy and advanced imaging.

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On January 15, 2025, the Company purchased a 65% ownership interest in Lowcountry Outpatient Surgery Center, LLC ("LOSC") for cash consideration of \$34,775. LOSC is a single-specialty outpatient surgery center in South Carolina.

On March 31, 2025, the Company purchased a diagnostic magnetic resonance imaging service line ("Clarity") consisting of both fixed-site MRI locations and mobile MRI units from OrthoCarolina, P.A. for cash consideration of \$100,000.

On June 30, 2025, the Company purchased a 61.8% ownership interest in Wilmington Surgery Center, L.P. ("WSC") for cash consideration of \$39,691. WSC is an outpatient surgery center with specialties in ophthalmology, orthopedics and otolaryngology services in North Carolina.

On September 17, 2025, the Company purchased the remaining 70% ownership interest in Norfolk Management Services, LLC ("NMS") for cash consideration of \$400,596 and non cash consideration of \$19,443. With the ownership of NMS, the Company obtained the remaining 49.9% of Novant Health-Norfolk, LLC ("NHN"). The Company owns 100% of both NMS and NHN. NMS provides management services of imaging operations and NHN owns the economic interest in North Carolina imaging centers. The transaction resulted in a gain of \$117,000, which is included in other revenue on the consolidated statements of operations and changes in net assets for the year ended December 31, 2025.

Throughout the year, the Company purchased varying ownership interests in several smaller entities ("Other"). On January 1, 2025, the Company purchased a 50.1% ownership interest in Surgical Investors & Advisors, LLC ("SIA") for cash consideration of \$9,369. SIA is a Georgia-based healthcare management company specializing in developing, operating and investing in ambulatory surgery centers. In June and July 2025, the Company purchased ownership interests in two entities that own and lease medical office buildings to the Company and third party tenants for cash consideration of \$15,852. On November 21, 2025, the Company purchased a 56% ownership interest in Center for Advanced Surgery, LLC ("CAS") for cash consideration of \$22,568. CAS is an outpatient surgery center which specializes in ophthalmic and neuro-spine surgeries, and pain management in South Carolina.

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The following table summarizes the preliminary allocation of consideration for all businesses acquired in 2025 to the fair values of identifiable assets acquired and liabilities assumed at the acquisition dates.

	SSIP	LOSC	Clarity	WSC	NMS	Other	Total
Cash and cash equivalents	\$ 1	\$ 1,034	\$ -	\$ 1,587	\$ 47,779	\$ 12,919	\$ 63,320
Accounts receivable	-	2,241	-	2,209	21,952	611	27,013
Other current assets	-	-	-	1,283	8,911	-	10,194
Property and equipment	743	395	1,462	10,496	65,350	14,322	92,768
Right-of-use assets	-	-	-	7,816	35,278	-	43,094
Goodwill	32,772	50,583	98,585	61,027	630,392	57,382	930,741
Intangible assets	-	-	-	-	-	194	194
Other assets	-	-	-	-	244	26	270
Total assets acquired	\$ 33,516	\$ 54,253	\$ 100,047	\$ 84,418	\$ 809,906	\$ 85,454	\$ 1,167,594
Current portion of long-term debt	\$ -	\$ 342	\$ -	\$ 1,151	\$ -	\$ -	\$ 1,493
Accounts payable	-	343	47	199	(2)	251	838
Accrued liabilities	-	5	-	1,343	23,314	-	24,662
Current portion of operating lease liabilities	-	-	-	573	7,362	-	7,935
Long-term debt, net of current portion	-	-	-	7,373	-	8,098	15,471
Operating lease liabilities, net of current portion	-	-	-	9,279	29,298	-	38,577
Employee benefits and other liabilities	-	63	-	246	9,430	-	9,739
Total liabilities assumed	\$ -	\$ 753	\$ 47	\$ 20,164	\$ 69,402	\$ 8,349	\$ 98,715
Net assets without donor restrictions - non-controlling interest	\$ -	\$ 18,725	\$ -	\$ 24,563	\$ -	\$ 29,316	\$ 72,604
Elimination of investment in affiliates	-	-	-	-	203,465	-	203,465
Gain on purchase of consolidating ownership interest	-	-	-	-	117,000	-	117,000
Total consideration	\$ 33,516	\$ 34,775	\$ 100,000	\$ 39,691	\$ 420,039	\$ 47,789	\$ 675,810

These acquired businesses contributed \$140,012 of operating revenues and \$21,973 in changes in net assets for the year ended December 31, 2025.

The following table provides certain unaudited pro forma information for Novant Health, Inc. as if the 2025 acquisitions had occurred at the beginning of the year ended December 31, 2024:

	2025	2024
Operating revenues and other support	\$ 12,084,301	\$ 10,694,647
Changes in net assets	1,169,692	1,036,963

**2024 Acquisitions**

On January 31, 2024, the Company purchased substantially all of the assets of three hospitals in South Carolina from Tenet Healthcare Corporation (“SC Coastal”). The purchase included Coastal Carolina Hospital, Hilton Head Hospital and East Cooper Medical Center, as well as affiliated physician practices and other related hospital operations. The adjusted purchase price of \$2,408,379 was partially financed with the proceeds of two short-term borrowings. In May 2024, long-term financing was issued and these short-term borrowings were repaid.

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On March 1, 2024, the Company purchased ownership interests of 51% and 70% of two surgery centers in South Carolina (“SC ASCs”) in exchange for cash consideration of \$58,846 and \$5,678, respectively.

On July 1, 2024, the Company purchased a 70% ownership interest in PPCP Endoscopy, LLC (“PPCP”) for cash consideration of \$6,643.

On November 1, 2024, the Company purchased UCI Medical Affiliates, Inc. (“UCI”) from BlueCross BlueShield of South Carolina for cash consideration of \$79,403. The purchase included 52 urgent care clinics and 20 physical therapy clinics.

On November 1, 2024, the Company purchased the remaining 50% ownership interest in South Atlantic Radiation Oncology, LLC (“SARO”) for cash consideration of \$60,729. This transaction resulted in a gain of \$10,058, which was recorded in other revenues and gains on the consolidated statement of operations and changes in net assets for the year ended December 31, 2024. Initial accounting for this acquisition is preliminary as of March 31, 2025, and amounts assigned to acquired assets and liabilities assumed are subject to change as information necessary to complete the analysis is obtained.

The following table summarizes the allocation of consideration for all businesses acquired in 2024 to the fair values of identifiable assets acquired and liabilities assumed at the acquisition dates.

	<u>SC Coastal</u>	<u>SC ASCs</u>	<u>PPCP</u>	<u>UCI</u>	<u>SARO</u>	<u>Total</u>
Cash and cash equivalents	\$ 4	\$ 2,677	\$ 416	\$ 6	\$ 789	\$ 3,892
Accounts receivable	60,871	2,834	-	-	-	63,705
Other current assets	39,416	454	-	3,990	6	43,866
Property and equipment	250,800	4,608	397	3,531	4,108	263,444
Right-of-use assets	28,351	5,969	3,833	44,766	-	82,919
Goodwill	2,040,093	119,589	8,383	73,169	55,754	2,296,988
Intangible assets	56,540	-	328	-	10,460	67,328
Other assets	223	-	-	-	-	223
Total assets acquired	<u>\$ 2,476,298</u>	<u>\$ 136,131</u>	<u>\$ 13,357</u>	<u>\$ 125,462</u>	<u>\$ 71,117</u>	<u>\$ 2,822,365</u>
Current portion of long-term debt	\$ -	\$ 1,191	\$ -	\$ -	\$ -	\$ 1,191
Accounts payable	36,124	1,412	34	-	-	37,570
Accrued liabilities	-	841	-	-	330	1,171
Current portion of operating lease liabilities	-	622	251	-	-	873
Long-term debt, net of current portion	-	2,039	-	-	-	2,039
Operating lease liabilities, net of current portion	30,697	6,530	3,581	44,766	-	85,574
Employee benefits and other liabilities	1,098	-	-	1,293	-	2,391
Total liabilities assumed	<u>\$ 67,919</u>	<u>\$ 12,635</u>	<u>\$ 3,867</u>	<u>\$ 46,059</u>	<u>\$ 330</u>	<u>\$ 130,810</u>
Net assets without donor restrictions - non-controlling interest	\$ -	\$ 58,972	\$ 2,847	\$ -	\$ -	\$ 61,819
Gain on purchase of consolidating ownership interest	-	-	-	-	10,058	10,058
Total consideration	<u>\$ 2,408,379</u>	<u>\$ 64,524</u>	<u>\$ 6,643</u>	<u>\$ 79,403</u>	<u>\$ 60,729</u>	<u>\$ 2,619,678</u>

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These acquired businesses contributed \$571,103 of operating revenues and \$126,989 in changes in net assets for the year ended December 31, 2024.

The following table provides certain unaudited pro forma information for Novant Health, Inc. as if the 2024 acquisitions had occurred at the beginning of the year ended December 31, 2023:

	<u>2024</u>	<u>2023</u>
Operating revenues and other support	\$ 10,370,493	\$ 8,961,548
Changes in net assets	986,113	585,409

#### 4. Revenue Recognition and Accounts Receivable

##### Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which Novant Health expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others. Generally, the Company bills the patient and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Novant Health believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. The Company measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Company does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the practical expedient provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Novant Health determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with Novant Health's policies and/or implicit price concessions provided to uninsured patients. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Company determines its estimate of implicit price concessions based on historical collection experience as well as expectations about current and future economic conditions. Agreements with

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third-party payors typically provide for payments at amounts less than established charges. For services provided under Medicare and Medicaid programs, inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient non-acute services, certain outpatient services and defined capital and medical education costs related to beneficiaries are paid based on a cost reimbursement methodology. Outpatient services are paid at a prospectively determined rate. Physician services are paid based upon established fee schedules. Novant Health is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by Novant Health and audits thereof by the fiscal intermediary. Payment arrangements with commercial insurance carriers include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge Novant Health's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Company. In addition, the contracts the Company has with commercial payors also provide for retroactive audit and review of claims.

Cost report settlements under reimbursement agreements with Medicare and Medicaid for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Company's historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments arising from a change in the transaction price were not significant in 2025 and 2024. As of December 31, 2025, the Company had a receivable of \$272,766, which represents an estimate of expected payments from the NC HASP program. This amount is included in receivable for settlement with third-party payors on the consolidated balance sheet. As of December 31, 2025, the Company had a payable of \$79,663, which represents an estimate of expected assessments for the NC HASP program. This amount is included in estimated third-party payor settlements on the consolidated balance sheet.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Novant Health also provides services to uninsured patients. The transaction price for both uninsured patients as well as insured patients with deductibles and coinsurance is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change. For the years ended December 31, 2025 and 2024, there were no material adjustments due to changes in estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the results of an adverse change in the patient's ability to pay are recorded as expected credit losses.

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These are reported as a component of supplies and other in the consolidated statements of operations and changes in net assets and were not significant for the years ended December 31, 2025 and 2024.

The composition of net patient service revenues by payor and type of service is as follows:

	<b>December 31, 2025</b>		
	<b>Acute Care Facilities</b>	<b>Outpatient Locations</b>	<b>Total</b>
Medicare	\$ 2,223,780	\$ 844,306	\$ 3,068,086
Medicaid	1,709,090	197,050	1,906,140
Managed care	2,974,506	1,504,730	4,479,236
Other	296,316	58,377	354,693
Self-pay	27,733	44,476	72,209
<b>Total</b>	<b>\$ 7,231,425</b>	<b>\$ 2,648,939</b>	<b>\$ 9,880,364</b>

  

	<b>December 31, 2024</b>		
	<b>Acute Care Facilities</b>	<b>Outpatient Locations</b>	<b>Total</b>
Medicare	\$ 2,048,657	\$ 730,416	\$ 2,779,073
Medicaid	1,461,691	157,388	1,619,079
Managed care	2,847,833	1,247,474	4,095,307
Other	351,646	39,108	390,754
Self-pay	59,132	28,179	87,311
<b>Total</b>	<b>\$ 6,768,959</b>	<b>\$ 2,202,565</b>	<b>\$ 8,971,524</b>

Novant Health has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Company's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Company does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Novant Health has a program of factoring certain patient receivables with recourse to a third-party. Novant Health is obligated to repurchase factored receivables upon occurrence of certain conditions of the program. Accordingly, the Company accounts for the factoring as a secured borrowing. The factored receivables are recorded at their estimated net realizable value and are shown as other assets in the consolidated balance sheets. An offsetting liability, representing Novant Health's potential recourse for these receivables, is part of employee benefits and other liabilities in the consolidated balance sheets. As of December 31, 2025, the factored notes and the related liabilities were \$39,848 and \$49,804, respectively. As of December 31, 2024, the factored notes and the related liabilities were \$46,230 and \$57,791, respectively.

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**Other Revenue**

In addition to net patient service revenue, Novant Health also recognizes revenue from other transactions. Revenue from these transactions is recognized when obligations under the terms of the respective contract are satisfied and is measured as the amount of consideration the Company expects to receive from those services. The Company recognizes rental income in accordance with GAAP on a straight-line basis over the lease term. Other revenue is comprised of the following for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Pharmacy revenue	\$ 1,479,319	\$ 813,690
Gain on purchase of controlling interest	117,000	10,058
Pay-for-performance contracts	88,756	98,082
Equity in earnings of affiliates	27,480	(2,295)
Net assets released from restrictions	26,500	10,590
Services agreements	20,008	1,295
Rental income	16,387	14,144
FEMA revenue	9,189	53,572
Premium revenue	8,931	5,733
Energy services agreement	16,313	-
Provider relief funds	-	12,078
Gain on sale of consolidated entities	-	868
Other miscellaneous revenues	218,726	184,279
	<u>\$ 2,028,609</u>	<u>\$ 1,202,094</u>

**5. Charity Care and Community Benefits**

In accordance with Novant Health's mission to improve the health of its communities one person at a time, Novant Health facilities accept patients regardless of their ability to pay. At acute facilities, uninsured patients qualify for a full write-off of their bills if their household income is at or below 300% of the federal poverty level. In 2025, North Carolina acute facilities expanded our financial assistance policy to provide discounts for insured patients that are at or below 300% of the federal poverty level. Novant Health also offers a catastrophic discount for patients who meet certain criteria, as well as flexible, zero interest payment plans, and discounts for uninsured patients who do not qualify for the charity care program. In addition to these programs for hospitals, Novant Health physician groups and outpatient centers also have charity care programs to assist patients in need. The Company's approximate cost of providing care to indigent patients was \$212,147 and \$138,551 for the years ended December 31, 2025 and 2024, respectively. Novant Health estimates the costs of providing traditional charity care using each facility's estimated ratio of costs to charges. Funds received from gifts or grants to subsidize charity services provided were \$10,410 and \$11,193 for the years ended December 31, 2025 and 2024, respectively.

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**6. Other Current Assets**

Other current assets consist of the following at December 31:

	2025	2024
Supplies	\$ 233,656	\$ 208,705
Prepays	109,741	93,287
Other receivables	238,091	258,948
	<u>\$ 581,488</u>	<u>\$ 560,940</u>

**7. Assets Limited as to Use and Investments**

**Short-Term Investments**

Novant Health holds certain investments that are short-term in nature and have original maturity dates ranging from three to twelve months. Short-term investments consist of the following at December 31:

	2025	2024
Certificates of deposit	\$ 5,098	\$ 193
Fixed income - government securities	60,219	-
	<u>\$ 65,317</u>	<u>\$ 193</u>

**Assets Limited as to Use**

The designation of assets limited as to use is as follows:

	2025		2024	
	Current Portion	Long-Term Portion	Current Portion	Long-Term Portion
Designated by Board to service benefit plans	\$ 13,328	\$ 324,819	\$ 12,297	\$ 274,002
Transition stabilization fund	3,000	26,234	4,000	28,211
Held by trustee for Energy Services Agreement	33,347	48,252	-	-
	<u>\$ 49,675</u>	<u>\$ 399,305</u>	<u>\$ 16,297</u>	<u>\$ 302,213</u>

Assets limited as to use are invested primarily in cash and cash equivalents, United States equities, international equities, and fixed income – government securities.

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**Long-Term Investments**

Investments are reported at either fair value, the equity method of accounting or at NAV as a practical expedient. The composition of long-term investments is as follows:

	<b>December 31, 2025</b>			
	<b>At Fair Value</b>	<b>On Equity Method</b>	<b>At NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 214,658	\$ -	\$ -	\$ 214,658
U.S. equities	957,377	-	667,130	1,624,507
International equities	229,753	-	304,862	534,615
Fixed income - government securities	636,625	-	-	636,625
Fixed income - corporate and other	82,669	100,957	-	183,626
Hedge funds	-	364,745	-	364,745
Private equity	-	714,213	-	714,213
Emerging markets	2,078	-	167,292	169,370
Real estate and other	101,035	186,975	-	288,010
	<u>\$ 2,224,195</u>	<u>\$ 1,366,890</u>	<u>\$ 1,139,284</u>	<u>\$ 4,730,369</u>
	<b>December 31, 2024</b>			
	<b>At Fair Value</b>	<b>On Equity Method</b>	<b>At NAV</b>	<b>Total</b>
Cash and cash equivalents	\$ 178,198	\$ -	\$ -	\$ 178,198
U.S. equities	840,167	-	613,548	1,453,715
International equities	155,504	-	231,752	387,256
Fixed income - government securities	346,425	-	-	346,425
Fixed income - corporate and other	79,401	111,315	-	190,716
Hedge funds	-	323,842	-	323,842
Private equity	-	623,147	-	623,147
Emerging markets	1,579	-	112,716	114,295
Real estate and other	11,919	206,469	-	218,388
	<u>\$ 1,613,193</u>	<u>\$ 1,264,773</u>	<u>\$ 958,016</u>	<u>\$ 3,835,982</u>

Long-term investments recorded on the equity method represent interests in LLPs and LLCs that do not trade in an active market. The agreements generally run for a number of years and require the Company to make capital contributions to the investments throughout the term of the partnership, up to the amount in the subscription agreement. The Company will generally receive distributions throughout the life of the investment, at the discretion of the investment manager and in accordance with the LLP or LLC agreements, with any final distribution made at the termination of the agreement. As of December 31, 2025, there are no LLPs or LLCs that are set to terminate within one year.

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Long-term investments carried at NAV represent interests in private investment companies that do not trade in an active market and may be redeemed or liquidated only after giving notice to the investment company, with notice periods ranging from daily to 120 days. The investments are held in U.S. and international equities and emerging markets. The Company has elected to value the investments using NAV as a practical expedient as reported by the investment company without adjustment, unless it is probable that the investment will be sold at a value significantly different than the reported NAV. At December 31, 2025 and 2024 we have not made any adjustments to the NAVs reported by the investment companies. The Company has the ability to redeem its interests at or within 120 days of the financial statement date.

The Company's investments in hedge funds include funds structured as LLPs, LLCs and corporations. These funds are domiciled in the U.S. and foreign jurisdictions and are managed by investment managers subject to oversight by various countries' regulators. The underlying assets of the hedge funds vary widely in risk and liquidity. Overall, the hedge fund holdings of the Company are expected to provide improved diversification to the Company's broader portfolio.

The Company's investments in hedge funds represent 7.7% and 8.4% of total long-term investments held at December 31, 2025 and 2024, respectively. These instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments) and nondisclosure of portfolio composition.

Novant Health is obligated under certain investment agreements to periodically advance additional funding up to specified levels. As of December 31, 2025 and 2024, Novant Health had future commitments of \$402,504 and \$336,639, respectively, for which capital calls had not been exercised.

Investment income for assets limited as to use and investments is comprised of the following for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Interest and dividend income	\$ 81,995	\$ 73,404
Net realized gains	92,180	98,620
Net unrealized gains	<u>430,667</u>	<u>186,903</u>
	<u>\$ 604,842</u>	<u>\$ 358,927</u>

Investment income is shown net of related expenses on the consolidated statements of operations and changes in net assets. Investment related administrative expenses were \$9,444 and \$6,051 for the years ended December 31, 2025 and 2024, respectively.

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**Liquidity and Availability**

As of December 31, 2025 and 2024, Novant Health has working capital of \$955,945 and \$1,175,531, respectively.

Financial assets at year-end:	2025	2024
Cash and cash equivalents	\$ 945,590	\$ 644,080
Accounts receivable, net	1,245,062	1,354,734
Short-term investments	65,317	193
Assets limited as to use	448,980	318,510
Receivable for settlement with third-party payors	295,606	333,963
Other current assets	238,091	258,948
Long-term investments	4,730,369	3,835,982
Other assets	58,793	52,696
Total financial assets	<u>\$ 8,027,808</u>	<u>\$ 6,799,106</u>
Less amounts not available:		
Long-term investments with liquidity horizons greater than one year	\$ 1,170,426	\$ 995,942
Assets limited as to use	448,980	318,510
Donor restricted funds	123,715	117,295
Pledges receivable	11,864	9,318
Financial assets not available to be used within one year	<u>\$ 1,754,985</u>	<u>\$ 1,441,065</u>
Financial assets available to meet general expenditures within one year	<u>\$ 6,272,823</u>	<u>\$ 5,358,041</u>

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in either money market funds, short-term investments or long-term investments. Investment decisions are made based on anticipated liquidity needs, such that financial assets are available as general expenditures, liabilities and other obligations come due. Novant Health maintains a revolving credit facility, as discussed in Note 16, *Long-Term Debt*. As of December 31, 2025, \$500,000 was available on the revolving credit facility. Additionally, the Company has a commercial paper program, as discussed in Note 15, *Short Term Borrowings*. At December 31, 2025, \$150,000 was available for issue.

**8. Fair Value Measurements**

Novant Health categorizes, for disclosure purposes, assets and liabilities measured at fair value in the consolidated financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs which are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available in the circumstances.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement of the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement in its

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entirety requires judgment and considers factors specific to the asset or liability. Novant Health follows the three-level fair value hierarchy to categorize these assets and liabilities recognized at fair value at each reporting period, which prioritizes the inputs used to measure such fair values. Level inputs are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date. Investments classified in this level generally include exchange traded equity securities, futures, pooled short-term investment funds, options and exchange traded mutual funds.

Level 2: Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Investments classified in this level generally include fixed income securities, including fixed income government obligations; asset-backed securities; certificates of deposit; derivatives; as well as certain U.S. and international equities which are not traded on an active exchange.

Level 3: Pricing inputs are generally unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities.

Assets and liabilities classified as Level 1 are valued using unadjusted quoted market prices for identical assets or liabilities in active markets. Novant Health uses techniques consistent with the market approach and income approach for measuring the fair value of its Level 2 assets and liabilities. The market approach is a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The income approach generally converts future amounts (cash flows or earnings) to a single present value amount (discounted).

The degree of judgement exercised in determining fair value is greatest for securities categorized in Level 3. Inputs used in estimating the fair value of Level 3 investments include earnings metrics and a valuation multiple. Assumptions used, due to lack of observable inputs, may significantly impact the fair value of the investment.

As of December 31, 2025 and 2024, the Level 1 and Level 2 assets and liabilities listed in the fair value hierarchy tables below utilize the following valuation techniques and inputs:

#### **Certificates of deposit**

The fair value of certificates of deposit is based on cost plus accrued interest. Significant observable inputs include security cost, maturity and relevant short-term interest rates.

#### **U.S. equities, international equities, emerging markets and other exchange traded funds**

The fair value of investments in U.S. equities, international equities, emerging markets and other exchange traded funds are primarily determined using either quoted prices in active markets or the calculated net asset value. The values for underlying investments are fair value estimates determined by external fund managers based on operating results, balance sheet stability, growth and other

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business and market sector fundamentals. The investments in Level 2 may be redeemed or liquidated on a daily basis with no notice.

**Fixed income and debt securities**

The fair value of investments in fixed income and debt securities is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads and security specific characteristics, such as early redemption options.

**Derivatives**

The fair value of derivative contracts is primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include interest rates, credit spreads, volatilities and maturity.

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The following table summarizes fair value measurements, by level, at December 31, 2025 for all financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets</b>				
Short-term investments:				
Certificates of deposit	\$ -	\$ 5,098	\$ -	\$ 5,098
Fixed income - government securities	-	60,219	-	60,219
Total short-term investments	-	65,317	-	65,317
Assets limited as to use:				
Cash and cash equivalents	133,395	-	-	133,395
U.S. equities	287,199	-	-	287,199
International equities	12,225	-	-	12,225
Fixed income - government securities	16,161	-	-	16,161
Total assets limited as to use	448,980	-	-	448,980
Long-term investments:				
Cash and cash equivalents	214,658	-	-	214,658
U.S. equities	833,727	-	123,650	957,377
International equities	229,753	-	-	229,753
Fixed income - government securities	178,350	458,275	-	636,625
Fixed income - corporate and other	82,669	-	-	82,669
Emerging markets	2,078	-	-	2,078
Real estate and other	14,031	87,004	-	101,035
Total long-term investments	1,555,266	545,279	123,650	2,224,195
Total assets at fair value	\$ 2,004,246	\$ 610,596	\$ 123,650	\$ 2,738,492
<b>Liabilities</b>				
Accrued liabilities	\$ 13,328	\$ -	\$ -	\$ 13,328
Derivative financial instruments	-	8,872	-	8,872
Deferred compensation liabilities	326,272	-	-	326,272
Total liabilities at fair value	\$ 339,600	\$ 8,872	\$ -	\$ 348,472

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The following table summarizes fair value measurements, by level, at December 31, 2024 for all financial assets and liabilities measured at fair value on a recurring basis in the consolidated financial statements:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets</b>				
Short-term investments:				
Certificates of deposit	\$ -	\$ 193	\$ -	\$ 193
Total short-term investments	-	193	-	193
Assets limited as to use:				
Cash and cash equivalents	55,554	-	-	55,554
U.S. equities	238,304	-	-	238,304
International equities	8,580	-	-	8,580
Fixed income - government securities	16,072	-	-	16,072
Total assets limited as to use	318,510	-	-	318,510
Long-term investments:				
Cash and cash equivalents	178,198	-	-	178,198
U.S. equities	783,417	-	56,750	840,167
International equities	155,504	-	-	155,504
Fixed income - government securities	102,624	243,801	-	346,425
Fixed income - corporate and other	79,401	-	-	79,401
Emerging markets	1,579	-	-	1,579
Other exchange traded funds	11,919	-	-	11,919
Total long-term investments	1,312,642	243,801	56,750	1,613,193
Total assets at fair value	\$ 1,631,152	\$ 243,994	\$ 56,750	\$ 1,931,896
<b>Liabilities</b>				
Accrued liabilities	\$ 12,297	\$ -	\$ -	\$ 12,297
Derivative financial instruments	-	7,491	-	7,491
Deferred compensation liabilities	274,531	-	-	274,531
Total liabilities at fair value	\$ 286,828	\$ 7,491	\$ -	\$ 294,319

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The table below sets forth a summary of the changes in the fair value of the Level 3 investments for the years ended December 31, 2025 and 2024:

	<b>U.S. Equities</b>
Balance at December 31, 2024	\$ 56,750
New investments	4,150
Distribution received	(4,266)
Unrealized gain	67,016
Balance at December 31, 2025	<u>\$ 123,650</u>
Balance at December 31, 2023	\$ 45,701
New investments	7,100
Distribution received	(59)
Unrealized gain	4,008
Balance at December 31, 2024	<u>\$ 56,750</u>

During 2025 and 2024, there were no transfers between levels.

**9. Property and Equipment**

Property and equipment consists of the following at December 31:

	<b>2025</b>	<b>2024</b>
Land	\$ 509,276	\$ 371,909
Land improvements	186,684	143,959
Leasehold improvements	456,467	378,359
Buildings and building improvements	3,515,509	3,167,269
Equipment	2,606,056	2,350,190
Software	565,717	564,345
Construction-in-progress	717,992	749,765
	<u>8,557,701</u>	<u>7,725,796</u>
Less: Accumulated depreciation	<u>(4,331,043)</u>	<u>(4,038,754)</u>
	<u>\$ 4,226,658</u>	<u>\$ 3,687,042</u>

Novant Health reviews long-lived assets for recoverability as required when events and changes in circumstances indicate that its carrying value may not be recoverable. No impairment charges were recorded in 2025 or 2024.

Depreciation expense for the years ended December 31, 2025 and 2024 was \$331,942 and \$312,223, respectively. At December 31, 2025, construction contracts of approximately \$1,286,246 exist for the construction of new hospitals and facilities, expansion of existing hospitals and facility renovations. At December 31, 2025, the remaining commitment on these contracts was \$344,005.

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**10. Leases**

Novant Health leases property and equipment under non-cancellable agreements. The following table presents the components of our right-of-use assets and liabilities related to leases and their classification as of December 31:

	<u>2025</u>	<u>2024</u>
<b>Assets:</b>		
Operating lease assets	\$ 903,489	\$ 634,680
Finance lease assets	3,557	4,418
Total leased assets	<u>\$ 907,046</u>	<u>\$ 639,098</u>
<b>Liabilities:</b>		
Operating lease liabilities		
Current	\$ 151,342	\$ 119,925
Long-term	799,732	550,096
Total operating lease liabilities	<u>951,074</u>	<u>670,021</u>
Finance lease liabilities		
Current <sup>(1)</sup>	1,362	1,265
Long-term <sup>(2)</sup>	4,713	3,432
Total finance lease liabilities	<u>6,075</u>	<u>4,697</u>
Total lease liabilities	<u>\$ 957,149</u>	<u>\$ 674,718</u>

<sup>(1)</sup> Included in the current portion of long-term debt in the consolidated balance sheets.

<sup>(2)</sup> Included in long-term debt, net of current portion in the consolidated balance sheets.

Novant Health's operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings and corporate and other administrative offices, as well as medical and office equipment. Novant Health's finance leases consist of a real estate lease and several medical equipment leases. Real estate lease agreements typically have initial terms of five to ten years and equipment lease agreements typically have initial terms of three years. Leases with an initial term of 12 months or less are not recorded in the consolidated balance sheets.

Real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to ten years. The exercise of lease renewal options is at the Company's sole discretion. In general, renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. Certain leases also include options to purchase the leased property. The useful lives of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of medical equipment leases have terms of three years with a bargain purchase option that is reasonably certain of exercise; therefore, these assets are

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depreciated over their useful life, typically ranging from five to seven years. Certain lease agreements for real estate include payments based on actual common area maintenance expenses and/or include rental payments adjusted periodically for inflation. These variable lease payments are recognized in supplies and other in the consolidated statements of operations and changes in net assets but are not included in the right-of-use asset or liability balances in the consolidated balance sheets. Lease agreements do not contain any material residual value guarantees, restrictions or covenants.

Novant Health has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all asset classes except major movable equipment.

The following table presents certain information related to lease expense for finance and operating leases for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Operating leases <sup>(1)</sup>	\$ 184,232	\$ 140,324
Variable lease expense <sup>(1)</sup>	24,392	16,986
Finance lease expense:		
Amortization of leased assets	1,642	1,602
Interest on lease liabilities	358	103
	<u>\$ 210,624</u>	<u>\$ 159,015</u>

<sup>(1)</sup> Expenses are included in supplies and other in the consolidated statements of operations and changes in net assets.

The following table presents supplemental cash flow information for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 175,451	\$ 138,180
Operating cash flows for finance leases	1,993	1,704
Financing cash flows for finance leases	358	103

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Future maturities of lease liabilities at December 31, 2025 are presented in the following table:

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2026	\$ 176,570	\$ 1,658	\$ 178,228
2027	158,710	1,181	159,891
2028	138,029	722	138,751
2029	118,236	661	118,897
2030	102,265	415	102,680
Thereafter	<u>484,648</u>	<u>1,543</u>	<u>486,191</u>
Total lease payments	1,178,458	6,180	1,184,638
Less: Imputed interest	<u>(227,384)</u>	<u>(105)</u>	<u>(227,489)</u>
Total lease obligations	951,074	6,075	957,149
Less: Current obligations	<u>(151,342)</u>	<u>(1,362)</u>	<u>(152,704)</u>
Long-term lease obligations	<u>\$ 799,732</u>	<u>\$ 4,713</u>	<u>\$ 804,445</u>

At December 31, 2025 and 2024, the weighted average remaining lease term for operating leases is 8.7 and 7.1 years, respectively, and the weighted average discount rate is 3.3% and 3.0%, respectively. For finance leases, the weighted average remaining lease term for the years ended December 31, 2025 and 2024 is 7.6 and 4.5 years, respectively and the weighted average discount rate is 5.2% and 1.7%, respectively.

Novant Health is also a lessor and sublessor of real estate under operating leases. At December 31, 2025 and 2024, \$16,028 and \$15,056, respectively, of deferred rent was recorded in the consolidated balance sheets as a component of other assets. At December 31, 2025, \$14,811 was recorded as a component of employee benefits and other liabilities for rent recorded in advance. Lease income for the years ended December 31, 2025 and 2024 was \$16,387 and \$14,144, respectively, which is included in other revenue in the consolidated statements of operations and changes in net assets. Most of the Company's leases include operating expenses such as utilities and maintenance costs in rent charges. However, variable rent income is not material. The Company has elected the practical expedient that allows lessors to not separate lease and non-lease components by class of underlying asset for all asset classes. The combined component is accounted for under lease accounting guidance.

Although the Company leases and subleases a small amount of building space to non-affiliated medical practices, the significant leases consist of long-term ground leases classified as operating leases with remaining terms from 39 years with options to extend for the additional terms of five years each to 84 years with no options to extend.

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The future undiscounted cash flows to be received from these leases are as follows:

**Years Ending December 31**

2026	\$ 10,743
2027	10,514
2028	8,269
2029	7,551
2030	5,887
Thereafter	<u>124,596</u>
	<u>\$ 167,560</u>

**11. Intangible Assets and Goodwill**

Intangible assets consist of the following at December 31:

	<u>Gross Intangible</u>	<u>Accumulated Amortization</u>	<u>Net Intangible</u>
<b>Balance at December 31, 2025</b>			
Unamortized intangible assets			
Certificates of need	\$ 23,645	\$ -	\$ 23,645
Total unamortized intangible assets	<u>23,645</u>	<u>-</u>	<u>23,645</u>
Amortized intangible assets			
Business relationships	658	(406)	252
Certificates of need	30,676	(27,719)	2,957
Corporate trade name and other intangibles	<u>145,392</u>	<u>(21,447)</u>	<u>123,945</u>
Total amortized intangible assets	<u>176,726</u>	<u>(49,572)</u>	<u>127,154</u>
Total intangible assets	<u>\$ 200,371</u>	<u>\$ (49,572)</u>	<u>\$ 150,799</u>
<b>Balance at December 31, 2024</b>			
Unamortized intangible assets			
Certificates of need	\$ 12,857	\$ -	\$ 12,857
Total unamortized intangible assets	<u>12,857</u>	<u>-</u>	<u>12,857</u>
Amortized intangible assets			
Business relationships	658	(366)	292
Certificates of need	30,929	(21,298)	9,631
Corporate trade name and other intangibles	<u>144,456</u>	<u>(15,913)</u>	<u>128,543</u>
Total amortized intangible assets	<u>176,043</u>	<u>(37,577)</u>	<u>138,466</u>
Total intangible assets	<u>\$ 188,900</u>	<u>\$ (37,577)</u>	<u>\$ 151,323</u>

Amortization expense related to intangible assets was \$12,830 and \$6,107 for the years ended December 31, 2025 and 2024, respectively. Estimated annual amortization expense for intangible assets is \$8,070 for 2026 and is \$5,108 for 2027 through 2030. The weighted average amortization period for intangible assets is 24.4 years.

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The following table summarizes the changes in the carrying amount of goodwill for the years ended December 31:

	<b>2025</b>	<b>2024</b>
<b>As of January 1</b>		
Goodwill, net of accumulated amortization	\$ 2,858,651	\$ 551,203
Accumulated impairment losses	<u>(29,849)</u>	<u>(29,849)</u>
	2,828,802	521,354
Additions	<u>918,833</u>	<u>2,307,448</u>
	<u>3,747,635</u>	<u>2,828,802</u>
<b>As of the end of the period</b>		
Goodwill, net of accumulated amortization	3,777,484	2,858,651
Accumulated impairment losses	<u>(29,849)</u>	<u>(29,849)</u>
	<u>\$ 3,747,635</u>	<u>\$ 2,828,802</u>

Novant Health reviews long-lived assets for recoverability as required when events and changes in circumstances indicate that its carrying value may not be recoverable. The Company tests goodwill and indefinite-lived assets for impairment on an annual basis. Impairment tests presume stable or improving results at certain Novant Health reporting units which are based on the implementation of programs and initiatives that are designed to achieve projected results. If these projections are not met, or in the future negative trends occur which would impact our future outlook, further impairments of goodwill and other intangible assets may occur. Future restructuring that could potentially change our reporting units could also result in future impairments of goodwill.

**12. Investments in Affiliates**

Novant Health has noncontrolling interests in 23 healthcare related entities. The Company's ownership interests in the entities range from 8.0% to 50.0%. These investments are accounted for using either the equity method or a measurement alternative.

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A summary of investments, ownership percentages, investment amounts and the Company's share of earnings for the years ended December 31, 2025 and 2024 is as follows:

Investee	% Ownership		Investment Balance		Share of Earnings of Investee	
	2025	2024	2025	2024	2025	2024
Novant Health Rehabilitation Hospital Radiation Oncology Centers of the Carolinas LLC	50%	50%	\$ 25,042	\$ 21,913	\$ 5,804	\$ 4,956
Providence Plaza LLC	30%	30%	4,993	4,852	376	353
Novant Health-GoHealth Urgent Care LLC	50%	50%	(924)	(1,640)	(4,653)	(13,814)
Novant Health-Norfolk LLC	100%	50%	-	151,333	10,676	13,193
Conway Hospital Holdings LLC	30%	30%	102,535	89,033	13,498	7,704
Norfolk Management Services LLC	100%	30%	-	64,986	255	438
HTA Holdings LLC	0%	49%	-	35,798	(433)	(17,078)
Other	Various	Various	7,325	2,541	368	(695)
			<u>\$ 154,765</u>	<u>\$ 384,981</u>	<u>\$ 27,480</u>	<u>\$ (2,295)</u>

In April 2025, the Company sold its ownership interest in HTA Holdings LLC for \$35,366 in cash, which equaled the carrying value of the investment.

The remaining ownership interests in Novant Health-Norfolk LLC and Norfolk Management Services LLC were acquired in September 2025 and the financial results of these entities were consolidated after the acquisition. See the Organizational Changes footnote for additional information.

The following table presents summarized financial information related to investments in the above noncontrolled entities as of December 31:

	2025	2024
Assets	\$ 1,032,037	\$ 1,864,369
Liabilities	383,590	731,015
Equity	648,447	1,133,352
Total revenue	515,153	973,299
Total expenses	481,419	958,114
Net income	33,733	15,185
Novant Health's share of net income	27,480	(2,295)

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**13. Other Assets**

Other assets consist of the following at December 31:

	<b>2025</b>	<b>2024</b>
Notes receivable and other	\$ 119,894	\$ 126,877
Prepaid capital expenditures	92,598	-
HASP receivable	-	73,291
Cash surrender value of insurance policies	46,929	43,378
Reinsurance receivables	22,214	18,012
Deferred rent income	16,028	15,056
Pledges receivable	11,864	9,318
	<u>\$ 309,527</u>	<u>\$ 285,932</u>

**14. Accrued Liabilities**

Accrued liabilities consist of the following at December 31:

	<b>2025</b>	<b>2024</b>
Accrued compensation	\$ 629,448	\$ 588,999
Interest	29,512	29,248
Postretirement benefit liability	1,338	1,326
Deferred revenue	27,965	-
Other accrued liabilities	288,857	261,712
Self-insurance		
Employee medical claims liability	46,410	50,944
Malpractice and workers' compensation liability, current portion	7,628	6,235
	<u>\$ 1,031,158</u>	<u>\$ 938,464</u>

**15. Short Term Borrowings**

In June 2025, Novant Health established a taxable commercial paper program. Under the program, the Company may issue Taxable Commercial Paper Notes up to \$500,000 in face value. Maturity of the notes can be no more than 270 days from the date of issue. At the date of issuance, the dealer determines the rate of interest and notes may be sold at either a discount from the par amount or at par and bearing an interest rate. The notes are not subject to redemption prior to their maturity date. At December 31, 2025, notes with a face value of \$350,000 were outstanding.

Short-term borrowings also consist of securities repurchase transactions. Securities repurchase transactions are conducted by the Company under a standardized securities industry master agreement, amended to suit the specificities of each respective counter-party. These agreements generally provide detail as to the nature of the transaction, including provisions for payment netting, established parameters concerning the ownership and custody of the collateral securities and provide for remedies in the event of default by either party. The Company's securities repurchase agreements

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are accounted for as a secured borrowing and are reported in the consolidated balance sheets as short-term borrowings. The Company posts collateral in the form of U.S. Treasury Inflation Protected Securities (TIPS) and receives an amount ranging from 98% to 100% of the fair value of the securities to be repurchased at interest rates ranging from 3.65% to 3.95%. At December 31, 2025, the fair value amount outstanding was \$103,993. The agreements are typically one month in duration.

**16. Long-Term Debt**

Following is a summary of long-term debt at December 31:

	<b>2025</b>	<b>2024</b>
Tax-exempt revenue bonds	\$ 2,856,465	\$ 2,862,700
Taxable revenue bonds	<u>1,750,000</u>	<u>1,750,000</u>
Total bonds	4,606,465	4,612,700
Taxable term loan	258,145	261,555
Finance lease obligations and other notes payable	<u>286,564</u>	<u>279,809</u>
	5,151,174	5,154,064
Unamortized premium or discount, net	156,262	166,278
Unamortized debt issuance costs, net	<u>(22,674)</u>	<u>(23,161)</u>
	5,284,762	5,297,181
Less: Current maturities	<u>(54,476)</u>	<u>(51,851)</u>
	<u>\$ 5,230,286</u>	<u>\$ 5,245,330</u>

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**Tax-Exempt Revenue Bonds**

Novant Health has tax-exempt financing agreements through conduit issuers. These bonds are comprised of the following at December 31:

	<b>2025</b>	<b>2024</b>
Series 2024 A Current Interest Term Bonds and Serial Bonds, bearing interest at a rate ranging from 4.0% to 5.5% payable semi-annually and maturing through 2031; principal payments begin in 2031	\$ 1,909,790	\$ 1,909,790
Series 2024 B, C, and D Current Interest Term Bonds, bearing interest at variable rates payable semi-annually and maturing through 2064; required sinking fund payments begin in 2055	400,000	400,000
Series 2019 A Current Interest Term Bonds, bearing interest at rates ranging from 3.1% to 4.0% payable semi-annually with mandatory redemption beginning in 2047	306,985	306,985
Series 2013 A Current Interest Term Bonds and Serial Bonds, bearing interest at rates ranging from 3.125% to 5.0% payable semi-annually and maturing through 2046; principal payments began in 2014	107,890	110,925
Series 2004 A and B Variable Rate Demand Bonds, bearing interest at variable rates payable monthly and maturing through 2034; mandatory redemption began in 2025	131,800	135,000
	<u>\$ 2,856,465</u>	<u>\$ 2,862,700</u>

In 2003, Novant Health entered into a new Master Trust Indenture that was amended in October 2021 (the "Agreement"). The Agreement authorizes the creation of a Combined Group, which consists of the members of the Obligated Group and the Restricted Affiliates. Novant Health and two of its affiliates that operate tertiary care hospitals, Novant Health Forsyth Medical Center and Novant Health Presbyterian Medical Center, are the members of the Obligated Group. The members of the Obligated Group are jointly and severally liable for the payment of all obligations under the Agreement. The Company's Restricted Affiliates, which include certain other subsidiaries of the Company, are not directly obligated to pay obligations under the Agreement, but the members of the Obligated Group have covenanted in the Agreement to cause the Restricted Affiliates to provide funds to the members of the Obligated Group to pay obligations under the Agreement. All bonds issued by Novant Health are collateralized by the Obligated Group.

The bond agreements provide for early redemption periods of the bonds prior to mandatory redemption, subject to a premium in certain circumstances, as defined in the agreements. In accordance with the bond indenture agreements, the bonds are general, unsecured obligations of Novant Health. The bond indentures require Novant Health to cause the Restricted Affiliates to comply with certain covenants, including the maintenance of a minimum debt service coverage ratio. As of December 31, 2025 and 2024, Novant Health is in compliance with these financial covenants.

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The Series 2004 A and B Variable Rate Demand Bonds are collateralized by a standby purchase agreement (“SBPA”) issued by JP Morgan Chase Bank National Association. The SBPA was scheduled to expire April 1, 2025 but in February 2025 it was amended to expire March 31, 2028. If the SBPA should be used to fund tenders due to a failed remarketing, repayment in quarterly installments over three years is required. As a result, the Company has classified \$36,818 of the 2004 bonds as current at December 31, 2025 and 2024.

In May 2024, Novant Health issued \$1,909,790 in Series 2024 A bonds through the South Carolina Jobs-Economic Development Authority. Proceeds of the bonds were used to refund a portion of the outstanding balances on the bridge loans that were used to finance the purchase of SC Coastal and to pay expenses of issuing the bonds.

Also in May 2024, Novant Health issued \$400,000 in Series 2024 B, C and D bonds through the National Finance Authority. Proceeds of the bonds were used to reimburse the Company for the construction and equipping of Novant Health Ballantyne Medical Center, and the renovation and expansion of Novant Health Matthews Medical Center, Novant Health Forsyth Medical Center and Novant Health Kernersville Medical Center.

#### **Taxable Revenue Bonds**

In April 2013, Novant Health issued \$250,000 of taxable fixed rate bonds (the “2013 C Bonds”). The 2013 C Bonds bear interest at a rate of 4.37% and mature in 2043. Proceeds of the 2013 C Bonds were used for eligible purposes, including the refinancing of long-term debt.

In April 2021, Novant Health issued \$1,500,000 of taxable fixed rate bonds (the “2021 A Bonds”). The 2021 A Bonds bear interest at rates ranging from 2.67% to 3.32% and mature in 2036, 2051 and 2061. Proceeds of the 2021 A Bonds were used for eligible purposes, including the refinancing of long-term debt. The taxable revenue bonds are subject to the same covenant requirements that are included in the bond agreements for the tax-exempt revenue bonds.

#### **Taxable Term Loan**

In March 2020, Novant Health entered into an agreement to borrow \$264,165. The loan bears interest at a fixed rate of 1.89% with principal payments due annually beginning in 2023 through the maturity date of April 1, 2030.

#### **Finance Lease Obligations and Other Notes Payable**

Finance lease obligations and other notes payable consist of various loans and notes on buildings and finance leases, bearing interest at rates ranging from 0.81% to 12.15%.

On January 31, 2024, Novant borrowed \$1,500,000 and \$860,000 on two term loans to finance the purchase of SC Coastal (the “Bridge Loans”). The Bridge Loans incurred interest at variable rates payable monthly. The Bridge Loans had maturity dates of November 22, 2024 with a mandatory prepayment from the proceeds of new financing. The Bridge Loans were paid off with the proceeds of the 2024A Bonds and cash on hand in May 2024.

During 2024, Novant Health sold a portfolio of 20 medical and corporate office buildings in its core markets to a third-party real estate investor. The combined net selling price of the buildings was \$355,950. Novant Health is leasing space in each of the buildings from the buyer. Novant has retained

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ownership of the land on which 10 of the buildings are located. The buyer is leasing the land from Novant Health. Novant Health recognized a gain of \$16,815 on the 10 locations that qualified as a sale-leaseback. Due to provisions in the ground leases where Novant is the lessor, the other 10 buildings were treated as a financing and debt of \$273,590 was recorded.

Scheduled maturities of all long-term debt are as follows:

**Years Ending December 31**

2026	\$	20,993
2027		25,761
2028		26,946
2029		40,796
2030		265,142
Thereafter		<u>4,771,536</u>
	\$	<u>5,151,174</u>

Novant Health capitalized \$5,031 and \$9,139 of interest in 2025 and 2024, respectively.

**Revolving Credit Facility**

On July 1, 2022, Novant Health entered into a \$250,000 Revolving Credit Agreement that originally matured July 1, 2025. On May 13, 2025 Novant Health amended the agreement to change the maturity date to May 13, 2028 and increased the commitment to \$500,000. Borrowings bear interest at variable rates. At December 31, 2025, \$500,000 was available for borrowing.

**Debt Issuance Costs**

Unamortized debt issuance costs are presented in the consolidated balance sheets as a direct deduction from the carrying value of the associated debt. Debt issuance costs are amortized using the effective interest method over the life of the related debt agreements and instruments.

**17. Interest Rate Swaps**

In July 2006, Novant Health entered into a floating-to-fixed swap agreement with a notional amount of \$135,000 and a term of 28 years to hedge the floating rate 2004 bonds. Novant Health receives a variable rate which is tied to 64.8% of SOFR plus 12 basis points and pays a fixed interest rate of 3.8%. The swap has been designated as a cash flow hedge and is carried on the consolidated balance sheets at fair value. In the first quarter of 2019, the hedge relationship ceased to be highly effective and hedge accounting was discontinued.

Novant Health records interest rate swaps at fair value. These swaps are presented as derivative financial instruments in the consolidated balance sheets.

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The following table summarizes the gain (loss) for derivatives which is included in interest expense in the consolidated statements of operations and changes in net assets for the years ended December 31:

	<b>2025</b>	<b>2024</b>
Change in fair value of non-hedged interest rate swaps	\$ (1,381)	\$ 4,392
Amortization of deferred loss	(1,828)	(2,991)
	<u>\$ (3,209)</u>	<u>\$ 1,401</u>

**18. Employee Benefits and Other Liabilities**

Employee benefits and other liabilities consist of the following at December 31:

	<b>2025</b>	<b>2024</b>
Deferred compensation liabilities	\$ 326,272	\$ 274,531
Employee benefits and other	61,136	75,296
Self-insurance malpractice and workers' compensation, net of current portion	54,071	46,475
Deferred gains	16,559	34,542
Transition stabilization fund	26,234	28,211
HASP assessments	-	19,787
Postretirement benefit liability, net of current portion	12,042	12,444
	<u>\$ 496,314</u>	<u>\$ 491,286</u>

**19. Deferred Revenue**

**Energy Services Agreement**

During 2025, Novant Health entered into an Energy Services Agreement in which an unrelated third party purchased the exclusive rights to operate the Company's thermal energy and chilled water infrastructure ("Energy Assets") at certain acute facilities and utilize any excess capacity generated by the Energy Assets over a 30-year contract period. Such excess capacity utilization could include providing this excess capacity to third party off-takers in accordance with the Energy Services Agreement. In consideration for these rights, the Company received \$838,951 in June 2025 which has been recorded as deferred revenue and will be amortized on a straight-line basis over the contract period. Additionally, pursuant to the Energy Services Agreement, the Company will pay a monthly fee in exchange for the energy services and the operations and management of the Energy Assets over the 30-year contract period. The fee consists of a fixed component that ranges from \$22,321 to \$89,466 per year and a variable component that starts at \$7,729, adjusted annually based on inflation. The third party also guaranteed a reduction in the Company's energy consumption which will partially offset the annual fees incurred.

In addition, the Company entered into a separate agreement with the same third party to make infrastructure upgrades to improve the energy efficiency at the Company's acute facilities. The total

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project cost is anticipated to be \$172,000, which is being advanced on a fixed schedule over four years. The agreement also allows for up to \$200,000 in additional elective improvements over the contract period. A portion of the proceeds of the Energy Services Agreement were deposited with a trustee to fund these projects and are included in assets limited as to use. As of December 31, 2025, \$92,598 has been advanced to the third party. These prepaid construction costs are presented within other assets on the consolidated balance sheet and will be reclassified to property and equipment as the assets are placed in service.

**20. Income Taxes**

The provision for federal and state income taxes is as follows:

	2025	2024
<b>Current tax expense (benefit)</b>		
Federal	\$ (2,569)	\$ (1,809)
State	(140)	(20)
	<u>(2,709)</u>	<u>(1,829)</u>
<b>Deferred tax expense (benefit)</b>		
Federal	\$ 17,385	\$ (2,659)
State	3,923	(694)
	<u>21,308</u>	<u>(3,353)</u>
	<u>\$ 18,599</u>	<u>\$ (5,182)</u>

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The components of deferred taxes are as follows:

	2025	2024
<b>Deferred tax assets</b>		
Loss carryforwards	\$ 15,851	\$ 13,300
Deferred charge for intercompany transfer	-	76
Allowance for doubtful accounts	755	717
Accrued expenses	157	176
Future deductions- operating leases	1,620	1,694
Intangible assets	2	50
Property and equipment	587	-
Other	2,722	581
Total deferred tax assets	<u>21,694</u>	<u>16,594</u>
<b>Deferred tax liabilities</b>		
Intangible assets	(459)	-
Property and equipment	-	(278)
Accrued expenses	(432)	-
Right-of-use assets	(1,600)	(1,540)
Acquisitions	(31,558)	-
Other	(1,255)	(10,303)
Total deferred tax liabilities	<u>(35,304)</u>	<u>(12,121)</u>
Valuation allowance	<u>(17,696)</u>	<u>(14,201)</u>
Net deferred tax liability	<u>\$ (31,306)</u>	<u>\$ (9,728)</u>

GAAP requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are deductible. In making this determination, management considers all available positive and negative evidence affecting specific deferred tax assets, including the Company's past and anticipated future performance, reversal of deferred tax liabilities, length of carryback and carryforward periods and implementation of tax planning strategies. Objective positive evidence is necessary to support a conclusion that a valuation allowance is not needed for all or a portion of deferred tax assets when significant negative evidence exists.

Cumulative losses in recent years are the most compelling form of negative evidence considered by management in this determination. For the years ended December 31, 2025 and 2024, management has determined that based on all available evidence, a valuation allowance of \$17,696 and \$14,201, respectively, is appropriate.

As of December 31, 2025, the Company had approximately \$64,690 of federal and \$35,939 of state loss carryforwards available to reduce taxable income. \$31,091 of the loss carryforwards expire through 2045 and the remainder do not expire. In addition, at December 31, 2025, the Company had approximately \$33,599 of federal contribution carryforwards available to reduce taxable income that

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do not expire. At December 31, 2025 the Company had approximately \$11,155 of federal contribution carryforwards that expire through 2028.

Income tax expense (benefit) reported in the consolidated statements of operations and changes in net assets is shown below:

	<b>2025</b>	<b>2024</b>
Federal taxes	\$ 14,817	\$ (4,468)
State income taxes	<u>3,782</u>	<u>(714)</u>
	<u>\$ 18,599</u>	<u>\$ (5,182)</u>

The Company is required to evaluate uncertain tax positions. This evaluation includes a quantification of tax risk in areas such as unrelated business taxable income and the taxation of our for-profit subsidiaries. This evaluation did not have a material effect on the Company's consolidated statements of operations and changes in net assets for the years ended December 31, 2025 and 2024.

**21. Employee Benefit Plans and Other Postretirement Benefit Plans**

Certain Novant Health affiliates have supplemental retirement income plans covering highly compensated employees. These are nonqualified plans which are not subject to ERISA funding requirements. As such, Novant Health intends only to fund the plans in amounts equivalent to the plans' annual benefit payments. During 2013, the Company implemented a new supplemental retirement income plan that covers certain highly compensated employees. This plan acts as a defined contribution plan and annual funding requirements are determined under provisions of the plan. Some of these plans are nonqualified deferred compensation plans which provide certain individuals meeting specific criteria with the ability to defer compensation. The assets of these plans, along with the associated liabilities, are recorded as current and long-term assets limited as to use, accrued liabilities, and employee benefits and other liabilities on the consolidated balance sheets.

Novant Health also provides fixed dollar amounts for health care and life insurance benefits to certain retired employees. Covered employees may become eligible for these benefits if they meet minimum age and service requirements, and if they are eligible for retirement benefits. Novant Health has the right to modify or terminate these benefits. The unfunded obligation in the consolidated balance sheets at December 31, 2025 and 2024 was \$13,380 and \$13,770, respectively. The expense associated with these plans totaled \$32 for 2025 and \$331 for 2024. The discount rate used in determining the benefit obligation ranged between 4.60% and 5.40% for 2025 and 5.10% and 5.40% for 2024. The health care costs increase trend rate used was 12.00% and 6.25% in 2025 and 2024, respectively. The health care cost increase trend rate is projected to gradually decline to 4.50% by 2035.

In addition to these plans, Novant Health sponsors a number of defined contribution plans. Contributions are determined under various formulas. Costs related to such plans amounted to \$185,110 and \$162,087 in 2025 and 2024, respectively.

Eligible Novant Health employees participate in cafeteria plans which provide certain benefits, including basic medical and dental coverage, long-term disability benefits, reimbursement of supplemental dependent care expenses and group life insurance benefits. The Company contributes

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predetermined amounts for each eligible full-time and part-time employee, which is allocated to the various benefit options in accordance with the participant's election. The Company's contributions to these plans were \$536,473 in 2025 and \$404,847 in 2024.

**22. Net Assets without Donor Restrictions**

The following table reconciles the carrying amounts of the Company's controlling interest and the noncontrolling interests for net assets without donor restrictions:

	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interests</u>
<b>Balance at January 1, 2024</b>	\$ 5,876,070	\$ 5,871,264	\$ 4,806
Excess (deficit) of revenues over expenses	919,771	920,221	(450)
Change in net assets due to purchase of consolidated affiliates	71,877	10,058	61,819
Amortization of deferred loss on derivative financial instruments	2,991	2,991	-
Change in net assets due to sale of consolidated affiliate	1,370	2,740	(1,370)
Change in funded status of defined benefit plans	389	389	-
Other changes in net assets without donor restrictions	<u>(2,790)</u>	<u>(3,649)</u>	<u>859</u>
<b>Balance at December 31, 2024</b>	6,869,678	6,804,014	65,664
Excess of revenues over expenses	1,162,906	1,156,154	6,752
Change in net assets due to purchase of consolidated affiliates	72,604	-	72,604
Amortization of deferred loss on derivative financial instruments	1,828	1,828	-
Change in net assets due to purchase of additional ownership of consolidated affiliate	-	21,153	(21,153)
Other changes in net assets without donor restrictions	<u>(9,865)</u>	<u>(4,358)</u>	<u>(5,507)</u>
<b>Balance at December 31, 2025</b>	<u>\$ 8,097,151</u>	<u>\$ 7,978,791</u>	<u>\$ 118,360</u>

On December 31, 2025, the Company purchased an additional 18.5% ownership interest in a surgery center in South Carolina ("SC ASCs") in exchange for cash consideration of \$3,478. This purchase required a reclassification of \$21,153 of noncontrolling interest to reflect the new ownership.

**23. Net Assets with Donor Restrictions**

Donor restricted net assets are available for the following purposes as of December 31:

	<b>2025</b>	<b>2024</b>
Buildings and equipment	\$ 7,709	\$ 17,591
Clinical care, research and academic	94,646	76,919
Charity care	8,936	9,264
Other	<u>12,424</u>	<u>13,521</u>
	<u>\$ 123,715</u>	<u>\$ 117,295</u>

**24. Professional and General Liability Insurance Coverage**

Novant Health is self-insured for professional and general liability exposures up to certain limits. The Company has umbrella policies in place above those limits. The provision for estimated medical

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malpractice claims includes estimates of the ultimate costs for reported claims and claims incurred but not reported. Novant Health also participates in a self-insured program for workers' compensation and is self-insured for certain health benefits options. A portion of these self-insured professional liabilities is funded through a revocable trust fund operated by Novant Health. This fund was converted to claims-made status on January 1, 2020, and prior reported liabilities under this coverage were placed in run-off. Effective January 1, 2020, funding for self-insured professional liabilities are insured by Novant Health Casualty, LLC, a North Carolina domiciled insurance captive. Coverage terms and umbrella policies of the same or higher limits are in place for the captive. At December 31, 2025 and 2024, undiscounted professional and general liability loss reserves of \$66,638 and \$59,245, respectively, are included in accrued liabilities and employee benefits and other liabilities on the consolidated balance sheets. Expenses related to these plans amounted to \$77,908 and \$53,878 in 2025 and 2024, respectively.

**25. Commitments and Contingencies**

The Company and its affiliates are presently involved in various personal injury, regulatory investigations, tort actions and other claims and assessments arising out of the normal course of business. The Company establishes separate legal reserves when such matters, other than those covered under the Company's self-insured programs, present loss contingencies that are both probable and estimable. Management believes that Novant Health has adequate legal defenses, self-insurance reserves and/or insurance coverage for these asserted claims, as well as any unasserted claims and does not believe these claims will have a material effect on the Company's operations or financial position. The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, protection of sensitive patient data, reimbursement for patient services and Medicare and Medicaid fraud and abuse. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

**26. Concentrations of Credit Risk**

Novant Health provides services primarily to the residents of various counties within North Carolina and South Carolina without collateral or other proof of ability to pay. Most patients are local residents who are insured partially or fully under third-party payor arrangements.

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The mix of receivables from patients and third-party payors at December 31 is as follows:

	<b>2025</b>	<b>2024</b>
Medicare	30.5%	27.9%
Medicaid	9.6%	10.7%
Other third-party payors	55.3%	57.5%
Patients	4.6%	3.9%
	<u>100.0%</u>	<u>100.0%</u>

Novant Health places the majority of its cash and investments with corporate and financial institutions. Novant Health maintains cash balances in excess of FDIC insured limits; however, the Company has not experienced any losses on such deposits.

**27. Functional Expenses**

Novant Health provides general health care services to residents within its geographic region. Novant Health's financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, amortization and interest and other occupancy costs, are allocated to a function based on a square footage or units of service basis. Allocated health care services costs not allocated on a units of service basis are generally allocated based on revenue.

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Expenses relating to providing these services are as follows:

	<b>December 31, 2025</b>			
	<b>Health Care Services</b>		<b>Support Services</b>	
	<b>Acute Care Facilities</b>	<b>Outpatient Locations</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and employee benefits	\$ 2,623,765	\$ 2,363,052	\$ 705,192	\$ 5,692,009
Supplies and other	2,828,494	1,641,673	624,677	5,094,844
Depreciation and amortization expense	268,110	53,709	23,105	344,924
Gain on sale of property and equipment	(1,694)	(1,223)	(613)	(3,530)
Interest expense	87,663	4,213	112,212	204,088
Other non-operating expenses	(160)	(17,134)	(1,280)	(18,574)
<b>Total expenses</b>	<b>\$ 5,806,178</b>	<b>\$ 4,044,290</b>	<b>\$ 1,463,293</b>	<b>\$ 11,313,761</b>
	<b>December 31, 2024</b>			
	<b>Health Care Services</b>		<b>Support Services</b>	
	<b>Acute Care Facilities</b>	<b>Outpatient Locations</b>	<b>General &amp; Administrative</b>	<b>Total</b>
Salaries and employee benefits	\$ 2,367,961	\$ 1,954,326	\$ 631,246	\$ 4,953,533
Supplies and other	2,508,284	1,056,308	600,958	4,165,550
Depreciation and amortization expense	247,753	47,706	22,871	318,330
Gain on sale of property and equipment	(5,008)	(117)	(16,735)	(21,860)
Interest expense	81,896	5,846	114,007	201,749
Other non-operating expenses	(425)	1,497	3,456	4,528
<b>Total expenses</b>	<b>\$ 5,200,461</b>	<b>\$ 3,065,566</b>	<b>\$ 1,355,803</b>	<b>\$ 9,621,830</b>

**28. Subsequent Events**

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through April 10, 2026, the day the consolidated financial statements were issued.

During March 2026, the Company signed an agreement for the acquisition of the assets related to LifeBrite Community Hospital of Stokes in Danbury, North Carolina and its related facilities for \$8,500 in cash. Novant Health expects to begin operating these facilities during the third quarter of 2026. The Company has gotten approval and expects to enter into an agreement with Stokes County concurrent with closing the aforementioned agreement for the use of the land and health care facilities in exchange for investments by Novant Health in furtherance of addressing the health care needs in Stokes County.

## **Other Financial Information**



## Report of Independent Auditors

To the Board of Trustees of Novant Health, Inc.

We have audited the consolidated financial statements of Novant Health, Inc. and Affiliates (the “Company”) as of and for the years ended December 31, 2025 and 2024, and have issued our report thereon dated April 10, 2026, which included an unmodified opinion on those consolidated financial statements. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating supplemental information, as of and for the year ended December 31, 2025 and supplemental schedule of cost of community benefit programs for the year ended December 31, 2025 appearing on pages 50-56 (collectively referred to herein as the “supplemental information”) is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual entities. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information, excluding the schedule of cost of community benefit programs information marked “unaudited,” has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information, excluding the schedule of costs of community benefit information marked “unaudited,” is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The schedule of costs of community benefit programs information marked “unaudited” has not been subject 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.

*PricewaterhouseCoopers LLP*

Charlotte, North Carolina  
April 10, 2026

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(704) 344 7500

**Novant Health, Inc. and Affiliates**  
**Schedule of Cost of Community Benefit Programs (unaudited)**  
**December 31, 2025**

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In addition to providing charity care to uninsured patients, Novant Health also provides services to beneficiaries of public programs and various other community health services intended to improve the health of the communities in which the Company operates. Novant Health uses the following four categories to identify the resources utilized for the care of persons who are underserved and for providing community benefit programs to the needy:

- Traditional charity care, which includes the cost of services provided to persons who cannot afford health care because of inadequate resources and who are uninsured.
- Unpaid cost of Medicare, which represents the unpaid cost of services provided to persons through the government program for individuals age 65 and older as well as those that qualify for federal disability benefits.
- Unpaid cost of Medicaid, which represents the unpaid cost of services provided to persons covered by the government program for medically indigent patients.
- Community benefit programs, which consist of the unreimbursed costs of certain programs and services for the general community, mainly for indigent patients but also for people with chronic health risks. Examples of these programs include health promotion and education, free clinics and screenings and other community services.

The net cost of providing care to indigent patients and community benefit programs is as follows:

<i>(in thousands of dollars)</i>	<b>2025</b>
Traditional charity care	\$ 212,147
Unpaid cost of Medicare	1,563,385
Unpaid cost of Medicaid	146,200
Community benefit programs	180,112
	<u>\$ 2,101,844</u>

The accompanying notes are an integral part of this supplemental consolidating information.

**Novant Health, Inc. and Affiliates**  
**Consolidating Statement of Operations**  
**December 31, 2025**

<i>(in thousands of dollars)</i>	<b>Combined Group</b>	<b>Unrestricted Affiliates</b>	<b>Eliminations</b>	<b>Total</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 720,049	\$ 225,541	\$ -	\$ 945,590
Accounts receivable, net	1,235,269	9,793	-	1,245,062
Short-term investments	65,317	-	-	65,317
Current portion of assets limited as to use	49,675	-	-	49,675
Receivable for settlement with third-party payors	276,431	19,175	-	295,606
Other current assets	486,845	100,804	(6,161)	581,488
Total current assets	<u>2,833,586</u>	<u>355,313</u>	<u>(6,161)</u>	<u>3,182,738</u>
Assets limited as to use	394,122	5,183	-	399,305
Long-term investments	4,103,409	626,960	-	4,730,369
Property and equipment, net	3,876,385	350,273	-	4,226,658
Right-of-use assets, net	773,883	225,422	(92,259)	907,046
Intangible assets and goodwill, net	2,690,683	1,207,751	-	3,898,434
Investments in affiliates	804,221	2,535,243	(3,184,699)	154,765
Deferred tax asset	-	252	-	252
Other assets	295,677	16,020	(2,170)	309,527
Total assets	<u>\$ 15,771,966</u>	<u>\$ 5,322,417</u>	<u>\$ (3,285,289)</u>	<u>\$ 17,809,094</u>
<b>Liabilities and Net Assets</b>				
Current liabilities				
Current portion of long-term debt	\$ 52,384	\$ 2,092	\$ -	\$ 54,476
Short-term borrowings	453,993	-	-	453,993
Accounts payable	366,627	41,730	(6,351)	402,006
Accrued liabilities	801,866	229,292	-	1,031,158
Current portion of operating lease liabilities	124,138	37,376	(10,172)	151,342
Estimated third-party payor settlements	125,095	8,723	-	133,818
Due to (from) related organizations	(3,211,139)	3,211,139	-	-
Total current liabilities	<u>(1,287,036)</u>	<u>3,530,352</u>	<u>(16,523)</u>	<u>2,226,793</u>
Long-term debt, net of current portion	5,213,148	17,138	-	5,230,286
Deferred tax liability	-	31,558	-	31,558
Operating lease liabilities, net of current portion	687,892	196,085	(84,245)	799,732
Derivative financial instruments	8,783	89	-	8,872
Deferred revenue	794,673	-	-	794,673
Employee benefits and other liabilities	485,943	10,371	-	496,314
Total liabilities	<u>5,903,403</u>	<u>3,785,593</u>	<u>(100,768)</u>	<u>9,588,228</u>
Net assets				
Without donor restrictions - attributable to Novant Health	9,868,353	1,294,959	(3,184,521)	7,978,791
Without donor restrictions - noncontrolling interests	-	118,360	-	118,360
Total net assets without donor restrictions	<u>9,868,353</u>	<u>1,413,319</u>	<u>(3,184,521)</u>	<u>8,097,151</u>
With donor restrictions	210	123,505	-	123,715
Total net assets	<u>9,868,563</u>	<u>1,536,824</u>	<u>(3,184,521)</u>	<u>8,220,866</u>
Total liabilities and net assets	<u>\$ 15,771,966</u>	<u>\$ 5,322,417</u>	<u>\$ (3,285,289)</u>	<u>\$ 17,809,094</u>

The accompanying notes are an integral part of this supplemental consolidating information.

**Novant Health, Inc. and Affiliates**  
**Consolidating Statement of Operations**  
**December 31, 2025**

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<i>(in thousands of dollars)</i>	<b>Combined Group</b>	<b>Unrestricted Affiliates</b>	<b>Eliminations</b>	<b>Total</b>
<b>Total operating revenues, gains, and other support</b>				
Net patient service revenues	\$ 8,856,724	\$ 1,003,114	\$ 20,526	\$ 9,880,364
Other revenue	<u>1,708,759</u>	<u>434,419</u>	<u>(114,569)</u>	<u>2,028,609</u>
Total operating revenues, gains, and other support	<u>10,565,483</u>	<u>1,437,533</u>	<u>(94,043)</u>	<u>11,908,973</u>
<b>Operating expenses</b>				
Salaries and employee benefits	4,978,323	718,727	(5,041)	5,692,009
Supplies and other	4,515,590	668,240	(88,986)	5,094,844
Depreciation and amortization expense	308,589	36,335	-	344,924
Gain on sale of property and equipment	(979)	(2,551)	-	(3,530)
Interest expense	<u>110,312</u>	<u>93,776</u>	<u>-</u>	<u>204,088</u>
Total operating expenses	<u>9,911,835</u>	<u>1,514,527</u>	<u>(94,027)</u>	<u>11,332,335</u>
Operating income (loss)	653,648	(76,994)	(16)	576,638
<b>Non-operating income (expense)</b>				
Investment income	549,394	55,448	-	604,842
Income tax benefit	(995)	(17,604)	-	(18,599)
Other net periodic pension costs	<u>54</u>	<u>(29)</u>	<u>-</u>	<u>25</u>
Excess (deficit) of revenues over expenses	<u>\$ 1,202,101</u>	<u>\$ (39,179)</u>	<u>\$ (16)</u>	<u>\$ 1,162,906</u>

The accompanying notes are an integral part of this supplemental consolidating information.

**Novant Health, Inc. and Affiliates**  
**Combined Group Combining Balance Sheet**  
**Year ended December 31, 2025**

<i>(in thousands of dollars)</i>	<b>Obligated Group</b>	<b>Restricted Affiliates</b>	<b>Eliminations</b>	<b>Combined Group Total</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 712,628	\$ 7,421	\$ -	\$ 720,049
Accounts receivable, net	129,154	1,106,115	-	1,235,269
Short-term investments	65,317	-	-	65,317
Current portion of assets limited as to use	46,675	3,000	-	49,675
Receivable for settlement with third-party payors	129,649	146,782	-	276,431
Other current assets	330,662	160,984	(4,801)	486,845
Total current assets	<u>1,414,085</u>	<u>1,424,302</u>	<u>(4,801)</u>	<u>2,833,586</u>
Assets limited as to use	367,888	26,234	-	394,122
Long-term investments	4,103,409	-	-	4,103,409
Property and equipment, net	1,819,354	2,057,031	-	3,876,385
Right-of-use assets, net	340,212	433,671	-	773,883
Intangible assets and goodwill, net	31,709	2,658,974	-	2,690,683
Investments in affiliates	2,175,918	185,692	(1,557,389)	804,221
Other assets	275,295	20,382	-	295,677
Total assets	<u>\$ 10,527,870</u>	<u>\$ 6,806,286</u>	<u>\$ (1,562,190)</u>	<u>\$ 15,771,966</u>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Current portion of long-term debt	\$ 51,273	\$ 1,111	\$ -	\$ 52,384
Short-term borrowings	453,993	-	-	453,993
Accounts payable	240,760	130,668	(4,801)	366,627
Accrued liabilities	610,091	191,775	-	801,866
Current portion of operating lease liabilities	49,574	74,564	-	124,138
Estimated third-party payor settlements	60,683	64,412	-	125,095
Due to (from) related organizations	(3,292,040)	80,900	1	(3,211,139)
Total current liabilities	<u>(1,825,666)</u>	<u>543,430</u>	<u>(4,800)</u>	<u>(1,287,036)</u>
Long-term debt, net of current portion	5,210,826	2,322	-	5,213,148
Operating lease liabilities, net of current portion	306,362	381,530	-	687,892
Derivative financial instruments	8,783	-	-	8,783
Deferred revenue	794,673	-	-	794,673
Employee benefits and other liabilities	434,185	51,758	-	485,943
Total liabilities	<u>4,929,163</u>	<u>979,040</u>	<u>(4,800)</u>	<u>5,903,403</u>
<b>Net assets</b>				
Without donor restrictions - attributable to Novant Health	5,598,665	5,827,078	(1,557,390)	9,868,353
Total net assets without donor restrictions	<u>5,598,665</u>	<u>5,827,078</u>	<u>(1,557,390)</u>	<u>9,868,353</u>
With donor restrictions	42	168	-	210
Total net assets	<u>5,598,707</u>	<u>5,827,246</u>	<u>(1,557,390)</u>	<u>9,868,563</u>
Total liabilities and net assets	<u>\$ 10,527,870</u>	<u>\$ 6,806,286</u>	<u>\$ (1,562,190)</u>	<u>\$ 15,771,966</u>

The accompanying notes are an integral part of this supplemental consolidating information.

**Novant Health, Inc. and Affiliates**  
**Combined Group Combining Statement of Operations**  
**December 31, 2025**

<i>(in thousands of dollars)</i>	<b>Obligated Group</b>	<b>Restricted Affiliates</b>	<b>Eliminations</b>	<b>Combined Group Total</b>
<b>Total operating revenues, gains, and other support</b>				
Net patient service revenues	\$ 3,787,069	\$ 5,069,655	\$ -	\$ 8,856,724
Other revenue	791,068	924,267	(6,576)	1,708,759
Total operating revenues, gains, and other support	<u>4,578,137</u>	<u>5,993,922</u>	<u>(6,576)</u>	<u>10,565,483</u>
<b>Operating expenses</b>				
Salaries and employee benefits	2,247,923	2,730,400	-	4,978,323
Supplies and other	1,804,301	2,717,865	(6,576)	4,515,590
Depreciation and amortization expense	145,257	163,332	-	308,589
Gain on sale of property and equipment	(214)	(765)	-	(979)
Interest expense	62,413	47,899	-	110,312
Total operating expenses	<u>4,259,680</u>	<u>5,658,731</u>	<u>(6,576)</u>	<u>9,911,835</u>
Operating income (loss)	318,457	335,191	-	653,648
<b>Non-operating income (expense)</b>				
Investment income	549,386	8	-	549,394
Income tax benefit	(995)	-	-	(995)
Other net periodic pension costs	30	24	-	54
Excess of revenues over expenses	<u>\$ 866,878</u>	<u>\$ 335,223</u>	<u>\$ -</u>	<u>\$ 1,202,101</u>

The accompanying notes are an integral part of this supplemental consolidating information.

# Novant Health, Inc. and Affiliates

## Notes to Consolidating or Combining Supplemental Schedules

### December 31, 2025

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#### 1. Reporting Entity

Novant Health, Inc. (“Novant Health” or the “Company”) is a not-for-profit integrated network of more than 900 locations, including 19 medical centers, more than 750 physician clinics and urgent care centers, outpatient facilities, and imaging and pharmacy services. Novant Health’s more than 40,000 team members along with more than 8,500 independent and employed clinicians care for patients and communities in North Carolina and South Carolina.

#### 2. Basis of Presentation and Summary of Significant Accounting Policies

##### ***Novant Health, Inc. Consolidating Balance Sheet and Consolidating Statement of Operations (which Combines the Information of the Combined Group and Unrestricted Affiliates)***

The Total column reconciles to the consolidated financial statements of Novant Health, Inc. and includes the accounts of all affiliates controlled by Novant Health, Inc. The Total is comprised of the Combined Group (as described below, which is comprised of the Obligated Group and Restricted Affiliates) and the Unrestricted Affiliates, which represent affiliates not meeting the definition of the Obligated Group or Restricted Affiliates as defined below.

The Eliminations column represents the elimination of intercompany transactions and balances between the Combined Group and the Unrestricted Affiliates.

The consolidating balance sheet and consolidating statement of operations are otherwise prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. These schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, as a result of the exclusion of all required disclosures.

##### ***Combined Group Combining Balance Sheet and Statement of Operations***

As noted in Note 16 to the consolidated financial statements, the Company is subject to a Master Trust Indenture (the “Agreement”) which authorizes the creation of a Combined Group, which consists of the members of the Obligated Group and the Restricted Affiliates.

The members of the Obligated Group are jointly and severally liable for the payment of all obligations under the Agreement. The members of the Obligated Group are Novant Health and its two affiliates that operate tertiary care hospitals, Forsyth Memorial Hospital, Inc. d/b/a Novant Health Forsyth Medical Center and The Presbyterian Hospital d/b/a Novant Health Presbyterian Medical Center, both of which are North Carolina nonprofit corporations. In the accompanying Combined Group combining balance sheet and combining statement of operations, the Obligated Group column presents information of the aforementioned entities.

**Novant Health, Inc. and Affiliates**  
**Notes to Consolidating or Combining Supplemental Schedules**  
**December 31, 2025**

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Restricted Affiliates represent entities that are not directly obligated to pay obligations under the Agreement, but the members of the Obligated Group have covenanted in the Agreement to cause the Restricted Affiliates to provide funds to the members of the Obligated Group to pay obligations under the Agreement. The Company has designated 16 of its affiliates as Restricted Affiliates. Ten of these Restricted Affiliates, Medical Park Hospital, LLC d/b/a Novant Health Medical Park Hospital, Novant Health Thomasville Medical Center, LLC, Novant Health Matthews Medical Center, LLC, Brunswick Community Hospital, LLC d/b/a Novant Health Brunswick Medical Center, Novant Health Mint Hill Medical Center, LLC, Novant Health New Hanover Regional Medical Center, LLC, Novant Health Ballantyne Medical Center, LLC, East Cooper Medical Center, LLC, South Carolina Coastal Medical Center, LLC, and Hilton Head Medical Center, LLC, operate, or maintain a significant investment in, hospitals. The other six Restricted Affiliates, Carolina Medicorp Enterprises, LLC, Foundation Health Systems, LLC, Novant Medical Group, LLC f/k/a Presbyterian Regional Healthcare Corp., Salem Health Services, Inc., East Cooper Physician Group, LLC, and Hilton Head Regional Physician Group, LLC, provide, or invest in subsidiaries or joint ventures which provide health care and ancillary services. All of the members of the Combined Group, except Salem Health Services, Inc., are exempt from federal and state income taxation.

The Eliminations column represents the elimination of intercompany transactions and balances between the Obligated Group and the Restricted Affiliates.

The Combined Group combining balance sheet and combining statement of operations are otherwise prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. These schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, as a result of the exclusion of all required disclosures.