BOND HOLDER PACKET

NORTON HEALTHCARE, INC.

UNAUDITED

FINANCIAL STATEMENTS

June 30, 2023

Norton Healthcare, Inc.
Financial Statements

Table of Contents

August 11, 2023

Financial Highlights for the Six Months Ended June 30, 2023

On May 9, 2023 Norton Healthcare experienced a cyber-event. As a precaution, many of the Corporation's systems were proactively taken offline to protect its network. This necessitated making additional estimates for the Corporation's financial statements as of June 30, 2023 and for the six months then ended, due to certain systems being offline and unavailable to access.

Due to the declared end of the U.S. public health emergency related to the novel coronavirus disease (COVID-19) global pandemic on April 10, 2023 any continued impact will be discussed within the below analysis.

Revenues and Expenses

For the six months ended June 30, 2023 total revenues grew $186.3 million, or 11%, to $1.9 billion compared to the prior year. This increase was due to the growth of net patient service revenue of $217.0 million, or 13%, partially offset by a decrease in CARES Act Provider Relief Fund revenue of $26.9 million, or 100%, and a decrease in other revenue of $3.8 million, or 13%.

When comparing the first six months of 2023 to the first six months of 2022, inpatient admissions increased by 201, or 1%, hospital outpatient volumes and total outpatient volumes increased 5% and 11%, respectively, and provider office visits increased 2%. The following table outlines, for selected volumes, the percentage change from the prior year for each month during the six months ended June 30, 2023:

	January	February	March	Q1	April	May	June	Q2
Inpatient Admissions	5%	3%	1%	3%	-7%	-2%	4%	-1%
Inpatient Surgeries	26%	13%	4%	14%	-2%	-5%	3%	-1%
Outpatient Surgeries	21%	7%	4%	10%	6%	14%	3%	8%

The increase in net patient service revenue for the first six months of 2023 compared to the first six months of 2022 was due to:

- Kentucky Medicaid Hospital Rate Improvement Program (HRIP) revenue,
- Increased adjusted admissions (1,376 or 1%), adjusted patient days (2,647 or less than 1%), outpatient visits (27,552 or 14%), Emergency Department visits (7,709, or 7%), outpatient surgeries (1,554, or 5%), and inpatient surgeries (493, or 13%) at the hospitals.
- Increase in provider office visits (33,419 or 2%) at Norton Medical Group (NMG) and Norton Children's Medical Group (NCMG), and
- Increase in the number of prescriptions filled at the Norton Pharmacies (Pharmacies).

The Corporation recognized $0 in the first six months of 2023 compared to $26.9 million in the first six months of 2022 from the CARES Act Provider Relief Fund general distributions for COVID-19 related expenses and losses.

The decrease in other revenue of $3.8 million, or 33%, occurred primarily at Research Office ($3.1 million), and CPA Lab ($2.1 million), partially offset by an increase at NMG ($1.2 million). The decrease at Research Office was primarily due to volume of research studies. The decrease at CPA Labs was primarily due to decreases in volumes and timing of billing charges related to the cyber-event. The increase at NMG was primarily due to quality and care coordination payments from payors.

Direct expenses increased $157.8 million, or 10%, compared to the same period in 2022. Major components of this direct expense growth are discussed below.

1. Labor and benefits rose by $89.4 million, or 10%, broken down as follows:

(in millions)	2023	2022	% Change
Salary and Wages	$ 835.4	$721.0	16%
Contract Labor	15.8	61.2	(74%)
Benefits	174.1	153.6	13%
Total	**$1,025.3**	**$935.8**	**10%**

   Salary and wages increased at NMG ($25.4 million), Norton Hospital (Norton) ($24.5 million), Norton Audubon Hospital (Audubon) ($14.9 million), Norton Brownsboro Hospital (NBH) ($11.6 million), Norton Women's and Children's Hospital (NWCH) ($11.0 million), Norton Children's Hospital (NCH) ($7.3 million), and the System Office ($6.8 million).

   NMG's increase was due to increases in provider salaries, as a result of hiring additional providers and employees. Norton, Audubon, NBH, NWCH, and NCH incurred increased salary expense as a result of additional employees and system-wide pay increases given in August 2022, as well as increases in other earnings premium, and orientation/training/other, partially offset by decreases in regular earnings premium. The increases in other premium earnings and orientation/training/other result primarily from onboarding additional clinical staff. System Office's increase was related to additional employees, and system-wide pay increases made in August 2022, partially offset by decreases in orientation/training/other, and other earnings premium.

   Contract labor decreased at Norton ($16.2 million), Audubon ($11.5 million), NBH ($9.0 million), and NWCH ($7.5 million). The decreases at Norton, Audubon, NBH, and NWCH are primarily due to reducing the number of external contract personnel.

   Benefit costs increased due to higher FICA expense ($7.3 million), health insurance expense ($6.7 million), and employer contributions to the 403(b) benefit plan ($5.5 million).

2. The increase in professional fees of $4.7 million, or 7%, occurred primarily at NMG ($1.8 million), and NWCH ($1.7 million). NMG's increase is due to increased locum expense related to NCMG providers. NWCH's increase is due to increased locum expense related to its primary anesthesia contract.

3. Drug and supply costs increased $40.3 million, or 10%; a $26.2 million increase in drug expense and $14.1 million increase in supply expense. The increase in drug expense occurred primarily at the Pharmacies ($14.6 million), and NCI ($8.4 million). Pharmacies' increase was primarily due to the addition of outpatient clinic pharmacies, and increased volume and prices. NCI's increase was due to increases in volume and prices. The increase in supply expense occurred at Audubon ($12.2 million), Norton ($2.6 million), and NBH ($2.2 million), partially offset by a decrease at CPA Lab ($4.5 million). The increase in supply expense at Audubon occurred primarily in chargeable supplies, spinal implants, orthopedic implants, and cardiovascular implants. The increase in supply expense at Norton was primarily due to chargeable supplies, cardiovascular implants, and other implants, partially offset by a decrease in spinal implants. The increase at

NBH was primarily due to orthopedic implants, and chargeable supplies, partially offset by a decrease in cardiovascular implants. CPA Lab's decrease was due primarily to decrease in COVID-19 testing reagents/chemicals and film and other laboratory supplies.

4. Repairs and maintenance increased $3.9 million, or 8%, and occurred primarily at System Office ($3.5 million), due to additional costs for software and hardware maintenance.

5. The increase in provider tax of $13.4 million, or 44%, was due to increased HRIP tax and fees, which follows the increase in HRIP revenue.

6. All other direct expenses increased by $6.0 million, or 4%. We experienced increases for fees and special services, insurance, rents and leases, and utilities, partially offset by a decreases in other expense, and equipment rent.

As a result of greater total revenue growth than direct expense growth, EBITDA increased from $84.3 million for the first six months of 2022 to $112.7 million for the first six months of 2023.

Fixed expenses, which include depreciation and amortization and interest expense, increased $5.4 million, or 6%, with $4.1 million of that increase in depreciation and amortization expense. The increase in depreciation and amortization expense occurred primarily at NCH ($2.9 million), and NBH ($1.1 million), due to additional projects and assets placed into service.

For the six months ended June 30, patient service margin increased from a loss of $10.3 million in 2022 to income of $12.7 million in 2023, an increase of $23.0 million. An increase in net patient service revenue and decrease in contract labor was partially offset by declines in CARES Act Provider Relief Fund revenue, other revenue, and increases in salary and wages, drugs, employee benefits, supplies, provider tax, professional fees, and repairs and maintenance.

Investment income was $2.9 million and $2.7 million for the six months ended June 30, 2023, and 2022, respectively. The increase was the result of a decrease in investment manager fees and an increase in interest and dividends, partially offset by decreases in realized gains, and increased losses in the alternative investment segment of our portfolio.

For the six months ended June 30, 2023, operating income was $15.6 million compared to a loss of $7.7 million for the six months ended June 30, 2022. This represents an increase of $23.3 million which was primarily the result of a higher patient service margin.

Non-operating revenues and expenses were a net increase of $109.4 million for the six months ended June 30, 2023 which is an improvement of $254.8 million compared to the same period in 2022. Unrealized investment gains totaled $107.4 million in 2023 compared to losses of $273.2 million in 2022 due to favorable market conditions in 2023. Other non-operating revenue was not significant in 2023 compared to $126.4 million in 2022 ($126.3 million gain on acquisition of Norton King's Daughters' Health (NKDH), and a $1.5 million gain on sale of the Corporation's interest in Passport, partially offset by a $1.5 million loss on refunding long-term debt). The change in mark to market on the swap agreements improved $6.8 million in 2023 compared to $9.6 million for 2022. Net periodic pension cost was $4.4 million in 2023 compared to a gain of $153,000 in 2022. Grants from the James R. Petersdorf fund were $425,000 in 2023 compared to $8.4 million in 2022.

Net assets increased by $129.1 million and decreased $149.0 million for the six months ended June 30, 2023 and 2022, respectively, an improvement of $278.1 million.

Balance Sheet – June 30, 2023 compared to December 31, 2022

Working capital increased $208.6 million compared to the prior year end primarily due to increases in net patient accounts receivable, cash and cash equivalents, prepaid expenses, and due from third party payors, and decreases in accrued payroll items, and current portion of long-term debt, partially offset by a decreases in marketable securities, and an increase in accounts payable, and accrued expense and other.

Significant items impacting cash were:

- Collections on hospital/physician practice patient receivables and other miscellaneous receipts,
- Proceeds from sale of long-term investments,
- HRIP receipts,
- Transfers from marketable securities, and
- Proceeds from issuance of commercial paper.

which were partially offset by:

- Payments made for trade payables, payroll and related taxes, and provider taxes,
- Purchase of capital assets,
- Funding the semi-annual principal and interest payments on debt, and
- Employer contributions to the 403(b) savings plan,

The increase in net patient accounts receivable was primarily due to an increase in net patient service revenues for the first six months of 2023 compared to 2022, and delays in sending out claims as a result of mitigation efforts surrounding the cyber-event. Prepaid expenses increased primarily due to additional costs for software maintenance. The decrease in accrued payroll items was caused by repayment of the COVID-19 relief FICA tax deferral, and the retirement plan accrual due to funding of annual employer contributions, partially offset by increases in vacation pay and the timing of our payroll. The increase in due from third party payors was caused by recording the HRIP receivable and cost report settlements, net. The decrease in current portion of long-term debt was due to payments. Marketable securities and other investments decreased due to the transfer of $25.0 million to cash and cash equivalents. Accounts payable increased due to timing of invoice processing. Accrued expenses increased due to the issuance of $25.0 million of commercial paper, and increases in health insurance and other expenses, partially offset by repayment of the CMS Accelerated and Advance Payment Program liability as the result recoupments by CMS.

Cash and investments available for debt service decreased $70.5 million, as follows:

(in millions)	**6/30/2023**	**12/31/2022**	**Change**
Operating Cash	$ 309.5	$ 257.1	$ 52.4
Marketable Securities	45.8	70.6	(24.8)
Board Designated Funds	1,845.0	1,943.4	(98.4)
Bond Trustee Funds	21.9	21.6	0.3
Total	**$2,222.2**	**$2,292.7**	**($70.5)**

The decrease in cash and investments available for debt service was caused by a decrease in board designated funds, and marketable securities, partially offset by an increase in operating cash, discussed above. Consolidated days cash on hand decreased to 226 at June 30, 2023, from 243 at December 31, 2022, due an increase in average daily expenses.

Accounts receivable days outstanding increased from 35.1 as of December 31, 2022, to 50.5 as of June 30, 2023. Net patient receivables increased from $355.4 million at December 31, 2022, to $506.2 million at June 30, 2023, partially offset by an increase in the daily average net patient service revenue for the most recent three months, which is the denominator of the accounts receivable days' outstanding formula from $10.1 million at December 31, 2022, to $10.2 million at June 30, 2023.

The decrease in assets limited by Board of Trustees was due to $200.0 million sale of securities for transfer to operating cash, partially offset by favorable investment results. The decrease in assets limited by the self-insurance trust was caused by claims payments, partially offset by favorable investment results. The increase in restricted funds was primarily due to a transfer from operating cash, and favorable investment results.

Long-term debt decreased $7.4 million due to payments and amortization of bond discount and issuance costs.

Thank you for your ongoing interest in Norton Healthcare. We are continually evaluating alternatives to manage and optimize our outstanding debt portfolio. We may from time to time seek to retire or purchase outstanding bonds through cash purchases, through a public Tender Offer, privately negotiated transactions, or otherwise at our sole discretion. Such purchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions, and other factors. The amount of bonds purchased or exchanged may be material. If you have any questions or concerns, please contact Helena Schulz at (502) 629-8263 or by e-mail at helena.schulz@nortonhealthcare.org.

Sincerely,

Adam D. Kempf

Senior Vice President and Chief Financial Officer

NORTON HEALTHCARE, INC.
Combined Income Statement vs Prior Year - Quarterly - Dollars in Thousands
for ** Consolidated Level Range **
June 30, 2023

08/08/23
09:50
IS-C-QTRROUN

	Quarter Ending 06/30/23	Quarter Ending 06/30/22	Quarter Ending Variance	Year to Date 06/30/23	Year to Date 06/30/22	Year to Date Variance
Net Patient Service Revenu	911,073	814,935	96,138	1,868,379	1,651,374	217,005
CARES Act Provider Relief		20,817	(20,817)		26,873	(26,873)
Other Revenue	11,695	15,811	(4,116)	24,895	28,715	(3,820)
Donations & Contributions	3,484	3,344	140	8,716	6,539	2,177
Joint Venture Income	(1,497)	(78)	(1,419)	(2,559)	(321)	(2,238)
Total Net Revenue	924,755	854,829	69,926	1,899,431	1,713,180	186,251
Expenses						
Salary and Wages	412,287	356,170	(56,117)	835,335	721,031	(114,304)
Contract Labor	6,754	31,231	24,477	15,795	61,236	45,441
Employee Benefits	84,281	74,419	(9,862)	174,141	153,578	(20,563)
Professional Fees	37,306	34,817	(2,489)	73,400	68,657	(4,743)
Drugs	116,269	105,468	(10,801)	229,155	202,994	(26,161)
Supplies	103,551	97,493	(6,058)	212,337	198,181	(14,156)
Fees, Special Services	38,313	40,933	2,620	77,355	75,430	(1,925)
Repairs and Maintenance	24,294	25,082	788	50,425	46,509	(3,916)
Equipment Rent	2,677	2,685	8	5,325	5,513	188
Rents and Leases	10,646	10,241	(405)	21,895	20,299	(1,596)
Utilities	8,357	8,486	129	17,208	16,061	(1,147)
Insurance	9,298	8,407	(891)	18,024	16,244	(1,780)
Provider Tax	20,117	13,679	(6,438)	43,781	30,342	(13,439)
Other	5,370	1,030	(4,340)	12,517	12,785	268
Subtotal Direct Expenses	879,520	810,141	(69,379)	1,786,693	1,628,860	(157,833)
EBITDA	45,235	44,688	547	112,738	84,320	28,418
Fixed Expenses						
Depreciation & Amortizat	37,540	36,367	(1,173)	75,254	71,176	(4,078)
Interest Expense	12,720	11,698	(1,022)	24,782	23,491	(1,291)
Patient Service Margin	(5,025)	(3,377)	(1,648)	12,702	(10,347)	23,049

NORTON HEALTHCARE, INC. 08/08/23
Combined Income Statement vs Prior Year - Quarterly - Dollars in Thousands 09:50
for ** Consolidated Level Range ** IS-C-QTRROUN
June 30, 2023

	Quarter Ending 06/30/23	Quarter Ending 06/30/22	Quarter Ending Variance	Year to Date 06/30/23	Year to Date 06/30/22	Year to Date Variance
Investment Income (Loss)	12,962	(9,745)	22,707	2,918	2,689	229
Operating Income (Loss	7,937	(13,122)	21,059	15,620	(7,658)	23,278
Non-Operating Rev (Exp)						
Chg in Unreal G/(L) in I	31,971	(176,078)	208,049	107,436	(273,194)	380,630
Other Non-Operating Reve	3	1,677	(1,674)	(7)	126,424	(126,431)
Chg in Fair Value of Swa	4,750	13,198	(8,448)	6,813	9,622	(2,809)
Net Periodic Pension Cos	(2,219)	77	(2,296)	(4,439)	153	(4,592)
James R. Petersdorf Fund			0	(425)	(8,400)	7,975
Total Non-Op Rev (Exp)	34,505	(161,126)	195,631	109,378	(145,395)	254,773
Excess Rev Over Exp	42,442	(174,248)	216,690	124,998	(153,053)	278,051
Other Equity Transactions	3,721	3,251	470	4,101	4,054	47
Inc(Decr) in Net Assets	46,163	(170,997)	217,160	129,099	(148,999)	278,098
STATISTICS:						
Admissions	16,280	16,526	(246)	33,398	33,197	201
Adjusted Admissions	46,872	48,286	(1,414)	95,760	94,384	1,376
Patient Days	90,649	92,619	(1,970)	189,084	189,755	(671)
Adjusted Patient Days	260,990	270,615	(9,625)	542,151	539,504	2,647
O/P Visits (Excl ER & OP S	177,225	174,614	2,611	374,218	333,300	40,918
E/R Visits	69,391	68,513	878	137,539	129,084	8,455
Outpatient Surgery	10,859	10,084	775	21,757	19,992	1,765
Inpatient Surgery	4,201	4,250	(49)	8,690	8,197	493
Deliveries	2,170	2,113	57	4,391	4,244	147
Clinic/Phys Visits	830,409	837,885	(7,476)	1,728,303	1,689,177	39,126
Acute LOS	5.57	5.60	(0.03)	5.66	5.72	(0.06)
FTE	16,387.0	15,547.7	(839.3)	16,385.6	15,569.2	(816.4)
FTE/AOB	5.71	5.23	(0.48)	5.47	5.22	(0.25)
wRVUs	1,983,500	1,943,099	40,401	4,137,683	3,875,980	261,703
Observation Cases	9,731	8,998	733	19,521	16,480	3,041

NORTON HEALTHCARE, INC.
Combined Balance Sheets
In Thousands

08/08/23
09:50
BS-CMB-BRD

	June 2023	December 2022	Increase (Decrease)	%
Assets				
Current Assets				
Cash and Cash Equivalents	309,534	257,073	52,461	20
Mkt Securities & Other Inv	45,831	70,607	(24,776)	(35)
Net A/R	506,223	355,398	150,825	42
Miscellaneous Receivables	34,576	41,103	(6,527)	(16)
CP Assets Limited to Use	27,536	27,281	255	1
Inventories	80,061	80,879	(818)	(1)
Prepaid Expenses	81,022	73,268	7,754	11
Other Current Assets	308	326	(18)	(6)
Total Current Assets	1,085,092	905,933	179,159	20
Assets Limited as to Use				
By Board of Directors	1,844,955	1,943,452	(98,497)	(5)
By Bond Indenture Trust	21,908	21,611	297	1
By Self Insurance Trust	75,679	81,770	(6,091)	(7)
Restricted Funds	96,491	78,242	18,249	23
Total Assets Limited as to Use	2,039,033	2,125,075	(86,042)	(4)
Property Plant & Equipmt, Net	1,391,380	1,390,476	904	
Other Assets:				
Investments in Joint Ventur	22,250	24,809	(2,559)	(10)
Beneficial Int. in Outsd Tr	23,362	23,492	(130)	(1)
Right of Use Assets, Net	170,248	170,566	(318)	
Goodwill & Net Intang Assets	21,670	21,448	222	1
Other	76,478	71,233	5,245	7
Total Other Assets	314,007	311,548	2,459	1
Total Assets	4,829,513	4,733,032	96,481	2

In Thousands

	June 2023	December 2022	Increase (Decrease)	%
Liabilities and Net Assets				
Current Liabilities:				
Accounts Payable	138,935	116,219	22,716	20
Grants Payable	8,590	8,607	(17)	
Accrued Expense & Other	195,863	182,589	13,274	7
Accrued Payroll Items	205,722	243,942	(38,220)	(16)
Due to Third-Party Payors	(36,092)	(21,301)	(14,791)	69
Accrued Interest	12,841	12,891	(50)	
Current Portion LT Debt	162,332	174,709	(12,377)	(7)
Total Current Liabilities	688,192	717,657	(29,466)	(4)
Other Noncurrent Liabilities:				
Pension	53,106	52,270	836	2
Insurance Liability	97,542	95,580	1,962	2
Lease Liability - Operating	144,953	145,714	(761)	(1)
Other	90,802	92,135	(1,333)	(1)
Total Other Noncurrent liabil	386,403	385,699	704	
Total Long-term Debt	1,358,411	1,365,789	(7,379)	(1)
Net Assets:				
Unrestricted	2,237,519	2,108,417	129,102	6
With Donor Restrictions	158,989	155,470	3,519	2
Total Net Assets	2,396,507	2,263,887	132,621	6
Total Liablities & Net Assets	4,829,513	4,733,032	96,481	2

In Thousands

	June 2023	December 2022
Net Assets:		
UNRESTRICTED		
Fund Balance	2,108,417	2,200,191
Excess Revenues over Expenses	129,101	(91,774)
Total Unrestricted	2,237,519	2,108,417
WITH DONOR RESTRICTIONS		
Fund Balance	155,470	152,598
Contributions & Grants	5,003	35,640
Gifts in Kind	125	296
Raffle Fundraising	26	34
Special Event Costs	(384)	(1,103)
Investment Income	125	1,607
Inc Dist fr Trust/Change in BI	541	(5,669)
Assets Released-Programs/Asst.	(5,414)	(9,910)
Assets Relsd-PP&E/Time Restr	(694)	(6,737)
Unrealized Gain/Loss	4,645	(10,420)
Fdtn OH Expense Alloc	(453)	(907)
Transfer to/from Affiliates		40
Total With Donor Restrictions	158,989	155,470
TOTAL NET ASSETS	2,396,507	2,263,887

Norton Healthcare, Inc. and Affiliates
Combined Statements of Cash Flows
In Thousands

	Six Months Ended June 30, 2023	Year Ended December 31, 2022
Operating Activities		
Change in net assets	$132,621	($88,907)
Adjustments to reconcile change in net assets to net cash provided by operating activities and nonoperating gains and losses - net:		
Gain on member substitution of NKDH	-	(133,667)
Depreciation and amortization	75,254	152,271
(Premium amortization) discount accretion, net	(4,550)	(8,721)
Change in net unrealized gains and losses on investments	(112,081)	315,379
Change in interest rate swap value	(6,813)	(14,826)
Change in pension plan assets and obligation	(3,602)	6,060
Loss on debt extinguishment	-	1,523
Restricted contributions and investment income	(5,435)	(30,845)
Changes in operating assets and liabilities:		
Change in patient accounts receivable	(150,825)	(29,794)
Change in assets limited as to use, net	197,867	(24,530)
Change in amounts due to third-party payors	(14,791)	(3,383)
Change in marketable securities	24,776	102,559
Change in other current and noncurrent assets and liabilities	(19,998)	(83,275)
Net cash from operating activities	112,422	159,843
Investing Activities		
Purchase of property and equipment, net	(76,158)	(130,706)
Additional cash paid on member substitution NKDH - net of cash acquired	-	(14,522)
Change in joint ventures and other	2,559	6,209
Net cash from investing activities	(73,599)	(139,019)
Financing Activities		
Proceeds from issuance of long-term debt	-	82,810
Refund on 2010 bonds	-	(88,982)
Principal payments on long-term debt	(15,660)	(47,910)
Cost of long-term debt issuances	-	(411)
Issuance of commercial paper	23,864	25,000
Restricted contributions and investment income	5,435	30,845
Net cash from financing activities	13,639	1,353
Change in cash and cash equivalents	52,462	22,177
Cash and cash equivalents at beginning of year	257,072	234,896
Cash and cash equivalents at end of month	$309,534	257,072

NORTON HEALTHCARE, INC. 08/08/23
Combining Income Statement By Legal Entity Dollars in Thousands 09:50
June 30, 2023 YEAR TO DATE IS-C-YTD-BRD

	Norton System Office	Norton Hospitals Inc.	Norton Healthcare Indiana Inc.	CMA	Norton Properties Inc.	Norton Enterprises Inc.	Children's Hospital Foundation	Norton Healthcare Foundation	Eliminations	Combined Total
Net Patient Service Revenue	48,292	1,421,718	71,141	328,764					(1,534)	1,868,381
Other Revenue	14,253	8,493	486	18,878	32,835		282	428	(50,759)	24,896
Donations & Contributions	1,476	1,703	163	1,945			9,682	8,841	(15,092)	8,718
Joint Venture Income						(2,559)				(2,559)
Total Net Revenue	64,021	1,431,914	71,790	349,587	32,835	(2,559)	9,964	9,269	(67,385)	1,899,436
Expenses										
Salary and Wages	103,585	398,366	30,089	301,276	836		886	379	(82)	835,335
Contract Labor	767	10,533	4,354	67	74					15,795
Employee Benefits	34,737	82,854	7,991	47,980	346		176	56		174,140
Professional Fees	87	58,392	936	16,108					(2,123)	73,400
Drugs	45,236	164,662	7,176	12,088					(6)	229,156
Supplies	215	185,418	5,645	20,723	72		107	155		212,335
Fees, Special Services	29,701	48,865	5,218	5,384	914		980	30	(13,737)	77,355
Repairs and Maintenance	37,330	9,146	2,392	596	957		3	1		50,425
Equipment Rent	1,560	3,564	155	46						5,325
Rents and Leases	5,269	10,486		20,262	22,028		52	17	(36,221)	21,893
Utilities	1,358	9,185	1,317	3,774	1,572		2			17,208
Insurance	749	7,646	964	8,267	188		144	65		18,023
Provider Tax		39,898	3,883							43,781
Other	3,206	3,396	670	3,372	596		7,794	8,701	(15,217)	12,518
Management Fee	(220,765)	177,973		39,994	2,797					(1)
Subtotal Direct Expenses	43,035	1,210,384	70,790	479,937	30,380		10,144	9,404	(67,386)	1,786,688
EBITDA	20,986	221,530	1,000	(130,350)	2,455	(2,559)	(180)	(135)	1	112,748
Fixed Expenses										
Depreciation & Amortization	10,116	47,709	4,598	6,201	6,627		4	1		75,256
Interest Expense	(3,028)	25,213	867		1,730					24,782
Patient Service Margin	13,898	148,608	(4,465)	(136,551)	(5,902)	(2,559)	(184)	(136)	1	12,710

NORTON HEALTHCARE, INC. 08/08/23
Combining Income Statement By Legal Entity Dollars in Thousands 09:50
June 30, 2023 YEAR TO DATE IS-C-YTD-BRD

	Norton System Office	Norton Hospitals Inc.	Norton Healthcare Indiana Inc.	CMA	Norton Properties Inc.	Norton Enterprises Inc.	Children's Hospital Foundation	Norton Healthcare Foundation	Eliminations	Combined Total
Investment Income (Loss)	333		2,272				301	12		2,918
Operating Income (Loss)	14,231	148,608	(2,193)	(136,551)	(5,902)	(2,559)	117	(124)	1	15,628
Non-Operating Rev (Exp)										
Change in Unreal G/(L) Inv	96,698		8,716				1,756	266		107,436
Other Non-Operating Revenue	(18)		71	(57)	8		(3)	(8)		(7)
Chg in Fair Value of Swap	6,813									6,813
Net Periodic Pension Cost	(4,439)									(4,439)
James R. Petersdorf Fund	(440)			15						(425)
Total Non-Operating Rev (Exp)	98,614		8,787	(42)	8		1,753	258		109,378
Excess Rev Over Exp	112,845	148,608	6,594	(136,593)	(5,894)	(2,559)	1,870	134	1	125,006
Other Equity Transactions	3,603	55		439			199	(195)		4,101
Inc(Decr) in Net Assets	116,448	148,663	6,594	(136,154)	(5,894)	(2,559)	2,069	(61)	1	129,107
STATISTICS:										
Admissions - Acute		32,309	1,089							33,398
Patient Days - Acute		184,357	4,727							189,084
O/P Visits (Excl ER & OP Surg)		336,237	37,981							374,218
E/R Visits		128,555	8,984							137,539
Outpatient Surgery		20,575	1,182							21,757
Inpatient Surgery		8,333	357							8,690
Deliveries		4,197	194							4,391
Clinic/Phys Visits		70,351	66,842	1,591,110						1,728,303
wRVUs		160,212		2,914,850						3,075,062
Observation Cases		18,514	1,007							19,521

Combining Balance Sheet By Legal Entity Dollars in Thousands 09:50

	Norton System Office	Norton Hospitals Inc.	Norton Healthcare Indiana Inc.	CMA	Norton Properties Inc.	Norton Enterprises Inc.	Chidren's Hospital Foundation	Norton Healthcare Foundation	Eliminations	Combined Total
Assets										
Current Assets										
Cash and Cash Equivalents	296,679	8	11,911	229			690	18		309,535
Mkt Securities & Other Inv	45,831									45,831
Net A/R	34,624	370,754	17,667	83,177		(1)				506,223
Miscellaneous Receivables	25,304	628	22	767	1,211		4,180	2,463		34,575
CP Assets Limited to Use	27,536									27,536
Inventories	4,307	68,676	3,433	3,529			34	82		80,061
Prepaid Expenses	76,695	2,931	1,255		71		69			81,021
Other Current Assets	308									308
Total Current Assets	511,285	442,997	34,289	87,703	1,282	(1)	4,974	2,563		1,085,092
Assets Limited as to Use										
By Board of Directors	1,608,225		198,366				33,319	5,045		1,844,955
By Bond Indenture Trust	21,908									21,908
By Self Insurance Trust	75,679									75,679
Restricted Funds	8,411		10				50,026	38,044		96,491
Total Assets Limited as to Use	1,714,224		198,376				83,345	43,089		2,039,033
Property Plant & Equipmt, Net	99,361	916,327	88,327	80,229	207,096		40			1,391,380
Other Assets:										
Other Receivables from Affi	(254,943)	2,354,590	(349,058)	(1,541,229)	(198,105)	(8,633)	(1,604)	(596)	(422)	
Investments in Joint Ventur	21,776		2,185	16,416		19,862			(37,989)	22,250
Beneficial Int. in Outsd Tr							15,827	7,534		23,361
Right of Use Assets, Net	1,496	8,186			160,566					170,248
Goodwill & Net Intang Assets		7,668		14,002						21,670
Other	40,830		6,895				20,217	8,535		76,477
Total Other Assets	(190,840)	2,370,444	(339,977)	(1,510,811)	(37,539)	11,229	34,441	15,473	(38,411)	314,007
Total Assets	2,134,030	3,729,767	(18,986)	(1,342,879)	170,839	11,228	122,799	61,125	(38,411)	4,829,513

NORTON HEALTHCARE, INC. 08/08/23
Combining Balance Sheet By Legal Entity Dollars in Thousands 09:50
To Date Ending June 30, 2023 B-COMBINGROU

	Norton System Office	Norton Hospitals Inc.	Norton Healthcare Indiana Inc.	CMA	Norton Properties Inc.	Norton Enterprises Inc.	Chidren's Hospital Foundation	Norton Healthcare Foundation	Eliminations	Combined Total
Liabilities and Net Assets										
Current Liabilities:										
Accounts Payable	20,284	110,944	3,085	3,166	1,441	1	11	3		138,935
Grants Payable	8,590									8,590
Accrued Expense & Other	111,927	31,922	6,492	19,342	25,351	(135)	964			195,863
Accrued Payroll Items	154,771	4,621	4,764	41,567						205,723
Due to Third-Party Payors		(37,892)	1,800							(36,092)
Accrued Interest	12,841									12,841
Current Portion LT Debt	155,390		167		6,775					162,332
Total Current Liabilities	463,803	109,594	16,309	64,074	33,567	(135)	976	3		688,192
Other Noncurrent Liabilities:										
Pension	53,106									53,106
Insurance Liability	97,206		337							97,543
Lease Liability - Operating	707	6,702			137,544					144,953
Other	71,427	9,736	407		4,862		2,173	2,198		90,803
Total Other Noncurrent liabil	222,445	16,437	743		142,406		2,173	2,198		386,403
Total Long-term Debt	1,289,287		110		69,014					1,358,411
Net Assets:										
Unrestricted	151,514	3,600,160	(36,856)	(1,412,155)	(74,148)	11,363	33,137	2,915	(38,411)	2,237,519
With Donor Restrictions	6,981	3,576	708	5,202			86,512	56,010		158,989
Total Net Assets	158,495	3,603,736	(36,148)	(1,406,953)	(74,148)	11,363	119,650	58,925	(38,411)	2,396,507
Total Liablities & Net Assets	2,134,030	3,729,767	(18,986)	(1,342,879)	170,839	11,228	122,799	61,125	(38,411)	4,829,513

NORTON HEALTHCARE, INC.
Combining Balance Sheet By Legal Entity
Changes in Net Assets
To Date Ending June 30, 2023

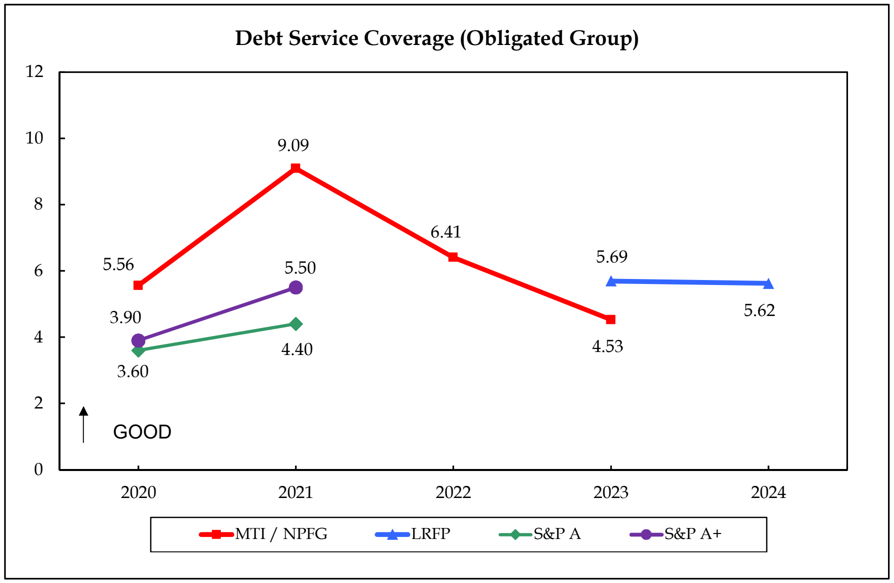
	Norton System Office	Norton Hospitals Inc.	NKDH	CMA	Norton Properties Inc.	Norton Enterprises Inc.	Norton King's Daughters' Health	Children's Hospital Foundation	Norton Healthcare Foundation	Eliminations	Combined Totals
Net Assets:											
UNRESTRICTED											
Fund Balance	35,067	3,451,499	(43,451)	(1,275,999)	(68,253)	13,922	31,068	2,976		2,146,829	
Excess Revenues over Expenses	116,447	148,661	6,596	(136,157)	(5,895)	(2,559)	2,069	(61)		129,101	
Total Unrestricted	151,514	3,600,160	(36,856)	(1,412,155)	(74,148)	11,363	33,137	2,915		2,275,930	
WITH DONOR RESTRICTIONS											
Fund Balance	12,154	2,206	763	2,975			82,215	55,157		155,470	
Contributions & Grants	(3,828)	2,885	60	4,508			8,690	7,169	(1882)	17,602	
Gifts in Kind		63					63			126	
Raffle Fundraising							15	11		26	
Special Event Costs							(329)	(55)		(384)	
Investment Income							89	36		125	
Inc Dist fr Trust/Change in BI							363	178		541	
Assets Released-Programs/Asst.	(1,343)	(1,429)	(116)	(1,856)			(5,965)	(4,157)	1532	(13,334)	
Assets Relsd-PP&E/Time Restr	(3)	(55)		(424)			(967)	(4,274)	350	(5,373)	
Unrealized Gain/Loss							2,604	2,041		4,645	
Fdtn OH Expense Alloc							(294)	(158)		(452)	
Transfer to/from Affiliates		(92)		(1)			29	63		(1)	
Total With Donor Restrictions	6,981	3,576	708	5,202			86,512	56,010		158,989	
TOTAL NET ASSETS	158,495	3,603,736	(36,148)	(1,406,953)	(74,148)	11,363	119,650	58,925		2,434,918	

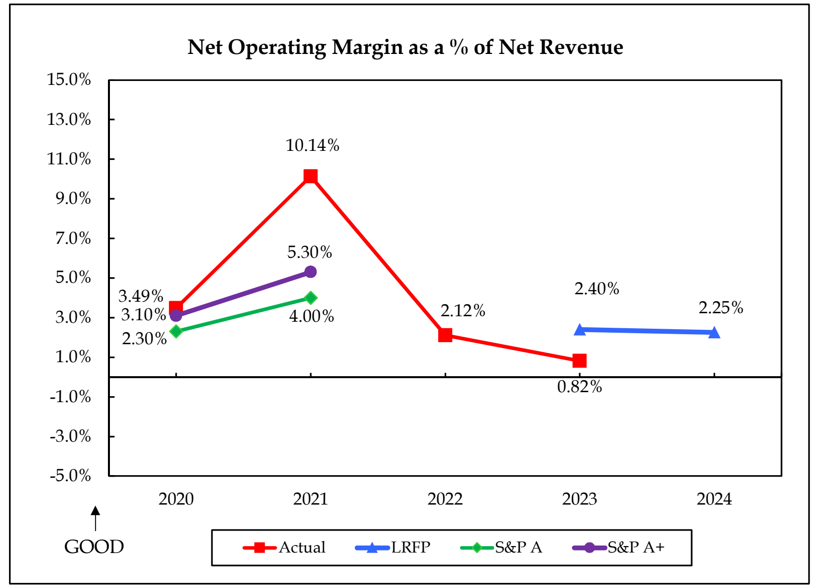
NORTON HEALTHCARE

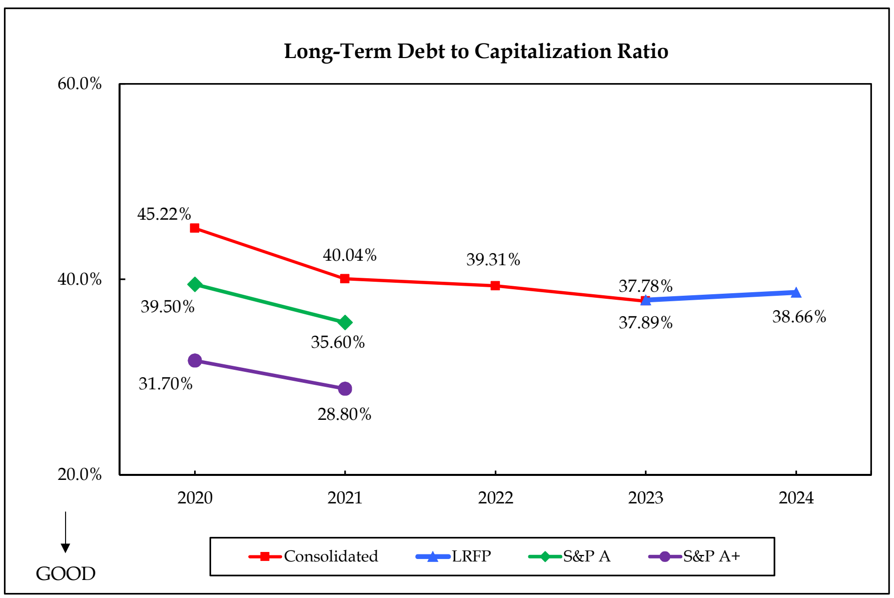
Key Long-Term Financial Indicators

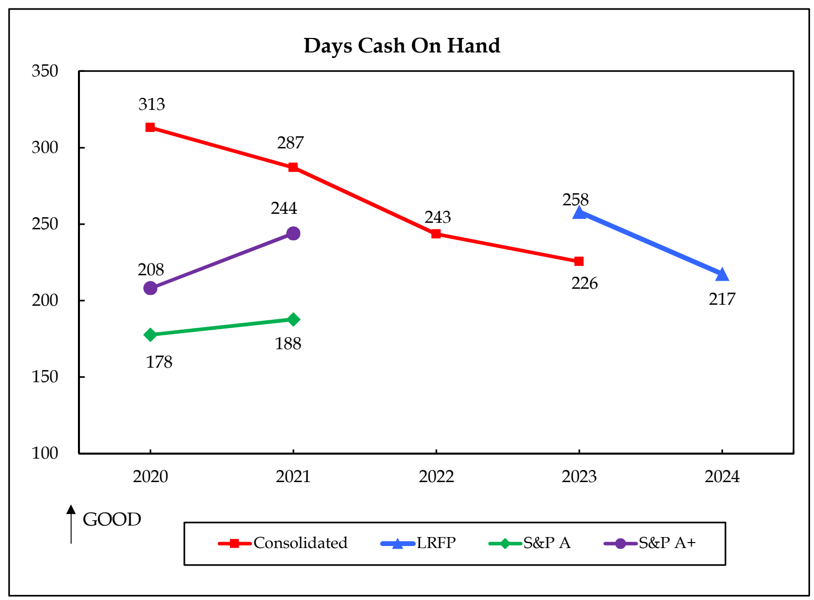
June 30, 2023

NOTE: All actual 2023 amounts are year-to-date, while LRFP projections, S&P A, and S&P A+ amounts are for the entire year. LRFP per 2022 Board approval.





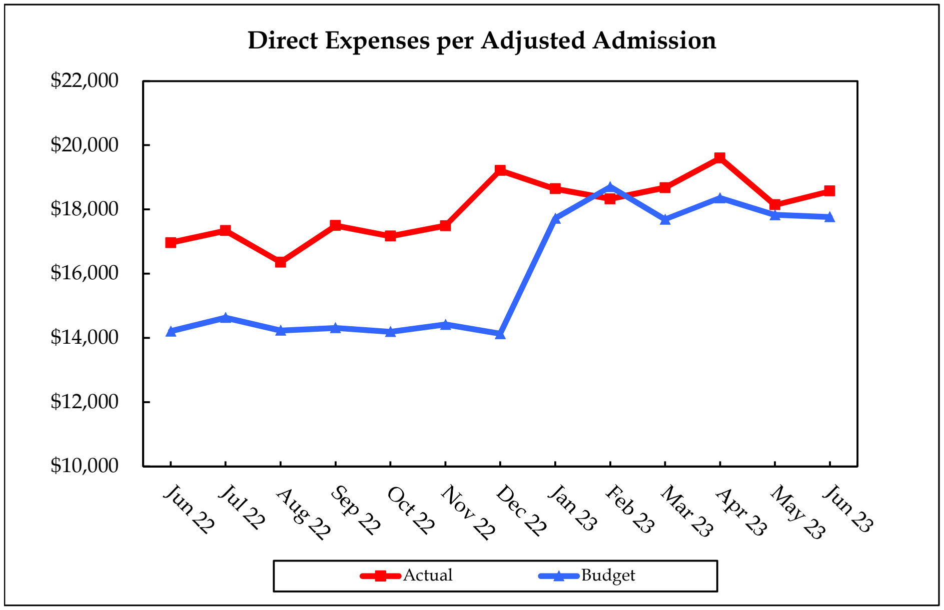


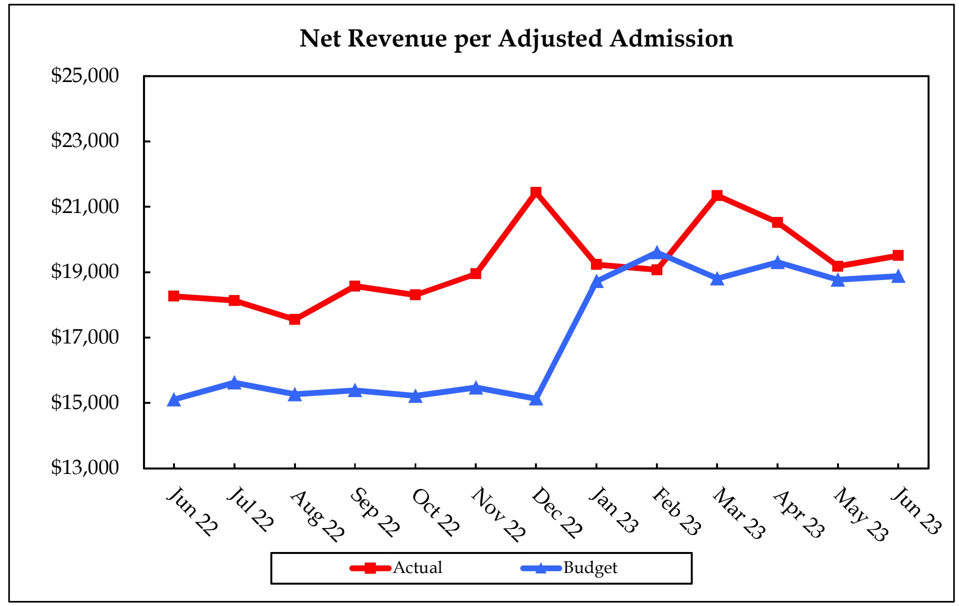


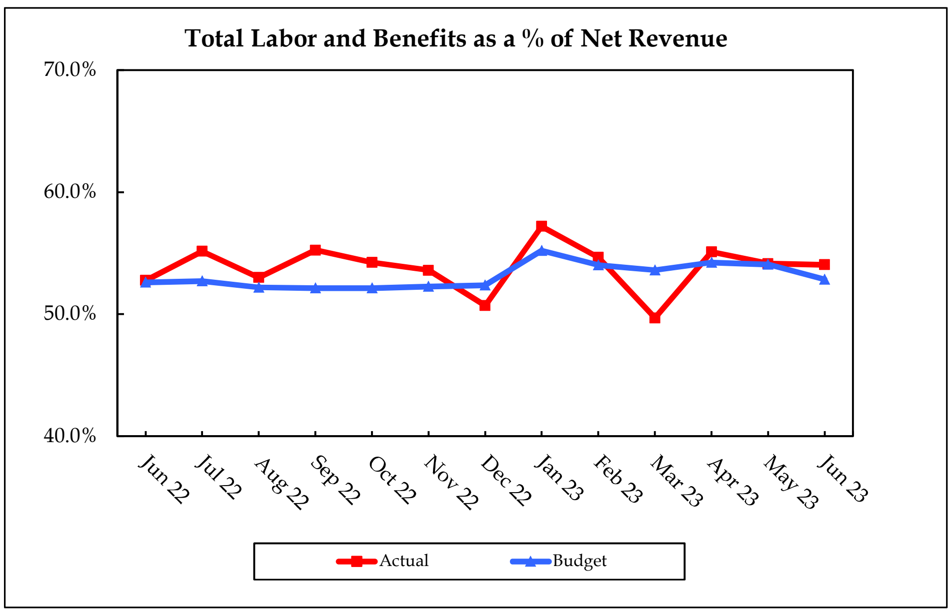
NORTON® HEALTHCARE

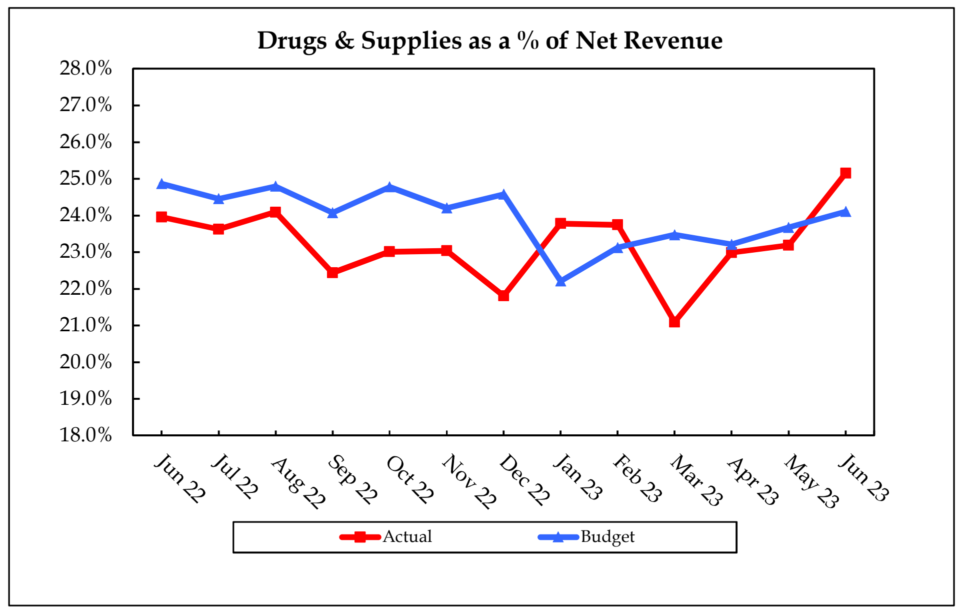
Key Statistical Financial Indicators

June 30, 2023





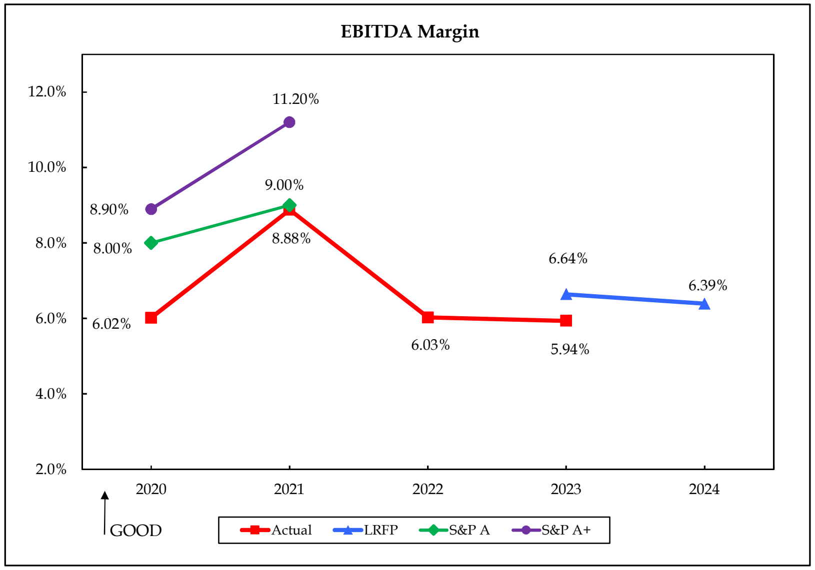


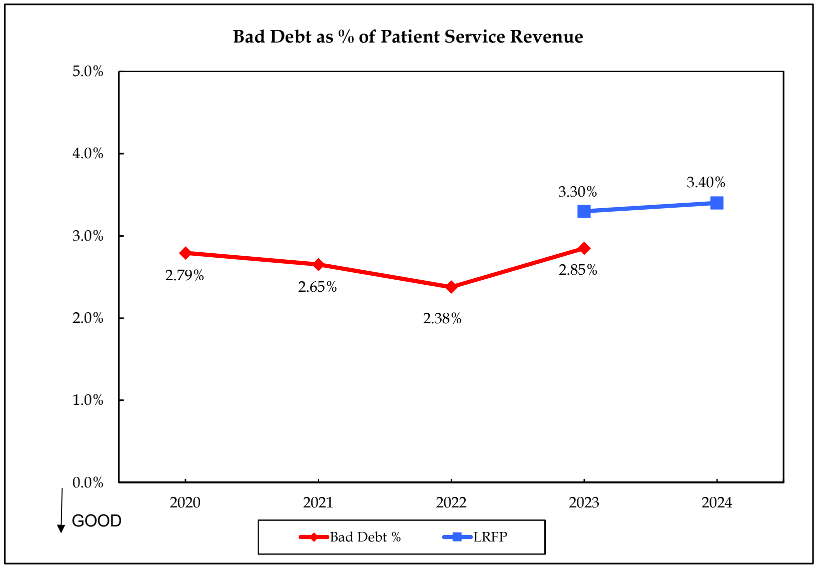


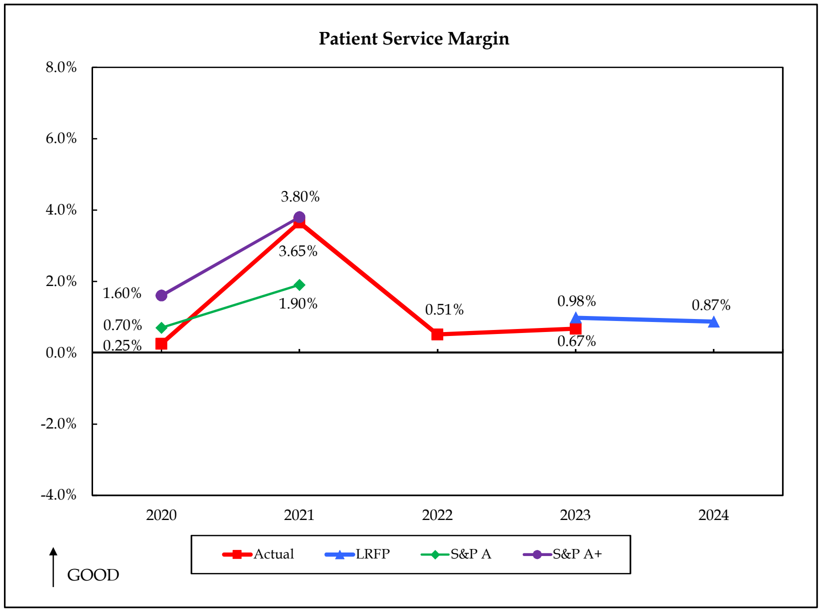
NORTON HEALTHCARE

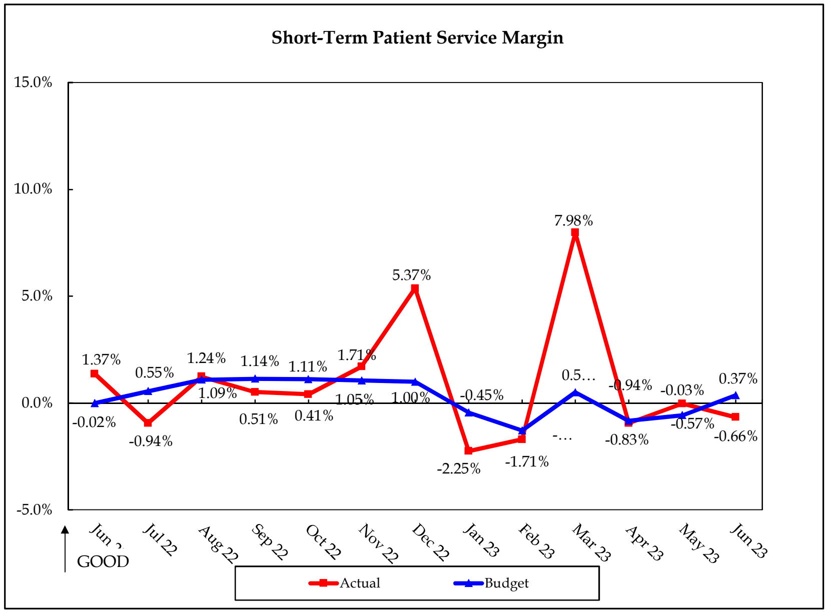
Key Operating Margin Financial Indicators

June 30, 2023





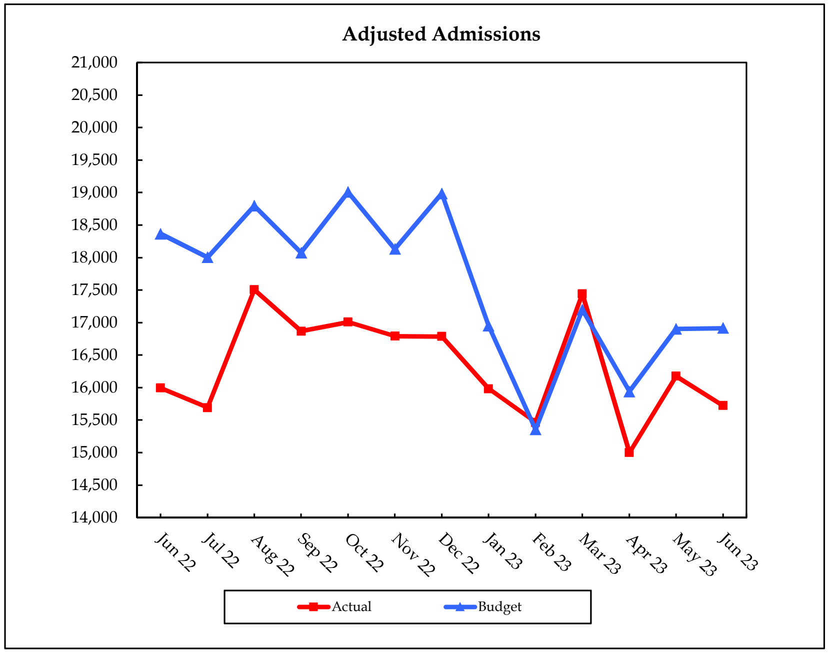


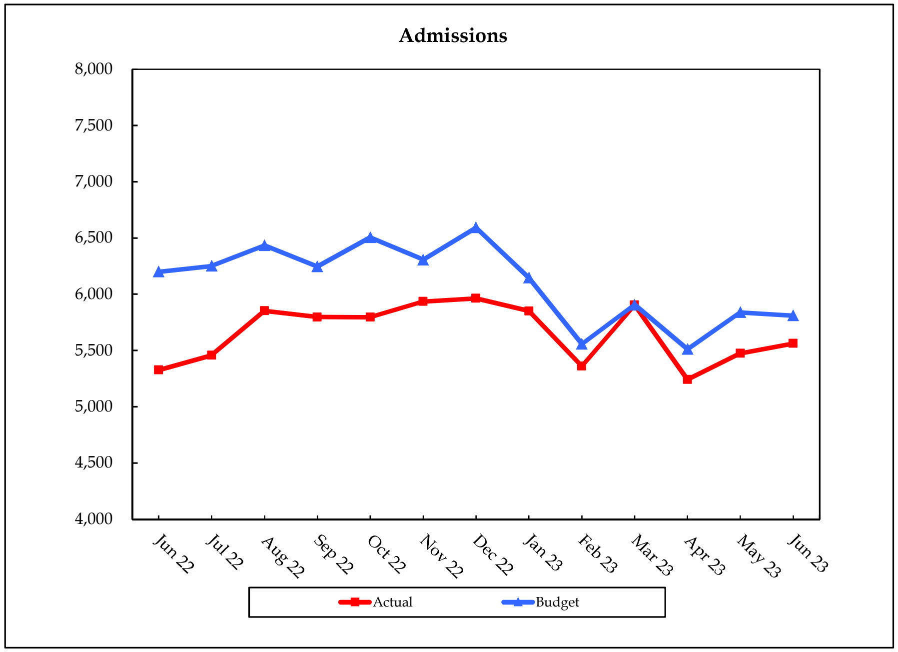


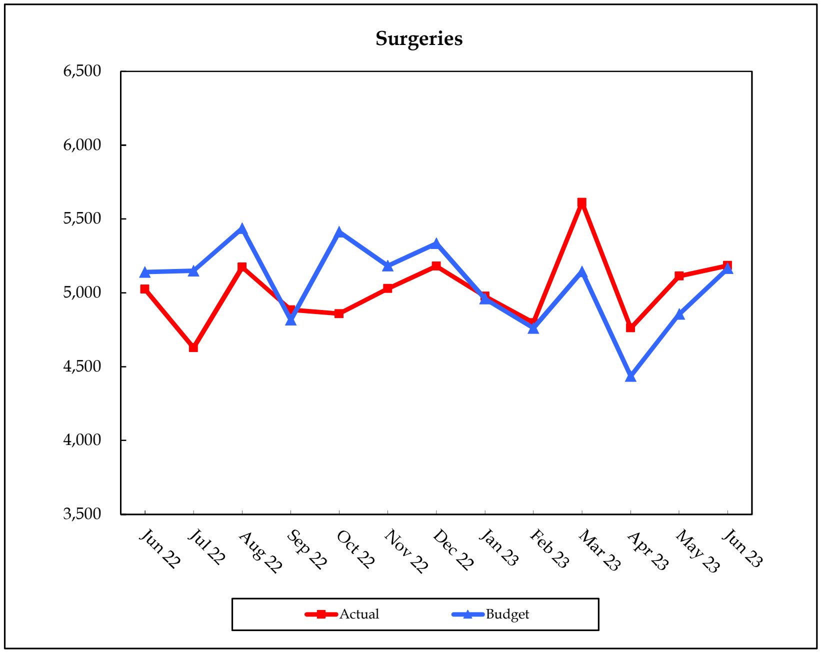
NORTON® HEALTHCARE

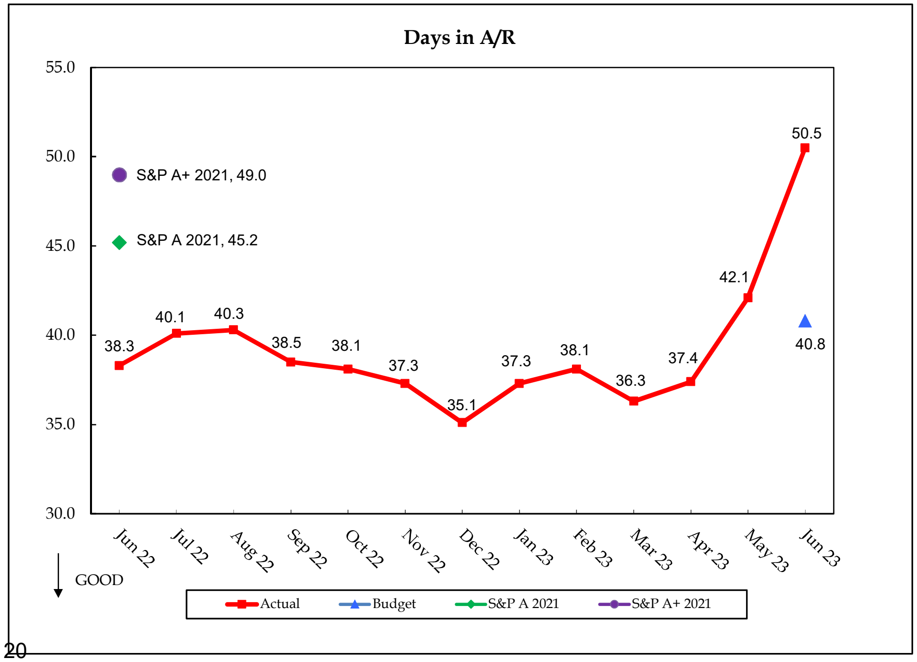
Key Volume Financial Indicators

June 30, 2023









1. Description of Organization and Reclassifications

Organization

The accompanying combined financial statements of Norton Healthcare, Inc. include the transactions and accounts of Norton Healthcare, Inc. (the controlling company) and Affiliates including the following: Norton Hospitals, Inc., Norton Healthcare – Indiana, Inc., Norton Enterprises, Inc., Norton Properties, Inc., The Children's Hospital Foundation, Inc., Norton Healthcare Foundation, Inc., and Community Medical Associates, Inc. Norton Healthcare, Inc., and Affiliates are collectively hereafter referred to as the Corporation.

Reclassifications

Certain reclassifications were made to the 2022 combined financial statement presentation to conform to the 2023 combined financial statement presentation, which had no impact on previously reported excess of revenue over expenses or net assets.

2. Commitments and Contingency

The Corporation is in the process of improving and expanding its facilities. Commitments related to renovation of existing facilities or construction of new facilities total $78.4 million at June 30, 2023. This will be funded through cash flows generated from operations.

The Corporation is subject to claims and suits arising in the ordinary course of business.

3. Employee Benefit Plans

Certain employees of the Corporation are covered by a non-contributory defined benefit pension plan, the Norton Healthcare, Inc. Retirement Plan (the Plan). Benefits are generally based upon years of service and an employee's annual compensation during his or her years of service up until the effective date the Plan was frozen on January 1, 2010. Normal retirement benefits represent the greater of the net present value of certain legacy replaced pension plans (traditional benefit formula) or the participant's cash balance account, which continues to be credited with interest earnings until normal retirement date (the cash balance formula). Since the Plan was frozen effective January 1, 2010, no service cost was incurred in the six months ended June 30, 2023, and 2022, respectively, and none is expected in future periods. The other components of net periodic pension cost were $4.4 million and $153,000 for the six months ended June 30, 2023, and 2022, respectively, and are presented in the line item "Net Periodic Pension Cost" included in Non-operating gains (losses) section in the combined income statement.

3. Employee Benefit Plans (continued)

A summary of the components of net periodic benefit cost (income) for the defined benefit pension plan for the six months ended June 30, 2023, and 2022, respectively, is as follows:

	Six Months Ended June 30,	
($ in thousands)	**2023**	**2022**
Interest cost	**$5,543**	$2,329
Expected return on plan assets	**(3,080)**	(3,880)
Amortization net loss	**1,127**	732
Settlement cost	**849**	666
Net periodic benefit (income) cost	**$4,439**	($ 153)

The Plan has been named as a defendant in a class action suit brought on behalf of certain former employees who elected to take early retirement (the Plaintiff Class), alleging that lump-sum payments made by the Plan upon their retirement were incorrectly calculated. In early 2016, the United States District Court (the Court) issued its final, appealable order, indicating that the Plan owes additional lump-sum benefits to the Plaintiff Class (the District Court order). The Court ordered the Plan to recalculate benefits using a court determined formula, which is different than the formula as interpreted by the Plan, and provide additional data to allow for recalculation of the benefits. As of both June 30, 2023, and December 31, 2022, management estimated potential exposure to the Plan of $60.2 million, which has been recorded by the Plan as part of the Plan's projected benefit obligation. Both the Plaintiff Class and the Plan appealed the District Court order and an appeals court hearing was held in June 2017. In May 2018, the United States Court of Appeals (Appeals Court) issued a ruling that the litigation be vacated in part and remanded to the lower Court for further evaluation. The Court held oral argument on October 15, 2020, and the parties are awaiting either a request for further oral argument or a ruling. Based on the Appeals Court ruling and nature of the ongoing litigation, management believes the estimated potential exposure recorded by the Plan is still the best estimate at the date of issuance of these financial statements.

4. Fair Value Measurements

The Corporation follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement* (ASC 820), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

4. Fair Value Measurements (continued)

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering market participant assumption in fair value measurements, and as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – Inputs utilize quoted market prices in active markets for identical assets or liabilities.

- Level 2 – Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Corporation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

In order to meet the requirements of ASC 820, the Corporation utilizes three basic valuation approaches to determine the fair value of its assets and liabilities required to be recorded at fair value. The first approach is the cost approach. The cost approach is generally the value a market participant would expect to replace the respective asset or liability. The second approach is the market approach. The market approach looks at what a market participant would consider an exact or similar asset or liability to that of the Corporation, including those traded on exchanges, to determine value.

The third approach is the income approach. The income approach uses estimation techniques to determine the estimated future cash flows of the Corporation's respective asset or liability expected by a market participant and discount those cash flows back to present value (more typically referred to as a discounted cash flow approach).

Valuation - Marketable debt securities and other investments, and Assets Limited as to Use

Level 1 securities are stated at unadjusted quoted market prices. The Corporation's various investment portfolios are held by a variety of managers and these managers use external pricing services in providing the valuation for all levels of securities. Level 2 securities include valuations based upon direct and indirect observable market inputs that may utilize the market, income, or cost approaches in determination of their fair value. The

4. Fair Value Measurements (continued)

pricing services use a variety of pricing models and inputs based upon the type of security being valued. These inputs may include, but are not limited to: reported trades, similar security trade data, bid/ask spreads, institutional bids, benchmark yields, broker/dealer quotes, issuer spreads, yield to maturity, and corporate, industry, and economic events. As nearly all of the Corporation's marketable debt securities are actively traded, the recorded fair value reflects current market conditions. However, due to the inherent volatility in the investment market, there is at least a possibility that recorded investment values may change by a material amount in the near term.

The common and collective trust funds are valued at net asset value (NAV), as a practical expedient, provided by the respective fund administrators. Management has determined that the NAV is an appropriate estimate of the fair value of the common and collective trust funds based on the fact that the common and collective trust funds are audited and accounted for at fair value by the administrators of the respective common and collective trust funds. There are no restrictions on the ability of the Corporation to redeem any of the common and collective trust funds.

Valuation - Beneficial Interests in Outside Trusts

The Corporation is an income beneficiary of irrevocable trust funds held by others. The Corporation has recorded the fair value of the ownership interest of the irrevocable trust funds based on its pro-rata share of the underlying assets or income. Based on the observable inputs, typically marketable debt or equity securities held in the irrevocable trust funds, the Corporation has determined its beneficial interests in outside trusts fall in Level 2 of the fair value hierarchy. This technique is consistent with the market approach.

Valuation - Interest Rate Swap Asset (Liability)

The fair value is calculated based on a discounted cash flow model, taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable. Based on the observable inputs, typically published interest rates and credit spreads, the Corporation has determined its interest rate swaps fall in Level 2 of the fair value hierarchy. This technique is consistent with the income or discounted cash flow approach.

4. Fair Value Measurements (continued)

The following tables present the financial instruments carried at fair value using the valuation hierarchy defined above at:

	June 30 2023	December 31 2022	Level
	(In Thousands)		
Marketable securities and other investments, at fair value			
Marketable debt securities:			
Money market funds	**$ 6,572**	24	1
Corporate debt	**9,731**	9,864	2
Municipal bonds	**3,462**	-	2
U.S. government agencies	**5,708**	9,790	2
Asset-backed	**733**	21,929	2
Mutual funds	**19,625**	29,000	1
Total marketable securities and other investments, at fair value	**45,831**	70,607	
Assets limited as to use, at fair value			
By Board of Trustees and donors:			
Money market fund	**2,594**	65,366	1
Mutual funds	**761,889**	830,073	1
Common and collective trust funds	**144,005**	152,232	NAV
Marketable debt securities:			
Corporate debt	**17,116**	24,719	2
Municipal bonds	**2,703**	3,433	2
U.S. government and agencies	**13,390**	15,292	2
Mortgage-backed	**24,120**	32,429	2
Asset-backed	**5,830**	10,495	2

4. Fair Value Measurements (continued)

	June 30 2023	December 31 2022	Level
	(In Thousands)		
Marketable equity securities:			
Domestic	**$ 267,376**	187,800	1
Total assets limited as to use by Board of Trustees and donors, at fair value	**1,239,023**	1,321,839	
By contractual agreements:			
Money market fund	**8,994**	8,975	1
Total assets limited as to use by contractual agreements at fair value	**8,994**	8,975	
By self-insurance trust agreements:			
Money market fund	**5,626**	5,295	1
Marketable debt securities:			
Corporate debt	**37,910**	42,601	2
Mortgage-backed	**8,508**	8,588	2
Asset-backed	**8,512**	12,287	2
Municipal bonds	**1,740**	1,456	2
U.S. government and agencies	**2,212**	3,007	2
Marketable equity securities:			
Domestic	**38,109**	35,474	1
Total assets limited as to use by self-insurance trust agreements, at fair value	**102,617**	108,708	
By bond indenture trust agreements:			
Marketable debt securities:			
U.S. government and agencies	**21,908**	21,610	2
Total assets limited as to use by bond indenture, at fair value	**21,908**	21,610	
Total assets limited as to use, at fair value	**1,372,542**	1,461,132	

4. Fair Value Measurements (continued)

	June 30 2023	December 31 2022	Level
	(In Thousands)		
Assets limited as to use at other than fair value			
Hedge funds	**409,489**	398,751	N/A
Real estate funds	**151,353**	165,062	N/A
Private equity funds	**133,185**	127,409	N/A
Total assets limited as to use, at other than fair value	**694,027**	691,222	
Less current portion	**(27,536)**	(27,281)	
Total assets limited as to use	**$ 2,039,033**	2,125,073	

Other assets (liabilities) at fair value:			
Beneficial interest in outside trusts	**$23,362**	$23,492	2
Interest rate swap (Note 5)	**18,483**	11,670	2

5. Swap Agreements

The Corporation uses interest rate swaps to manage its cost of capital and generate cash flow meant to reduce interest expense. The Corporation pays a rate based upon the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), an index of seven-day, high-grade tax exempt variable-rate demand obligations. In return, the Corporation receives a rate based upon either the London Interbank Offered Rate (LIBOR), the average interest rate charged when banks in the London interbank market borrow unsecured funds from each other or the Secured Overnight Financing Rate (SOFR.).

At June 30, 2023 the Corporation holds the following interest rate swaps:

Counter Party	Notional Amount	Effective Date	Maturity Date	Receive	Pay	MTM
						(In Thousands)
Citigroup	$ 94,210	090/1/20	09/01/40	2 times 0.9239% of one-month LIBOR	2 times SIFMA	$ 5,615
Citigroup	58,315	10/01/04	10/01/28	62.6% of one-month LIBOR plus 0.57%	SIFMA	803
Citigroup	140,000	11/03/06	11/03/31	61.7% of one-month LIBOR plus 0.577%	SIFMA	1,666
Citigroup	200,000	11/03/08	11/03/26	61.7% of ten-year LIBOR minus 0.016%	SIFMA	(5,768)
JP Morgan	200,000	04/01/19	04/01/39	0.12%	-	(10,045)
		11/03/26		61.7% of ten-year LIBOR	SIFMA	-
JP Morgan	150,000	10/01/23	10/01/43	SIFMA	1.7685%	25,003
JP Morgan	100,000	07/01/22	07/01/42	75% Compounded SOFR plus 0.516%	SIFMA	1,209
					Total interest rate swaps (liability) asset	$ 18,483

5. Swap Agreements (continued)

Citigroup and JP Morgan serve as counterparties for the Corporation's interest rate swaps. Consistent with industry practice, the interest rate swaps require posting of collateral should either party's cumulative contract value liability exceed certain thresholds based upon the credit rating of the counterparty. The Corporation's interest rate swaps are viewed under a master netting arrangement by each counterparty to determine the aggregate amount of collateral to be posted or received by the Corporation. At June 30, 2023, and December 31, 2022, based upon the agreements with counterparties, the Corporation's cumulative contract value was an asset of $18.3 million and $8.5 million, respectively. Based upon the Corporation's lowest credit rating (A), collateral must be posted for liabilities in excess of $25.0 million. At June 30, 2023, and December 31, 2022, the Corporation had no collateral posted and was not required to post any collateral. Should the Corporation's credit rating fall below BBB, the counterparties would have the option of terminating some or all of the interest rate swaps at the contract value. Should the Corporation hold all swap agreements to maturity, as it intends, no cash settlement will be necessary and any posted swap collateral will be returned.

None of these interest rate swap agreements have been designated as a hedge for accounting purposes; therefore, the change in fair market value for these interest rate swap agreements appears in the income statement under Non-operating gains (losses) in the line "Change in fair value of swap". The cash flow impact of the swap agreements is included in the combined income statement as an increase or decrease to the "Interest Expense" line. The fair value is calculated based on a discounted cash flow model taking into consideration the terms of each interest rate swap and the credit rating of the Corporation or counterparty, as applicable.

The fair value when the swap is an asset is included in the combined balance sheet under other assets in the line "Other" and when it is a liability it is included under other noncurrent liabilities in the line "Fair Value of Swap." The cash flow for all but one swap is settled semi-annually on April 1st and October 1st. The swap whose effective date is 7/1/22 settles monthly. In the interim periods a receivable or payable is recorded, currently the cash flows are in a receivable position and this receivable is included in the line "Miscellaneous Receivables" under current assets in the combined balance sheet.

	Balance Sheet Impact		
($ in thousands)	**Miscellaneous Receivables**	**Fair Value of Swap**	**Balance Sheet Impact Total**
December 31, 2022	$ 748	$11,670	$12,418
Decrease to interest expense	1,672	-	1,672
SWAP cash settlements received	(1,787)	-	(1,787)
Change in fair value of swap	-	6,813	6,813
June 30, 2023	$ 633	$18,483	$19,116

6. Net Patient Service Revenue and Patient Accounts Receivable

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

Net patient service revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Corporation. Net patient service revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Corporation believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving inpatient acute care services. The Corporation 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. These services are considered to be a single performance obligation.

Outpatient services are performance obligations satisfied at a point in time, and revenue is recognized when goods or services are provided and the Corporation does not believe it is required to provide additional goods or services.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in FASB ASC 606, *Revenue from Contracts with Customers* (ASC 606), section 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the combined balance sheet date. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the combined balance sheet date. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the combined balance sheet date.

The Corporation has elected to use the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Corporation accounts for the contracts within each portfolio as a collective group, rather than recognizing net patient service revenue on an individual contract basis, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient net patient service revenue and outpatient net patient service revenue. Based on the historical collection trends and other analysis, the Corporation believes that net patient service revenue recognized by utilizing the portfolio approach approximates the net patient service revenue that would have been recognized if an individual contract approach were used.

6. Net Patient Service Revenue and Patient Accounts Receivable (continued)

The Corporation has agreements with third-party payors that provide for payment to the Corporation at amounts different than the Corporation's established charges. For uninsured patients who do not qualify for charity care, the Corporation recognizes net patient service revenue based on established charges, subject to certain discounts and implicit price concessions determined by the Corporation. The Corporation determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with the Corporation's policy, and/or implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies, and historical experience. Implicit price concessions represent differences between scheduled amounts billed and the estimated consideration the Corporation expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The Corporation estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and/or 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 change. Adjustments arising from a change in the transaction price were not significant in the six months ended June 30, 2023, and 2022.

In rare instances, the Corporation receives payment in advance of the services provided and considers these amounts to represent contract liabilities. At December 31, 2022, contract liabilities included the unrecouped balance of an advance payment from the Centers for Medicare and Medicaid Services received as part of the Medicare Accelerated and Advance Payment Program of $32.6 million. As of June 30, 2023 all advance payments had been recouped.

The Corporation has elected the practical expedient allowed under ASC 606 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 Corporation's expectation that the period between the time the service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Corporation does, in certain circumstances, 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.

6. Net Patient Service Revenue and Patient Accounts Receivable (continued)

The Corporation is paid prospectively determined rates for the majority of inpatient acute care, outpatient, and ambulatory care services provided (principally Medicare, Medicaid, and certain commercial payors). This net patient service revenue is subject to retroactive adjustments due to audits, reviews, change in program administration and rules, and outcome of litigation. These settlements are estimated based on the agreement with the payor and correspondence, which includes an assessment to ensure it is probable that a significant reversal in the amount of cumulative net patient service revenue recognized will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The Corporation believes that it is in compliance with all applicable laws and regulations, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. The Corporation has established a corporate compliance program to assist in maintaining compliance with such laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulator action, including fines and penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that current recorded estimates will change by material amounts in the near term.

Net patient service revenue by major payor source, net of price concessions is as follows:

	Six Months Ended June 30,			
($ in thousands)	**2023**	**% of Total**	**2022**	**% of Total**
Commercial	**$752,240**	**40.3%**	$723,977	43.9%
Medicare	**492,274**	**26.3%**	484,032	29.3%
Medicaid	**582,705**	**31.2%**	416,444	25.2%
Self-pay and other	**41,160**	**2.2%**	26,921	1.6%
	$1,868,379	**100.0%**	$1,651,374	100.0%

Revenues from patient’s deductibles and coinsurance are included in the categories presented above based on the primary payor.

7. Leases

The Corporation leases property and equipment under finance and operating leases. The Corporation determines if an arrangement is a lease at inception. Right-of-use assets and lease liabilities are recognized for leases with terms greater than 12 months based on the net present value of the future minimum lease payments over the lease term at commencement date. When readily determinable, the Corporation uses the interest rate implicit in the lease to determine the present value of future minimum lease payments. However, most of the Corporation's leases do not have a readily determinable implicit interest rate. For these leases, the Corporation's estimated incremental borrowing rate is used. The right-of-use asset and lease liability include a value for options to extend a lease if it is reasonably certain that the option will be exercised.

Operating lease right-of-use assets and liabilities are included in other assets, accrued expense & other, and other noncurrent liabilities on the combined balance sheet. Operating lease expense is recognized on a straight-line basis over the lease term and included in "Rents and Leases" or "Equipment Rent" in the combined income statement.

Finance lease right-of-use assets and liabilities are included in property, plant, and equipment, net, current portion of long-term debt, and long-term debt on the combined balance sheet. Finance lease right-of-use assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the property or equipment. Such amortization expense is included in "Depreciation & Amortization" in the combined income statement.

Lease Cost	**Six Months Ending June 30,**	
($ in thousands)	**2023**	**2022**
Operating leases:		
Operating lease expense	**$18,332**	$17,003
Finance leases:		
Amortization of right-of-use assets	**$3,515**	$3,520
Interest on finance lease liabilities	**1,735**	1,864
Total finance lease expense	**$5,250**	$2,600

7. Leases (continued)

Other information related to leases was as follows:

($ in thousands)	**Six Months Ending June 30, 2023**	**2022**
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	**$19,219**	$23,578
Finance leases	**$0**	$0
Weighted average remaining lease term (in years)		
Operating leases	**7.3**	7.2
Finance leases	**13.6**	14.1
Weighted average discount rate		
Operating leases	**2.52%**	2.53%
Finance leases	**5.36%**	5.35%

Commitments relating to non-cancellable operating and finance leases as of June 30, 2023, are as follows:

($ in thousands)	**Operating**	**Finance**
2023	$22,311	$5,079
2024	32,932	10,281
2025	30,541	9,267
2026	25,738	6,892
2027	22,287	7,056
Thereafter	62,683	74,535
Total minimum future lease payments	**$196,492**	**$113,110**

8. Self-Liquidity Information

Assets	June 30, 2023 *($ In Millions)*
Daily Liquidity	
Checking, Depository Accounts and Money Market Funds	**$315.0**
Weekly Liquidity	
US Treasury and Agency Debt	**57.6**
Fixed Income (Publicly traded securities)	**202.2**
Identified Daily and Weekly Liquidity	**$574.8**
Liabilities (Self-Liquidity Debt)	
Commercial Paper (CP) Notes	**$50.0**
Total Debt Subject to Self-Liquidity	**$50.0**

Note: The entirety of the authorized program is $200 million, noted here is the amount outstanding at the report date. The CP Dealer will have standing instruction to not issue CP such that in any 5-business day period, the amount of CP coming due to Norton Healthcare exceeds $50 million. Unrestricted cash and investments as of this report date is $2.2 billion - we have highlighted certain funds on this schedule for use by the CP program due to the nature of their liquidity and lack of volatility.

9. Subsequent Events

Management has evaluated all events and transactions that occurred after June 30, 2023 through August 11, 2023 and determined there are no subsequent events to report.

CERTIFICATION

Bondholder - Quarterly

The undersigned certifies that the information presented in the accompanying Quarterly Report is the Quarterly Report required by the Disclosure Agreement for the following bond issues:

1. $119,247,912.05, Kentucky Economic Development Finance Authority, Health System Revenue Bonds, Series 2000B (Norton Healthcare, Inc.) CUSIP 49126VCK1
2. $75,000,000, Louisville/Jefferson County Metro Government, Health System Variable Rate Revenue Bonds, Series 2011A and Series 2011B (Norton Healthcare, Inc.) CUSIP 54659LAK0 and 54659LAL8
3. $154,580,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds, Series 2013A (Norton Healthcare, Inc.) CUSIP 54659LAT1
4. $50,000,000, Louisville/Jefferson County Metro Government, Health System Variable Rate Revenue Bonds, Series 2013C (Norton Healthcare, Inc.) CUSIP 54659L AW4
5. $521,050,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds, Series 2016A (Norton Healthcare, Inc.) CUSIP 54659LBV5
6. $150,000,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds (Norton Healthcare, Inc.) Series 2020A CUSIP 54659LCB8
7. $125,000,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds (Norton Healthcare, Inc.) Series 2020B CUSIP 54659LCC6
8. $75,000,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds (Norton Healthcare, Inc.) Series 2020C CUSIP 54659LCD4
9. $50,000,000, Louisville/Jefferson County Metro Government, Health System Revenue Bonds (Norton Healthcare, Inc.) Series 2020D CUSIP 54659LCE2

Dated this August 11, 2023.

Adam D. Kempf
Senior VP & Chief Financial Officer

4851-8630-3931.1