

CONSOLIDATED BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION AND  
SUPPLEMENTAL CONSOLIDATING INFORMATION

Shands Jacksonville HealthCare, Inc. and Subsidiaries  
Years Ended June 30, 2025 and 2024  
With Reports of Independent Auditors



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# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidated Basic Financial Statements, Required Supplementary Information and Supplemental Consolidating Information

Years Ended June 30, 2025 and 2024

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## Report of Independent Auditors

Management and The Board of Directors  
Shands Jacksonville HealthCare, Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the business-type activities of Shands Jacksonville HealthCare, Inc. and Subsidiaries (the Company), a component unit of the University of Florida Health Corporation, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents (collectively referred to as the "basic financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Company at June 30, 2025 and 2024, and the changes in its financial position 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (unaudited) on pages 4 through 18, the schedule of the Company's proportionate share of the net pension (asset) liability (unaudited) on page 71 and the schedule of employer contributions



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(unaudited) on page 75 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Company's basic financial statements. The supplementary consolidating information on pages 77 through 83 is presented for purposes of additional analysis and is not required to be part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary consolidating information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2025 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

*Ernst & Young LLP*

September 17, 2025

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Management's Discussion and Analysis (Unaudited)

June 30, 2025 and 2024

### Introduction

Below is Shands Jacksonville HealthCare, Inc. and Subsidiaries' ("SJH" or the "Company") analysis of its financial performance for the fiscal year ended June 30, 2025 with comparative information as of and for the fiscal year ended June 30, 2024. This discussion has been prepared by management and should be read in conjunction with the consolidated basic financial statements.

### Organization

The Company, formerly known as Jacksonville Health Group, Inc., is a Florida not-for-profit corporation with direct or indirect legal control over numerous subsidiaries. The Company is an affiliate of University of Florida Health Corporation ("Corporation"), which is an affiliate of the University of Florida ("UF") where, by statute, the President of UF, under the governance and approval of the UF Board of Trustees, has the authority to appoint and remove a majority of the members of the Corporation Board of Directors. In addition, there are both UF Board of Trustees members and senior management personnel on the Corporation Board. The UF Board approved the formation of the Corporation as an umbrella organization primarily to support the health affairs mission of UF. The Corporation exists to govern, oversee and enhance coordinated decision-making, strategic marketing and planning, and resource investment for the Corporation's and UF's healthcare enterprise, as well as the Corporation's direct and indirect subsidiaries, including hospitals, healthcare facilities and clinical and faculty practice entities. As part of the oversight and coordination, the Corporation Board of Directors serves as the Board of Directors for the Company and certain of its subsidiaries.

Shands Jacksonville Medical Center, Inc. ("SJMC"), formerly known as University Medical Center, Inc. ("UMC"), is a Florida not-for-profit corporation and the principal operating subsidiary of the Company. SJMC operates a teaching hospital located in Jacksonville, Florida, through a lease with the City of Jacksonville (the "City"). During 2013, SJMC began doing business as UF Health Jacksonville. SJMC receives certain operational services from Shands Teaching Hospital and Clinics, Inc. ("Shands"), a Corporation affiliate.

On September 30, 1999, Methodist Medical Center, Inc., Methodist Health System, Inc. and The Methodist Hospital Foundation, Inc. (now known as Shands Jacksonville Properties, Inc., or "SJP"), SJH, UMC and Shands completed an affiliation agreement (the "Affiliation"), which allowed for the combination of the hospital operations of UMC and SJP under SJMC. SJH became the sole member of both SJMC and SJP.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

Effective September 8, 2010, the Board of Directors of Shands approved a motion to reorganize its corporate structure. Under the reorganization, Shands would no longer be the sole corporate member of the Company, but would continue as an affiliated entity under common control of the University of Florida. Effective September 27, 2010, the Board of Directors of the Company approved the motion for Shands to no longer be the sole corporate member of the Company. The Company continues to receive management and operational services from Shands. As a part of the reorganization, the Company delivered a promissory note to Shands in the amount of approximately \$42,276,000, payable over 20 years, in acknowledgement of historical investments in the Company. Effective July 1, 2015, the Shands' Board of Directors reduced the promissory note by approximately \$17.7 million.

On February 17, 2015, the Company opened the first of a multi-stage effort to expand to a new location north of downtown Jacksonville, Florida, where it is doing business collectively as UF Health North. This initial effort included the Company offering a ground lease to a developer that constructed a new medical office building in which the Company leases space that includes a free-standing emergency department, surgical suites and other hospital based operations (commonly referred to as "North Phase I"). On May 23, 2017, the Company completed construction on a new 92-bed tower (commonly referred to as "North Phase II"), which adjoins North Phase I, while simultaneously converting rooms at its original location (known as "Downtown") from semi-private to private, so the new bed tower did not increase the Company's total licensed beds, which remained at 695. During 2024, the Company renovated space that added 20 licensed beds on the Downtown campus, for a total of 715 at June 30, 2024.

On March 31, 2022, the Company broke ground on a second bed tower (commonly referred to as "North Phase III"). During July 2024, 60 acute care beds were opened and during August 2024 an additional 16 acute care beds were opened, resulting in 76 total acute care beds, which increased total licensed beds to 791. North Phase III also includes 48 inpatient rehabilitation beds, as noted below.

In February 2024, Hospital Holdings Corporation, an affiliate of Select Medical Corporation ("Select"), and SJMC formed Duval Rehabilitation, LLC ("Duval Rehab") for the purpose of owning and operating the 48 inpatient rehabilitation beds, mentioned above. Duval Rehab operates as a hospital within a hospital located within North Phase III. Operations began September 24, 2024. SJMC holds a 49% minority interest in Duval Rehab and Select holds the remaining 51% majority interest. When formed, SJMC contributed \$2.9 million to Duval Rehab, which is recorded as an investment in the consolidated basic statement of net position as of June 30, 2024. An additional \$3.7 million was contributed upon opening, for a total of \$6.6 million as of September 30, 2024. Subsequently, investment losses of \$2.0 million have been recorded as other nonoperating loss in the consolidated basic statement of revenue, expenses and changes in net

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

position through the period ended June 30, 2025, resulting in an ending investment balance of \$4.6 million recorded in the consolidated basic statement of net position. Duval Rehab leases the space. The beds are managed by Select Unit Management, Inc.

The accompanying consolidated basic financial statements include the accounts of the Company and its subsidiaries as of the period ended June 30, 2025, with comparative information as of and for the two prior fiscal years ended June 30, 2024 and 2023. The "Company" in these consolidated basic financial statements refers to the consolidated operations of these entities. Significant transactions between these entities have been eliminated.

#### **Required Financial Statements**

The required statements are the consolidated basic statement of net position; the consolidated basic statement of revenues, expenses and changes in net position; and the consolidated basic statement of cash flows. These statements offer short and long-term financial information about the Company's activities.

The consolidated basic statement of net position reflects all of the Company's assets, liabilities and deferred inflows and outflows of resources and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). Assets, liabilities and deferred activity are presented in a classified format, which distinguishes between their current and long-term time frame. The difference between the assets plus deferred outflows and liabilities plus deferred inflows is reported as "net position."

The consolidated basic statement of revenues, expenses and changes in net position presents the change in net position resulting from revenues earned and expenses incurred. All changes in net position are reported as revenues are earned and expenses are incurred, regardless of the timing of related cash flows.

The consolidated basic statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from operating, financing (capital and non-capital) and investing activities. The purpose of the statement is to reflect the key sources and uses of cash during the reporting period.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

#### **Financial Analysis of the Company**

##### **Consolidated Basic Statement of Net Position**

The Company's net position is one indicator of the current financial condition of the Company. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time. They also provide the basis for evaluating the capital structure, as well as assessing the liquidity and financial flexibility of the Company. However, the financial statement user should consider other nonfinancial factors, such as changes in economic conditions, population changes, regulations and government legislation affecting the health care industry. Assets, liabilities and deferred inflows and outflows of resources are generally measured using current values, with the exception of capital assets, which are stated at historical cost less allowances for depreciation.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

A summary of the Company's condensed consolidated basic statements of net position is presented below.

|                                                      | <b>2025</b>                   | <b>June 30<br/>2024</b> | <b>2023</b>       |
|------------------------------------------------------|-------------------------------|-------------------------|-------------------|
|                                                      | <i>(Dollars in Thousands)</i> |                         |                   |
| Cash and cash equivalents and short-term investments | \$ 282,933                    | \$ 141,484              | \$ 86,777         |
| Other current assets                                 | 232,359                       | 210,931                 | 218,091           |
| Capital assets, net                                  | 571,117                       | 576,170                 | 485,331           |
| Other noncurrent assets                              | 105,045                       | 121,861                 | 193,683           |
| Total assets                                         | <u>1,191,454</u>              | <u>1,050,446</u>        | <u>983,882</u>    |
| Deferred outflows of resources                       | <u>17,676</u>                 | <u>17,998</u>           | <u>19,326</u>     |
| Current liabilities                                  | 251,823                       | 214,072                 | 188,380           |
| Noncurrent liabilities                               | 543,174                       | 563,863                 | 556,859           |
| Total liabilities                                    | <u>794,997</u>                | <u>777,935</u>          | <u>745,239</u>    |
| Deferred inflows of resources                        | <u>54,555</u>                 | <u>21,694</u>           | <u>25,329</u>     |
| <b>Net position</b>                                  |                               |                         |                   |
| Net investment in capital assets                     | 271,169                       | 261,471                 | 164,385           |
| Restricted:                                          |                               |                         |                   |
| Expendable                                           | 5,026                         | 5,026                   | 5,026             |
| Unrestricted                                         | 83,383                        | 2,318                   | 63,229            |
| Total net position                                   | <u>\$ 359,578</u>             | <u>\$ 268,815</u>       | <u>\$ 232,640</u> |

During 2025, cash and cash equivalents and short-term investments increased by approximately \$141.4 million, or 100%. Cash provided by operations was approximately \$181.4 million. During 2024, cash and cash equivalents and short-term investments increased by approximately \$54.7 million, or 63.0%. Cash provided by operations was approximately \$119.9 million. See "Consolidated Basic Statement of Cash Flows" section below for further information regarding cash activity.

Other current assets increased by approximately \$21.4 million, or 10.2% during 2025. The increase is mainly due to \$32.4 million increase in net patient accounts receivable; \$13.8 million increase in prepaid expense and other current assets; and a \$3.6 million increase in inventories; offset by a \$27.7 million decrease in due from city and state agencies and \$0.7 million decrease in estimated

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

third-party receivable. During 2024, other current assets decreased by approximately \$7.2 million, or 3.3%. The decrease is mainly due to a \$24.5 million decrease in net patient accounts receivable; a \$19.2 million decrease in estimated third-party receivable; and a \$5.8 million decrease in assets limited as to use for swap collateral; offset by a \$39.4 million increase in due from city and state agencies; \$1.7 million increase in inventories; and \$1.2 million increase in prepaid expense and other current assets.

Capital assets, net, decreased approximately \$5.1 million, or 0.9% during 2025, with capital assets increasing by \$56.2 million offset by a \$61.3 million increase in accumulated depreciation. The capital asset increase is primarily related to the construction of the new North Phase III bed tower, and includes a combined \$16.8 million for capital grants provided by the City of Jacksonville and the Florida Department of Health, as discussed further below. During 2024, capital assets, net, increased approximately \$90.8 million, or 18.7%, with capital assets increasing by \$137.4 million offset by a \$46.6 million increase in accumulated depreciation. The capital asset increase is primarily related to the construction of the new North Phase III bed tower, and includes \$16.2 million for capital grants provided by the City of Jacksonville and the Florida Department of Health, as discussed further below.

Other noncurrent assets decreased \$16.8 million, or 13.8% during 2025, primarily due to a net \$46.2 million decrease in cash held in trust mainly from Series 2022 project fund draws for construction of the new North Phase III bed tower offset by investment earnings on those funds; a \$4.8 million decrease in cash held in trust from a fixed capital outlay grant to plan, develop, construct and renovate the emergency department and trauma center on the Downtown campus, as described further below; and a \$1.4 million decrease of contributed capital in a direct service organization (GatorCare Health Management Corporation) that provides employee health plans; offset by a \$33.4 million increase in lease receivable, primarily related to a space lease for Duval Rehab, as described above; a net \$1.7 million increase for Duval Rehab investment capital, described above; and a \$0.5 million decrease in deposits. During 2024, other noncurrent assets decreased \$71.8 million, or 37.1%, primarily due to a net \$91.0 million decrease in cash held in trust mainly from Series 2022 project fund draws for construction of the new North Phase III bed tower offset by investment earnings on those funds; a \$2.3 million decrease in lease receivable; offset by a \$14.8 million increase in funds received from the Florida Department of Health for a capital grant, as described further below; a \$2.9 million capital contribution investment in Duval Rehab, described above; a \$2.6 million increase of contributed capital in a direct service organization (GatorCare Health Management Corporation) that provides employee health plans; and a \$1.2 million increase in deposits.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

During 2025, deferred outflows of resources decreased by approximately \$0.3 million, or 1.8%, primarily related to a \$1.0 million decrease in pension deferred outflows; a \$0.5 million decrease attributed to the deferred outflow loss related to debt refundings; and a \$0.1 million decrease related to deferred outflows for other postemployment benefits; offset by a \$1.3 million increase in fair value of derivative. During 2024, deferred outflows of resources decreased by approximately \$1.3 million, or 6.9%, primarily related to a of a \$0.8 million decrease in pension deferred outflows and a \$0.6 million decrease attributed to the deferred outflow loss related to debt refundings upon issuance of the series 2022A and 2022B bonds discussed further below.

During 2025, current liabilities increased by \$37.7 million, or 17.6%, primarily related to a \$40.2 million increase for estimated third-party liabilities to address various miscellaneous exposures specific to industry-related matters; a \$3.5 million increase in short-term debt and current portion due on long-term debt, lease obligations and subscription liabilities; a \$1.8 million increase in leave payable; and a \$0.3 million increase in salaries and benefits because of pay date timing differences; offset by a \$4.0 million decrease in patient credit balances; a \$3.8 million decrease in accounts payable; and a \$0.3 million decrease in interest payable. During 2024, current liabilities increased by \$25.7 million, or 13.6%, primarily related to a \$27.7 million increase for estimated third-party liabilities; a \$3.4 million increase in salaries and benefits because of pay date timing differences; a \$3.1 million increase in leave payable; a \$1.4 million increase in the current portion due on long-term debt, lease obligations and subscription liabilities; and offset by a \$6.7 million decrease in patient credit balances and a \$3.2 million decrease in accounts payable.

Noncurrent liabilities decreased approximately \$20.7 million, or 3.7%, during 2025, primarily due to a \$17.3 million decrease in non-current portion of long term debt from repayment of principal and amortization of bond premiums, lease obligations and subscription liabilities; a \$5.6 million decrease in deferred revenue, which is primarily related to utilization of a grant advance received from the Florida Department of Health, as described further below; a \$0.5 million decrease in postemployment benefits liability; offset by a \$1.4 million increase in pension liability; and a \$1.3 million increase in the bond swap market value. During 2024, noncurrent liabilities increased approximately \$7.0 million, or 1.3%, primarily due to \$15.4 million increase in deferred revenue, which is primarily related to a grant advance received from the Florida Department of Health, as described further below; a \$0.8 million increase in pension liability; offset by a \$8.9 million decrease in non-current portion of long term debt from repayment of principal and amortization of bond premiums, lease obligations and subscription liabilities; and a \$0.4 million decrease in post-retirement benefits liability.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

During 2025, deferred inflows of resources increased \$32.9 million, or 151.5%, attributed primarily to a \$34.2 million increase in deferred inflow leases related to Duval Rehab, described further above; offset by a \$1.2 million decrease in pension plan related deferred inflows and a \$0.1 million decrease for other postemployment benefits deferred inflows. During 2024, deferred inflows of resources decreased \$3.6 million, or 14.4%, attributed primarily to a \$3.0 million decrease in deferred inflow leases; a \$0.4 million decrease in pension plan; and a \$0.2 million decrease in deferred inflow postemployment benefits.

As of June 30, 2025, the Company has approximately \$439.1 million in debt outstanding compared to approximately \$442.4 million at June 30, 2024. As of June 30, 2025, the Company has approximately \$81.8 million of lease obligations, compared with approximately \$93.6 million of lease obligations at June 30, 2024. As of June 30, 2025, the Company has approximately \$16.1 million of subscription liabilities, compared with approximately \$14.7 million at June 30, 2024.

On January 25, 2022, the Company closed on Series 2022 A & B bonds. Series 2022A Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project) were issued for approximately \$230.1 million, are tax-exempt with proceeds used to reimburse \$10.0 million of prior capital expenditures; refund approximately \$36.3 million of Series 2013B bonds, approximately \$7.6 million of Series 2015 bonds and approximately \$15.5 million of Series 2019 bonds; terminate related swaps; finance or reimburse the cost of certain capital improvements, which includes constructing and equipping the new North Phase III bed tower; pay capitalized interest and certain costs of issuance. Series 2022B Taxable Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project) were issued for approximately \$82.3 million with proceeds used to refund \$56.7 million of Series 2013A bonds; finance the cost of certain capital improvements, which includes constructing and equipping the new North Phase III bed tower; and pay certain costs of issuance.

On December 10, 2015, \$85.0 million Healthcare Facilities Revenue Bonds (UF Health – Jacksonville Project), Series 2015, were issued. The proceeds of this debt were used for financing, refinancing or reimbursement for costs of certain capital improvements including the cost of the construction and equipping North Phase II, other miscellaneous improvements and paying costs associated with the issuance of the Bonds.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

On September 20, 2019, the Company closed on the \$10 million Series 2019A Revolving Line of Credit Note, which has been extended several times, including an extension on November 1, 2024 to September 16, 2025. The full \$10.0 million of the Series 2019A Revolving Line of Credit Note was received on November 15, 2022 and was repaid in full on June 2, 2023. The full \$10.0 million was then received on November 15, 2023 and repaid in full on March 4, 2024. The full \$10.0 million was received on March 4, 2025, and was repaid April 7, 2025. There were no balances outstanding at June 30, 2025, 2024 or 2023.

The promissory note owed to Shands in an original amount of approximately \$42.3 million was recorded by the Company during 2011. In September 2015, the Company's Board of Directors agreed to accept the offer from the Shands Board of Directors to reduce the note due to Shands by approximately \$17.7 million, effective July 1, 2015. The promissory note owed to Shands has an outstanding balance of \$7.8 million as of June 30, 2025, \$9.0 million as of June 30, 2024 and, \$10.2 million as of June 30, 2023.

Effective October 6, 2023, Shands provided a guarantee related to the Company's total return swap related to the Series 2015 \$85.0 million bonds. Effective October 20, 2023, Shands provided the Company a \$35.0 million revolving line of credit with final maturity June 30, 2024. At June 30, 2024, no balance is outstanding. An extension has not been executed as of June 30, 2025.

The Company was in compliance with all financial covenants as of June 30, 2025, and as of June 30, 2024. As of June 30, 2023, the Company was not in compliance with the debt service coverage ratio requirement, which did not result in an event of default as of June 30, 2023. If the requirement is not met for two consecutive fiscal years, it could be an event of default under the borrowing agreements. The Company successfully took actions to remedy the noncompliance, including hiring an independent consultant to provide operational improvement recommendations.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Management's Discussion and Analysis (Unaudited) (continued)

### Consolidated Basic Statements of Revenues, Expenses and Changes in Net Position

The following table presents the Company's condensed consolidated basic statements of revenues, expenses and changes in net position for fiscal years ended June 30. The table presents the extent to which the Company's overall net position increased (decreased) as a result of operations or other reasons.

|                                                                            | 2025                          | June 30<br>2024   | 2023              |
|----------------------------------------------------------------------------|-------------------------------|-------------------|-------------------|
|                                                                            | <i>(Dollars in Thousands)</i> |                   |                   |
| Net patient service revenue                                                | \$ 1,280,632                  | \$ 1,089,771      | \$ 861,446        |
| Other operating revenue                                                    | 30,916                        | 26,744            | 26,334            |
| Total operating revenues                                                   | 1,311,548                     | 1,116,515         | 887,780           |
| Operating expenses                                                         | 1,224,021                     | 1,079,805         | 951,829           |
| Operating gain (loss)                                                      | 87,527                        | 36,710            | (64,049)          |
| Nonoperating expense, net                                                  | (13,760)                      | (17,524)          | (14,801)          |
| Excess (deficit) of revenues over expenses<br>before capital contributions | 73,767                        | 19,186            | (78,850)          |
| Other changes in net position:                                             |                               |                   |                   |
| Capital grants                                                             | 16,846                        | 16,932            | 24,223            |
| Capital contributions, net                                                 | 150                           | 57                | 1,043             |
| Increase (decrease) in net position                                        | 90,763                        | 36,175            | (53,584)          |
| <b>Net position</b>                                                        |                               |                   |                   |
| Beginning of year                                                          | 268,815                       | 232,640           | 286,224           |
| End of year                                                                | <u>\$ 359,578</u>             | <u>\$ 268,815</u> | <u>\$ 232,640</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

#### *Patient Volumes*

The following table reflects the associated volumes on a comparative basis to the fiscal years ended June 30:

|                      | <u>2025</u> | <u>2024</u> | <u>2023</u> |
|----------------------|-------------|-------------|-------------|
| Inpatient admissions | 31,761      | 28,089      | 25,268      |
| Outpatient visits    | 649,055     | 617,959     | 560,924     |

During 2025, inpatient admissions, excluding observation cases, increased by 3,672 or 13.1%. Outpatient visits increased by 31,096 or 5.0%. Volume relates primarily to the recent opening of North Phase III, as noted above, and growth at three free-standing emergency department/urgent care hybrid centers ("FSEDs").

During 2024, inpatient admissions, excluding observation cases, increased by 2,821 or 11.2%. Outpatient visits increased by 57,035 or 10.2%, related primarily to the opening of 3 new FSEDs, as noted above.

#### *Operating Revenues*

During 2025, patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, increased approximately \$190.9 million, or 17.5%, primarily from stronger inpatient admissions, noted above, and a \$58.5 million increase in support from city and state agencies, which is primarily related to a \$43 million State of Florida funding increase, with \$28 million for Indirect Education Funds and a \$15 million one-time payment, and a \$16 million increase from the City of Jacksonville. During 2024, patient service revenue, net of allowances for contractual discounts, charity care and bad debt expense, increased approximately \$228.3 million, or 26.5%, primarily from stronger inpatient admissions, noted above, favorable third-party reimbursement settlements and a \$71.8 million increase in city and state agencies support.

Other operating revenue increased approximately \$4.2 million, or 15.6%, during 2025. During 2024, other operating revenue increased approximately \$0.4 million, or 1.6%.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

#### *Operating Expenses*

During 2025, operating expenses increased approximately \$144.2 million, or 13.4%. Salaries and benefits increased approximately \$39.7 million, or 8.6%, which primarily relates to additional staff for the opening of North Phase III, as noted above, as well as merit increases and market adjustments. Supplies and services increased approximately \$88.0 million, or 15.6%, mainly due to a \$34.2 million increase in medical supplies, related to pharmacy, implants and other general medical supply costs; a \$24.2 million increase in transfers and expenditures in support of the University of Florida and its medical programs and medical education; a \$11.9 million increase in purchased services, primarily related to opening of North Phase III, as noted above; a \$7.9 million increase in professional fees, primarily related to residents, consulting costs and the three FSEDs, as noted above; a \$6.7 million increase in other direct costs, primarily related to additional volume and costs associated with new Corporation, described further above; a \$1.1 million increase in lease/rental expense; a \$1.1 million increase in utilities; a \$0.6 million increase in Medicaid Direct Payment Program ("DPP") special assessment, discussed further below; and a \$0.5 million increase in non-medical supplies; which are offset by a \$0.1 million decrease in AHCA assessment; and a \$0.1 million decrease in insurance. Depreciation and amortization expense increased \$16.5 million, or 32.4%, related primarily to the opening of North Phase III, as noted above.

During 2024, operating expenses increased approximately \$128.0 million, or 13.4%. Salaries and benefits increased approximately \$23.2 million, or 5.3%, which primarily relates to additional staff for FSEDs, as noted above, and both merit increases and market adjustments. Supplies and services increased approximately \$97.6 million, or 20.8%, mainly due to a \$42.1 million increase in transfers and expenditures in support of the University of Florida and its medical programs; a \$26.6 million increase in medical supplies, related to pharmacy, implants and other general medical supply costs; a \$16.4 million increase in purchased services, primarily related to repair and maintenance, marketing, patient financial services, dietary services, and three new FSEDs, as noted above; a \$8.1 million increase in professional fees, primarily related to residents and three new FSEDs, as noted above; a \$4.3 million increase associated with the Medicaid DPP special assessment; a \$0.3 million increase in insurance; a \$0.3 million increase in AHCA assessment; a \$0.2 million increase in other direct costs; which are offset by a \$0.3 million decrease in lease/rental expense; a \$0.2 million decrease in utilities; and a \$0.2 million decrease in non-medical supplies. Depreciation and amortization expense increased \$7.1 million, or 16.2%, related primarily to major moveable equipment and the new FSEDs, as noted above.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

#### *Nonoperating Revenues (Expenses), net*

Nonoperating expenses, net, for fiscal year 2025, were approximately \$13.8 million, which includes interest expense of approximately \$20.6 million; \$4.7 million other nonoperating loss, which includes \$2.0 million related to Duval Rehab, described further above, a non-capital contribution of \$1.9 million and \$0.8 million associated with North Phase III development; offset by net investment gain of approximately \$11.6 million (including the increase in fair value of approximately \$0.1 million).

Nonoperating expenses, net, for fiscal year 2024, were approximately \$17.5 million, which includes interest expense of approximately \$21.0 million; \$3.6 million other nonoperating loss for a non-capital contribution; \$0.1 million gain on lease modification; offset by net investment gain of approximately \$7.2 million (including the increase in fair value of approximately \$0.1 million).

#### *Capital Grants*

On March 20, 2019, SJMC executed an agreement with the City for capital improvements to City owned property leased by SJMC on its Downtown campus. The initial agreement allocated \$120 million over a six-year period. During 2024, an additional \$20 million was approved bringing the total to \$140 million through fiscal year-end 2024. Each City fiscal year, which begins annually on October 1st, funding is approved by the City during its annual budget approval process. In September 2024, \$24 million was appropriated in conjunction with a new \$120 million infrastructure plan, with future funding subject to annual appropriation of \$24 million through 2029. Once approved, SJMC receives an amendment to the agreement increasing the City's maximum indebtedness by the approved amount. Approved amounts are paid to SJMC as reimbursement for amounts SJMC has paid directly to vendors. For the periods ended June 30, 2025, 2024, and 2023 approximately \$12.0 million, \$15.1 million and \$24.2 million, respectively, was recognized as capital grant revenue in the consolidated basic statement of revenues, expenses and changes in net position.

On May 11, 2023, a memo of understanding was executed between the Florida Department of Health and SJMC. It provides for a fixed capital outlay grant to plan, develop, construct and renovate the emergency department and trauma center on the Downtown campus, as described in a Letter of Intent executed November 1, 2022. The project will honor the late Leon L. Haley, Jr., MD, former CEO of the Company. The cost reimbursement grant maximum is \$80 million of which \$16 million was advanced on July 22, 2023. The grant requires a \$10 million match, which will be provided by the City of Jacksonville. For the period ended June 30, 2025 and 2024,

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

approximately \$4.8 million and \$1.2 million was recognized as capital grant revenue in the consolidated basic statement of revenues, expenses and changes in net position. Approximately \$10.1 million, and \$14.8 million is recorded as assets whose use is restricted in the consolidated basic statement of net position at June 30, 2025, and June 30, 2024, respectively.

On July 12, 2023, SJMC received a notice of award from the Department of Health and Human Services, Health Resources and Services Administration ("HRSA"), for approximately \$0.7 million. As a construction award activity type from HRSA's Health Facilities Construction and Equipment account, the project provides for the complete demolition of an existing vacant office suite, design and construction within the space, and new furniture, fixtures and equipment. The renovated office suite is near the core location to care for underserved patients. During 2024, the project was completed and \$0.7 million was recognized as capital grant revenue in the consolidated basic statement of revenues, expenses and changes in net position for the period ended June 30, 2024.

On September 19, 2023, SJMC received a notice of award from the Department of Health and Human Services, Health Resources and Services Administration ("HRSA"), for \$2.0 million. As a construction award activity type from HRSA's Health Facilities Construction and Equipment account, the project provides for renovation of the Nursing Education Development Center, including equipment and technological updates, to create an adaptable and accessible training and conference space. For the period ended June 30, 2025, \$0.05 million was recognized as capital grant revenue in the consolidated basic statement of revenues, expenses and changes in net position.

#### **Consolidated Basic Statements of Cash Flows**

The consolidated basic statements of cash flows provide additional information in regards to the Company's financial results by reporting the major sources and uses of cash.

During 2025, cash and cash equivalents increased by approximately \$141.2 million, or 102.2%. Cash inflows were primarily related to net cash received from patients and third-party payors of \$1,317.7 million; \$52.6 million redemption of short-term investments and assets whose use is restricted; \$26.8 million from other receipts from operations; \$11.5 million of investment income; \$10.0 million of line of credit draw; \$9.0 million from capital grants and contributions; and \$0.6 million proceeds from grants. Cash outflows were primarily related to cash used by operating activities paid to employees and vendors of \$1,163.2 million; payments for acquisition of capital assets of \$66.6 million; payments of long-term debt, lease obligations, subscription liabilities and

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Management's Discussion and Analysis (Unaudited) (continued)

interest of \$39.9 million; payment of line of credit of \$10.0 million; additional investment in Duval Rehab of \$3.7 million; purchase of short-term investments and assets whose use is restricted of \$1.7 million; and noncapital contribution of \$1.9 million.

During 2024, cash and cash equivalents increased by approximately \$54.5 million, or 65.2%. Cash inflows were primarily related to net cash received from patients and third-party payors of \$1,111.6 million; \$104.6 million redemption of short-term investments and assets limited as to use; \$34.4 million from capital grants and contributions; \$26.2 million from other receipts from operations; \$10.0 million from line of credit draw; \$7.1 million of investment income; and \$0.5 million proceeds from grants. Cash outflows were primarily related to cash used by operating activities paid to employees and vendors of \$1,018.0 million; payments for acquisition of capital assets of \$145.2 million; payments of long-term debt, lease obligations, subscription liabilities and interest of \$37.5 million; purchase of short-term investments and assets whose use is restricted of \$22.7 million; payment of line of credit of \$10.0 million; noncapital contributions of \$3.6 million; and investment in Duval Rehab of \$2.9 million.

#### **Medicaid Direct Payment Program**

On September 28, 2021, the City of Jacksonville passed a resolution to establish a Local Provider Participation Fund to support the first year of Medicaid DPP, for Medicaid Region 4 providers, which will be used to subsidize the shortfall in Medicaid reimbursement related to the period October 1, 2020 through December 31, 2021. As a result, for the periods ended June 30, 2024 and June 30, 2023, the Company recorded Medicaid DPP related funds of \$42.0 million and \$31.0 million, respectively, in patient service revenue, net of provision for bad debts in the consolidated basic statement of revenues, expenses and changes in net position.

Fiscal year 2025 includes \$33.5 million of additional gross Medicaid reimbursement recorded in patient service revenue, net of provision for bad debts in the consolidated basic statement of revenues, expenses and changes in net position.

#### **Credit Ratings**

The Company's underlying credit rating of BBB- was reaffirmed by Fitch Ratings in November 2024, with an upgraded outlook from negative to stable. In February 2024, Moody's Investors Service reaffirmed the Company's credit rating of Ba1, and upgraded the outlook from negative to stable.

# Consolidated Basic Financial Statements

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidated Basic Statements of Net Position (dollars in thousands)

|                                                                                                           | June 30           |                   |
|-----------------------------------------------------------------------------------------------------------|-------------------|-------------------|
|                                                                                                           | 2025              | 2024              |
| <b>Assets</b>                                                                                             |                   |                   |
| Current assets:                                                                                           |                   |                   |
| Cash and cash equivalents                                                                                 | \$ 279,364        | \$ 138,141        |
| Short-term investments                                                                                    | 3,569             | 3,343             |
| Patient accounts receivable, net of allowance for uncollectibles of \$166,186 and \$165,479, respectively | 132,512           | 100,112           |
| Due from city and state agencies                                                                          | 31,820            | 59,548            |
| Inventories                                                                                               | 24,965            | 21,363            |
| Prepaid expenses and other current assets                                                                 | 36,540            | 22,646            |
| Assets whose use is restricted, current portion                                                           | 72                | 72                |
| Estimated third-party payor settlements                                                                   | 6,450             | 7,190             |
| Total current assets                                                                                      | <u>515,292</u>    | <u>352,415</u>    |
| Assets whose use is restricted, less current portion                                                      | 30,220            | 81,192            |
| Capital assets, net                                                                                       | 571,117           | 576,170           |
| Investment in Duval Rehab                                                                                 | 4,595             | 2,882             |
| Other assets                                                                                              | 70,230            | 37,787            |
| Total assets                                                                                              | <u>1,191,454</u>  | <u>1,050,446</u>  |
| <b>Deferred outflows of resources</b>                                                                     |                   |                   |
| Accumulated decrease in fair value of hedge derivatives                                                   | 5,219             | 3,880             |
| Deferred loss on debt refunding                                                                           | 3,370             | 3,934             |
| Deferred other post-employment benefits outflows                                                          | 272               | 394               |
| Deferred pension outflows                                                                                 | 8,815             | 9,790             |
| Total deferred outflows of resources                                                                      | <u>17,676</u>     | <u>17,998</u>     |
| <b>Liabilities</b>                                                                                        |                   |                   |
| Current liabilities:                                                                                      |                   |                   |
| Long-term debt, current portion                                                                           | 3,669             | 1,224             |
| Lease obligations, current portion                                                                        | 10,549            | 10,580            |
| Subscription liabilities, current portion                                                                 | 5,158             | 4,055             |
| Accounts payable and accrued expenses                                                                     | 95,238            | 103,287           |
| Accrued salaries and leave payable                                                                        | 37,578            | 35,503            |
| Estimated third-party payor settlements                                                                   | 99,631            | 59,423            |
| Total current liabilities                                                                                 | <u>251,823</u>    | <u>214,072</u>    |
| Long-term liabilities:                                                                                    |                   |                   |
| Long-term debt, noncurrent portion                                                                        | 435,426           | 441,195           |
| Lease obligations, noncurrent portion                                                                     | 71,248            | 83,047            |
| Subscription liabilities, noncurrent portion                                                              | 10,947            | 10,689            |
| Other liabilities                                                                                         | 25,553            | 28,932            |
| Total long-term liabilities                                                                               | <u>543,174</u>    | <u>563,863</u>    |
| Total liabilities                                                                                         | <u>794,997</u>    | <u>777,935</u>    |
| <b>Deferred inflows of resources</b>                                                                      |                   |                   |
| Deferred other postemployment benefits inflows                                                            | 1,232             | 1,394             |
| Deferred pension inflows                                                                                  | 467               | 1,633             |
| Deferred inflow leases                                                                                    | 52,856            | 18,667            |
| Total deferred inflows of resources                                                                       | <u>54,555</u>     | <u>21,694</u>     |
| <b>Net position</b>                                                                                       |                   |                   |
| Net investment in capital assets                                                                          | 271,169           | 261,471           |
| Restricted:                                                                                               |                   |                   |
| Expendable                                                                                                | 5,026             | 5,026             |
| Unrestricted                                                                                              | 83,383            | 2,318             |
| Total net position                                                                                        | <u>\$ 359,578</u> | <u>\$ 268,815</u> |

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

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Consolidated Basic Statements of Revenues,  
Expenses and Changes in Net Position  
*(dollars in thousands)*

|                                                                                                        | <b>Year Ended June 30</b> |                   |
|--------------------------------------------------------------------------------------------------------|---------------------------|-------------------|
|                                                                                                        | <b>2025</b>               | <b>2024</b>       |
| <b>Operating revenues</b>                                                                              |                           |                   |
| Net patient service revenue, net of provision for<br>bad debts of \$98,459 and \$123,624, respectively | \$ 1,280,632              | \$ 1,089,771      |
| Other operating revenue                                                                                | 30,916                    | 26,744            |
| Total operating revenues                                                                               | <u>1,311,548</u>          | <u>1,116,515</u>  |
| <b>Operating expenses</b>                                                                              |                           |                   |
| Salaries and benefits                                                                                  | 502,676                   | 462,944           |
| Supplies and services                                                                                  | 653,926                   | 565,922           |
| Depreciation and amortization                                                                          | 67,419                    | 50,939            |
| Total operating expenses                                                                               | <u>1,224,021</u>          | <u>1,079,805</u>  |
| Operating gain                                                                                         | <u>87,527</u>             | <u>36,710</u>     |
| <b>Nonoperating revenues (expenses)</b>                                                                |                           |                   |
| Interest expense                                                                                       | (20,608)                  | (20,972)          |
| Net investment gain, including change in fair value                                                    | 11,559                    | 7,181             |
| Gain (loss) on lease modification                                                                      | 12                        | (126)             |
| (Loss) gain on disposal of capital assets, net                                                         | (45)                      | 36                |
| Other nonoperating loss, net                                                                           | (4,678)                   | (3,643)           |
| Total nonoperating expenses, net                                                                       | <u>(13,760)</u>           | <u>(17,524)</u>   |
| Excess of revenues over expenses before capital contributions                                          | 73,767                    | 19,186            |
| Capital grants                                                                                         | 16,846                    | 16,932            |
| Capital contributions, net                                                                             | 150                       | 57                |
| Increase in net position                                                                               | <u>90,763</u>             | <u>36,175</u>     |
| <b>Net position</b>                                                                                    |                           |                   |
| Beginning of year                                                                                      | 268,815                   | 232,640           |
| End of year                                                                                            | <u>\$ 359,578</u>         | <u>\$ 268,815</u> |

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

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Consolidated Basic Statements of Cash Flows

*(dollars in thousands)*

|                                                                            | <b>Year Ended June 30</b> |              |
|----------------------------------------------------------------------------|---------------------------|--------------|
|                                                                            | <b>2025</b>               | <b>2024</b>  |
| <b>Operating activities</b>                                                |                           |              |
| Cash received from patients and third-party payors                         | \$ 1,317,737              | \$ 1,111,605 |
| Other receipts from operations                                             | 26,804                    | 26,202       |
| Salaries and benefits paid to employees                                    | (498,463)                 | (458,413)    |
| Payments to suppliers and vendors                                          | (664,692)                 | (559,542)    |
| Net cash provided by operating activities                                  | 181,386                   | 119,852      |
| <b>Noncapital financing activities</b>                                     |                           |              |
| Proceeds from short-term debt                                              | 10,000                    | 10,000       |
| Interest paid                                                              | (386)                     | (439)        |
| Proceeds from grant                                                        | 604                       | 510          |
| Noncapital contribution                                                    | (1,931)                   | (3,643)      |
| Payments of short-term financing                                           | (10,000)                  | (10,000)     |
| Payments of long-term debt                                                 | (1,224)                   | (1,170)      |
| Net cash used in noncapital financing activities                           | (2,937)                   | (4,742)      |
| <b>Capital and related financing activities</b>                            |                           |              |
| Payments for capital assets                                                | (66,551)                  | (145,203)    |
| Proceeds from sale of capital assets                                       | 12                        | 19           |
| Payments of long-term debt, lease obligations and subscription liabilities | (16,174)                  | (13,867)     |
| Interest paid                                                              | (22,147)                  | (22,052)     |
| Capital grants                                                             | 8,846                     | 34,383       |
| Capital contributions                                                      | 150                       | 57           |
| Net cash used in capital and related financing activities                  | (95,864)                  | (146,663)    |
| <b>Investing activities</b>                                                |                           |              |
| Investment income received                                                 | 11,450                    | 7,063        |
| Investment in Duval Rehab                                                  | (3,662)                   | (2,882)      |
| Redemption of short-term investments and assets whose use is restricted    | 52,583                    | 104,550      |
| Purchase of short-term investments and assets whose use is restricted      | (1,733)                   | (22,672)     |
| Net cash provided by investing activities                                  | 58,638                    | 86,059       |
| <br>Net increase in cash and cash equivalents                              | <br>141,223               | <br>54,506   |
| <b>Cash and cash equivalents</b>                                           |                           |              |
| Beginning of year                                                          | 138,141                   | 83,635       |
| End of year                                                                | \$ 279,364                | \$ 138,141   |

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Consolidated Basic Statements of Cash Flows (continued)

*(dollars in thousands)*

|                                                                                      | <b>Year Ended June 30</b> |                   |
|--------------------------------------------------------------------------------------|---------------------------|-------------------|
|                                                                                      | <b>2025</b>               | <b>2024</b>       |
| <b>Reconciliation of operating gain to net cash provided by operating activities</b> |                           |                   |
| Operating gain                                                                       | \$ 87,527                 | \$ 36,710         |
| Adjustments to reconcile operating loss to net cash used in operating activities:    |                           |                   |
| Depreciation and amortization                                                        | 67,419                    | 50,939            |
| Provision for bad debts                                                              | 98,459                    | 123,624           |
| Changes in:                                                                          |                           |                   |
| Patient accounts receivable                                                          | (99,263)                  | (141,777)         |
| Prepaid expenses, inventories and other current assets                               | (18,198)                  | (2,253)           |
| Other assets                                                                         | (32,142)                  | (730)             |
| Accounts payable and accrued expenses                                                | 3,328                     | 9,540             |
| Estimated third-party payor settlements                                              | 40,949                    | 46,917            |
| Other liabilities                                                                    | 33,307                    | (3,118)           |
| Total adjustments                                                                    | 93,859                    | 83,142            |
| Net cash provided by operating activities                                            | <u>\$ 181,386</u>         | <u>\$ 119,852</u> |
| <b>Disclosure of supplemental cash flow information</b>                              |                           |                   |
| Net increase in fair value of investments                                            | \$ 106                    | \$ 115            |
| Net change in other nonoperating losses                                              | (4,678)                   | (3,643)           |
| Accrued purchases of property and equipment                                          | 4,626                     | 14,576            |
| Amortization of lease and subscription asset                                         | 18,132                    | 16,013            |
| Amortization of lease receivable                                                     | 5,228                     | 3,011             |

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

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements

June 30, 2025 and 2024

### 1. Organization

Shands Jacksonville HealthCare, Inc. (“SJH” or the “Company”), formerly known as Jacksonville Health Group, Inc., is a not-for-profit corporation with direct control over Shands Jacksonville Medical Center, Inc. (“SJMC”) and direct or indirect control over numerous other entities, all of which are blended in the accompanying consolidated basic financial statements. During 2013, SJMC began doing business as UF Health Jacksonville. SJMC, formerly known as University Medical Center, Inc. (“UMC”), is a Florida not-for-profit corporation and the principal operating subsidiary of the Company. SJMC is licensed to operate a total of 791 beds at two locations: one in downtown and one in north Jacksonville, Florida. Through a lease with the City of Jacksonville (the “City”) under the terms described in Note 10, the downtown campus operates a teaching hospital and provides clinical settings for medical education programs of the University of Florida (“UF”).

The Company is an affiliate of University of Florida Health Corporation (“Corporation”), which is an affiliate of UF where, by statute, the President of UF, under the governance and approval of the UF Board of Trustees, has the authority to appoint and remove a majority of the members of the Corporation Board of Directors. In addition, there are both UF Board of Trustees members and senior management personnel on the Corporation Board. The UF Board approved the formation of the Corporation as an umbrella organization primarily to support the health affairs mission of UF. The Corporation exists to govern, oversee and enhance coordinated decision-making, strategic marketing and planning, and resource investment for the Corporation’s and UF’s healthcare enterprise, as well as the Corporation’s direct and indirect subsidiaries, including hospitals, healthcare facilities and clinical and faculty practice entities. As part of the oversight and coordination, the Corporation Board of Directors serves as the Board of Directors for the Company and certain of its subsidiaries. The members of the UF Board are appointed by the Governor and Board of Governors of the State of Florida.

SJH, SJMC and Shands Jacksonville Properties Inc. (“SJP”) are members of the Obligated Group as defined in the Master Trust Indenture dated June 1, 2013. Shands Jacksonville Foundation, Inc. (“SJF”) and Shands Jacksonville Community Services, Inc. (“SJCS”) are consolidated entities of the Company but are not a part of the Obligated Group.

Effective February 15, 2024, Hospital Holdings Corporation, an affiliate of Select Medical Corporation (“Select”), and SJMC formed Duval Rehabilitation, LLC (“Duval Rehab”) for the purpose of owning and operating the 48 inpatient rehabilitation beds within SJMC’s hospital bed tower, located in northern Jacksonville, which Duval Rehab leases from SJMC. Operations began September 24, 2024. SJMC holds a 49% minority interest in Duval Rehab and Select holds the

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **1. Organization (continued)**

remaining 51% majority interest. When formed, SJMC contributed \$2,882,000 to Duval Rehab, which is recorded as an investment in the consolidated basic statement of net position as of June 30, 2024. An additional \$3,662,000 was contributed during fiscal year 2025 and \$1,949,000 was recorded as other nonoperating loss in the consolidated basic statement of revenue, expenses and changes in net position through the period ended June 30, 2025, resulting in an ending investment balance of \$4,595,000 recorded in the consolidated basic statement of net position as of June 30, 2025.

Under a 2010 reorganization, Shands Teaching Hospital and Clinics, Inc. (collectively “Shands”) is no longer the sole corporate member of the Company but continues as an affiliated entity under common control of the Corporation. The Company continues to receive management and operational services from Shands.

#### **2. Summary of Significant Accounting Policies**

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

The accompanying consolidated basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States, including all applicable effective statements of the Governmental Accounting Standards Board (“GASB”), on the accrual basis of accounting and include the accounts of the Company and its subsidiaries. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Significant intercompany accounts and transactions have been eliminated.

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

The preparation of these consolidated basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated basic financial statements and accompanying notes. Actual results could differ from those estimates.

##### **Tax Status**

The Company and its subsidiaries are exempt from federal income taxes pursuant to Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code and from state income taxes pursuant to Chapter 220 of the Florida Statutes.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

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

Cash and cash equivalents include investments in highly liquid instruments with maturities of three months or less when purchased, except those classified as assets whose use is restricted in the accompanying consolidated basic financial statements.

##### **Investments**

Investments are carried at fair value or, in the case of the Florida Treasury Investment Pool Special Purpose Investment Account, net asset value ("NAV"). Interest, dividends, and gains and losses on investments, both realized and unrealized, are included in nonoperating revenues (expenses) when earned. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the accompanying consolidated basic statement of revenues, expenses and changes in net position in the period such fluctuations occur.

Investment in Duval Rehab, a minority interest in an unconsolidated affiliate, is recorded in the accompanying consolidated basic statement of net position. Investment gains (losses) are recorded in other nonoperating revenues (expenses), net in the accompanying consolidated basic statement of revenues, expenses, and changes in net position.

##### **Inventories**

Inventories consist principally of medical, surgical and pharmaceutical supplies that are stated at the lower of cost (average cost method) or market.

##### **Assets Whose Use Is Restricted**

Assets whose use is restricted are cash and cash equivalents comprising a debt service reserve fund, swap collateral and internally designated funds for clinical support, education, research, and other health programs and amounts to be used for mandatory redemption of bonds.

##### **Capital Assets**

Capital assets are recorded at cost, except for donated items, which are recorded at fair value at the date of receipt as an addition to net position. Right-to-use lease assets are stated at the present value of minimum lease payments at the inception of the lease. Right-to-use subscription assets

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

are stated at the present value of minimum payments at the inception of the arrangement. Routine maintenance and repairs are expensed when incurred. Depreciation for financial reporting purposes is computed using the straight-line method over the estimated useful lives of the related depreciable assets. Right-to-use lease and subscription assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Such amortization is included in depreciation and amortization expense in the accompanying consolidated basic statement of revenues, expenses and changes in net position.

The Company's estimated useful lives of depreciable assets are as follows:

|                                                               | <b>Estimated<br/>Useful Lives<br/>(Years)</b> |
|---------------------------------------------------------------|-----------------------------------------------|
| Buildings                                                     | 5–40                                          |
| Leasehold improvements                                        | 5–15                                          |
| Movable equipment                                             | 3–20                                          |
| Right-to-use subscription information technology arrangements | 1–8                                           |

Gains and losses on dispositions are recorded in the year of disposal in nonoperating revenues (expenses) in the accompanying consolidated basic statement of revenues, expenses and changes in net position.

#### **Costs of Borrowing**

Interest costs incurred on borrowed funds during the period of construction or development of capital assets are expensed as incurred. Bond issue costs are expensed at the time of issuance. There was approximately \$33,888,000 and \$35,988,000 of net unamortized original premiums for the Series 2015 and 2022A Bonds at June 30, 2025 and 2024, respectively, which will be amortized over the remaining periods of the obligations using the effective interest method.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding those similarities, deferred outflows of resources are not assets and deferred inflows of resources are not liabilities and, accordingly, are not included in those sections of the accompanying consolidated basic statement of net position, but rather separately reported.

##### **Accrued Personal Leave**

The Company provides accrued time off to eligible employees for vacations, holidays and short-term illness dependent on their years of continuous service and their payroll classification. The Company accrues the estimated expense related to personal leave based on pay rates currently in effect for accumulated personal leave balances that are more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. More likely than not is estimated using historical information based on length of service categories defined in the Company's policy that are not 100% eligible to receive 100% of accumulated balances. Upon termination of employment, employees will have their eligible accrued personal leave paid in full. Accrued personal leave was approximately \$24,310,000 and \$22,540,000 as of June 30, 2025 and 2024, respectively, and is included in accrued salaries and leave payable in the accompanying consolidated basic statement of net position.

##### **Defined Benefit Pension Plan**

On June 1, 2018, the Shands HealthCare Pension Plan (the "Predecessor Plan") was terminated, and the Shands HealthCare Pension Plan II (the "Successor Plan") was established. Terminating the Predecessor Plan facilitated the payment of lump-sum distributions to certain participants and reduced plan administration expenses. All of the Predecessor Plan assets and liabilities as of June 1, 2018, were transferred to the Successor Plan. The provisions in the Successor Plan are essentially identical to the provisions in the Predecessor Plan. The Predecessor Plan and the Successor Plan are hereinafter referred to as the "Plan."

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

For purposes of measuring the net pension liability or asset, deferred outflows of resources and deferred inflows of resources related to the defined benefit plan, and defined benefit pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported to the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### **Net Position**

Net position is categorized as "net investment in capital assets," "restricted-expendable" and "unrestricted." Net investment in capital assets is intended to reflect the portion of net position that is associated with nonliquid capital assets, less outstanding balances due on borrowings used to finance the purchase or construction of those assets related to debt. Unspent debt proceeds are excluded from the calculation of net investment in capital assets and are included in unrestricted net position, unless the unspent amounts are externally restricted. Restricted-expendable has restrictions placed on its use through external constraints imposed by contributors. Unrestricted does not meet the definition of net investment in capital assets and has no third-party restrictions on use.

#### **Revenues and Expenses**

The Company's consolidated basic statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Company's principal activity. Operating expenses are all expenses incurred to provide health care services. Interest expense; net investment gain, including change in fair value; loss on lease modification; gain on disposal of capital assets, net; and other nonoperating loss, net are reported as nonoperating revenues (expenses).

Grants and donations received for the purpose of acquiring or constructing capital assets are recorded below nonoperating revenues (expenses) as capital grant or capital contributions, net, respectively.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Net Patient Service Revenue and Patient Accounts Receivable**

SJMC has agreements with third-party payors that provide for payments to SJMC at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue and patient accounts receivable are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations. For the fiscal year ended June 30, 2025, net patient service revenue decreased by approximately \$25,951,000 and for the fiscal year ended June 30, 2024, net patient service revenue decreased by approximately \$15,466,000 due to such adjustments.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. It is management's opinion that the estimated amounts, which are recorded as current liabilities in the accompanying consolidated basic statement of net position, represent the best estimate to date of the estimated liability for settlements of outstanding Medicare and Medicaid cost reports.

##### **Medicare**

The Company participates in the federal Medicare program. Approximately 27% and 26% of the Company's net patient service revenue for the fiscal years ended June 30, 2025 and 2024, respectively, was derived from services to Medicare beneficiaries. Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge.

These rates vary according to a patient classification system, Diagnosis Related Groups, that is based on clinical, diagnostic and other factors.

Inpatient nonacute services, outpatient services, and defined capital costs related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology. The Company is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Company and audits by the Medicare fiscal intermediary. The Company's classification of patients under the Medicare program and the

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

appropriateness of their admission are subject to an independent review. As of June 30, 2025, Medicare cost reports through June 30, 2020 were final settled by the Company's Medicare fiscal intermediary.

#### **Medicaid**

The Company participates in the State of Florida Medicaid program. The Agency for Health Care Administration is the administrator of the Statewide Medicaid Managed Care Managed Medical Assistance ("MMA") program in the State of Florida. The MMA program comprises several types of managed care plans, including health maintenance organizations, provider service networks and the Children's Medical Services Network. The majority of Medicaid beneficiaries are required to enroll in the MMA program. Approximately 4% and 6% of the Company's net patient service revenue for the fiscal years ended June 30, 2025 and 2024, respectively, was derived from services to Medicaid beneficiaries. Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per discharge and outpatient services are reimbursed at prospectively determined rates based upon Enhanced Ambulatory Patient Groupings ("EAPGs"). Prior to July 1, 2017, outpatient services were reimbursed based upon a cost reimbursement methodology subject to certain ceilings.

In addition to the prospectively determined rates per discharge and EAPG payments received by the Company for the provision of health care services to Medicaid beneficiaries, the State of Florida provides supplemental Medicaid through both the Low Income Pool ("LIP") program and the Medicaid Directed Payment Program ("DPP") to reflect the additional costs associated with treating the Medicaid and uninsured population in Florida. These amounts are reflected in net patient service revenue in the accompanying consolidated basic statement of revenues, expenses and changes in net position. As of June 30, 2025, the LIP cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2021.

The Company qualified for additional Medicaid reimbursement for quarterly Graduate Medical Education ("GME") and transitional payments.

#### **Other Third-Party Payors**

The Company has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **2. Summary of Significant Accounting Policies (continued)**

##### **Provision for Bad Debts and Allowance for Uncollectible Accounts**

The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in federal and state governmental health care coverage, and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon these trends. The results of these reviews are then used to make any modification to the provision for bad debts to establish an appropriate allowance for uncollectible accounts. Patient accounts receivable are written off after collection efforts have been followed under the Company's policies.

##### **Risk Management**

The Company is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters in excess of self-insured limits. Settled claims have not exceeded this commercial coverage for the fiscal years ended June 30, 2025 and 2024.

The Company was granted sovereign immunity under the provision of Chapter 2011-114, Laws of Florida, and further codified in 768.28(2), Florida Statutes. As such, recovery in tort actions is limited to \$200,000 for any one person for one incident and all recovery related to one incident is limited to a total of \$300,000.

##### **Derivative Financial Instruments**

The Company uses interest rate swaps to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The interest rate swaps are evaluated for hedge effectiveness. If the interest rate swap is determined to be an effective hedge, its fair value is an asset or a liability with a corresponding deferred outflow or inflow in the accompanying consolidated basic statement of net position. The Company accounts for changes in fair value of interest rate swaps that do not qualify for hedge accounting within other nonoperating losses in the consolidated basic statement of revenues, expenses and changes in net position.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Recent Accounting Pronouncements

In December 2023, the GASB issued GASB Statement No. 102, *Certain Risk Disclosures* (“GASB No. 103”). The primary objective of GASB No. 102 is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. GASB No. 102 is effective for fiscal years beginning after June 15, 2024. The Company adopted the requirements of GASB No. 102 during the fiscal year ended June 30, 2025, the impacts of which were not material to the Company or disclosed elsewhere herein.

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements* (“GASB No. 103”). The primary objective of GASB No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. GASB No. 103 is effective for fiscal years beginning after June 15, 2025. The Company is currently evaluating the impact GASB No. 103 will have on its consolidated basic financial statements.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets* (“GASB No. 104”). The primary objective of GASB No. 104 to provide users of government financial statements with essential information about certain types of capital assets. GASB No. 104 is effective for fiscal years beginning after June 15, 2025. The Company is currently evaluating the impact GASB No. 104 will have on its consolidated basic financial statements.

#### 3. Unsponsored Community Benefit

Community benefit is a planned, managed, organized and measured approach to a health care organization’s participation in meeting identified community health needs. It implies collaboration with a “community” to “benefit” its residents, particularly the poor and other underserved groups, by improving health status and quality of life. Community benefit projects and services are identified by health care organizations in response to findings of a community health assessment, strategic and/or clinical priorities, and partnership areas of attention.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **3. Unsponsored Community Benefit (continued)**

Community benefit categories include financial assistance, community health services, health professions education, research and donations. The Company has a long history of providing community benefits and has quantified these benefits using national guidelines developed by the Catholic Health Association in collaboration with the Voluntary Hospital Association (“VHA”).

The Company has policies providing financial assistance for patients requiring care but who have limited or no means to pay for that care. These policies provide free or discounted health and health-related services to persons who qualify under certain income and assets criteria. Because the Company does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as net patient service revenue. The Company maintains records to identify and monitor the level of financial assistance it provides. Charges forgone for services provided under the Company’s financial assistance policy for the fiscal years ended June 30, 2025 and 2024, were approximately \$364,717,000 and \$324,155,000, respectively.

In addition to direct financial assistance, the Company provides benefits for the broader community. The cost of providing these community benefits can exceed the revenue sources available. Examples of the benefits provided by the Company and general definitions regarding those benefits are described below:

- Community health services include activities carried out to improve community health. They extend beyond patient care activities and are usually subsidized by the health care organization. Examples include community health education, counseling and support services, and health care screenings.
- Health professional education includes education provided in clinical settings such as internships and programs for physicians, nurses and allied health professionals. Also included are scholarships for health professional education related to providing community health improvement services and specialty in-service programs to professionals in the community.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 3. Unsponsored Community Benefit (continued)

The Company's valuation of unsponsored community benefits at estimated cost for the fiscal years ended, is as follows (*dollars in thousands*):

|                                                       | <b>Year Ended June 30</b> |                  |
|-------------------------------------------------------|---------------------------|------------------|
|                                                       | <b>2025</b>               | <b>2024</b>      |
| Financial assistance provided                         | \$ 74,251                 | \$ 62,984        |
| Government support applied to charity care            | (56,000)                  | (40,000)         |
| Net unreimbursed financial assistance                 | <u>18,251</u>             | <u>22,984</u>    |
| Benefits for the broader community:                   |                           |                  |
| Community health services                             | 971                       | 982              |
| Health professions education                          | 37,050                    | 28,622           |
| Total quantifiable benefits for the broader community | <u>38,021</u>             | <u>29,604</u>    |
| Total community benefits                              | <u>\$ 56,272</u>          | <u>\$ 52,588</u> |

The estimated cost of financial assistance provided was determined by applying the Company's overall expense to charge ratio to total charges forgone. Cost of benefits for the broader community represents actual expenses incurred.

The Company also plays a leadership role in the communities it serves by providing additional community benefits that have not been quantified. This role includes serving as a state-designated Level I trauma center and maintaining air ambulance services to help meet the emergency health care needs in Jacksonville.

In addition to the community benefits described above, the Company provides additional benefits to the community through advocacy of community service by employees. The Company's employees serve numerous organizations through board representation, in-kind and direct donations, fund-raising, youth sponsorship, and other related activities.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 4. Cash, Cash Equivalents, Investments and Assets Whose Use Is Restricted

Cash, cash equivalents, investments and assets whose use is restricted are reported in the accompanying consolidated basic statements of net position as follows (*dollars in thousands*):

|                                                      | <b>June 30</b>    |                   |
|------------------------------------------------------|-------------------|-------------------|
|                                                      | <b>2025</b>       | <b>2024</b>       |
| Current assets:                                      |                   |                   |
| Cash and cash equivalents                            | \$ 279,364        | \$ 138,141        |
| Short-term investments                               | 3,569             | 3,343             |
| Assets whose use is restricted, current portion      | 72                | 72                |
|                                                      | <u>283,005</u>    | <u>141,556</u>    |
| Long-term assets:                                    |                   |                   |
| Assets whose use is restricted, less current portion | 30,220            | 81,192            |
| Investment in Duval Rehab                            | 4,595             | 2,882             |
|                                                      | <u>\$ 317,820</u> | <u>\$ 225,630</u> |

The composition of cash, cash equivalents, investments and assets whose use is restricted at June 30, 2025 is as follows:

|                                              | <b>Market<br/>Value</b> | <b>Investment Maturities</b>  |                      |                   |
|----------------------------------------------|-------------------------|-------------------------------|----------------------|-------------------|
|                                              |                         | <b>Less Than<br/>1 Year</b>   | <b>1–3<br/>Years</b> | <b>N/A</b>        |
|                                              |                         | <i>(Dollars in Thousands)</i> |                      |                   |
| Certificates of deposit                      | \$ 94                   | \$ 94                         | \$ —                 | \$ —              |
| Florida Treasury Investment<br>Pool (“SPIA”) | 3,234                   | —                             | 3,234                | —                 |
| Money market funds                           | 975                     | —                             | —                    | 975               |
| Investment in Duval Rehab                    | 4,595                   | —                             | —                    | 4,595             |
| Bank deposits                                | 308,922                 | —                             | —                    | 308,922           |
|                                              | <u>\$ 317,820</u>       | <u>\$ 94</u>                  | <u>\$ 3,234</u>      | <u>\$ 314,492</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 4. Cash, Cash Equivalents, Investments and Assets Whose Use Is Restricted (continued)

The composition of cash, cash equivalents, investments and assets whose use is restricted at June 30, 2024 is as follows:

|                                              | Market<br>Value   | Investment Maturities  |                 |                   |
|----------------------------------------------|-------------------|------------------------|-----------------|-------------------|
|                                              |                   | Less Than<br>1 Year    | 1–3<br>Years    | N/A               |
|                                              |                   | (Dollars in Thousands) |                 |                   |
| Certificates of deposit                      | \$ 93             | 93                     | \$ —            | \$ —              |
| Florida Treasury Investment<br>Pool (“SPIA”) | 3,092             | —                      | 3,092           | —                 |
| Money market funds                           | 50,189            | —                      | —               | 50,189            |
| Investment in Duval Rehab                    | 2,882             | —                      | —               | 2,882             |
| Bank deposits                                | 169,374           | —                      | —               | 169,374           |
|                                              | <u>\$ 225,630</u> | <u>\$ 93</u>           | <u>\$ 3,092</u> | <u>\$ 222,445</u> |

The Florida State Treasury operates a special investment program for public entities and is called the Special Purpose Investment Account (“SPIA”). The Florida Treasury Investment Pool invests in a combination of short-term liquid instruments and intermediate fixed income securities. A maximum of 40% can be redeemed with five day notice, including less than \$20 million with same day notice. The remaining 60% can be redeemed with six months’ notice. The six-month notice can be waived by SPIA administration upon request.

Assets whose use is restricted include amounts internally designated by the Board of Directors, amounts held by bond trustees and swap collateral, which comprises the following (*dollars in thousands*):

|                                                                                                                     | June 30          |                  |
|---------------------------------------------------------------------------------------------------------------------|------------------|------------------|
|                                                                                                                     | 2025             | 2024             |
| Internally designated by the Board of Directors for clinical support, education, research and other health programs | \$ 19,500        | \$ 19,500        |
| Debt-related project funds                                                                                          | 734              | 46,920           |
| Florida Department of Health capital outlay grant                                                                   | 10,058           | 14,844           |
|                                                                                                                     | 30,292           | 81,264           |
| Less current portion                                                                                                | (72)             | (72)             |
| Long-term portion                                                                                                   | <u>\$ 30,220</u> | <u>\$ 81,192</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 4. Cash, Cash Equivalents, Investments and Assets Whose Use Is Restricted (continued)

##### Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as concentration of credit risk, custodial credit risk, interest rate risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities may be sensitive to credit risk and changes in interest rates.

##### *Credit Risk*

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Company invests either by participating in an SPIA or through an investment agent. The agreement with the investment agent has specific objectives and guidelines, which includes issuer credit quality, a list of specific allowable investments and credit ratings.

The credit risk profile of the Company's investments and funds internally designated by the Board of Directors at June 30, 2025 and 2024 is as follows:

|                                              | Fair<br>Value    | Ratings                       |              |                 |
|----------------------------------------------|------------------|-------------------------------|--------------|-----------------|
|                                              |                  | AAA                           | A-1/P-1      | AA-f            |
|                                              |                  | <i>(Dollars in Thousands)</i> |              |                 |
| <b>2025</b>                                  |                  |                               |              |                 |
| Certificates of deposit                      | \$ 94            | \$ —                          | \$ 94        | \$ —            |
| Florida Treasury Investment<br>Pool ("SPIA") | 3,234            | —                             | —            | 3,234           |
| Money market funds                           | 975              | 975                           | —            | —               |
|                                              | <u>\$ 4,303</u>  | <u>\$ 975</u>                 | <u>\$ 94</u> | <u>\$ 3,234</u> |
|                                              |                  |                               |              |                 |
|                                              | Fair<br>Value    | Ratings                       |              |                 |
|                                              |                  | AAA                           | A-1/P-1      | AA-f            |
|                                              |                  | <i>(Dollars in Thousands)</i> |              |                 |
| <b>2024</b>                                  |                  |                               |              |                 |
| Certificates of deposit                      | \$ 93            | \$ —                          | \$ 93        | \$ —            |
| Florida Treasury Investment<br>Pool ("SPIA") | 3,092            | —                             | —            | 3,092           |
| Money market funds                           | 50,189           | 50,189                        | —            | —               |
|                                              | <u>\$ 53,374</u> | <u>\$ 50,189</u>              | <u>\$ 93</u> | <u>\$ 3,092</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 4. Cash, Cash Equivalents, Investments and Assets Whose Use Is Restricted (continued)

##### *Concentration of Credit Risk*

Investments in any one issuer that represent 5% or more of the Company's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. As of June 30, 2025 and 2024, the Company did not have any investments that equaled or exceeded this threshold.

##### *Custodial Credit Risk*

As of June 30, 2025 and 2024, the Company's investments were not exposed to custodial credit risk since the full amount of investments were insured, collateralized or registered in the Company's name.

##### *Interest Rate Risk*

The Company's investment agent guidelines limit maximum effective maturities to one year as a means of managing its exposure to fair value losses arising from increasing interest rates. While SPIA does hold some longer-term maturities, participants have the ability to invest and obtain funds in the same day, subject to certain limitations.

Investment gain, net for fiscal years as follows (*dollars in thousands*):

|                                               | <u>2025</u>             | <u>2024</u>            |
|-----------------------------------------------|-------------------------|------------------------|
| Dividends and interest income                 | \$ 11,453               | \$ 7,066               |
| Net increase in the fair value of investments | <u>106</u>              | <u>115</u>             |
| Investment gain, net                          | <u><u>\$ 11,559</u></u> | <u><u>\$ 7,181</u></u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 5. Fair Value

The Company categorizes its fair value measurements within the fair value hierarchy. The hierarchy is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, credit risks, etc.).
- Level 3 – significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The recurring fair value measurement of investments is as follows (*dollars in thousands*):

|                                                | <b>June 30</b>  |                  |
|------------------------------------------------|-----------------|------------------|
|                                                | <b>2025</b>     | <b>2024</b>      |
| Florida Treasury Investment Pool ("SPIA")      | \$ 3,234        | \$ 3,092         |
| Money market funds and certificates of deposit | 1,069           | 50,282           |
|                                                | <u>\$ 4,303</u> | <u>\$ 53,374</u> |

The SPIA funds are combined with State Funds and are invested as part of the Florida Treasury Investment Pool and are measured at fair value and classified as a Level 3 investment per the fair value hierarchy.

The Company's money market funds and certificates of deposit and cash collateral on deposit with swap counterparty are classified as Level 1 of the fair value hierarchy.

The Company's total return swap is classified in Level 2 of the fair value hierarchy. The fair value is estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps. Fair value of the interest rate swap is included in Note 8.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 6. Capital Assets

A summary of changes in capital assets during fiscal year 2025 is as follows:

|                                            | Balance at<br>June 30,<br>2024 | Additions       | Deletions     | Transfers/<br>Adjustments | Balance at<br>June 30,<br>2025 |
|--------------------------------------------|--------------------------------|-----------------|---------------|---------------------------|--------------------------------|
|                                            | <i>(Dollars in Thousands)</i>  |                 |               |                           |                                |
| Land                                       | \$ 24,521                      | \$ —            | \$ —          | \$ 131                    | \$ 24,652                      |
| Buildings                                  | 487,927                        | —               | —             | 194,984                   | 682,911                        |
| Equipment                                  | 346,481                        | —               | (743)         | 53,708                    | 399,446                        |
| Totals at historical cost                  | 858,929                        | —               | (743)         | 248,823                   | 1,107,009                      |
| Less accumulated depreciation for:         |                                |                 |               |                           |                                |
| Buildings                                  | (315,668)                      | (27,225)        | —             | —                         | (342,893)                      |
| Equipment                                  | (295,846)                      | (22,062)        | 670           | —                         | (317,238)                      |
| Total property, plant and equipment, net   | 247,415                        | (49,287)        | (73)          | 248,823                   | 446,878                        |
| Right-to-use asset under lease:            |                                |                 |               |                           |                                |
| Buildings                                  | 110,686                        | —               | (2,388)       | (3,334)                   | 104,964                        |
| Equipment                                  | 10,663                         | 2,445           | (781)         | (256)                     | 12,071                         |
| Accumulated amortization                   | (32,958)                       | (12,487)        | 3,314         | —                         | (42,131)                       |
| Total right-to-use-asset under lease, net  | 88,391                         | (10,042)        | 145           | (3,590)                   | 74,904                         |
| Right-to-use subscription asset            | 20,224                         | 7,373           | (2,067)       | (701)                     | 24,829                         |
| Accumulated amortization                   | (5,906)                        | (5,645)         | 2,169         | —                         | (9,382)                        |
| Total right-to-use subscription asset, net | 14,318                         | 1,728           | 102           | (701)                     | 15,447                         |
| Construction-in-progress                   | 226,046                        | 56,665          | —             | (248,823)                 | 33,888                         |
| Capital assets, net                        | <u>\$ 576,170</u>              | <u>\$ (936)</u> | <u>\$ 174</u> | <u>\$ (4,291)</u>         | <u>\$ 571,117</u>              |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 6. Capital Assets (continued)

A summary of changes in capital assets during fiscal year 2024 is as follows:

|                                            | Balance at<br>June 30,<br>2023 | Additions        | Deletions     | Transfers/<br>Adjustments | Balance at<br>June 30,<br>2024 |
|--------------------------------------------|--------------------------------|------------------|---------------|---------------------------|--------------------------------|
|                                            | <i>(Dollars in Thousands)</i>  |                  |               |                           |                                |
| Land                                       | \$ 24,194                      | \$ —             | \$ —          | \$ 327                    | \$ 24,521                      |
| Buildings                                  | 466,184                        | —                | —             | 21,743                    | 487,927                        |
| Equipment                                  | 319,351                        | —                | (1,400)       | 28,530                    | 346,481                        |
| Totals at historical cost                  | 809,729                        | —                | (1,400)       | 50,600                    | 858,929                        |
| Less accumulated depreciation for:         |                                |                  |               |                           |                                |
| Buildings                                  | (297,801)                      | (17,867)         | —             | —                         | (315,668)                      |
| Equipment                                  | (280,204)                      | (17,059)         | 1,417         | —                         | (295,846)                      |
| Total property, plant and equipment, net   | 231,724                        | (34,926)         | 17            | 50,600                    | 247,415                        |
| Right-to-use asset under lease:            |                                |                  |               |                           |                                |
| Buildings                                  | 110,845                        | 578              | (737)         | —                         | 110,686                        |
| Equipment                                  | 10,186                         | 1,947            | (1,470)       | —                         | 10,663                         |
| Accumulated amortization                   | (22,324)                       | (12,562)         | 1,928         | —                         | (32,958)                       |
| Total right-to-use-asset under lease, net  | 98,707                         | (10,037)         | (279)         | —                         | 88,391                         |
| Right-to-use subscription asset            | 13,863                         | 6,361            | —             | —                         | 20,224                         |
| Accumulated amortization                   | (3,403)                        | (3,451)          | 948           | —                         | (5,906)                        |
| Total right-to-use subscription asset, net | 10,460                         | 2,910            | 948           | —                         | 14,318                         |
| Construction-in-progress                   | 144,440                        | 132,206          | —             | (50,600)                  | 226,046                        |
| Capital assets, net                        | <u>\$ 485,331</u>              | <u>\$ 90,153</u> | <u>\$ 686</u> | <u>\$ —</u>               | <u>\$ 576,170</u>              |

Total depreciation and amortization expense were approximately \$67,419,000 and \$50,939,000 for the fiscal years ended June 30, 2025 and 2024, respectively, which includes right-to-use lease asset amortization of approximately \$12,487,000 and \$12,562,000, respectively, and right-to-use subscription asset amortization of approximately \$5,645,000 and \$3,451,000, respectively. Construction-in-progress at June 30, 2025 and 2024 consists primarily of costs incurred for the construction of various hospital buildings, building renovations and other related projects. subscription asset amortization of approximately.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 7. Long-Term Liabilities

Long-term debt comprises the following (*dollars in thousands*):

|                                              | June 30           |                   |
|----------------------------------------------|-------------------|-------------------|
|                                              | 2025              | 2024              |
| Tax-exempt direct placement bonds:           |                   |                   |
| Series 2022A, UF Health Jacksonville Project | \$ 230,145        | \$ 230,145        |
| Series 2015                                  | 85,000            | 85,000            |
|                                              | <u>315,145</u>    | <u>315,145</u>    |
| Taxable direct placement bonds:              |                   |                   |
| Series 2022B, UF Health Jacksonville Project | 82,260            | 82,260            |
|                                              | <u>397,405</u>    | <u>397,405</u>    |
| Taxable notes:                               |                   |                   |
| Direct borrowing notes:                      |                   |                   |
| 2011 Shands note payable                     | 7,802             | 9,026             |
| Lines of credit:                             |                   |                   |
| Series 2019A, revolving line of credit       | —                 | —                 |
|                                              | <u>—</u>          | <u>—</u>          |
|                                              | <u>405,207</u>    | <u>406,431</u>    |
| Net unamortized bond premium                 | 33,888            | 35,988            |
| Total long-term debt                         | <u>439,095</u>    | <u>442,419</u>    |
| Less long-term debt, current portion         | (3,669)           | (1,224)           |
| Long-term portion                            | <u>\$ 435,426</u> | <u>\$ 441,195</u> |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 7. Long-Term Liabilities (continued)

Changes in the Company's long-term debt, excluding any unamortized discounts or premiums were as follows:

|                                                 | Balance at<br>June 30,<br>2024 | Additions        | Reductions         | Balance at<br>June 30,<br>2025 | Amounts<br>Due Within<br>One Year |
|-------------------------------------------------|--------------------------------|------------------|--------------------|--------------------------------|-----------------------------------|
|                                                 | <i>(Dollars in Thousands)</i>  |                  |                    |                                |                                   |
| Tax-exempt direct placement bonds:              |                                |                  |                    |                                |                                   |
| Series 2022A, UF Health<br>Jacksonville project | \$ 230,145                     | \$ —             | \$ —               | \$ 230,145                     | \$ —                              |
| Series 2015                                     | 85,000                         | —                | —                  | 85,000                         | 2,285                             |
|                                                 | <u>315,145</u>                 | <u>—</u>         | <u>—</u>           | <u>315,145</u>                 | <u>2,285</u>                      |
| Taxable direct placement bonds:                 |                                |                  |                    |                                |                                   |
| Series 2022B, UF Health<br>Jacksonville project | 82,260                         | —                | —                  | 82,260                         | —                                 |
|                                                 | <u>397,405</u>                 | <u>—</u>         | <u>—</u>           | <u>397,405</u>                 | <u>2,285</u>                      |
| Taxable notes:                                  |                                |                  |                    |                                |                                   |
| Direct borrowing notes:                         |                                |                  |                    |                                |                                   |
| 2011 Shands note payable                        | 9,026                          | —                | (1,224)            | 7,802                          | 1,280                             |
| Lines of credit:                                |                                |                  |                    |                                |                                   |
| Series 2019A, revolving line of credit          | —                              | 10,000           | (10,000)           | —                              | —                                 |
| Revolving line of credit agreement              | —                              | —                | —                  | —                              | —                                 |
|                                                 | <u>—</u>                       | <u>10,000</u>    | <u>(10,000)</u>    | <u>—</u>                       | <u>—</u>                          |
|                                                 | <u>\$ 406,431</u>              | <u>\$ 10,000</u> | <u>\$ (11,224)</u> | <u>\$ 405,207</u>              | <u>\$ 3,565</u>                   |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 7. Long-Term Liabilities (continued)

|                                                 | Balance at<br>June 30,<br>2023 | Additions        | Reductions         | Balance at<br>June 30,<br>2024 | Amounts<br>Due Within<br>One Year |
|-------------------------------------------------|--------------------------------|------------------|--------------------|--------------------------------|-----------------------------------|
|                                                 | <i>(Dollars in Thousands)</i>  |                  |                    |                                |                                   |
| Tax-exempt direct placement bonds:              |                                |                  |                    |                                |                                   |
| Series 2022A, UF Health<br>Jacksonville project | \$ 230,145                     | \$ —             | \$ —               | \$ 230,145                     | \$ —                              |
| Series 2015                                     | 85,000                         | —                | —                  | 85,000                         | —                                 |
|                                                 | <u>315,145</u>                 | <u>—</u>         | <u>—</u>           | <u>315,145</u>                 | <u>—</u>                          |
| Taxable direct placement bonds:                 |                                |                  |                    |                                |                                   |
| Series 2022B, UF Health<br>Jacksonville project | 82,260                         | —                | —                  | 82,260                         | —                                 |
|                                                 | <u>397,405</u>                 | <u>—</u>         | <u>—</u>           | <u>397,405</u>                 | <u>—</u>                          |
| Taxable notes:                                  |                                |                  |                    |                                |                                   |
| Direct borrowing notes:                         |                                |                  |                    |                                |                                   |
| 2011 Shands note payable                        | 10,195                         | —                | (1,169)            | 9,026                          | 1,224                             |
| Lines of credit:                                |                                |                  |                    |                                |                                   |
| Series 2019A, revolving line of credit          | —                              | 10,000           | (10,000)           | —                              | —                                 |
| Revolving line of credit agreement              | —                              | —                | —                  | —                              | —                                 |
|                                                 | <u>—</u>                       | <u>10,000</u>    | <u>(10,000)</u>    | <u>—</u>                       | <u>—</u>                          |
|                                                 | <u>\$ 407,600</u>              | <u>\$ 10,000</u> | <u>\$ (11,169)</u> | <u>\$ 406,431</u>              | <u>\$ 1,224</u>                   |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 7. Long-Term Liabilities (continued)

Maturities of long-term debt including corresponding interest, over the next five years and in five-year increments thereafter, are as follows:

|                             | <b>Direct Placement/Borrowing<br/>Bonds and Notes</b> |                   |
|-----------------------------|-------------------------------------------------------|-------------------|
|                             | <b>Principal</b>                                      | <b>Interest</b>   |
|                             | <i>(Dollars in Thousands)</i>                         |                   |
| Fiscal year ending June 30: |                                                       |                   |
| 2026                        | \$ 3,565                                              | \$ 17,715         |
| 2027                        | 3,743                                                 | 17,536            |
| 2028                        | 3,929                                                 | 17,348            |
| 2029                        | 4,134                                                 | 17,150            |
| 2030                        | 4,340                                                 | 16,942            |
| 2031–35                     | 119,346                                               | 71,590            |
| 2036–40                     | 59,300                                                | 54,544            |
| 2041–45                     | 71,535                                                | 39,246            |
| 2046–50                     | 91,950                                                | 20,501            |
| 2051–55                     | 43,365                                                | 2,090             |
|                             | <u>\$ 405,207</u>                                     | <u>\$ 274,662</u> |

Cash paid for interest was approximately \$22,533,000 and \$22,491,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

The Company entered into a master trust indenture (“MTI”) with U.S. Bank, National Association (“U.S. Bank”), which serves as the primary financing document for the Company. All of the Company’s debt is covered by the MTI with the exception of notes payable to Shands. Under the terms of the MTI, the Company has pledged a security interest in its gross revenues.

See Note 11 for further description of the 2011 Shands note payable and the revolving line of credit agreement.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **7. Long-Term Liabilities (continued)**

##### **Revolving Line of Credit Agreement**

On October 20, 2023, the Company entered into a revolving line of agreement with Shands. The agreement provides the Company with a \$35 million revolving line of credit, with maturity on June 30, 2024. As of the date that these financial statements are available to be issued, an extension has not been executed. At June 30, 2024, the line of credit was unused and no balance was due.

##### **Series 2022A Healthcare Facilities Revenue Bonds and Series 2022B Taxable Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project)**

On January 25, 2022, the Company closed on Series 2022 A and B bonds. Series 2022A Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project), which were issued for approximately \$230.1 million, are tax-exempt, with proceeds used to reimburse \$10.0 million of prior capital expenditures; terminate related swaps; finance or reimburse the cost of certain capital improvements, which includes constructing and equipping the new North Phase III bed tower; pay capitalized interest; pay for certain costs of issuance; and provide for certain current refundings of bonds, which include approximately \$36.3 million of Series 2013B bonds, approximately \$7.6 million of Series 2015 bonds and approximately \$15.5 million of Series 2019 bonds. The current refundings resulted in a loss of approximately \$401,000, which is amortized over the shorter of the life of the maturity of the refunded debt or new debt and reported as a deferred outflow in the consolidated basic statement of net position, with approximately \$146,000 and \$220,000 remaining at June 30, 2025 and 2024, respectively. As a result of the refunding, if refunded debt were held to maturity, the Company's debt service requirement would increase by approximately \$3.4 million over the remaining life of the refunded bond and produce an economic loss (difference between the present value of the debt service payments on the old and new debt) of approximately \$4.9 million as of the Series 2022A issuance date.

Series 2022B Taxable Healthcare Facilities Revenue Bonds (UF Health Jacksonville Project) were issued for approximately \$82.3 million, with proceeds used to advance refund \$56.7 million of Series 2013A bond principal; finance the cost of certain capital improvements, which includes constructing and equipping the new North Phase III bed tower; and paying certain costs of issuance. The refunding bonds and existing debt service reserve funds were used to purchase risk-free direct obligations of the U.S. government, which were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the Company's consolidated basic statement of net position. The advance refunding resulted in a loss of approximately \$4,897,000

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **7. Long-Term Liabilities (continued)**

which is amortized over the shorter of the life of the maturity of the refunded debt or new debt and reported as a deferred outflow in the consolidated basic statement of net position, with approximately \$3,224,000 and \$3,713,000 remaining at June 30, 2025 and 2024, respectively. As a result of the refunding, the Company reduced its debt service requirement by approximately \$9,890,000 over the remaining life of the refunded bond and obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$3,834,000, as of the Series 2022B issuance date. Series 2013A had no outstanding balance at June 30, 2025 and 2024.

#### **Series 2019A Revolving Line of Credit**

On September 20, 2019, the Company entered into an interest-only \$10 million Revolving Line of Credit, Series 2019A. The line of credit has been extended several times, most recently on November 1, 2024, when the line of credit was extended from maturing on September 16, 2024, to final maturity on September 16, 2025. As of the date that these financial statements are available to be issued, an extension has not been executed. At June 30, 2025 and 2024, the line of credit is unused and no balance is due.

#### **Series 2015 Healthcare Facilities Revenue Bonds**

On December 10, 2015, the Company issued \$85 million of tax-exempt Healthcare Facilities Revenue Bonds (UF Health – Jacksonville Project), Series 2015, which mature on February 1, 2045. The proceeds of this debt were used for financing and refinancing or reimbursement for costs of certain capital improvements, including the cost of the construction and equipping of a new 92-bed patient tower on UF Health Jacksonville's North Campus, other miscellaneous improvements and paying costs associated with the issuance of the bonds.

#### **Debt Covenants**

Certain of the borrowing agreements contain covenants that include periodic reporting; incurrence of additional debt; the sale, lease or other disposal of property, plant and equipment; consolidation/mergers/conveyances; and the maintenance of certain financial ratios. As of June 30, 2025 and 2024, the Company was in compliance with all financial covenants.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 8. Interest Rate Swaps

On June 30, 2025 and 2024, the Company had the following derivative instruments outstanding, which is recorded in other liabilities in the accompanying consolidated basic statement of net position:

| Type                                  | Objective                   | Company<br>Notional<br>Amount | Counterparty<br>Notional<br>Amount | Effective<br>Date | Maturity<br>Date | Terms                                                                  | 2025<br>Fair<br>Value |
|---------------------------------------|-----------------------------|-------------------------------|------------------------------------|-------------------|------------------|------------------------------------------------------------------------|-----------------------|
| (Dollars in Thousands)                |                             |                               |                                    |                   |                  |                                                                        |                       |
| Total return<br>interest rate<br>swap | Hedge costs<br>of borrowing | \$ 87,268                     | \$ 85,000                          | 12/10/2015        | 04/22/2027       | Receive fixed<br>5.25%, pay USD<br>SIFMA + 100 -<br>basis-point spread | \$ (5,219)            |
|                                       |                             |                               |                                    |                   |                  |                                                                        | <u>\$ (5,219)</u>     |
| Type                                  | Objective                   | Company<br>Notional<br>Amount | Counterparty<br>Notional<br>Amount | Effective<br>Date | Maturity<br>Date | Terms                                                                  | 2024<br>Fair<br>Value |
| (Dollars in Thousands)                |                             |                               |                                    |                   |                  |                                                                        |                       |
| Total return<br>interest rate<br>swap | Hedge costs<br>of borrowing | \$ 87,268                     | \$ 85,000                          | 12/10/2015        | 04/22/2027       | Receive fixed<br>5.25%, pay USD<br>SIFMA + 100 -<br>basis-point spread | \$ (3,880)            |
|                                       |                             |                               |                                    |                   |                  |                                                                        | <u>\$ (3,880)</u>     |

The fair value of the hedged \$85,000,000 interest rate swap is approximately \$5,219,000 and \$3,880,000 as of June 30, 2025 and 2024, respectively and is reported as accumulated decrease in fair value of hedge derivatives in the accompanying consolidated basic statement of net position and is estimated using the zero-coupon method.

#### Credit Risk

The Company has sought to limit its counterparty risk by contracting only with highly rated entities. As of June 30, 2025 and 2024, the credit ratings from various credit rating agencies for Merrill Lynch Capital Services, Inc., the swap counterparty for the \$85,000,000 swap, are unchanged, which is AA-/A1/A- at June 30, 2025 and 2024.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **8. Interest Rate Swaps (continued)**

##### **Interest Rate Risk**

The Company receives a fixed rate and pays a variable rate for the Series 2015 total return swap.

##### **Basis Risk**

The Company receives a fixed rate and pays a variable rate for the Series 2015 total return swap.

##### **Termination Risk**

The interest rate swap agreement uses the International Swap Dealers Association Master Agreement, which includes standard termination events provisions, such as failure to pay and bankruptcy.

##### **Commitments**

The Company's total return swap requires collateral to be posted equal to the bond amount multiplied by the difference between the fair market value price and the base price of the bond. No collateral was required to be posted with counterparty as of June 30, 2025 and June 30, 2024. Effective October 6, 2023 Shands provided a guaranty of payment as additional security related to the Company's total return swap, so that the variable basis uses Shands' unenhanced credit rating as determined by Moody's or Fitch.

#### **9. Employee Benefit Plans**

##### **Defined Contribution Plan**

SJMC has a defined contribution plan that allows participants to defer up to 6% of their salary, pursuant to Section 401(k) of the Internal Revenue Code and all limitations contained therein. Effective January 1, 2016, SJMC matches up to 6% of the salary of all eligible employees. Contributions to this plan by SJMC were approximately \$15,994,000 and \$14,408,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

##### Defined Benefit Pension Plan Disclosures, as Required by GASB Statement No. 68

###### *Plan Description*

The Shands HealthCare Pension Plan II (the “Plan”) is a cost-sharing, multiple-employer, defined benefit pension plan covering eligible employees (as defined by the Plan) of the Company and Shands (“Plan Sponsor”). The Plan was frozen effective July 1, 2013. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. The Plan’s stand-alone financial statements are filed with the Internal Revenue Service Form 5500, which is available to the public on the Department of Labor’s Employee Benefits Security Administration website.

Oversight of the Plan’s assets is vested in the Shands Investment Committee, which consists of five members appointed by the Finance Committee of the Shands Board. The Shands Investment Committee has the authority to establish and amend the investment policy statement, including asset allocation, subject to the approval of the Finance Committee of the Shands Board.

###### *Benefits Provided*

The Plan provides for retirement and death benefits. Retirement benefits are determined based upon varying formulas dependent upon hire date and years of service. For participants hired prior to July 1, 1997, the Plan provided benefits under a traditional benefit formula (1.6% of the average of the employee’s five highest annual compensation amounts multiplied by the employee’s years of credited service) through July 1, 2011, when the Plan was amended to cease traditional pension benefits. For participants hired as of July 1, 1997, and subsequent new hires through June 30, 2010, and as of July 1, 2011, for participants who were previously accruing benefits under the traditional pension formula, the Plan provided cash balance benefits, with a hypothetical account maintained for each participant in which contributions were credited for the benefit of the individual based on a participant’s years of credited vesting service. Participants continued to accrue cash balance benefits through June 30, 2013, when the Plan was amended to cease accrual of cash balance benefits. Employees hired on or after July 1, 2010, receive benefits through the 401(k) Plan.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

Benefit terms provide for annual cost-of-living adjustments to retired participants and beneficiaries of participants. Benefit payments are adjusted each October 1 following benefit commencement to reflect the changes in the Consumer Price Index for the 12 months ending the preceding June 30. The increase or decrease is limited to 3% per year and may not decrease below the amount of benefit payable at retirement (for retired participants) or at the death of the participant (for beneficiaries of participants).

##### *Employees Covered by Benefit Terms*

At June 30, 2024, the measurement date for the pension liability, the following employees were covered by the benefit terms (participant data as of July 1, 2023):

|                   |            |
|-------------------|------------|
| Active            | 1          |
| Retired           | 49         |
| Terminated vested | 441        |
|                   | <u>491</u> |

At June 30, 2023, the measurement date for the pension liability, the following employees were covered by the benefit terms (participant data as of July 1, 2022):

|                   |            |
|-------------------|------------|
| Active            | 2          |
| Retired           | 50         |
| Terminated vested | 460        |
|                   | <u>512</u> |

#### Contributions

The Plan Sponsor's funding policy is for the Company and Shands to make contributions to meet the minimum funding requirements of Internal Revenue Code Sections 412(a) and 430 as determined by an independent actuary. Additionally, the Company and Shands may contribute an amount above the required contribution. The Company contributed approximately \$1,859,000 and \$1,274,000 for fiscal years ended June 30, 2025 and 2024, respectively.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

##### Net Pension Liability

The Company's proportionate share of the net pension liability as of June 30, 2025, was approximately \$2,711,000 and was based on a measurement date of June 30, 2024, and is included in other liabilities in the accompanying consolidated basic statement of net position. The total pension liability used to calculate the net pension liability as of June 30, 2024, was determined based on the results of an actuarial valuation as of July 1, 2023, projected forward to June 30, 2024, using standard actuarial techniques. The Company's proportionate share of the net pension liability was developed by calculating the pension liability for the Company and Shands based on the individual participant data as actuarially determined and the plan fiduciary net position was calculated by the timing and amounts of actual contributions and benefit payments made by the Company and Shands and an allocation of the investment return and administrative expenses based on the weighted average market value of plan assets. At June 30, 2025, the Company's proportion was (7.0)%, which was a decrease of 247% from its proportion reported as of June 30, 2024.

The total pension liability was based on the results of the actuarial valuation as of July 1, 2023, projected forward to June 30, 2024, and was determined based on census data as of July 1, 2023, and the following actuarial assumptions:

- Investment rate of return: 6.20%, net of pension plan investment expense, including inflation.
- Salary increases: Not applicable
- Inflation: 2.97% for the period July 1, 2023 through June 30, 2024; 3.00% for the period July 1, 2024 through June 30, 2025; and 2.00% per year thereafter.
- Retirement growth account interest crediting rate: 3.57% for the period July 1, 2023 through June 30, 2024; 4.42% for the period July 1, 2024 through June 30, 2025; and 4.20% per year thereafter. The 3.57% and 4.42% rates represent the actual interest rate credited in each respective period.

Mortality rates were based upon the Pri-2012 blue collar base mortality rates published by the Society of Actuaries with future improvements in mortality using the Mercer Modified Scale MMP-2021 applied on a generational basis.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

The actuarial assumptions associated with retirement and termination rates and used in the July 1, 2023 valuation were based on the results of an actual experience study conducted in 2020, which assessed actual experience for the period July 1, 2015 through June 30, 2020.

The Company's proportionate share of the net pension liability as of June 30, 2024, was approximately \$1,247,000 and was based on a measurement date of June 30, 2023, and is included in other liabilities in the accompanying consolidated basic statement of net position. The total pension liability used to calculate the net pension liability as of June 30, 2023, was determined based on the results of an actuarial valuation as of July 1, 2022, projected forward to June 30, 2023, using standard actuarial techniques. The Company's proportionate share of the net pension liability was developed by calculating the pension liability for the Company and Shands based on the individual participant data as actuarially determined and the plan fiduciary net position was calculated by the timing and amounts of actual contributions and benefit payments made by the Company and Shands and an allocation of the investment return and administrative expenses based on the weighted average market value of plan assets. At June 30, 2024, the Company's proportion was (2.0)%, which was a decrease of 20.5% from its proportion reported as of June 30, 2023.

The total pension liability was based on the results of the actuarial valuation as of July 1, 2022, projected forward to June 30, 2023, and was determined based on census data as of July 1, 2022, and the following actuarial assumptions:

- Investment rate of return: 6.40%, net of pension plan investment expense, including inflation.
- Salary increases: Not applicable
- Inflation: 3.00% for the period July 1, 2022 through June 30, 2023; 2.48% for the period July 1, 2023 through June 30, 2024; and 2.00% per year thereafter.
- Retirement growth account interest crediting rate: 3.42% for the period July 1, 2022 through June 30, 2023; 3.66% for the period July 1, 2023 through June 30, 2024; and 4.10% per year thereafter. The 3.42% and 3.66% rates represent the actual interest rate credited in each respective period.

Mortality rates were based upon the Pri-2012 blue collar base mortality rates published by the Society of Actuaries with future improvements in mortality using the Mercer Modified Scale MMP-2021 applied on a generational basis.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

The actuarial assumptions associated with retirement and termination rates and used in the July 1, 2022 valuation were based on the results of an actual experience study conducted in 2020, which assessed actual experience for the period July 1, 2015 through June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <b>Asset class</b>                  | <b><u>Target<br/>Allocation</u></b> | <b><u>Long-Term<br/>Expected<br/>Real Rate<br/>of Return</u></b> |
|-------------------------------------|-------------------------------------|------------------------------------------------------------------|
| Global equity                       | 28.40%                              | 8.11%                                                            |
| Long credit fixed income            | 33.15%                              | 6.02%                                                            |
| Long government/credit fixed income | 33.15%                              | 5.53%                                                            |
| Multi-asset credit                  | 4.30%                               | 6.29%                                                            |
| Private equity                      | 1.00%                               | 11.49%                                                           |
| Total                               | <u>100.00%</u>                      |                                                                  |

The discount rate used to measure the total pension liability as of June 30, 2025 and 2024 was 6.20% and 6.40%, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in amounts equal to the actuarially determined contributions. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 9. Employee Benefit Plans (continued)

#### Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

The following presents the Company's June 30, 2025 proportionate share of the net pension liability calculated using the discount rate of 6.20%, as well as the net pension liability using a discount rate that is 1% lower (5.20%) or 1% higher (7.20%):

|                                                      | <b>1% Decrease<br/>(5.20%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(6.20%)</b> | <b>1% Increase<br/>(7.20%)</b> |
|------------------------------------------------------|--------------------------------|--------------------------------------------------|--------------------------------|
|                                                      | <i>(Dollars in Thousands)</i>  |                                                  |                                |
| Proportionate share of net pension liability (asset) | \$ 6,254                       | \$ 2,711                                         | \$ (425)                       |

The following presents the Company's June 30, 2024 proportionate share of the net pension liability calculated using the discount rate of 6.40%, as well as the net pension liability using a discount rate that is 1% lower (5.40%) or 1% higher (7.40%):

|                                                      | <b>1% Decrease<br/>(5.40%)</b> | <b>Current<br/>Discount<br/>Rate<br/>(6.40%)</b> | <b>1% Increase<br/>(7.40%)</b> |
|------------------------------------------------------|--------------------------------|--------------------------------------------------|--------------------------------|
|                                                      | <i>(Dollars in Thousands)</i>  |                                                  |                                |
| Proportionate share of net pension liability (asset) | \$ 4,932                       | \$ 1,247                                         | \$ (2,008)                     |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 9. Employee Benefit Plans (continued)

#### Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Defined Benefit Pension

The Company recognized pension expense of approximately \$3,132,000 for the fiscal year ended June 30, 2025. At June 30, 2025, the Company reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension from the following sources:

|                                                                                                             | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
|                                                                                                             | <i>(Dollars in Thousands)</i>                 |                                              |
| Differences between expected and actual experience                                                          | \$ 1,240                                      | \$ —                                         |
| Changes of assumptions                                                                                      | 856                                           | 467                                          |
| Net differences between projected and actual earnings on pension plan investments                           | 4,860                                         | —                                            |
| Contributions made during the fiscal year ended June 30, 2025, not yet recognized in net fiduciary position | 1,859                                         | —                                            |
|                                                                                                             | <u>\$ 8,815</u>                               | <u>\$ 467</u>                                |

The Company recognized pension expense of approximately \$2,485,000 for the fiscal year ended June 30, 2024. At June 30, 2024, the Company reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension from the following sources:

|                                                                                                             | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
|                                                                                                             | <i>(Dollars in Thousands)</i>                 |                                              |
| Differences between expected and actual experience                                                          | \$ 1,971                                      | \$ —                                         |
| Changes of assumptions                                                                                      | 562                                           | 1,633                                        |
| Net differences between projected and actual earnings on pension plan investments                           | 5,983                                         | —                                            |
| Contributions made during the fiscal year ended June 30, 2024, not yet recognized in net fiduciary position | 1,274                                         | —                                            |
|                                                                                                             | <u>\$ 9,790</u>                               | <u>\$ 1,633</u>                              |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

The contributions made to the Plan during the fiscal year ended June 30, 2025, will be reported as a reduction in the proportionate share of the net pension asset during the subsequent year. The other amounts reported as deferred outflows of resources on pension and deferred inflows of resources on pension will be recognized as a decrease in pension expense as follows (*dollars in thousands*):

|                     |          |
|---------------------|----------|
| Fiscal year ending: |          |
| 2026                | \$ 2,232 |
| 2027                | 4,174    |
| 2028                | 68       |
| 2029                | 16       |
| Thereafter          | —        |

#### Fair Value Measurements

The following table represents the fair value leveling of the Plan's investments as of the measurement date of June 30, 2024:

|                                          | <u>Level 1</u>                | <u>Level 2</u>    | <u>Level 3</u> | <u>Fair Value</u> |
|------------------------------------------|-------------------------------|-------------------|----------------|-------------------|
|                                          | <i>(Dollars in Thousands)</i> |                   |                |                   |
| Interest bearing cash                    | \$ 2,410                      | \$ —              | \$ —           | \$ 2,410          |
| U.S. government securities               | —                             | 231,280           | —              | 231,280           |
| Corporate debt instruments – preferred   | —                             | 109,840           | —              | 109,840           |
| Corporate debt instruments               | —                             | 132,188           | —              | 132,188           |
| Fixed income funds                       | —                             | 175,821           | —              | 175,821           |
| Equity funds                             | 11,799                        | 197,872           | —              | 209,671           |
| Preferred and common stock               | 71,508                        | —                 | —              | 71,508            |
| Other investments                        | —                             | 15,298            | —              | 15,298            |
| Total assets in the fair value hierarchy | <u>\$ 85,717</u>              | <u>\$ 862,299</u> | <u>\$ —</u>    | 948,016           |
| Investments measured at NAV              |                               |                   |                | 7,816             |
| Total investments measured at fair value |                               |                   |                | <u>\$ 955,832</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

The following table represents the fair value leveling of the Plan's investments as of the measurement date of June 30, 2023:

|                                          | <u>Level 1</u>                | <u>Level 2</u>    | <u>Level 3</u> | <u>Fair Value</u> |
|------------------------------------------|-------------------------------|-------------------|----------------|-------------------|
|                                          | <i>(Dollars in Thousands)</i> |                   |                |                   |
| Interest bearing cash                    | \$ 4,257                      | \$ —              | \$ —           | \$ 4,257          |
| U.S. government securities               | —                             | 201,203           | —              | 201,203           |
| Corporate debt instruments – preferred   | —                             | 104,206           | —              | 104,206           |
| Corporate debt instruments               | —                             | 138,660           | —              | 138,660           |
| Fixed income funds                       | —                             | 153,744           | —              | 153,744           |
| Equity funds                             | 14,558                        | 235,762           | —              | 250,320           |
| Preferred and common stock               | 93,436                        | —                 | —              | 93,436            |
| Other investments                        | —                             | 9,469             | —              | 9,469             |
| Total assets in the fair value hierarchy | <u>\$ 112,251</u>             | <u>\$ 843,044</u> | <u>\$ —</u>    | 955,295           |
| Investments measured at NAV              |                               |                   |                | <u>9,840</u>      |
| Total investments measured at fair value |                               |                   |                | <u>\$ 965,135</u> |

#### Credit Risk

The Plan's investment policy, which provides guidelines for the long credit fixed income manager, requires the minimum average quality rating of the portfolio shall be a BBB+ rating and the minimum quality rating of an individual holding shall be a single B rating at the time of purchase. The policy also provides guidelines for the long government/credit fixed income investment manager that require the minimum average quality rating of the portfolio to be an A- rating and the minimum quality rating of an individual holding for at least 85% of the portfolio to be a BBB-rating at the time of purchase.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 9. Employee Benefit Plans (continued)

##### Interest Rate Risk

Interest rate risk exposure is managed by limiting investment maturities in accordance with parameters in the Plan's investment policy. The Plan has investments maturing as of the measurement date of June 30, 2024, as follows:

|                                          | Fair<br>Value                 | Less Than<br>1 Year | 1–5<br>Years     | 6–10<br>Years    | Over 10<br>Years  | N/A               |
|------------------------------------------|-------------------------------|---------------------|------------------|------------------|-------------------|-------------------|
|                                          | <i>(Dollars in Thousands)</i> |                     |                  |                  |                   |                   |
| Interest bearing cash                    | \$ 2,410                      | \$ –                | \$ –             | \$ –             | \$ –              | \$ 2,410          |
| U.S. government securities               | 231,280                       | –                   | 14,851           | 17,199           | 181,318           | 17,912            |
| Corporate debt instruments-preferred     | 109,840                       | 1,388               | 5,889            | 28,282           | 68,179            | 6,102             |
| Corporate debt instruments               | 132,188                       | 2                   | 17,478           | 28,799           | 79,283            | 6,626             |
| Fixed income funds                       | 175,821                       | 192                 | –                | –                | –                 | 175,629           |
| Equity funds                             | 209,671                       | –                   | –                | –                | –                 | 209,671           |
| Preferred and common stock               | 71,508                        | –                   | 1,506            | 189              | –                 | 69,813            |
| Other investments                        | 15,298                        | –                   | 598              | 2,909            | 7,533             | 4,258             |
| Total assets in the fair value hierarchy | 948,016                       | <u>\$ 1,582</u>     | <u>\$ 40,322</u> | <u>\$ 77,378</u> | <u>\$ 336,313</u> | <u>\$ 492,421</u> |
| Investments measured at NAV              | 7,816                         |                     |                  |                  |                   |                   |
| Total investments                        | <u>\$955,832</u>              |                     |                  |                  |                   |                   |

The Plan has investments maturing as of the measurement date of June 30, 2023, as follows:

|                                          | Fair<br>Value                 | Less Than<br>1 Year | 1–5<br>Years     | 6–10<br>Years    | Over 10<br>Years  | N/A               |
|------------------------------------------|-------------------------------|---------------------|------------------|------------------|-------------------|-------------------|
|                                          | <i>(Dollars in Thousands)</i> |                     |                  |                  |                   |                   |
| Interest bearing cash                    | \$ 4,257                      | \$ –                | \$ –             | \$ –             | \$ –              | \$ 4,257          |
| U.S. government securities               | 201,203                       | 3,731               | 16,106           | 20,709           | 145,019           | 15,638            |
| Corporate debt instruments-preferred     | 104,206                       | –                   | 3,032            | 22,539           | 78,635            | –                 |
| Corporate debt instruments               | 138,660                       | 1,096               | 10,656           | 33,881           | 91,353            | 1,674             |
| Fixed income funds                       | 153,744                       | 648                 | –                | –                | –                 | 153,096           |
| Equity funds                             | 250,320                       | –                   | –                | –                | –                 | 250,320           |
| Preferred and common stock               | 93,436                        | –                   | 1,191            | 189              | –                 | 92,056            |
| Other investments                        | 9,469                         | –                   | 572              | 1,625            | 3,543             | 3,729             |
| Total assets in the fair value hierarchy | 955,295                       | <u>\$ 5,475</u>     | <u>\$ 31,557</u> | <u>\$ 78,943</u> | <u>\$ 318,550</u> | <u>\$ 520,770</u> |
| Investments measured at NAV              | 9,840                         |                     |                  |                  |                   |                   |
| Total investments                        | <u>\$ 965,135</u>             |                     |                  |                  |                   |                   |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Notes to Consolidated Basic Financial Statements (continued)

### 9. Employee Benefit Plans (continued)

The Plan has investment credit ratings as of the measurement date of June 30, 2024, as follows:

|                                          | <b>Fair<br/>Value</b> | <b>AAA/AA</b>    | <b>A</b>                      | <b>BBB</b>       | <b>Below<br/>BBB-</b> | <b>Not<br/>Rated</b> |
|------------------------------------------|-----------------------|------------------|-------------------------------|------------------|-----------------------|----------------------|
|                                          |                       |                  | <i>(Dollars in Thousands)</i> |                  |                       |                      |
| Interest bearing cash                    | \$ 2,410              | \$ —             | \$ —                          | \$ —             | \$ —                  | \$ 2,410             |
| U.S. government securities               | 231,280               | 213,166          | —                             | 203              | —                     | 17,911               |
| Corporate debt instruments-preferred     | 109,840               | 27,076           | 59,487                        | 16,449           | 726                   | 6,102                |
| Corporate debt instruments               | 132,188               | 8,099            | 22,450                        | 89,060           | 5,952                 | 6,627                |
| Fixed income funds                       | 175,821               | —                | —                             | —                | —                     | 175,821              |
| Equity funds                             | 209,671               | —                | —                             | —                | —                     | 209,671              |
| Preferred and common stock               | 71,508                | —                | —                             | 1,696            | —                     | 69,812               |
| Other investments                        | 15,298                | 5,587            | 2,405                         | 2,258            | 791                   | 4,257                |
| Total assets in the fair value hierarchy | 948,016               | <u>\$253,928</u> | <u>\$ 84,342</u>              | <u>\$109,666</u> | <u>\$ 7,469</u>       | <u>\$492,611</u>     |
| Investments measured at NAV              | 7,816                 |                  |                               |                  |                       |                      |
| Total investments                        | <u>\$955,832</u>      |                  |                               |                  |                       |                      |

The Plan has investment credit ratings as of the measurement date of June 30, 2023, as follows:

|                                          | <b>Fair<br/>Value</b> | <b>AAA/AA</b>    | <b>A</b>                      | <b>BBB</b>       | <b>Below<br/>BBB-</b> | <b>Not<br/>Rated</b> |
|------------------------------------------|-----------------------|------------------|-------------------------------|------------------|-----------------------|----------------------|
|                                          |                       |                  | <i>(Dollars in Thousands)</i> |                  |                       |                      |
| Interest bearing cash                    | \$ 4,257              | \$ —             | \$ —                          | \$ —             | \$ —                  | \$ 4,257             |
| U.S. government securities               | 201,203               | 185,565          | —                             | —                | —                     | 15,638               |
| Corporate debt instruments-preferred     | 104,206               | 19,618           | 64,054                        | 13,246           | 7,288                 | —                    |
| Corporate debt instruments               | 138,660               | 11,059           | 25,888                        | 58,028           | 42,014                | 1,673                |
| Fixed income funds                       | 153,744               | —                | —                             | —                | —                     | 153,744              |
| Equity funds                             | 250,320               | —                | —                             | —                | —                     | 250,320              |
| Preferred and common stock               | 93,436                | —                | —                             | —                | —                     | 93,436               |
| Other investments                        | 9,469                 | 3,793            | 746                           | 758              | 313                   | 3,859                |
| Total assets in the fair value hierarchy | 955,295               | <u>\$220,035</u> | <u>\$ 90,688</u>              | <u>\$ 72,032</u> | <u>\$ 49,615</u>      | <u>\$522,927</u>     |
| Investments measured at NAV              | 9,840                 |                  |                               |                  |                       |                      |
| Total investments                        | <u>\$965,135</u>      |                  |                               |                  |                       |                      |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **9. Employee Benefit Plans (continued)**

##### **Concentration of Credit Risk**

The Plan's investment policy provides the following guidelines to limit concentration of credit risk. The guidelines require long credit and long government/credit fixed income portfolio investments to be appropriately distributed to provide prudent diversification. At the time of purchase, the market value of a holding in an individual issuer will be limited to 5% of the portfolio market value, and each individual issue shall not represent more than 5% of the portfolio market value with the exception of government-and government-agency sponsored issues or, in the case of long government and government-agency sponsored issues, or in the case of long government/credit fixed income portfolio investments, collective vehicles such as mutual funds and commingled trusts employed in the execution of the strategy. As of the measurement date of June 30, 2024 and 2023, the Plan did not have any investments that equaled or exceeded these thresholds.

##### **Custodial Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of the measurement date of June 30, 2024 and 2023, the Plan's investment portfolio was held by a single third-party custodian.

##### **Foreign Currency Risk**

The Plan's investment policy provides guidelines for the long credit fixed income manager and long government/credit fixed income manager that permits it to invest up to 20% and 10%, respectively, of total investments in foreign currency-denominated investments. In addition, the Plan has one non-U.S. equity manager that invests in foreign currency-denominated equities.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Notes to Consolidated Basic Financial Statements (continued)

**9. Employee Benefit Plans (continued)**

The Plan's exposure to currency risk as of the measurement date of June 30, 2024 and 2023 is as follows (*dollars in thousands*):

|                                                         | <b>June 30</b>   |                  |
|---------------------------------------------------------|------------------|------------------|
|                                                         | <b>2024</b>      | <b>2023</b>      |
| <b>Currency</b>                                         |                  |                  |
| Australian dollar                                       | \$ (52)          | \$ 1,218         |
| Brazil real                                             | 259              | 351              |
| Canadian dollar                                         | 747              | 2,752            |
| Chilean peso                                            | 126              | 126              |
| Chinese yuan                                            | 20               | 7                |
| Colombian peso                                          | –                | 361              |
| Danish krone                                            | 2,914            | 3,381            |
| Euro currency unit                                      | 14,961           | 24,872           |
| Hong Kong dollar                                        | 3,571            | 6,239            |
| Indian rupee                                            | 768              | 769              |
| Japanese yen                                            | 7,780            | 15,706           |
| Mexican peso                                            | 878              | 1,242            |
| Norwegian krone                                         | 221              | 1,084            |
| Peruvian sol                                            | 75               | 84               |
| British pound sterling                                  | 4,899            | 5,288            |
| South African rand                                      | 634              | 1,745            |
| Swedish krona                                           | 2,499            | 3,450            |
| Swiss franc                                             | 1,709            | 3,905            |
| Thailand baht                                           | 9                | –                |
| Total Plan investments subject to foreign currency risk | <u>\$ 42,018</u> | <u>\$ 72,580</u> |
| Percentage of total Plan investments                    | 4.6%             | 7.9%             |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 10. Commitments and Contingencies

##### Leases

SJMC entered into an amended lease agreement with the City as of October 1, 1987, further amended as of October 1, 1999, with respect to the former UMC facilities to provide for a lease term expiring in 2067 with an additional 30-year renewal option. The agreement provides for annual rentals of \$1 for the lease term. The leased assets are returned to the possession of the City at the termination of the lease. SJMC is responsible for the management, operation, maintenance and repair of the facilities.

The Company recognizes a lease obligation and a right-of-use lease asset when agreements provide the Company the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. Below is a description of these lessee lease arrangements.

##### Property Leases

The Company has 16 active space leases, representing a variety of health care services and locations, throughout Northeast Florida and Southeast Georgia. The leases are necessary for the delivery of service in providing health care services to patients in the region. These sites include a mix of medical offices. While terms vary by lease, each lease provides for a monthly lease payment and may also include a fixed escalation on the anniversary date of each agreement. None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments or termination penalties not previously included in the measurement of the lease liability reflected as outflows of resources. As of June 30, 2025 and 2024, the right-of-use lease asset for property leases, net of amortization, is approximately \$68,776,000 and \$82,198,000, respectively, and is recorded in capital assets, net in the consolidated basic statement of net position.

##### Equipment Leases

The Company has 24 leases for a variety of medical and office equipment used in providing health care services to patients at a variety of locations throughout Northeast Florida and Southeast Georgia. The monthly lease payments, terms and other specifics vary with each lease contract, the type of equipment and the vendor providing the equipment. Lease terms have historically ranged up to 90 months from commencement. The type of equipment that is leased is typical for health care organizations that provide a variety of extensive services for both diagnostics and ongoing care for patients. Occasionally, depending on the specific equipment, there may be excess usage

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 10. Commitments and Contingencies (continued)

that would be excluded from the computation of the right-to-use asset and corresponding obligation. Any excess usage would be billed and paid separately for the use exceeding the contracted amount. If the Company should decide to continue the use of a piece of office or medical equipment at the end of the lease term, there may be contractual options to negotiate the purchase or extension, depending on the vendor and the equipment. There are no other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources. As of June 30, 2025 and 2024, the right-to-use asset for equipment leases, net of amortization, is approximately \$6,128,000 and \$6,193,000, respectively, and is recorded in capital assets, net in the consolidated basic statement of net position.

The following is a schedule, by year, of the principal and interest requirements to maturity for lease obligations for each of the five subsequent fiscal years and in five-year increments thereafter as of June 30, 2025 (*dollars in thousands*):

|                                             |                  |
|---------------------------------------------|------------------|
| Fiscal year ending:                         |                  |
| 2026                                        | \$ 14,122        |
| 2027                                        | 13,810           |
| 2028                                        | 12,820           |
| 2029                                        | 11,566           |
| 2030                                        | 8,312            |
| Thereafter                                  | 49,609           |
| Total minimum lease payments                | 110,239          |
| Less amount representing interest           | (28,442)         |
| Present value of net minimum lease payments | 81,797           |
| Less lease obligations, current portion     | (10,549)         |
| Lease obligations, noncurrent portion       | <u>\$ 71,248</u> |

Lessor transactions consist of 24 building and/or space leases for which it receives contractually determined monthly revenue. These lease contracts were entered into with a variety of organizations that provide health care services for patients in the Northeast Florida area. The agreements vary with each tenant as to the terms and length and space and may include escalation clauses. The longest lease agreement is for a period of 500 months at commencement. Tenants make monthly payments based on the individual contractual agreement. There are no other payments, such as residual guarantee or termination penalties, not previously included in the measurement of the lease receivable reflected as inflows of resources.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 10. Commitments and Contingencies (continued)

As of June 30, 2025 and 2024, the total receivable for the leased buildings and space was approximately \$55,554,000 and \$20,172,000 and deferred inflows approximately \$52,856,000 and \$18,667,000, respectively.

#### Subscription Information Technology Arrangements

The Company recognizes a subscription liability and a subscription right-to-use asset when a contract has conveyed control of the right for the Company to use another party's information technology for a period of one year or greater. Following is a description of these arrangements. The Company has 36 active subscription agreements, representing a variety of subscription-based information technology software platforms. The subscriptions are necessary to support medical records, patient billing, accounting and delivery of certain services in providing health care services to patients in the region. There are no other payments or termination penalties not previously included in the measurement of the subscription liability reflected as outflows of resources. As of June 30, 2025 and 2024, the subscription asset, net of amortization, is approximately \$15,447,000 and \$14,318,000, respectively, and is recorded in capital assets, net in the consolidated basic statement of net position.

The following is a schedule, by year, of the principal and interest requirements to maturity for subscription liabilities for each of the five subsequent fiscal years and in five-year increments thereafter as of June 30, 2025 (*dollars in thousands*):

|                                                    |                  |
|----------------------------------------------------|------------------|
| Fiscal year ending:                                |                  |
| 2026                                               | \$ 5,948         |
| 2027                                               | 5,029            |
| 2028                                               | 3,807            |
| 2029                                               | 2,150            |
| 2030                                               | 593              |
| Thereafter                                         | 319              |
| Total minimum subscription payments                | 17,846           |
| Less amount representing interest                  | (1,741)          |
| Present value of net minimum subscription payments | 16,105           |
| Less subscription liabilities, current portion     | (5,158)          |
| Subscription liabilities, noncurrent portion       | <u>\$ 10,947</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **10. Commitments and Contingencies (continued)**

##### **Construction and Other Commitments**

The Company has contracts for construction and remodeling of facilities and for the purchase and maintenance of computer application software for its core operation systems.

The remaining commitments relating to these contracts are \$4,404,000 and \$14,576,000, which includes retainage of \$1,710,000 and \$1,926,000 at June 30, 2025 and 2024, respectively.

##### **Professional Liability**

SJMC participates with other health care providers in the University of Florida J. Hillis Miller Health Center/Jacksonville Self-Insurance Program (“UFJSIP”). UFJSIP is an operating unit of the Board of Governors of the State of Florida (“FBOG”). UFJSIP provides occurrence-based coverage to the Company. Insurance in excess of the coverage provided by UFJSIP is provided by the University of Florida Healthcare Education Insurance Company (“UFHEIC”). UFHEIC is wholly owned by FBOG. UFHEIC provides coverage to the Company on an occurrence basis. UFHEIC obtains reinsurance for a substantial portion of the insurance coverage that it provides to the participants in its insurance program, which is provided on a claims reported basis. The policies between both UFJSIP and UFHEIC and SJMC are not retrospectively rated. The costs incurred by the Company related to these policies are expensed in the period that coverage is provided.

SJMC could be subject to malpractice claims in excess of insurance coverage through UFJSIP or UFHEIC; however, the approximate potential loss, if any, cannot be estimated. Management of the Company is not aware of any potential uninsured losses that could materially affect its financial position.

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

The Company participates with other related-party employers controlled by UF in a self-insurance plan (“GatorCare”) for employee health and pharmaceutical coverage. GatorCare Health Management Corporation, Inc. (“GCHMC”), a Florida not-for-profit corporation, was incorporated to coordinate and facilitate the management of GatorCare. Funding amounts collected by GCHMC are determined by the level of benefits coverage selected by each employee and to cover administrative costs of the plan. Cash held by GCHMC is largely restricted for payments of self-insured health and pharmacy claims of the Company and the related-party employers, with the remaining cash available to cover the administrative functions of GCHMC.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **10. Commitments and Contingencies (continued)**

Expenses, net of employee contributions, related to the self-insured health and pharmaceutical plans for the fiscal years ended June 30, 2025 and 2024, were approximately \$44,709,000 and \$38,584,000, respectively.

SJMC is self-insured for workers' compensation up to \$600,000 per occurrence and has purchased excess coverage from commercial carriers up to the amount allowed by Florida Statutes. Total workers' compensation expense for the fiscal years ended June 30, 2025 and 2024, was approximately \$820,000 and \$641,000, respectively.

#### **Litigation**

The Company is involved in litigation arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Company's future consolidated basic financial position or results of operations.

#### **Other Industry Risks**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. There have also been numerous lawsuits filed against nonprofit hospitals related to charity care. These lawsuits allege various hospital practices related to the uninsured, including, among other things, charging uninsured patients more than what insurers would pay for the same services, rapidly rising prices and aggressive collection policies. Management believes that the Company is in compliance with current laws and regulations and that the Company's ultimate exposure from any such matters would not have a material effect on its consolidated basic financial statements.

In addition, the Affordable Care Act requires organizations that receive overpayments from Medicare and other federal programs, whether due to inappropriate billings, lack of required documentation or other reasons, to report and return such amounts. The Company routinely review the accuracy of the billing system in place, as well investigates any allegations that may indicate

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 10. Commitments and Contingencies (continued)

inappropriate billings or receipt of overpayments. The Company has made and will continue to make routine refunds of any identified overpayments to the fiscal intermediaries. The Company may also make repayments to the Office of the Inspector General of the Department of Health and Human Services (the “OIG”) through the use of the self-referral disclosure protocol. Such overpayments result from inaccurate or ineligible billings. In some cases, these disclosures may result in the Company refunding the overpayment and paying penalties as they may be assessed.

The Company believes that the liability recorded in estimated third-party payor settlements on the consolidated basic statement of net position is the Company’s best estimate of amounts due to Medicare, Medicaid and other third-party payors for settlements related to outstanding cost reports and any overpayments. These matters, once resolved, could result in settlements that differ from the amounts accrued.

#### 11. Transactions With Related Parties

Shands, a related party controlled by the Corporation, entered into a support services agreement to support, as needed, the management team of SJMC in the administrative functions of the hospital through the provision of services and personnel. Expenses related to these services were approximately \$12,683,000 and \$6,386,000 for the fiscal years ended June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, the Company owed Shands approximately \$1,751,000 and \$1,571,000, respectively.

SJMC supports UF College of Medicine – Jacksonville’s clinical, teaching and research activities and contracts for certain medical services from University of Florida Jacksonville Physicians, Inc., a related party controlled by UF. These expenditures are primarily medical services of approximately \$166,438,000 and \$141,070,000 for the fiscal years ended June 30, 2025 and 2024, of which approximately \$109,895,000 and \$85,679,000, respectively, are expenditures in support of UF and its medical programs included as supplies and services in the accompanying consolidated basic statement of revenue, expenses and changes in net position. At June 30, 2025 and 2024, payables related to this arrangement amounted to approximately \$18,198,000 and \$12,598,000, respectively, and are included in accounts payable and accrued expenses in the accompanying consolidated basic statement of net position.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### 11. Transactions With Related Parties (continued)

At June 30, 2025 and 2024, the Company has a note payable (“2011 Shands Note Payable”) of approximately \$7,802,000 and \$9,026,000 due to Shands. The 2011 Shands Note Payable is payable in quarterly principal and interest installments of \$402,310, with interest at 4.5% annually and matures on October 1, 2030. The current portion of the note payable of approximately \$1,280,000 and \$1,224,000 is included within long-term debt, current portion, and the long-term portion of the note payable of approximately \$6,522,000 and \$7,802,000 is included within long-term debt, noncurrent portion, at June 30, 2025, and 2024, respectively, in the accompanying consolidated basic statement of net position.

Effective October 6, 2023, Shands provided a guaranty related to the Company’s total return swap related to the Series 2015 \$85.0 million bonds. The guaranty provided a more favorable variable interest rate because Shands has a more favorable credit rating. Effective October 20, 2023, Shands provided the Company with a \$35.0 million revolving line of credit with final maturity June 30, 2024. At June 30, 2024, no balance is outstanding and the agreement extension has not been executed at the date these financial statements are available to be issued.

#### 12. Concentrations of Credit Risk

SJMC grants credit without collateral to its patients, many of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors is as follows:

|              | <b>June 30</b> |             |
|--------------|----------------|-------------|
|              | <b>2025</b>    | <b>2024</b> |
| Medicare     | 32%            | 31%         |
| Medicaid     | 6              | 9           |
| Managed care | 25             | 25          |
| Other payors | 37             | 35          |
|              | <u>100%</u>    | <u>100%</u> |

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Notes to Consolidated Basic Financial Statements (continued)

#### **12. Concentrations of Credit Risk (continued)**

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments, and patient accounts receivable. Concentrations of credit risk with respect to patient accounts receivable are limited to Medicare, Medicaid and various commercial payors. The Company places its cash and cash equivalents and investments with what management believes to be high-quality financial institutions and thus limits its credit exposure. The Company has deposits in excess of the federal insured amount of \$250,000. Management does not anticipate nonperformance risk by the financial institutions.

#### **13. Subsequent Events**

The Company has assessed the impact of subsequent events through September 17, 2025, the date the consolidated basic financial statements were available to be issued, and has concluded that there are no such events that require adjustment to the consolidated basic financial statements or disclosure in the notes to consolidated basic financial statements.

## Required Supplementary Information

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Schedule of the Company's Proportionate Share of the Net Pension (Asset) Liability (Unaudited) (Dollars in Thousands)

June 30, 2016 Through June 30, 2025

|                                                                                             | 2025     | 2024     | 2023   | 2022       | 2021       | 2020       | 2019     | 2018     | 2017     | 2016     |
|---------------------------------------------------------------------------------------------|----------|----------|--------|------------|------------|------------|----------|----------|----------|----------|
| Proportion of the net pension (asset) liability                                             | (7.0)%   | (2.0)%   | (1.7)% | 7.2%       | 6.8%       | 4.5%       | 1.2%     | 0.5%     | 15.2%    | 14.5%    |
| Proportionate share of the net pension (asset) liability                                    | \$ 2,711 | \$ 1,247 | \$ 413 | \$(15,907) | \$ (7,881) | \$ (5,537) | \$ (278) | \$ (227) | \$ 6,414 | \$ 6,092 |
| Covered payroll                                                                             | N/A      | N/A      | N/A    | N/A        | N/A        | N/A        | N/A      | N/A      | N/A      | N/A      |
| Proportionate share of the net pension (asset) liability as a percentage of covered payroll | N/A      | N/A      | N/A    | N/A        | N/A        | N/A        | N/A      | N/A      | N/A      | N/A      |
| Plan fiduciary net position as a percentage of the total pension liability                  | 94.8%    | 97.7%    | 99.3%  | 126.7%     | 113.6%     | 109.0%     | 100.4%   | 100.3%   | 90.8%    | 92.0%    |

#### Notes to Schedule

Shands adopted GASB No. 68, Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27, as of July 1, 2013, the first period the required supplementary information was available.

The information contained in this schedule is measured one year in arrears.

Covered payroll information is not provided as the plan is frozen and contributions are not determined by current payroll as benefit accruals ceased July 1, 2013.

#### *Changes in Assumptions 2025:*

The investment return assumption was decreased from 6.40% to 6.20% to reflect the current capital market outlook and updated asset allocation.

The interest credit assumption was updated to 3.57% for 2023/2024 and 4.42% for 2024/2025 to reflect the actual rate in effect for the year.

The cost-of-living assumption was updated to 2.97% for 2023/2024 and 3.0% for 2024/2025.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Schedule of the Company's Proportionate Share of the Net Pension (Asset)  
Liability (Unaudited) (continued)  
(Dollars in Thousands)

*Changes in Assumptions 2024:*

The investment return assumption was increased from 6.10% to 6.40% to reflect the current capital market outlook and updated asset allocation.

The interest credit assumption was updated to 3.42% for 2022/2023 and 3.66% for 2023/2024 to reflect the actual rate in effect for the year.

The cost-of-living assumption was updated to 3.00% for 2022/2023 and 2.48% for 2023/2024.

*Changes in Assumptions 2023:*

The investment return assumption was decreased from 5.10% to 6.10% to reflect the current capital market outlook and updated asset allocation.

The interest credit assumption was updated to 3.29% for 2021/2022 and 3.42% for 2022/2023 to reflect the actual rate in effect for the year.

The cost-of-living assumption was updated to 3.00% for 2021/2022 and 3.00% for 2022/2023.

The mortality projection scale was updated from Mercer Modified Projection-2019 to Mercer Modified Projection-2021.

*Changes in Assumptions 2022:*

The investment return assumption was decreased from 6.10% to 5.10% to reflect the current capital market outlook and updated asset allocation.

Retirement rates and withdrawal rates were updated based on the results of an experienced study performed in 2020.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Schedule of the Company's Proportionate Share of the Net Pension (Asset)  
Liability (Unaudited) (continued)  
(Dollars in Thousands)

*Changes in Assumptions 2021:*

The investment return assumption was decreased from 6.75% to 6.10% to reflect the updated capital market outlook.

The mortality tables were updated from Pri-2012 no collar tables to Pri-2012 blue collar tables.

The mortality projection scale assumption was updated from Mercer Modified Projection-2018 to Mercer Modified Projection-2019.

*Changes in Assumptions 2020:*

The investment return assumption was increased from 6.25% to 6.75% to reflect the updated capital market outlook.

The mortality projection scale assumption was updated from Mercer Modified Projection-2016 to Mercer Modified Projection-2018.

*Changes in Assumptions 2019:*

The investment return assumption was reduced from 6.75% to 6.25% to reflect the updated capital market outlook.

*Changes in Assumptions 2018:*

The mortality projection scale assumption was updated from Mercer Modified Projection-2007 to Mercer Modified Projection-2016.

*Changes in Assumptions 2017:*

The investment return assumption was increased from 6.50% to 6.75% to reflect the updated capital market outlook.

The mortality assumption was updated to the RP-2014 mortality tables adjusted to remove post-2007 improvement projections with future mortality improvement that follows the Mercer Modified Projection-2016 mortality improvement tables.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Schedule of the Company's Proportionate Share of the Net Pension (Asset)  
Liability (Unaudited) (continued)  
*(Dollars in Thousands)*

Retirement rates and withdrawal rates were updated based on the results of an experience study performed in 2016.

*Changes in Assumptions 2016:*

The investment return assumption was decreased from 7.25% to 6.50% to reflect the updated capital market outlook.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Schedule of Employer Contributions (Unaudited) (Dollars in Thousands)

July 1, 2016 Through June 30, 2025

|                                                                      | 2025              | 2024              | 2023            | 2022        | 2021            | 2020            | 2019              | 2018              | 2017              | 2016              |
|----------------------------------------------------------------------|-------------------|-------------------|-----------------|-------------|-----------------|-----------------|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution                                  | \$ —              | \$ —              | \$ —            | \$ —        | \$ —            | \$ —            | \$ —              | \$ —              | \$ —              | \$ —              |
| Contributions in relation to the actuarially determined contribution | 1,859             | 1,274             | 208             | —           | 622             | 965             | 1,333             | 2,017             | 2,071             | 1,241             |
| Contribution excess                                                  | <u>\$ (1,859)</u> | <u>\$ (1,274)</u> | <u>\$ (208)</u> | <u>\$ —</u> | <u>\$ (622)</u> | <u>\$ (965)</u> | <u>\$ (1,333)</u> | <u>\$ (2,017)</u> | <u>\$ (2,071)</u> | <u>\$ (1,241)</u> |

### Notes to Schedule

The Company adopted GASB No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB No. 27*, as of July 1, 2013, the first period the required supplementary information was available.

Contributions are based on ERISA minimum funding requirements and shown for the plan year.

Covered payroll information is not provided as the plan is frozen and contributions are not determined by current payroll as benefit accruals ceased July 1, 2013.

Assumptions and methods used to determine those contributions for the years with available information are:

|                        | 2025                                                                                                                                                                                                                                                                                                            | 2024                                                                                                                                                                                                                                                                              | 2023                                                                                                                                                                                                                                                                              | 2022                                                                                                                                                                                                                                                                              | 2021                                                                                                                                                                                                                                                                              |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date         | July 1, 2024                                                                                                                                                                                                                                                                                                    | July 1, 2023                                                                                                                                                                                                                                                                      | July 1, 2022                                                                                                                                                                                                                                                                      | July 1, 2021                                                                                                                                                                                                                                                                      | July 1, 2020                                                                                                                                                                                                                                                                      |
| Actuarial cost method  | Unit Credit                                                                                                                                                                                                                                                                                                     | Unit Credit                                                                                                                                                                                                                                                                       | Unit Credit                                                                                                                                                                                                                                                                       | Unit Credit                                                                                                                                                                                                                                                                       | Unit Credit                                                                                                                                                                                                                                                                       |
| Asset valuation method | 2-year smoothing                                                                                                                                                                                                                                                                                                | 2-year smoothing                                                                                                                                                                                                                                                                  | 2-year smoothing                                                                                                                                                                                                                                                                  | 2-year smoothing                                                                                                                                                                                                                                                                  | 2-year smoothing                                                                                                                                                                                                                                                                  |
| Inflation              | 2.00%                                                                                                                                                                                                                                                                                                           | 2.00%                                                                                                                                                                                                                                                                             | 2.00%                                                                                                                                                                                                                                                                             | 2.00%                                                                                                                                                                                                                                                                             | 2.00%                                                                                                                                                                                                                                                                             |
| Discount rates         | PPA segmented yield curve rates of 4.75% for the first 5 years, 5.12% for the next 15 years, and 5.59% thereafter                                                                                                                                                                                               | PPA segmented yield curve rates of 4.75% for the first 5 years, 5.00% for the next 15 years, and 5.74% thereafter                                                                                                                                                                 | PPA segmented yield curve rates of 4.75% for the first 5 years, 5.18% for the next 15 years, and 5.92% thereafter                                                                                                                                                                 | PPA segmented yield curve rates of 4.75% for the first 5 years, 5.36% for the next 15 years, and 6.11% thereafter                                                                                                                                                                 | PPA segmented yield curve rates of 3.64% for the first 5 years, 5.21% for the next 15 years, and 5.94% thereafter                                                                                                                                                                 |
| Retirement age         | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                                                     | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                       | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                       | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                       | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                       |
| Mortality              | IRC Section 430(h)(3) prescribed generational annuitant and non-annuitant mortality tables for 2024 plan year funding valuations. These tables are based on the Pri-2012 mortality tables projected with the IRS-modified MP-2021 mortality improvement scale, in accordance with IRS regulation 1.430(h)(3)-1. | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2014 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2021. | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2014 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2020. | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2014 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2019. | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2014 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2018. |

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Schedule of Employer Contributions (Unaudited) (continued) (Dollars in Thousands)

|                        | 2020                                                                                                                                                                                                                                                                              | 2019                                                                                                                                                                                                                                              | 2018                                                                                                                                                                                                                                      | 2017                                                                                                                                                                                   | 2016                                                                                                                             |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| Valuation date         | July 1, 2019                                                                                                                                                                                                                                                                      | July 1, 2018                                                                                                                                                                                                                                      | July 1, 2017                                                                                                                                                                                                                              | July 1, 2016                                                                                                                                                                           | July 1, 2015                                                                                                                     |
| Actuarial cost method  | Unit Credit                                                                                                                                                                                                                                                                       | Unit Credit                                                                                                                                                                                                                                       | Unit Credit                                                                                                                                                                                                                               | Unit Credit                                                                                                                                                                            | Unit Credit                                                                                                                      |
| Asset valuation method | 2-year smoothing                                                                                                                                                                                                                                                                  | 2-year smoothing                                                                                                                                                                                                                                  | 2-year smoothing                                                                                                                                                                                                                          | Market value including receivables                                                                                                                                                     | Market value including receivables                                                                                               |
| Inflation              | 2.00%                                                                                                                                                                                                                                                                             | 2.00%                                                                                                                                                                                                                                             | 2.00%                                                                                                                                                                                                                                     | 2.00%                                                                                                                                                                                  | 2.00%                                                                                                                            |
| Discount rates         | PPA segmented yield curve rates of 3.74% for the first 5 years, 5.35% for the next 15 years, and 6.11% thereafter                                                                                                                                                                 | PPA segmented yield curve rates of 3.92% for the first 5 years, 5.52% for the next 15 years, and 6.29% thereafter                                                                                                                                 | PPA segmented yield curve rates of 4.16% for the first 5 years, 5.72% for the next 15 years, and 6.48% thereafter                                                                                                                         | 6.50%                                                                                                                                                                                  | 6.50%                                                                                                                            |
| Retirement age         | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                                                       | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                                       | Traditional plan and retirement growth account retirement rates vary by age                                                                                                                                                               | Traditional plan and retirement growth account retirement rates vary by age                                                                                                            | Traditional plan and retirement growth account retirement rates vary by age                                                      |
| Mortality              | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2000 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2017. | The prescribed static annuitant and non-annuitant mortality tables are based on the RP-2000 mortality tables, with improvements beyond 2006 removed with static mortality improvements based on the IRS methodology and projection scale MP-2016. | IRC Section 430(h)(3) prescribed static annuitant and non-annuitant mortality tables. These tables are based on the RP-2000 mortality tables and projected with improvement to the valuation years plus 7 and 15 years based on Scale AA. | RP-2014 mortality tables adjusted to remove post-2007 improvement projections with future mortality improvement that follows the Mercer Modified MP-2016 mortality improvement tables. | RP-2014 mortality tables with future mortality improvement that follows the Mercer Modified MP-2014 mortality improvement scale. |

### Other information:

Benefit accruals under the plan were frozen effective July 1, 2013.

# Supplementary Consolidating Information

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidating Basic Statements of Net Position (Dollars in Thousands)

June 30, 2025

|                                             | <b>Shands<br/>Jacksonville<br/>Medical Center<br/>Obligated<br/>Group<sup>(1)</sup></b> | <b>Other</b>  | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|---------------------------------------------|-----------------------------------------------------------------------------------------|---------------|---------------------|-------------------------------|
| <b>Assets</b>                               |                                                                                         |               |                     |                               |
| Current assets:                             |                                                                                         |               |                     |                               |
| Cash and cash equivalents                   | \$ 278,466                                                                              | \$ 898        | \$ —                | \$ 279,364                    |
| Short-term investments                      | 3,569                                                                                   | —             | —                   | 3,569                         |
| Patient accounts receivable, net            | 132,512                                                                                 | —             | —                   | 132,512                       |
| Due from city and state agencies            | 31,820                                                                                  | —             | —                   | 31,820                        |
| Inventories                                 | 24,965                                                                                  | —             | —                   | 24,965                        |
| Prepaid expenses and other current assets   | 97,652                                                                                  | 42,328        | (103,440)           | 36,540                        |
| Assets whose use is restricted,             |                                                                                         |               |                     |                               |
| current portion                             | 72                                                                                      | —             | —                   | 72                            |
| Estimated third-party payor settlements     | 6,450                                                                                   | —             | —                   | 6,450                         |
| Total current assets                        | <u>575,506</u>                                                                          | <u>43,226</u> | <u>(103,440)</u>    | <u>515,292</u>                |
| Assets whose use is restricted, less        |                                                                                         |               |                     |                               |
| current portion                             | 30,220                                                                                  | —             | —                   | 30,220                        |
| Capital assets, net                         | 538,148                                                                                 | 32,969        | —                   | 571,117                       |
| Investment in Duval Rehab                   | 4,595                                                                                   | —             | —                   | 4,595                         |
| Other assets                                | 59,660                                                                                  | 10,570        | —                   | 70,230                        |
| Total assets                                | <u>1,208,129</u>                                                                        | <u>86,765</u> | <u>(103,440)</u>    | <u>1,191,454</u>              |
| <b>Deferred outflows of resources</b>       |                                                                                         |               |                     |                               |
| Accumulated decrease in fair value of hedge |                                                                                         |               |                     |                               |
| derivatives                                 | 5,219                                                                                   | —             | —                   | 5,219                         |
| Deferred loss on debt refunding             | 3,370                                                                                   | —             | —                   | 3,370                         |
| Deferred other post-employment benefits     |                                                                                         |               |                     |                               |
| outflows                                    | 272                                                                                     | —             | —                   | 272                           |
| Deferred pension outflows                   | 8,815                                                                                   | —             | —                   | 8,815                         |
| Total deferred outflows of resources        | <u>\$ 17,676</u>                                                                        | <u>\$ —</u>   | <u>\$ —</u>         | <u>\$ 17,676</u>              |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

Shands Jacksonville HealthCare, Inc. and Subsidiaries

Consolidating Basic Statements of Net Position (continued)

(Dollars in Thousands)

June 30, 2025

|                                                 | <b>Shands<br/>Jacksonville<br/>Medical Center<br/>Obligated<br/>Group<sup>(1)</sup></b> | <b>Other</b>     | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|-------------------------------------------------|-----------------------------------------------------------------------------------------|------------------|---------------------|-------------------------------|
| <b>Liabilities</b>                              |                                                                                         |                  |                     |                               |
| Current liabilities:                            |                                                                                         |                  |                     |                               |
| Long-term debt, current portion                 | \$ 3,669                                                                                | \$ —             | \$ —                | \$ 3,669                      |
| Lease obligations, current portion              | 9,715                                                                                   | 834              | —                   | 10,549                        |
| Subscription liabilities, current portion       | 5,158                                                                                   | —                | —                   | 5,158                         |
| Accounts payable and accrued expenses           | 146,178                                                                                 | 52,500           | (103,440)           | 95,238                        |
| Accrued salaries and leave payable              | 37,578                                                                                  | —                | —                   | 37,578                        |
| Estimated third-party payor settlements         | 99,631                                                                                  | —                | —                   | 99,631                        |
| Total current liabilities                       | <u>301,929</u>                                                                          | <u>53,334</u>    | <u>(103,440)</u>    | <u>251,823</u>                |
| Long-term liabilities:                          |                                                                                         |                  |                     |                               |
| Long-term debt, noncurrent portion              | 435,426                                                                                 | —                | —                   | 435,426                       |
| Lease obligations, noncurrent portion           | 60,964                                                                                  | 10,284           | —                   | 71,248                        |
| Subscription liabilities, noncurrent portion    | 10,947                                                                                  | —                | —                   | 10,947                        |
| Other liabilities                               | 25,553                                                                                  | —                | —                   | 25,553                        |
| Total long-term liabilities                     | <u>532,890</u>                                                                          | <u>10,284</u>    | <u>—</u>            | <u>543,174</u>                |
| Total liabilities                               | <u>834,819</u>                                                                          | <u>63,618</u>    | <u>(103,440)</u>    | <u>794,997</u>                |
| <b>Deferred inflows of resources</b>            |                                                                                         |                  |                     |                               |
| Deferred other post-employment benefits inflows | 1,232                                                                                   | —                | —                   | 1,232                         |
| Deferred pension inflows                        | 467                                                                                     | —                | —                   | 467                           |
| Deferred inflow leases                          | 44,785                                                                                  | 8,071            | —                   | 52,856                        |
| Total deferred inflows of resources             | <u>46,484</u>                                                                           | <u>8,071</u>     | <u>—</u>            | <u>54,555</u>                 |
| <b>Net position</b>                             |                                                                                         |                  |                     |                               |
| Net investment in capital assets                | 249,318                                                                                 | 21,851           | —                   | 271,169                       |
| Restricted:                                     |                                                                                         |                  |                     |                               |
| Expendable                                      | 3,769                                                                                   | 1,257            | —                   | 5,026                         |
| Unrestricted (deficit)                          | 91,415                                                                                  | (8,032)          | —                   | 83,383                        |
| Total net position                              | <u>\$ 344,502</u>                                                                       | <u>\$ 15,076</u> | <u>\$ —</u>         | <u>\$ 359,578</u>             |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidating Basic Statements of Net Position (continued)

(Dollars in Thousands)

June 30, 2024

|                                                            | Shands<br>Jacksonville<br>Medical Center<br>Obligated<br>Group <sup>(1)</sup> | Other    | Eliminations | Consolidated<br>Total |
|------------------------------------------------------------|-------------------------------------------------------------------------------|----------|--------------|-----------------------|
| <b>Assets</b>                                              |                                                                               |          |              |                       |
| Current assets:                                            |                                                                               |          |              |                       |
| Cash and cash equivalents                                  | \$ 132,554                                                                    | \$ 5,587 | \$ —         | \$ 138,141            |
| Short-term investments                                     | 3,343                                                                         | —        | —            | 3,343                 |
| Patient accounts receivable, net                           | 100,112                                                                       | —        | —            | 100,112               |
| Due from city and state agencies                           | 59,548                                                                        | —        | —            | 59,548                |
| Inventories                                                | 21,363                                                                        | —        | —            | 21,363                |
| Prepaid expenses and other current assets                  | 81,217                                                                        | 40,570   | (99,141)     | 22,646                |
| Assets whose use is restricted,<br>current portion         | 72                                                                            | —        | —            | 72                    |
| Estimated third-party payor settlements                    | 7,190                                                                         | —        | —            | 7,190                 |
| Total current assets                                       | 405,399                                                                       | 46,157   | (99,141)     | 352,415               |
| Assets whose use is restricted, less<br>current portion    | 81,192                                                                        | —        | —            | 81,192                |
| Capital assets, net                                        | 546,710                                                                       | 29,460   | —            | 576,170               |
| Investment in Duval Rehab                                  | 2,882                                                                         | —        | —            | 2,882                 |
| Other assets                                               | 26,169                                                                        | 11,618   | —            | 37,787                |
| Total assets                                               | 1,062,352                                                                     | 87,235   | (99,141)     | 1,050,446             |
| <b>Deferred outflows of resources</b>                      |                                                                               |          |              |                       |
| Accumulated decrease in fair value of hedge<br>derivatives | 3,880                                                                         | —        | —            | 3,880                 |
| Deferred loss on debt refunding                            | 3,934                                                                         | —        | —            | 3,934                 |
| Deferred other post-employment benefits<br>outflows        | 394                                                                           | —        | —            | 394                   |
| Deferred pension outflows                                  | 9,790                                                                         | —        | —            | 9,790                 |
| Total deferred outflows of resources                       | 17,998                                                                        | —        | —            | 17,998                |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidating Basic Statements of Net Position (continued) (Dollars in Thousands)

June 30, 2024

|                                              | Shands<br>Jacksonville<br>Medical Center<br>Obligated<br>Group <sup>(1)</sup> | Other     | Eliminations | Consolidated<br>Total |
|----------------------------------------------|-------------------------------------------------------------------------------|-----------|--------------|-----------------------|
| <b>Liabilities</b>                           |                                                                               |           |              |                       |
| Current liabilities:                         |                                                                               |           |              |                       |
| Long-term debt, current portion              | \$ 1,224                                                                      | \$ —      | \$ —         | \$ 1,224              |
| Lease obligations, current portion           | 9,799                                                                         | 781       | —            | 10,580                |
| Subscription liabilities, current portion    | 4,055                                                                         | —         | —            | 4,055                 |
| Accounts payable and accrued expenses        | 152,113                                                                       | 50,315    | (99,141)     | 103,287               |
| Accrued salaries and leave payable           | 35,503                                                                        | —         | —            | 35,503                |
| Estimated third-party payor settlements      | 59,423                                                                        | —         | —            | 59,423                |
| Total current liabilities                    | 262,117                                                                       | 51,096    | (99,141)     | 214,072               |
| Long-term liabilities:                       |                                                                               |           |              |                       |
| Long-term debt, noncurrent portion           | 441,195                                                                       | —         | —            | 441,195               |
| Lease obligations, noncurrent portion        | 71,863                                                                        | 11,184    | —            | 83,047                |
| Subscription liabilities, noncurrent portion | 10,689                                                                        | —         | —            | 10,689                |
| Other liabilities                            | 28,932                                                                        | —         | —            | 28,932                |
| Total long-term liabilities                  | 552,679                                                                       | 11,184    | —            | 563,863               |
| Total liabilities                            | 814,796                                                                       | 62,280    | (99,141)     | 777,935               |
| <b>Deferred inflows of resources</b>         |                                                                               |           |              |                       |
| Deferred other post-employment               |                                                                               |           |              |                       |
| benefits inflows                             | 1,394                                                                         | —         | —            | 1,394                 |
| Deferred pension inflows                     | 1,633                                                                         | —         | —            | 1,633                 |
| Deferred inflow leases                       | 10,131                                                                        | 8,536     | —            | 18,667                |
| Total deferred inflows of resources          | 13,158                                                                        | 8,536     | —            | 21,694                |
| <b>Net position</b>                          |                                                                               |           |              |                       |
| Net investment in capital assets             | 243,976                                                                       | 17,495    | —            | 261,471               |
| Restricted:                                  |                                                                               |           |              |                       |
| Expendable                                   | 3,769                                                                         | 1,257     | —            | 5,026                 |
| Unrestricted (deficit)                       | 4,651                                                                         | (2,333)   | —            | 2,318                 |
| Total net position                           | \$ 252,396                                                                    | \$ 16,419 | \$ —         | \$ 268,815            |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidating Basic Statements of Revenues, Expenses and Changes in Net Position (Dollars in Thousands)

Year Ended June 30, 2025

|                                                                            | <b>Shands<br/>Jacksonville<br/>Medical Center<br/>Obligated<br/>Group<sup>(1)</sup></b> | <b>Other</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------|---------------------|-------------------------------|
| <b>Operating revenues</b>                                                  |                                                                                         |              |                     |                               |
| Net patient service revenue, net of<br>provision for bad debts of \$98,459 | \$ 1,280,632                                                                            | \$ —         | \$ —                | \$ 1,280,632                  |
| Other operating revenue                                                    | 28,368                                                                                  | 2,722        | (174)               | 30,916                        |
| Total operating revenues                                                   | 1,309,000                                                                               | 2,722        | (174)               | 1,311,548                     |
| <b>Operating expenses</b>                                                  |                                                                                         |              |                     |                               |
| Salaries and benefits                                                      | 502,676                                                                                 | —            | —                   | 502,676                       |
| Supplies and services                                                      | 652,355                                                                                 | 1,745        | (174)               | 653,926                       |
| Depreciation and amortization                                              | 65,983                                                                                  | 1,436        | —                   | 67,419                        |
| Total operating expenses                                                   | 1,221,014                                                                               | 3,181        | (174)               | 1,224,021                     |
| Operating gain (loss)                                                      | 87,986                                                                                  | (459)        | —                   | 87,527                        |
| <b>Nonoperating revenues (expenses)</b>                                    |                                                                                         |              |                     |                               |
| Interest expense                                                           | (20,303)                                                                                | (305)        | —                   | (20,608)                      |
| Net investment gain, including change in<br>fair value                     | 11,340                                                                                  | 219          | —                   | 11,559                        |
| Gain on lease modification                                                 | 12                                                                                      | —            | —                   | 12                            |
| Loss on disposal of capital assets, net                                    | (45)                                                                                    | —            | —                   | (45)                          |
| Other nonoperating loss, net                                               | (3,880)                                                                                 | (798)        | —                   | (4,678)                       |
| Total nonoperating expenses, net                                           | (12,876)                                                                                | (884)        | —                   | (13,760)                      |
| Excess (deficit) of revenues over expenses<br>before capital contributions | 75,110                                                                                  | (1,343)      | —                   | 73,767                        |
| Capital grants                                                             | 16,846                                                                                  | —            | —                   | 16,846                        |
| Capital contributions, net                                                 | 150                                                                                     | —            | —                   | 150                           |
| Increase (decrease) in net position                                        | 92,106                                                                                  | (1,343)      | —                   | 90,763                        |
| <b>Net position</b>                                                        |                                                                                         |              |                     |                               |
| Beginning of year                                                          | 252,396                                                                                 | 16,419       | —                   | 268,815                       |
| End of year                                                                | \$ 344,502                                                                              | \$ 15,076    | \$ —                | \$ 359,578                    |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

# Shands Jacksonville HealthCare, Inc. and Subsidiaries

## Consolidating Basic Statements of Revenues, Expenses and Changes in Net Position (continued) (Dollars in Thousands)

Year Ended June 30, 2024

|                                                                             | <b>Shands<br/>Jacksonville<br/>Medical Center<br/>Obligated<br/>Group<sup>(1)</sup></b> | <b>Other</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|-----------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|--------------|---------------------|-------------------------------|
| <b>Operating revenues</b>                                                   |                                                                                         |              |                     |                               |
| Net patient service revenue, net of<br>provision for bad debts of \$123,624 | \$ 1,089,771                                                                            | \$ —         | \$ —                | \$ 1,089,771                  |
| Other operating revenue                                                     | 25,086                                                                                  | 1,828        | (170)               | 26,744                        |
| Total operating revenues                                                    | 1,114,857                                                                               | 1,828        | (170)               | 1,116,515                     |
| <b>Operating expenses</b>                                                   |                                                                                         |              |                     |                               |
| Salaries and benefits                                                       | 462,944                                                                                 | —            | —                   | 462,944                       |
| Supplies and services                                                       | 564,841                                                                                 | 1,251        | (170)               | 565,922                       |
| Depreciation and amortization                                               | 49,422                                                                                  | 1,517        | —                   | 50,939                        |
| Total operating expenses                                                    | 1,077,207                                                                               | 2,768        | (170)               | 1,079,805                     |
| Operating gain (loss)                                                       | 37,650                                                                                  | (940)        | —                   | 36,710                        |
| <b>Nonoperating revenues (expenses)</b>                                     |                                                                                         |              |                     |                               |
| Interest expense                                                            | (20,646)                                                                                | (326)        | —                   | (20,972)                      |
| Net investment gain, including change in<br>fair value                      | 6,957                                                                                   | 224          | —                   | 7,181                         |
| Loss on lease modification                                                  | (126)                                                                                   | —            | —                   | (126)                         |
| Gain on disposal of capital assets, net                                     | 36                                                                                      | —            | —                   | 36                            |
| Other nonoperating loss, net                                                | (3,643)                                                                                 | —            | —                   | (3,643)                       |
| Total nonoperating expenses, net                                            | (17,422)                                                                                | (102)        | —                   | (17,524)                      |
| Excess (deficit) of revenues over expenses<br>before capital contributions  | 20,228                                                                                  | (1,042)      | —                   | 19,186                        |
| Capital grants                                                              | 16,932                                                                                  | —            | —                   | 16,932                        |
| Capital contributions, net                                                  | 57                                                                                      | —            | —                   | 57                            |
| Increase (decrease) in net position                                         | 37,217                                                                                  | (1,042)      | —                   | 36,175                        |
| <b>Net position</b>                                                         |                                                                                         |              |                     |                               |
| Beginning of year                                                           | 215,179                                                                                 | 17,461       | —                   | 232,640                       |
| End of year                                                                 | \$ 252,396                                                                              | \$ 16,419    | \$ —                | \$ 268,815                    |

<sup>(1)</sup> Per the Master Trust Indenture dated June 1, 2013, the Obligated Group comprises Shands Jacksonville HealthCare, Inc.; Shands Jacksonville Medical Center, Inc.; and Shands Jacksonville Properties, Inc.

## Shands Jacksonville HealthCare, Inc. and Subsidiaries

### Note to Supplemental Consolidating Information

June 30, 2025

#### **Note to Supplemental Consolidating Information**

The accompanying consolidating information presents the financial position and results of operations of members of the obligated group and other components of the Company as of June 30, 2025 and 2024, and for the years then ended, in conformity with accounting principles generally accepted in the United States of America, including applicable statements of the GASB, on the accrual basis of accounting. The accompanying consolidating information presents adjustments necessary to eliminate significant intercompany accounts and transactions. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated basic financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the consolidated basic financial statements.

# Accompanying Internal Control Over Financial Reporting and Compliance Report



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

Management and The Board of Directors  
Shands Jacksonville HealthCare, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Shands Jacksonville HealthCare, Inc. and Subsidiaries (the Company), a component unit of the University of Florida Health Corporation, which comprise the consolidated basic statement of net position as of June 30, 2025, and the related consolidated basic statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated September 17, 2025.

### **Report on Internal Control Over Financial Reporting**

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

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

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



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### **Report on Compliance and Other Matters**

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

### **Purpose of This Report**

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

*Ernst + Young LLP*

September 17, 2025

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