Stanford MEDICINE Health Care

ANNUAL DISCLOSURE REPORT
OF
STANFORD HEALTH CARE
FOR
THE FISCAL YEAR ENDED AUGUST 31, 2024

DATED DECEMBER 10, 2024

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I. INTRODUCTION

Pursuant to the following Continuing Disclosure Agreements (the "Disclosure Agreements") executed and delivered in connection with the related bond issues (the "Bonds"), Stanford Health Care (the "Corporation") hereby provides its annual disclosure report for the fiscal year ended August 31, 2024 (the "Annual Disclosure Report"):

- Continuing Disclosure Agreement dated June 15, 2011 (the "Series 2011 Disclosure Agreement") relating to the reoffering of $84,100,000 California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Hospital and Clinics) 2008 Series B-2;

- Continuing Disclosure Agreement dated June 30, 2015, relating to the original issue of $100,000,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care) 2015 Series A;

- Continuing Disclosure Agreement dated December 28, 2017, relating to the original issue of $454,200,000 California Health Facilities Financing Authority Refunding Revenue Bonds (Stanford Health Care), 2017 Series A;

- Continuing Disclosure Agreement dated April 1, 2020, relating to the original issue of $170,120,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care), 2020 Series A;

- Continuing Disclosure Agreement dated April 30, 2021, relating to the issuance of $157,715,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care), 2021 Series A;

- Continuing Disclosure Agreement dated September 27, 2023, relating to the issuance of $260,545,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care), 2023 Series A.

The Bonds are identified together with their corresponding CUSIPs in Appendix A of this Annual Disclosure Report.

Annual Report

The Corporation's Annual Disclosure Report includes this Introduction and the attached appendices. This Annual Disclosure Report is filed with the Municipal Securities Rulemaking Board and is located at http://emma.msrb.org/ in accordance with the Disclosure Agreements and rules promulgated by the Securities Exchange Commission. Additionally, the Treasury department of the Corporation maintains a world-wide web site to which it makes certain disclosure documents available to the general public at https://stanfordhealthcare.org/about-us/bondholder-general-financial-information.html.

Other Matters

This Annual Disclosure Report is provided solely pursuant to the Disclosure Agreements. The filing of this Annual Disclosure Report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the Corporation or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this Annual Disclosure Report relates (other than as contained in this Annual Disclosure Report), or any other date specified with respect to any of the information contained in this Annual Disclosure Report, or that no other information exists, which may have a bearing on the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this Annual Disclosure Report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this Annual Disclosure Report should be construed as a prediction or representation about future financial performance of the Corporation.

Cautionary Statement Regarding Forward-Looking Statements in this Annual Disclosure Report

Certain statements and information in this Annual Disclosure Report constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget," "assume," or other similar words. Such forward-looking statements include but are not limited to certain interest expense estimates under the caption "DEBT SERVICE REQUIREMENTS" in this Annual Disclosure Report and certain statements in Appendix B attached hereto.

The achievement of the results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Corporation does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectations or events, conditions, or circumstances, on which such statements are based occur.

Capitalized terms not otherwise defined herein shall have the meanings set forth in the applicable Disclosure Agreement.

Dated: December 10, 2024

STANFORD HEALTH CARE

By: /s/ Linda Hoff
Chief Financial Officer

II. AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED AUGUST 31, 2024, AND 2023

The Audited Consolidated Financial Statements of the Corporation and subsidiaries (the "Financial Statements") for the fiscal year ended August 31, 2024 with comparative data for 2023 are presented in Appendix B. See Note 2 to the Financial Statements for a summary of significant accounting policies.

III. DEBT SERVICE REQUIREMENTS

The table below sets forth, for each year ending August 31, the amounts required to be paid by the Corporation for payment of the principal, whether by payment or maturity or mandatory sinking account redemption, and interest on all the outstanding bonds of the Corporation.

Fiscal Year Ending August 31	2008 Series B(1)	2015 Series A	2017 Series A	Taxable Series 2018 (2)	2020 Series A(2)	Taxable Series 2020 (2)	2021 Series A(3)	Taxable Series 2021(2)	2023 Series A	Total Debt Service	Total Net Swap Payments(1)
2025	4,770,300	4,812,500	37,318,825	24,680,311	9,112,479	15,839,758	4,731,450	18,605,420	13,568,331	133,439,374	1,020,530
2026	4,776,880	4,812,500	37,281,450	21,424,721	9,111,778	15,834,414	8,020,025	18,604,139	13,573,104	133,439,011	1,021,141
2027	4,776,880	4,812,500	37,176,450	21,537,518	9,111,051	15,833,562	8,012,525	18,605,343	13,571,254	133,437,083	1,021,753
2028	4,783,460	4,812,500	37,126,950	21,586,393	9,116,856	15,841,783	8,002,225	18,605,061	13,564,380	133,439,608	1,022,197
2029	4,770,300	4,812,500	37,054,825	21,689,376	9,112,801	15,836,841	7,989,125	18,601,445	13,571,495	133,438,709	1,023,058
2030	4,776,880	4,812,500	37,012,450	21,738,401	9,115,110	15,835,573	7,973,225	18,606,165	13,567,881	133,438,186	1,023,531
2031	4,776,880	4,812,500	36,942,200	21,826,296	9,113,024	15,837,159	7,954,525	18,608,077	13,568,479	133,439,139	1,024,392
2032	4,783,460	4,812,500	36,872,075	21,911,085	9,111,934	15,836,755	7,933,025	18,607,665	13,568,374	133,436,873	1,025,170
2033	4,770,300	4,812,500	36,848,075	21,976,280	9,115,774	15,837,597	7,908,725	18,602,870	13,565,990	133,438,110	1,025,781
2034	4,776,880	4,812,500	36,645,575	22,195,969	9,109,964	15,841,020	7,881,625	18,605,573	13,567,650	133,436,756	1,030,366
2035	4,776,880	4,812,500	36,429,800	22,441,859	9,114,629	15,841,072	7,851,725	18,604,559	13,567,495	133,440,519	1,034,894
2036	4,783,460	4,812,500	32,085,400	26,816,095	9,114,420	15,838,217	7,819,025	18,600,394	13,570,966	133,440,477	1,039,868
2037	4,770,300	4,812,500	32,137,650	26,808,433	9,113,306	15,840,529	7,783,525	18,605,965	13,566,008	133,438,216	1,044,841
2038	4,776,880	4,812,500	34,793,025	24,188,310	9,117,288	15,839,274	7,745,225	18,602,564	13,564,355	133,439,421	1,050,092
2039	4,776,880	4,812,500	34,824,500	24,195,828	9,115,522	15,838,721	7,704,125	18,604,664	13,565,154	133,437,893	1,059,872
2040	4,783,460	4,812,500	34,318,200	24,741,125	9,113,496	15,839,258	7,660,225	18,602,490	13,568,689	133,439,443	1,070,180
2041	4,770,300	4,812,500	31,869,900	27,248,574	9,114,855	15,838,397	7,613,525	18,603,600	13,567,759	133,439,411	1,089,637
2042	35,201,150	4,812,500	-	28,736,342	9,115,447	15,837,964	7,564,025	18,604,894	13,569,086	133,441,408	1,091,935
2043	35,348,170	4,812,500	-	28,643,718	9,114,684	15,841,978	7,511,725	18,600,201	13,566,678	133,439,654	1,091,935
2044	35,958,087	4,812,500	-	28,084,437	9,112,875	15,840,623	7,456,625	18,605,462	13,566,127	133,436,736	1,091,935
2045	36,271,223	4,812,500	-	27,833,443	9,113,488	15,836,348	7,398,725	18,602,168	13,570,121	133,438,017	1,091,935
2046	36,750,627	4,812,500	-	27,410,537	9,112,547	15,836,344	7,338,025	18,608,071	13,570,107	133,438,759	518,685
2047	-	4,812,500	-	64,284,350	9,114,476	15,839,297	7,219,525	18,601,413	13,565,238	133,436,799	367,830
2048	-	4,812,500	-	64,407,777	9,114,411	15,835,504	7,095,150	18,603,459	13,571,328	133,440,129	367,830
2049	-	4,812,500	-	64,531,178	9,110,551	15,837,213	6,970,075	18,605,486	13,570,210	133,437,214	367,830
2050	-	4,812,500	-	64,654,851	9,114,497	15,841,485	6,844,300	18,605,035	13,564,055	133,436,724	367,830
2051	-	4,812,500	-	64,781,546	9,115,060	15,836,757	6,717,825	18,605,845	13,572,188	133,441,722	367,830
2052	-	36,657,500	-	14,761,123	9,112,691	15,839,126	24,895,650	18,603,548	13,569,359	133,438,997	76,631
2053	-	36,652,750	-	15,553,619	9,115,499	15,839,687	24,107,100	18,604,525	13,568,129	133,441,309	-
2054	-	36,655,500	-	16,339,836	9,114,699	15,836,050	23,318,550	18,606,549	13,565,590	133,436,773	-
Total	260,729,637	239,903,250	606,737,350	907,029,332	273,415,213	475,148,308	275,021,150	558,132,649	407,045,580	4,003,162,470	24,429,509

(1) Variable rates assume 12 month average remaketing rates for 2008B1 and 2008B2 bonds; swaps assume 12 month historical average of SOFR multiplied by the appropriate percentages
(2) Assumes interest is smoothed as level debt service over 30 years at original YTM of bonds issued
(3) After 2025 put date, assumes interest is payable at assumed rate of 3.50% to maturity (12 month SIFMA average)

IV. SELECTED FINANCIAL AND OPERATING DATA WITH RESPECT TO THE FISCAL YEARS ENDED AUGUST 31, 2024 AND 2023

The Selected Financial and Operating Data with Respect to the Fiscal Years Ended August 31, 2024 and 2023 below should be read in conjunction with the Financial Statements and accompanying notes.

The tables below present (i) Historical Utilization, (ii) Historical Consolidated Capitalization, (iii) Liquidity, and (iv) Debt Service Coverage.

(i)
Historical Utilization

	Twelve Months Ended August,	
	2024	**2023**
Discharges		
Acute	35,357	33,265
Behavioral Health	594	588
Total	**35,951**	**33,853**
Patient Days		
Acute	243,877	232,821
Behavioral Health	9,878	9,996
subtotal	**253,755**	**242,817**
Short Stay OP	16,652	15,213
Total	**270,407**	**258,030**
Average Daily Census		
Acute	666.3	637.9
Behavioral Health	27.0	27.4
Total	**693.3**	**665.3**
Average Length of Stay		
Acute	6.90	7.00
Behavioral Health	16.63	17.00
Total	**7.06**	**7.17**
Case Mix Index	2.65	2.68
Emergency room visits[(1)]	112,801	107,521
Short Stay OP procedures	59,875	54,895
Other Outpatient visits[(2)]	1,153,827	1,194,657
Surgeries		
Inpatient	13,337	12,787
Outpatient	33,684	30,991
Total	**47,021**	**43,778**

Source: Corporation records

(1) Includes emergency room visits of admitted inpatients

(2) Excludes outpatient emergency room visits

(ii)
Historical Consolidated Capitalization
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2024	**2023**
Total Debt [1]	$2,543,525	$2,270,445
Net Assets without Donor Restrictions	7,689,487	6,698,906
Total Consolidated Capitalization (non-GAAP)	$10,233,012	$8,969,351
Net Long-Term Debt as a percentage of Total Consolidated Capitalization	24.9%	25.3%

(1) Excludes lease liability

(iii)
Liquidity
(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2024	**2023**
Cash and Cash Equivalents	$446,748	$611,592
Investments	3,005,104	2,296,099
Investments in Stanford University Managed Investment Pools [1]	3,019,639	2,587,499
Less Funds Internally Designated or Donor Restricted for Long-Term Purposes	(184,847)	(148,288)
Total Liquid Assets [2]	$6,286,644	$5,346,902
Days Cash on Hand [3]	283	271

(1) See Note 2 and Note 6 of the audited consolidated financial statements of the Corporation included as Appendix B to this Annual Disclosure Report for a description of the Managed Investment Pools in which the Corporation has invested.

(2) Not defined by accounting principles generally accepted in the United States and may not be comparable to similarly titled measures used by other organizations.

(3) Total unrestricted cash and investments multiplied by actual number of days, divided by the total operating expenses net of depreciation and amortization.

(iv)

Debt Service Coverage

(Dollars in Thousands)

	Fiscal Years Ended August 31,	
	2024	**2023**
Excess of Revenues over Expenses	1,014,227	780,643
Depreciation and Amortization	292,030	263,140
Interest Expense	80,394	74,100
Change in value of University Managed Pools and Other	(462,058)	(210,460)
Earnings on Equity Method Investments	72,159	(42,980)
Interest Rate Swap Mark-to-Market Adjustment	2,072	(59,644)
Loss on Extinguishment of Debt	7,732	-
Pension Termination	51,688	-
Funds Available for Debt Service (1)	1,058,244	804,799
Maximum Annual Debt Service (2)	$133,442	$133,084
Prior year current portion of LTD	$13,475	$17,065
Interest Exp	$80,394	$74,100
Annual Debt Service	$93,869	$91,165
Coverage of Maximum Annual Debt Service (3)	7.93	6.05
Coverage of Annual Debt Service (4)	11.27	8.83

(1) Not defined by accounting principles generally accepted in the United States and may not be comparable to similarly titled measures used by other organizations

(2) Is subject to assumptions under the "Debt Service Requirement" section and excludes all swap cash flows

(3) Ratio of Funds Available for Debt Service to the Maximum Annual Debt Service

(4) Ratio of Funds Available for Debt Service to the Annual Debt Service

APPENDIX A

Bond Issues and Related CUSIP Numbers

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series B-2-1

CUSIP	CP CUSIP	Maturity Date	Current Commercial Paper Interest Rate (%)	Original Principal Amount
13033LNX1	13034EAC6	11/15/2045	3.0	$ 42,050,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Hospital and Clinics)
2008 Series B-2-2

CUSIP	CP CUSIP	Maturity Date	Current Commercial Paper Interest Rate (%)	Original Principal Amount
13033LNY9	13034FAB5	11/15/2045	2.8	$ 42,050,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Health Care)
2015 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13033L8Q3	08/15/2052	4.25	$ 25,000,000
13033L8P5	08/15/2054	5.00	$ 75,000,000

California Health Facilities Financing Authority
Refunding Revenue Bonds
(Stanford Health Care)
2017 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13032UQB7	11/15/2024	5.00	$17,615,000
13032UQC5	11/15/2025	5.00	$18,480,000
13032UQD3	11/15/2026	5.00	$19,320,000
13032UQE1	11/15/2027	5.00	$20,260,000
13032UQF8	11/15/2028	5.00	$21,225,000
13032UQG6	11/15/2029	5.00	$22,270,000
13032UQH4	11/15/2030	5.00	$23,340,000
13032UQJ0	11/15/2031	5.00	$24,465,000
13032UQK7	11/15/2032	5.00	$25,695,000
13032UQL5	11/15/2033	5.00	$26,805,000
13032UQM3	11/15/2034	5.00	$23,390,000
13032UQN1	11/15/2035	5.00	$19,310,000
13032UQP6	11/15/2036	5.00	$26,160,000
13032UQQ4	11/15/2037	5.00	$30,225,000
13032UQR2	11/15/2040	4.00	$105,405,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Health Care)
2020 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13032UVN5	08/15/2050	4.00	$ 170,120,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Health Care)
2021 Series A

CUSIP	Maturity Date	Mandatory Tender Date	Interest Rate (%)	Original Principal Amount
13032UYT9	08/15/2054	8/15/2025	3.00	$ 157,715,000

California Health Facilities Financing Authority
Revenue Bonds
(Stanford Health Care)
2023 Series A

CUSIP	Maturity Date	Interest Rate (%)	Original Principal Amount
13032UH68	08/15/2033	5.00	$ 260,545,000

APPENDIX B

Audited Consolidated Financial Statements
for the Fiscal Years Ended
August 31, 2024 and 2023

Stanford Health Care

Consolidated Financial Statements
and Accompanying Consolidating Information
August 31, 2024 and 2023

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Report of Independent Auditors

To the Board of Directors of Stanford Health Care

Opinion

We have audited the accompanying consolidated financial statements of Stanford Health Care and its subsidiaries ("SHC"), which comprise the consolidated balance sheets as of August 31, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SHC as of August 31, 2024 and 2023, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the years ended August 31, 2024 and 2023 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
December 10, 2024

Stanford Health Care
Consolidated Balance Sheets
August 31, 2024 and 2023
(in thousands of dollars)

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	$ 446,748	$ 611,592
Short term investments	134,761	73,957
Patient accounts receivable, net	1,197,687	1,042,786
Other receivables	158,513	141,847
Inventories	110,243	111,726
Prepaid expenses and other	97,731	131,202
Due from Lucile Salter Packard Children's Hospital at Stanford	30,392	17,315
Total current assets	2,176,075	2,130,425
Investments	2,673,532	1,987,069
Equity method investments	196,811	235,073
Investments in University managed pools	3,019,639	2,587,499
Assets limited as to use for capital projects & other long-term purposes	35,378	44,856
Property and equipment, net	3,999,516	3,875,677
Right of use lease assets	381,413	318,150
Due from Stanford University - housing loans	230,063	186,726
Other assets	85,989	51,136
Total assets	$ 12,798,416	$ 11,416,611
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 518,918	$ 625,120
Accrued salaries and related benefits	521,792	467,582
Due to Stanford University	299,844	238,778
Third-party payor settlements	76,089	69,124
Current portion of long-term debt	175,330	13,475
Debt subject to remarketing arrangements	168,200	168,200
Operating lease liabilities, current	74,236	69,335
Self-insurance reserves and other	123,801	116,798
Total current liabilities	1,958,210	1,768,412
Self-insurance reserves and other, net of current portion	267,430	236,193
Swap liabilities	77,506	86,262
Operating lease liabilities, net of current portion	322,119	260,677
Other long-term liabilities	145,455	139,462
Long-term debt, net of current portion	2,199,995	2,088,770
Total liabilities	4,970,715	4,579,776
Net assets:		
Without donor restrictions:		
Attributable to Stanford Health Care	7,637,457	6,658,752
Noncontrolling interests	52,030	40,154
Total without donor restrictions	7,689,487	6,698,906
With donor restrictions	138,214	137,929
Total net assets	7,827,701	6,836,835
Total liabilities and net assets	$ 12,798,416	$ 11,416,611

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

Stanford Health Care
Consolidated Statements of Operations and Changes in Net Assets
Years Ended August 31, 2024 and 2023
(in thousands of dollars)

	2024	2023
Operating revenues and other support:		
Net patient service revenue	$ 8,681,322	$ 7,521,035
Premium revenue	56,709	65,386
Grants - COVID-19 and FEMA	303	32,031
Other revenue	207,327	242,041
Net assets released from restrictions used for operations	6,763	11,213
Total operating revenues and other support	8,952,424	7,871,706
Operating expenses:		
Salaries and benefits	3,915,374	3,575,799
Professional services	74,720	75,539
Supplies	1,345,171	1,171,175
Purchased services	2,033,893	1,757,521
Depreciation and amortization	292,030	263,140
Interest	80,394	74,100
Other	667,083	539,566
Total operating expenses	8,408,665	7,456,840
Income from operations	543,759	414,866
Interest and investment income	149,495	63,151
(Losses) earnings on equity method investments	(72,159)	42,980
Change in value of University managed pools and other	462,058	210,460
Swap interest and change in value of swap agreements	(2,898)	55,155
Other components of net periodic benefit costs	(6,608)	(5,969)
Pension termination	(51,688)	-
Loss on extinguishment of swaps	(7,732)	-
Excess of revenues over expenses	1,014,227	780,643
Other changes in net assets without donor restrictions:		
Transfers to Stanford University	(104,835)	(89,645)
Transfers from Lucile Salter Packard Children's Hospital at Stanford	276	1,783
Change in net unrealized gain on investments	22,639	9,974
Net assets released from restrictions used for:		
Purchase of property and equipment	6,384	20,281
Change in pension and postretirement liability	52,900	4,039
Noncontrolling capital distribution	(1,010)	(929)
Increase in net assets without donor restrictions	990,581	726,146
Changes in net assets with donor restrictions:		
Transfers from (to) Stanford University	301	(258)
Contributions and other	7,145	20,884
Investment income	1,837	1,640
Gains on University managed pools	4,149	2,059
Net assets released from restrictions used for:		
Operations	(6,763)	(11,213)
Purchase of property and equipment	(6,384)	(20,281)
Increase (decrease) in net assets with donor restrictions	285	(7,169)
Increase in net assets	990,866	718,977
Net assets, beginning of year	6,836,835	6,117,858
Net assets, end of year	$ 7,827,701	$ 6,836,835

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

Stanford Health Care
Consolidated Statements of Cash Flows
Years Ended August 31, 2024 and 2023
(in thousands of dollars)

	2024	2023
Cash flows from operating activities:		
Change in Stanford Health Care net assets	$ 978,990	$ 717,480
Change in noncontrolling interests	11,876	1,497
Total change in net assets	990,866	718,977
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on extinguishment of swaps	7,732	-
Depreciation and amortization	283,488	258,477
Change in fair value of interest rate swaps	2,072	(59,644)
Increase in value of University managed pools	(228,699)	(83,477)
Unrealized gains on investments	(258,253)	(137,314)
Deficiency (excess) of income on equity method investees over distributions received	73,347	(46,722)
Contributions received for long lived assets or endowment	(10,612)	(11,491)
Net equity transfers to related parties	104,258	88,120
Premiums received from bond issuance	39,460	-
Changes in operating assets and liabilities:		
Patient accounts receivable	(154,901)	(19,218)
Due to related parties	28,970	41,420
Other receivables, inventory, other assets, prepaid expenses and other	(36,080)	(45,939)
Accounts payable, accrued liabilities and pension liabilities	(64,004)	2,127
Accrued salaries and related benefits	54,210	(14,491)
Third-party payor settlements	6,965	5,800
Self-insurance reserves	44,404	29,972
Cash provided by operating activities	883,223	726,597
Cash flows from investing activities:		
Purchases of investments	(1,019,920)	(249,060)
Sales of investments	572,025	207,767
Purchases of equity method investments	(35,000)	(26,016)
Purchases of investments in University managed pools	(202,511)	(2,086)
Sales of investments in University managed pools	1,326	2,509
Funding of Stanford University - housing loans	(49,226)	(46,968)
Repayments received on Stanford University - housing loans	8,858	7,172
Swap settlement payments, net	(776)	(5,095)
Purchases of property and equipment	(499,213)	(411,295)
Cash used in investing activities	(1,224,437)	(523,072)
Cash flows from financing activities:		
Proceeds from issuance of debt	260,545	-
Costs of issuance of debt	(2,251)	(54)
Payment of long-term debt obligations	(13,475)	(17,078)
Contributions received for long lived assets or endowment	11,663	11,440
Net equity transfers to related parties	(80,112)	(123,044)
Cash provided by (used in) financing activities	176,370	(128,736)
Net (decrease) increase in cash and cash equivalents	(164,844)	74,789
Cash and cash equivalents, beginning of year	611,592	536,803
Cash and cash equivalents, end of year	$ 446,748	$ 611,592
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	$ 90,398	$ 81,573
Supplemental disclosures of non cash information:		
(Decrease) increase in payables for property and equipment	$ (59,849)	$ 13,343
Equity transfers from related parties, net	188	1,215

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

1. Organization

Stanford Health Care ("SHC") operates a licensed acute care hospital ("Stanford Hospital") and a cancer center in Palo Alto, California, along with numerous outpatient physician clinics in the San Francisco Bay Area, in community settings, and in association with regional hospitals. Stanford Hospital is a principal teaching affiliate of the Stanford University School of Medicine ("SoM") and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, neurosciences, and orthopedics services. SHC, together with Lucile Salter Packard Children's Hospital at Stanford ("LPCH"), operates the clinical settings through which the SoM educates medical and graduate students, trains residents and clinical fellows, supports faculty and community clinicians and conducts medical and biological sciences research.

The Board of Trustees of The Leland Stanford Junior University (the "University") is the sole corporate member of SHC and LPCH. As part of their ongoing operations, the University, SHC, and LPCH engage in certain related party transactions as described further in Note 13.

The consolidated financial statements include University HealthCare Alliance (dba Stanford Medicine Partners) ("SMP"), Stanford Health Care Tri-Valley ("SHC Tri-Valley"), Stanford Blood Center, LLC ("SBC"), Stanford Emanuel Radiation Oncology Center, LLC ("SEROC"), CareCounsel, LLC ("CareCounsel"), SUMIT Holding International, LLC ("SHI"), Professional Exchange Assurance Company ("PEAC"), and Eden Radiation Therapy Services, LLC ("ERTS").

SMP, a physician medical foundation, supports SHC's mission of delivering quality care to the community and conducting research and education. In addition, SMP leads the development of a high-quality clinical delivery network, built on collaboration with and sponsorship of community hospitals, on behalf of the SoM, SHC, and SMP physicians. The SoM and SHC are the members of SMP and appoint directors to the governing board. The SMP bylaws afford control to SHC. SHC entered into a sponsorship agreement with SMP whereby SHC agreed to certain funding for the development and operation of SMP and continued additional funding for future or alternative clinical sites of SMP.

SHC Tri-Valley, a 242 licensed bed community hospital system located in the East Bay's Tri-Valley region of Pleasanton, Livermore, and Dublin, California offers both inpatient and outpatient services. SHC is the sole corporate member of SHC Tri-Valley. SHC Tri-Valley also wholly owns Tri-Valley Ambulatory Surgery Center, LLC ("TVASC") organized in October 2019. TVASC's operations are targeted to commence in 2026.

SBC is a limited liability company that serves as a community blood center and provides blood products and testing services to hospitals, clinics, companies, and other clients. SHC is the sole member of SBC.

CareCounsel, a wholly owned entity of SHC, is a leading provider of employer-sponsored health advocacy and health care assistance services with a mission to help employees, retirees and their families navigate the complex health care environment through an employer-sponsored benefit that provides consumer education, advocacy and access to expert health care resources and information.

(in thousands of dollars)

1. Organization (continued)

The table below summarizes SHC's ownership interests in entities that are less than 100% owned. The noncontrolling interest noted below are recorded in net assets without donor restrictions on the consolidated balance sheets as of August 31, 2024 and 2023.

	2024		2023	
	SHC	Noncontrolling Interest	SHC	Noncontrolling Interest
Stanford Emanuel Radiation Oncology Center, LLC ("SEROC")	60.0%	40.0%	60.0%	40.0%
SUMIT Holding International, LLC ("SHI")	82.0%	18.0%	82.0%	18.0%
SUMIT Insurance Company, Ltd ("SUMIT")	78.4%	21.6%	83.3%	16.7%
Stanford University Medical Network Risk Authority, LLC ("TRA")	82.0%	18.0%	82.0%	18.0%
Professional Exchange Assurance Company ("PEAC")	58.9%	41.1%	59.9%	40.1%
Oncology Solutions Venture, LLC ("OSV")	60.0%	40.0%	60.0%	40.0%
Eden Radiation Therapy Services, LLC ("ERTS")	60.0%	40.0%	60.0%	40.0%

SEROC is a joint venture between SHC and the Doctors Medical Center of Modesto, Inc. ("DMC"). SEROC operates an outpatient clinic that provides radiation oncology services to patients in Turlock, California and surrounding communities.

SHI is the sole owner of SUMIT Insurance Company, Ltd ("SUMIT"), a captive insurance carrier, and Stanford University Medical Network Risk Authority, LLC (dba The Risk Authority) ("TRA"). SHC and LPCH are the owners of SHI.

Effective September 1, 2005, SHC and LPCH entered into an agreement whereby SHC and LPCH became members of the Stanford University Medical Indemnity Trust, a not-for-profit, captive insurance company incorporated in the State of Hawaii. On February 2, 2009, Stanford University Medical Indemnity and Trust Insurance Company organized as a segregated accounts company under the laws of Bermuda as SUMIT Insurance Company, Ltd ("SUMIT").

TRA provides risk management services to SHI and serves as attorney-in-fact to PEAC.

PEAC, a captive insurance carrier, provides insurance coverage to SMP, Packard Children's Health Alliance and other affiliated parties.

On February 8, 2021, Oncology Solutions Venture, LLC ("OSV") was formed as a limited liability company to expand access to coordinated, state-of-the-art cancer care services for patients and their families in the East Bay region. SHC and Sutter Bay Hospitals ("Sutter") are the only members of OSV. No contributions have been made as of August 31, 2024. SHC will contribute $3,000 as the initial capital contribution with 60% interest and Sutter will contribute $2,000 with 40% interest. No significant activities have occurred during the fiscal years ending August 31, 2024 and 2023.

On February 23, 2022, ERTS was formed as a limited liability company to provide a stable, high quality academically integrated radiation oncology service to patients residing in the Eden area, to complement SHC's broader cancer network and the Sutter Stanford Cancer Collaborative. SHC and Sutter are the only members of ERTS. SHC and Sutter initial capital contributions were $12,246 and $8,164, respectively. After initial and additional contributions, SHC's and Sutter's interest in ERTS will be 60% and 40%, respectively.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The consolidated financial statements include the accounts of SHC and its subsidiaries, which are controlled by SHC. All significant inter-company accounts and transactions are eliminated in the consolidation.

Basis of Presentation
The accompanying consolidated financial statements are prepared on the accrual basis of accounting. Net assets of SHC and changes therein have been classified and are reported as follows:

- ***Net Assets Without Donor Restrictions*** — Net assets without donor restrictions represent those resources of SHC that are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are broad limits resulting from the nature of SHC and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements, if any.

- ***Net Assets With Donor Restrictions*** — Net assets with donor restrictions represent contributions, which are subject to donor-imposed restrictions that can be fulfilled by actions of SHC pursuant to those stipulations or by the passage of time or are subject to donor-imposed restrictions that they be maintained permanently by SHC. Generally, the donors of these assets permit SHC to use all or part of the investment return on these assets.

Expenses are reported as decreases in net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restricted contributions are recorded as contributions with donor restrictions when received and when the restriction expires, the net assets are shown as released from restriction on the consolidated statements of operations and changes in net assets. Investment income on net assets with donor restrictions that is restricted by donor or law is recorded in the category of net assets with donor restrictions and when the restriction expires, the net assets are shown as released from restriction.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of unrestricted demand deposits and money market mutual funds. SHC has elected the policy to treat cash equivalents held for investment purpose as investments (see Note 6); therefore, they are excluded from cash and cash equivalents on the consolidated statements of cash flows.

Inventories
Inventories, which consist primarily of hospital operating supplies and pharmaceuticals, are stated at the lower of cost or market value determined using the first-in, first-out method.

Investments
Investments held directly by SHC consist of cash and cash equivalents, U.S. government securities, debt securities, mutual funds, public and private investments, which are stated at fair value and further described in Note 6. Fair value is determined in accordance with current accounting guidance, as further described in Note 7. Investment earnings (including realized gains and losses on investments, interest, and dividends on investment securities) net of investment expenses are included in investment income unless the income or loss is restricted by donor or law. Income on investments of donor restricted funds is added to or deducted from the appropriate net asset category based on the donor's restriction. Unrealized gains and losses on other than debt securities classified as other-than-trading are reported above the performance indicator, excess of revenues over expenses.

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Equity Method Investments

Equity method investments consist of investments in which SHC has ownership of 50% or less but is able to exercise significant influence over the investee. These investments include Stanford-StartX Fund, LLC (“StartX Fund”), Stanford PET-CT, LLC (“PET-CT”), Pleasanton Physician Affiliates II, LLC (“PPA II”), and East Bay Real Estate Ventures (“EBREV”). All earnings from StartX Fund, PPA II, and EBREV are included in earnings on equity method investments in the consolidated statements of operations and changes in net assets. Earnings from PET-CT are included in other revenue in the consolidated statements of operations and changes in net assets.

The table below summarizes SHC’s ownership interests in entities that are accounted for as equity method investments.

	2024	2023
Stanford-StartX Fund, LLC ("StartX Fund")	33.0%	33.0%
Stanford PET-CT, LLC ("PET-CT")	50.0%	50.0%
Pleasanton Physicians Affiliates II, LLC ("PPA II")	39.0%	39.0%
East Bay Real Estate Ventures ("EBREV")	50.0%	50.0%

StartX Fund is a California limited liability company created to support the continued experiential education of participants in the StartX accelerator program.

PET-CT is a California limited liability company which provides radiological services to patients of the community, including patients served by SHC and physicians affiliated with the SoM. SHC and the University each appoint one-half of the members of the governing board of PET-CT and are its only members.

PPA II is a California limited liability company which owns and operates a medical office building in Pleasanton.

EBREV is a limited liability company which develops, constructs, and manages a medical office and outpatient services facility on the Alta Bates Summit Medical Center campus at 350 Hawthorne Avenue, Oakland, California. SHC and Sutter are the only members of EBREV and have each contributed $61,016.

Investments in University Managed Pools

Investments in University managed pools consist of funds invested in the University’s Merged Pool (“MP”) and Expendable Funds Pool (“EFP”) (collectively the “Pools”). Under the terms of SHC’s agreement with the University, the University has discretion to invest the funds in the Pools. SHC may deposit funds in the Pools at its discretion. Withdrawals from the MP and EFP require advance notice to the University. The value of SHC’s share of the Pools is determined by the University and is based on the fair value of the underlying assets in the Pools.

The University allocates investment earnings to SHC from the University managed pools based on SHC’s share of the Pools. Earnings include interest, dividends, distributions, investment gains and losses, and change in the value of SHC’s share of the Pools. All unrestricted investment gains and losses in the MP and change in the MP share value are included in the excess of revenues over expenses.

Income on investments of donor restricted funds invested in the University managed pools is added to or deducted from the appropriate net asset category based on the donor’s restriction.

2. Summary of Significant Accounting Policies (continued)

Financial Assets and Liquid Resources

SHC has put in place a range of policies and measures to actively manage its liquidity and make sure the organization's financial obligations can be satisfied. To ensure adequate liquidity through the full range of potential operating environments and market conditions, SHC maintains the ability to liquidate certain assets when, and if, requirements warrant.

Liquidity is managed within pools known as investment portfolios. The SHC Investment Program has established four distinct investment portfolios into which SHC may invest its cash and operating reserves. These portfolios have been established to address varying degrees of liquidity requirements, return expectations and tolerance levels for risk.

The primary sources of liquidity are the Liquidity and Short-term portfolios, which are invested in cash, U.S. Government and Agency securities and short-term debt securities. The amount of liquidity held in these portfolios is largely determined by internal liquidity projections which periodically estimate potential funding requirements. Funding requirements include:

- Working capital outflows
- Swaps collateral posting
- Repayment of all maturing debt and credit facilities
- Other large, committed payments

Operating liquidity is monitored daily and reported periodically to senior management and the Board. The primary measure used to assess SHC's liquidity is "Days Cash on Hand". This measure assumes that SHC is unable to generate funds from normal business operations or from the issuance of debt while continuing to meet obligations to maintain operations and repayment of contractual principal and interest payments owed. Once a sufficient level of liquidity is established, excess cash is invested in the Long-term Liquidity portfolio or Long-term portfolio. The Long-term Liquidity portfolio is primarily invested in fixed income and equity mutual funds and exchange traded funds ("ETFs"), which can be liquidated on short notice, while the Long-term portfolio is primarily invested in shares of the MP. Per SHC's agreement with the Stanford Management Company ("SMC"), SHC can withdraw annually up to 10% of its investments in the MP, after providing a nine-month notice. It is not the intention of SHC to utilize the Long-term portfolio for unplanned operating commitments; however, amounts could be made available from these sources if necessary.

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Financial Assets and Liquid Resources (continued)

In addition to the financial assets, SHC has an authorized short-term taxable commercial paper program and a revolving line of credit facility that can be available for unexpected liquidity needs.

Financial assets and resources available for general expenditure within one year of the consolidated balance sheet date for general expenditure for years ended at August 31, consist of following:

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 446,748	$ 611,592
Patient accounts receivable, net	1,197,687	1,042,786
Short term investments	134,761	73,957
Investments	2,485,064	1,842,728
10% of long-term investments in Merged Pool	289,335	247,045
Financial assets available to meet cash needs for general expenditure within one year	$ 4,553,595	$ 3,818,108
Liquidity resources:		
Taxable commercial paper	150,000	150,000
Tax-exempt commercial paper	200,000	-
Revolving line of credit capacity	100,000	100,000
Total financial assets and liquidity resources available within one year	$ 5,003,595	$ 4,068,108

Property and Equipment

Property and equipment are stated at cost except for donated assets, which are recorded at fair market value at the date of donation. Depreciation and amortization of property and equipment is determined using the straight-line method over the estimated useful lives of the assets, which are as follows:

Land improvements	10 to 25 years
Buildings and leasehold improvements	7 to 50 years
Equipment	3 to 20 years

Significant replacements and improvements are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the consolidated statements of operations and changes in net assets.

Equipment includes medical equipment, furniture and fixtures and computer software and hardware.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

Asset Retirement Obligations

Asset retirement obligations (“ARO”) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value as other long-term liabilities and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets in property and equipment. Asset retirement costs are subsequently accreted over the useful lives of the related assets.

2. Summary of Significant Accounting Policies (continued)

Leases

SHC elected the practical expedient to not separate lease and non-lease components. SHC also elected to apply the short-term lease recognition exemption which eliminates the requirement to present on the consolidated balance sheets leases with a term of twelve months or less. These two practical expedients under ASC Topic 842 were elected for all classes of underlying assets.

Other Assets

Other assets include prepaid cloud computing costs, intangible assets, and other long-term assets.

Contributions Receivable

Unconditional promises to give ("contributions") are recorded at fair value at the date the promise is received. Donations for specific purposes are reported as net assets with donor restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and applicable to the years in which the promises are received and are recorded in the category of net assets with donor restrictions. The discount rates were determined using the risk free rate adjusted for the risk of donor default. At August 31, 2024 and 2023, current contributions receivable not restricted for long term purposes are included in other receivables. At August 31, 2024 and 2023, contributions receivable that are restricted for long-term purposes are recorded in assets limited as to use for capital projects and other long-term purposes regardless of due date. Contribution revenue is included in the consolidated financial statements in the appropriate net asset category. Amortization of the discount is included in contributions and other in the consolidated statements of operations and changes in net assets. Conditional promises to give are recognized when the condition is substantially met.

Assets Limited as to Use for Capital Projects and Other Long-Term Purposes

Assets limited as to use for capital projects and other long-term purposes include contributions receivable that have been restricted by donors or otherwise designated for the purpose of acquiring or improving property, plant, and equipment or for other long-term purposes. These assets are not available for general operations and are required to be used in accordance with the donor restrictions or applicable law or regulation. The organization monitors these assets to ensure that they are being used in accordance with donor restrictions or applicable laws and regulation.

Premiums, Discounts and Deferred Financing Costs on Long-Term Debt

Premiums and discounts arising from the original issuance of long-term debt are amortized on either the effective interest method or the straight-line basis, which approximates the effective interest method, over the life of the debt. Deferred financing costs represent costs incurred in conjunction with the issuance of SHC's long-term debt. These costs are amortized on a straight-line basis, which approximates the effective interest method, over the life of the debt. The unamortized portion of these premiums, discounts and deferred financing costs are included in long-term debt on the consolidated balance sheets.

Interest Rate Swap Agreements

SHC entered into several interest rate swap agreements to reduce the effect of interest rate fluctuation on its variable rate bonds. All swaps are recognized on the consolidated balance sheets at their fair value. Changes in the fair value of interest rate swaps are included in excess of revenues over expenses. In fiscal year 2024 and 2023, the swap settlements (net cash payments less receipts) under the interest rate swap agreements have been recorded as a decrease to swap interest and change in value of swap agreements in the consolidated statements of operations and changes in net assets.

2. Summary of Significant Accounting Policies (continued)

Excess of Revenues over Expenses (Performance Indicator)
The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, include transfers of assets to and from affiliates for other than goods and services, change in unrealized gains and losses on debt securities classified as other-than-trading, contributions of long lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), changes in pension and postretirement liability and other changes related to noncontrolling interests.

Net Patient Service Revenue
Net patient service revenue is reported at the amount that reflects the consideration to which SHC expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Certain net patient service revenues received are subject to retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Thus, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Generally, SHC bills patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Accounts receivable deemed uncollectable due to payor credit issues are charged against the allowance for credit losses when identified.

Performance obligations are determined based on the nature of the services provided by SHC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. SHC believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the inputs needed to satisfy the obligation. Generally, performance obligations are satisfied over time related to patients receiving inpatient acute care services.

SHC measures the performance obligations from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and SHC does not believe it is required to provide additional services to the patient.

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

The transaction price is based on standard charges for services provided to patients, reduced by applicable contractual adjustments, discounts to under and uninsured patients, and implicit pricing concessions. The estimates of contractual adjustments and discounts are based on contractual agreements, discount policy, and historical collection experience. SHC reports accounts receivable net of estimated pricing concessions and any allowance for credit losses. The process for estimating the ultimate collectability of receivables involves historical collection experience, changes in contracts with payors, aging behaviors of receivables, and future market and economic conditions.

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

SHC has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying to a portfolio of contracts with similar characteristics. SHC accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analysis, SHC has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

SHC has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for the financing component, as the period of time between the service being provided and the time that the patient pays for service is typically one year or less.

Charity Care and Community Benefits

SHC provides either full or partial charity care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. SHC also provides services to other indigent patients under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these indigent persons and the expected reimbursement is included in the estimated cost of charity care. Such amounts are considered community benefits.

Premium Revenue

SMP has capitated agreements with various Health Maintenance Organizations ("HMOs") to provide medical services to enrollees. Under these agreements, monthly payments are received based on the number of health plan enrollees. These receipts are recorded as premium revenue in the consolidated statements of operations and changes in net assets. Costs are accrued when services are rendered under these contracts, including cost estimates of incurred but not reported ("IBNR") claims. The IBNR accrual, which is included in accounts payable and accrued liabilities in the consolidated balance sheets, includes an estimate of the costs of services for which SMP is responsible, including referrals to outside healthcare providers.

Income Taxes

SHC, SMP, and SHC Tri-Valley are not-for-profit corporations and tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. ERTS, PET-CT, EBREV, OSV, SBC, SEROC, CareCounsel and SHI are limited liability companies and taxable income flows through to the individual members. SUMIT is currently exempt from all taxes until March 31, 2035. TRA is a limited liability company, but has elected to be taxed as a corporation. PEAC is a taxable corporation. SHC and its subsidiaries have no uncertain tax positions pertaining to unrelated business income.

SHC is subject to a 21% excise tax on executive compensation in excess of one million dollars paid to certain covered employees. The University is subject to a 1.4% excise tax on its net investment income as defined under the Internal Revenue Code which, among other things, includes net investment income of certain related entities such as SHC. SHC is also subject to the computation of Unrelated Business Taxable Income ("UBTI") separately for each unrelated trade or business.

2. Summary of Significant Accounting Policies (continued)

Self-Insurance Plans
SHC, SHC Tri-Valley and SBC self-insure for professional, general, and cyber liability risks, and postretirement medical benefits, workers' compensation and health and dental benefits. These liabilities are actuarially determined and reflected as self-insurance reserves in the consolidated balance sheets.

- ***Liability*** — SHC, SHC Tri-Valley and SBC are self-insured through SUMIT for professional, general, and cyber liability losses under claims-made coverage. SHC, SHC Tri-Valley and SBC also maintain professional liability reserves for unreported claims which total $15,081, $1,706, and $91 as of August 31, 2024, respectively. As of August 31, 2023, this coverage was $13,439, $1,355, and $87 for SHC, SHC Tri-Valley and SBC, respectively. In fiscal year 2024 and 2023, SUMIT has retained 100% of the risk related to the first $15,000 per occurrence for professional and general liability losses. The next $175,000 is transferred to various reinsurance companies. For cyber liability, SUMIT retains $2,500 in excess of a $2,500 per claim retention with the next $90,000 transferred to various reinsurance companies.

- ***Workers' Compensation*** — SHC, SHC Tri-Valley and SBC purchase insurance for workers' compensation claims with a $750 deductible per occurrence. Workers' compensation insurance provides statutory limits for the State of California. An actuarial estimate of retained losses (or losses retained within the deductible) has been used to record a liability.

Fair Value of Financial Instruments
Due to the short-term nature of cash and cash equivalents, accounts payable and accrued liabilities, and accrued salaries and related benefits, their carrying value approximates their fair value. The fair value of the amounts payable under third-party reimbursement contracts is not readily determinable.

Concentration of Credit Risk
Financial instruments, which potentially subject SHC to concentrations of credit risk, consist principally of cash and cash equivalents, patient accounts receivable, and investments in University managed pools.

SHC's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of patients and payors. Patient accounts receivable consist of amounts due from commercial insurance companies, governmental programs, private pay patients and other third-party payors.

Use of Estimates
The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to patient accounts receivable, MP valuation, ARO, amounts due to third-party payors, retirement plan obligations, and self-insurance reserves. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (continued)

Recent Pronouncement – effective in fiscal year 2024
Periodically, the FASB issues updates to the ASC which may impact SHC's financial reporting and related disclosures. The following paragraph summarizes relevant updates.

Credit Losses on Financial Instruments – In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This ASU, along with related amendments, revised the credit-loss measurement for receivables measured at amortized cost from an incurred-loss to an expected-loss approach and requires that credit losses be presented as an allowance rather than as a write-down. This new guidance was adopted in fiscal year 2024 and did not materially impact the Consolidated Financial Statements.

3. Net Patient Service Revenue

SHC has agreements with third-party payors that provide for payments at amounts different from SHC's established rates. A summary of payment arrangements with major third-party payors follows:

- ***Medicare*** — Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

  Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. SHC is reimbursed for cost reimbursable items at a tentative rate with final settlement of such items determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed. SHC's Medicare cost reports have been audited by the Medicare administrative contractor through August 31, 2017. Professional services are reimbursed based on a fee schedule.

- ***Medi-Cal*** — Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a prospectively determined rate per discharge. Outpatient services are reimbursed based upon prospectively determined fee schedules. Professional services are reimbursed based on a fee schedule.

(in thousands of dollars)

3. Net Patient Service Revenue (continued)

- ***Managed Care Organizations*** — SHC entered into agreements with numerous third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:

    - Commercial insurance companies, including workers' compensation plans, which reimburse SHC at negotiated charges.

    - Managed Care contracts such as those with HMOs and Preferred Provider Organizations ("PPOs"), which reimburse SHC at contracted or per diem rates, which are usually less than full charges. PPOs give their members multiple choices in health care and health care providers.

    - Counties in the State of California, which reimburse SHC for certain indigent patients covered under county contracts.

Uninsured — For uninsured patients that do not qualify for charity care, SHC recognizes revenue on the basis of its standard rates for services less an uninsured discount applied to the patient's account and an implicit pricing concession that approximates the average discount for Managed Care payors.

Patient service revenue, net of price concessions, by major payors for the years ended August 31, is as follows:

	2024	2023
Medicare	$ 1,519,060	$ 1,279,346
Medi-Cal	255,202	175,157
Managed Care	6,481,461	5,723,278
Self pay and other	376,163	299,241
Related party	49,436	44,013
Net patient service revenue	$ 8,681,322	$ 7,521,035

SHC recognized net patient service revenue adjustments of $144,633 and $16,514 as a result of prior years' favorable developments and appeals settled during the years ended August 31, 2024, and 2023 respectively.

Amounts due from payors of 10 percent or more of net patient accounts receivable at August 31 are as follows:

	2024	2023
Blue Shield	19%	11%
Blue Cross	17%	21%
Medicare	11%	12%
Aetna	10%	10%

SHC does not believe significant credit risks exist with these payors.

3. Net Patient Service Revenue (continued)

California Hospital Quality Assurance Fee Program

The State of California enacted Senate Bill 239 in October 2013 which established the Hospital Quality Assurance Fee ("HQAF") for January 1, 2014 through December 31, 2016. Subsequently, California's participation in the provider fee program, as authorized under federal regulations, has been made permanent by the passage of Proposition 52, an initiative on the November 2016 ballot. Centers for Medicare & Medicaid Services ("CMS") has approved, and SHC has recognized as revenue on the date of approval, supplemental payments related to the following programs and periods:

- Fee-For-Service ("FFS") programs for January 1, 2022 through December 31, 2024 (recorded through August 31, 2024)
- Managed Care program for July 1, 2019 through December 31, 2022

For the years ended August 31, 2024 and 2023, respectively, SHC recognized $206,672 and $118,859 in net patient service revenue for Medi-Cal FFS and Managed Care supplemental payments provided for under the California provider fee programs.

For the years ended August 31, 2024 and 2023, respectively, SHC recognized $117,910 and $65,827 in other expense for HQAF paid to the California Department of Health Care Services. Expenses were paid for the same CMS approved programs noted above.

Any potential activity under the Managed Care program subsequent to January 1, 2023 has not been approved by CMS; therefore, revenue has not been recognized in the consolidated financial statements.

SHC recorded $12,175 and $42,713 in deferred revenue as of August 31, 2024 and 2023, respectively, pending CMS approval. SHC also recorded $8,730 and $38,074 as prepaid expense as of August 31, 2024 and 2023, respectively, pending CMS approval of the Managed Care program through December 31, 2024. Deferred revenue and prepaid expenses associated with unapproved HQAF will be recognized as revenue and expense respectively, upon CMS approval.

(in thousands of dollars)

4. Charity Care, Uncompensated Costs and Community Benefits

SHC engages in numerous community benefit programs and services. These services include health research, education and training and other benefits for the larger communities that are excluded from the information below.

Uncompensated charity care is provided to vulnerable populations. Additionally, Medi-Cal and Medicare program reimbursements do not cover the estimated costs of services provided.

Information related to SHC's charity care for the years ended August 31 are as follows:

	2024	2023
Charity care at established rates	$ 146,068	$ 79,287
Estimated cost of charity care, net	$ 29,132	$ 16,320

The estimated cost of providing charity care is based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on SHC's total expenses divided by gross patient service charges.

Estimated cost of services in excess of reimbursement for the years ended August 31 are as follows:

	2024	2023
Charity care	$ 29,132	$ 16,320
Medi-Cal	497,443	503,202
Medicare	1,464,554	1,343,807
Total	$ 1,991,129	$ 1,863,329

5. Contributions Receivable

Contributions are recorded at the discounted net present value of the future cash flows, adjusted for the risk of donor default, using discount rates ranging from 1.05% to 4.72% for fiscal year August 31, 2024 and 0.64% to 4.72% for fiscal year August 31, 2023.

Contributions receivable at August 31 are expected to be realized in the following periods:

	2024	2023
In one year or less	$ 19,734	$ 19,883
Between one year and five years	19,573	29,352
More than five years	1,000	1,250
	40,307	50,485
Less: discount/allowance	(4,551)	(5,303)
Total contributions receivable, net	35,756	45,182
Less: current portion	(18,101)	(18,266)
Contributions receivable, net of current portion	$ 17,655	$ 26,916

See Note 2 for further discussion.

(in thousands of dollars)

5. Contributions Receivable (continued)

Contributions receivable at August 31 are to be utilized for the following purposes:

	2024	2023
Plant replacement and expansion	$ 39,131	$ 49,217
Other patient and clinical services	1,176	1,268
Total	$ 40,307	$ 50,485

For the years ended August 31, 2024 and 2023, contribution receivable net of discount/allowance are recorded as follows:

Classification on Consolidated Balance Sheets	2024	2023
Assets limited as to use for capital projects & other long term purposes	$ 35,378	$ 44,856
Other receivables	$ 378	$ 326

There were no conditional pledges at August 31, 2024 and 2023.

6. Investments and Investments in University Managed Pools

The composition of investments held directly by SHC at August 31 is as follows:

	Fair Value	
	2024	2023
Short term investments and Investments:		
Cash and cash equivalents	$ 48,431	$ -
Restricted cash	48,123	48,656
Fixed income	1,046,482	777,229
Public equity	1,629,163	1,206,842
Other	36,094	28,299
Total	$ 2,808,293	$ 2,061,026

The composition of Investments in University managed pools at August 31 is as follows:

	Fair Value	
	2024	2023
Investments in University managed pools:		
Merged Pool	$ 3,011,823	$ 2,580,250
Expendable Funds Pool	7,816	7,249
Total	$ 3,019,639	$ 2,587,499

(in thousands of dollars)

6. Investments and Investments in University Managed Pools (continued)

Investment Categories

- Cash and cash equivalents include money market funds.
- Restricted cash includes money market funds that are holding cash restricted by donors.
- Fixed income primarily includes investments that are actively traded fixed income government, government agency, corporate, municipal, and securitized securities or mutual funds and ETFs.
- Public equity investments include commingled funds, which invest in publicly traded equities.
- Other investments include private investments primarily in venture capital or growth equity.
- The MP is a unitized pool in which the fund holders purchase investments and withdraw funds based on a monthly share value. The MP is invested with the objective of maximizing long-term total return.

The MP's investments at August 31 consist of the following:

	Allocation	
	2024	**2023**
Cash and cash equivalents	2%	2%
Fixed income	7%	7%
Public equities	21%	22%
Real estate	7%	7%
Natural resources	4%	3%
Absolute return	18%	18%
Private equities	41%	41%
Total	100%	100%

7. Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of assets and liabilities should include consideration of non-performance risk.

SHC accounts for certain assets and liabilities at fair value. A fair value hierarchy for valuation inputs has been established. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2: Pricing inputs are based on quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swap instruments.

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

Investments in University managed pools are measured at Net Asset Value ("NAV") since the managed pool assets are invested on behalf of SHC by SMC, according to the terms of an Investment Management Agreement. These assets are part of a diversified portfolio of actively managed fixed income, public and private equity, absolute return, natural resources, and real estate investments. The NAV is reported to SHC by the University in accordance with their policies.

(in thousands of dollars)

7. Fair Value Measurements (continued)

The following tables summarize SHC's assets and liabilities measured at fair value on a recurring basis as of August 31, based on the inputs used to value them. In the following tables, cash and cash equivalents as of August 31, 2024 and 2023, includes restricted cash of $48,123 and $48,656, respectively. See Note 6 for further discussion. Changes in the fair value of the Level 3 investments for the years ended August 31, 2024 and 2023 are immaterial.

	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 543,302	$ -	$ -	$ 543,302
Fixed income	306,095	740,387	-	1,046,482
Public equities	1,629,163	-	-	1,629,163
Other	-	-	36,094	36,094
Total assets in the fair value hierarchy	$ 2,478,560	$ 740,387	$ 36,094	3,255,041
Investments measured at NAV practical expedient:				
Investments in University managed pools				3,019,639
Total assets at fair value				$ 6,274,680
Liabilities				
Interest rate swap instruments	$ -	$ 77,506	$ -	$ 77,506

	2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	$ 660,248	$ -	$ -	$ 660,248
Fixed income	215,778	561,451	-	777,229
Public equities	1,206,842	-	-	1,206,842
Other	-	-	28,299	28,299
Total assets in the fair value hierarchy	$ 2,082,868	$ 561,451	$ 28,299	2,672,618
Investments measured at NAV practical expedient:				
Investments in University managed pools				2,587,499
Total assets at fair value				$ 5,260,117
Liabilities				
Interest rate swap instruments	$ -	$ 86,262	$ -	$ 86,262

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2024 and 2023. Most of the SHC Level 3 investments are private investments, for which observable prices are not available. For each investment category and respective valuation technique, the range of the significant unobservable input is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

Investment Categories	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range Min	Range Max	Weighted Average	Impact to Valuation from an Increase in Input
2024							
Other	$ 36,094	Market comparables	Recent transactions	N/A	N/A	N/A	N/A
2023							
Other	$ 28,299	Market comparables	Recent transactions	N/A	N/A	N/A	N/A

(in thousands of dollars)

8. Property and Equipment

Property and equipment consist of the following as of August 31:

	2024	2023
Land and improvements	$ 202,878	$ 156,441
Buildings and leasehold improvements	4,481,863	4,242,155
Equipment	1,788,457	1,828,646
	6,473,198	6,227,242
Less: Accumulated depreciation	(2,900,612)	(2,771,562)
Construction-in-progress	426,930	419,997
Property and equipment, net	$ 3,999,516	$ 3,875,677

Depreciation and amortization expense totaled $292,030 and $263,140 for the years ending August 31, 2024 and 2023, respectively.

Interest expense on debt issued for construction projects and income earned on the funds held pending use are capitalized until the projects are placed in service and depreciated over the estimated useful life of the asset. SHC capitalized interest of $3,110 and $0 during the years ended August 31, 2024 and 2023.

Asset retirement costs are capitalized and recorded in buildings and leasehold improvements. SHC recorded current period accretion expense of $2,656 and $3,110 in the consolidated statements of operations and changes in net assets of the years ended August 31, 2024 and 2023, respectively. ARO liability of $117,066 and $114,410 is included in other long-term liabilities on the consolidated balance sheets as of August 31, 2024 and 2023, respectively.

9. Debt Obligations

SHC's outstanding debt at August 31 is summarized below:

	Face Value	Fiscal Years of Maturity	Effective Interest Rates 2024 / 2023	Outstanding Principal 2024	2023
Fixed Rate Obligations					
Tax-Exempt					
2015 Series A Revenue Bonds	100,000	2052-2054	4.10%	$ 100,000	$ 100,000
2017 Series A Refunding Revenue Bonds	454,200	2025-2041	2.91% / 2.89%	423,965	437,440
2020 Series A Revenue Bonds	170,120	2050	2.70%	170,120	170,120
2021 Series A Revenue Bonds	157,715	2025	0.42%	157,715	157,715
2023 Series A Revenue Bonds	260,545	2033	3.20% / N/A	260,545	-
Taxable					
2018 Series Bonds	500,000	2049	3.80%	500,000	500,000
2020 Series Bonds	300,000	2030	3.31%	300,000	300,000
2021 Series Bonds	365,100	2051	3.03%	365,100	365,100
Variable Rate Obligations					
Tax-Exempt					
2008 Series B Refunding Revenue Bonds	168,200	2042-2046	2.78% / 2.94%	168,200	168,200
Total principal amounts				2,445,645	2,198,575
Unamortized original issue premiums/discounts, net				111,718	84,607
Unamortized costs of issuance				(13,838)	(12,737)
Current portion of long-term debt				(175,330)	(13,475)
Debt subject to remarketing arrangements				(168,200)	(168,200)
Long-term portion, net of current portion				$ 2,199,995	$ 2,088,770

9. Debt Obligations (continued)

Debt Issuance Activity

SHC borrows at tax-exempt rates through the California Health Facilities Financing Authority ("CHFFA"), a conduit issuer. Although CHFFA is the issuer, these tax-exempt securities are the obligation of, and payable solely by, SHC.

As of August 31, 2024, payments of principal and interest on all SHC debt obligations (taxable and tax-exempt) are collateralized by a pledge against the gross receivables of SHC and secured under the second amended and restated master indenture of trust ("Master Indenture") between SHC and the master trustee. SHC is currently the only member of the Obligated Group. None of the related entities listed in Note 1 is a member of the Obligated Group or is otherwise obligated with respect to debt obligations. The Master Indenture includes provisions that limit property liens and requires the maintenance of certain financial ratios. SHC may redeem some of its bonds, in whole or in part, prior to the stated maturities. Total debt outstanding under the Master Indenture is in the aggregate principal amounts of $2,445,645 and $2,198,575 as of August 31, 2024 and 2023, respectively.

In September 2023, CHFFA, on behalf of SHC, issued fixed rate 2023 Series A Revenue Bonds ("2023 Series A") in the aggregate principal amount of $260,545 plus an original issue premium of $39,460. Proceeds of the 2023 Series A bonds were used to reimburse expenditures related to the re-design, remodel, and renovation of SHC's original hospital facility (300P Renewal).

In September 2023, CHFFA, on behalf of SHC, established a $200,000 tax-exempt commercial paper facility to be used for bridge financing of certain capital expenditures. No amounts were outstanding as of August 31, 2024.

SHC has a $150,000 taxable commercial paper facility for general corporate purposes. No amounts were outstanding as of August 31, 2024 and 2023.

SHC has a revolving line of credit facility, which has a maturity date of November 2027, for general corporate purposes. Drawdowns from the facility bear interest at the Secured Overnight Financing Rate ("SOFR") plus an applicable spread. The size of the facility is $150,000, of which $50,000 is earmarked for the issuance of stand-by letters of credit. No amounts were outstanding as of August 31, 2024 or 2023.

Variable Rate Debt

The 2008 Series B bonds are supported by SHC's self-liquidity and are classified as current liabilities. In the event SHC receives a tender notice of any of the 2008 Series B bonds, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, SHC has an obligation to purchase any remaining bonds. SHC maintains sufficient liquidity to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

(in thousands of dollars)

9. Debt Obligations (continued)

Principal Payments

As of August 31, 2024, scheduled principal payments on long-term debt are summarized below:

	Scheduled Maturities	Debt subject to Remarketing	Debt subject to Mandatory Tender	Total
2025	$ 17,615	$ 168,200	$ 157,715	$ 343,530
2026	18,480	-	-	18,480
2027	19,320	-	-	19,320
2028	20,260	-	-	20,260
2029	21,225	-	-	21,225
Thereafter	2,022,830	-	-	2,022,830
Total	$ 2,119,730	$ 168,200	$ 157,715	$ 2,445,645

The scheduled principal payments above represent the annual payments required under debt repayment schedules. The current portion of long-term debt includes debt subject to mandatory tender coming due in the fiscal year 2025, if any, and payments scheduled to be made in fiscal year 2025. Debt subject to remarketing includes long-term debt obligations subject to short-term remarketing.

Interest Rate Swap Agreements

SHC originally entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from variable rate debt interest risk. Under the terms of the current agreements, SHC pays a fixed interest rate, determined at inception, and receives a variable rate on the underlying notional principal amount based on a percentage of the SOFR plus an applicable 1-Month spread.

In November 2023, SHC terminated four of its nine outstanding swaps at a termination cost of approximately $18.5 million. The terminated swaps had a notional amount of $234.6 million and were not classified as hedging instruments.

SHC currently has five outstanding interest rate exchange agreements.

The following is a summary of the outstanding positions under these interest rate swap agreements at August 31, 2024:

Description	Current Notional	Maturity Date	Rate Paid	Rate Received
2008 Series A-1	$ 64,250	11/01/2040	3.691%	70% of compounded SOFR + 0.080%
2008 Series A-2	102,775	11/15/2051	3.999%	67% of compounded SOFR + 0.077%
2012 Series A	68,350	11/15/2045	4.081%	67% of compounded SOFR + 0.077%
2012 Series B	68,375	11/15/2045	4.077%	67% of compounded SOFR + 0.077%
2012 Series C	34,175	11/15/2045	4.008%	67% of compounded SOFR + 0.077%
Total	$ 337,925			

(in thousands of dollars)

9. Debt Obligations (continued)

Interest Rate Swap Agreements (continued)
SHC designates its interest rate swaps that are used to minimize the variability in cash flows of interest-bearing liabilities or forecasted transactions as hedging instruments at the inception of each contract, with the intention of maintaining hedge accounting treatment over the term of the agreement. Over the years, the underlying hedged bonds were either refinanced or paid down and as a result, none of the outstanding swap contracts are treated as hedging instruments for accounting purposes.

The fair value of interest rate swaps is shown on the balance sheets as of August 31 as follows:

	Fair Value		
Description	**2024**	**2023**	**Balance Sheet Location**
Fixed Payment Swaps	$ 77,506	$ 86,262	Swap liabilities

The change in fair value of the interest rate swaps is shown on the consolidated statements of operations and changes in net assets for the years ended August 31 as follows:

	Unrealized (Loss) Gain		
Description	**2024**	**2023**	**Statement of Operations Location**
Fixed Payment Swaps	$ (2,072)	$ 59,644	Swap interest and change in value of swap agreements

SHC has one swap agreement which requires mutual posting of collateral by SHC and the counterparty if the termination values exceed a predetermined threshold dollar amount. There was no cash collateral posted by SHC at August 31, 2024 and 2023.

Upon the occurrence of certain events of default or termination events identified in the swap contracts, either SHC or the counterparty could terminate the contracts in accordance with their terms. Termination results in the payment of a termination amount by one party that attempts to compensate the other party for its economic losses. If interest rates at the time of termination are lower than those specified in the contract, SHC will make a payment to the counterparty. Conversely, if interest rates at such time are higher, the counterparty will make a payment to SHC.

SHC records all swap net settlements in swap interest and change in value of swap agreements on the consolidated statements of operations and changes in net assets.

Bond Interest Expense
Total bond interest expense was $80,394 and $74,100 for the years ended August 31, 2024 and 2023, respectively.

10. Retirement Plans

SHC provides retirement benefits through defined benefit and defined contribution retirement plans covering substantially all benefit eligible employees.

Defined Contribution Retirement Plan
Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation. Employer contributions to this plan for SHC employees, excluding LPCH employees, totaling $212,784 and $180,297, SMP employer contributions totaling $5,129 and $5,879 and SHC Tri-Valley employer contributions totaling $7,893 and $6,748, for the years ended August 31, 2024 and 2023, respectively, are included in salaries and benefits expense in the consolidated statements of operations and changes in net assets.

Defined Benefit Pension Plan
Certain employees of SHC are covered by a noncontributory defined benefit pension plan, Stanford Health Care Staff Pension Plan (“Staff Pension Plan”). Benefits are based on years of service and the employee’s compensation. Contributions to the Staff Pension Plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

As of August 31, 2004, SHC assumed the pension liability of the LPCH employees. SHC received $230 and $87 in cash for the years ending August 31, 2024 and 2023, respectively, which represented the current year pension expense related to LPCH employees.

In April 2021, the Board of Directors approved a resolution to terminate the Staff Pension Plan, which includes LPCH employees. As of January 31, 2024, the Staff Pension Plan was fully settled, and all benefit obligations released. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. As a result of the settlement, SHC was relieved of any further obligations under the Staff Pension Plan. During fiscal year 2024, pension settlement charges totaling $51,688 were recognized. In addition to contributions of $3,850 in fiscal year ended August 31, 2024, there were contributions of $2,269 to settle the Staff Pension Plan.

Postretirement Medical Benefit Plan
SHC currently provides health insurance coverage for SHC employees upon retirement as early as age 55, with years of service as defined by specific criteria. The health insurance coverage for retirees who are under age 65 is the same as that provided to active employees. A Medicare supplement option is provided for retirees over age 65.

Expected Contributions
SHC expects to contribute $5,650 to its Postretirement Medical Benefit Plan for only SHC employees during the fiscal year ending August 31, 2025.

(in thousands of dollars)

10. Retirement Plans (continued)

Expected Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid for the fiscal years ending August 31:

	Postretirement Medical Benefit Plan	
	Net of Medicare Part D Subsidy	Excluding Medicare Part D Subsidy
2025	$ 7,265	$ 7,415
2026	7,527	7,584
2027	7,904	7,954
2028	8,298	8,341
2029	8,796	8,833
2030 - 2034	53,112	53,224

The following tables present information on plan assets and obligations, costs, and actuarial assumptions for the Staff Pension Plan and the Postretirement Medical Benefit Plan for the years ended August 31, 2024 and 2023, respectively.

The tables for the Postretirement Medical Benefit Plan include SHC and LPCH employees. The total postretirement medical benefit liability was $125,092 and $115,588 as of August 31, 2024 and 2023, respectively. SHC recorded a liability within self-insurance reserves in the consolidated balance sheets of $92,579 and $85,337 as of August 31, 2024 and 2023, respectively, which represents the liability for SHC employees excluding LPCH employees.

(in thousands of dollars)

10. Retirement Plans (continued)

The change in pension and other postretirement plan assets and the related change in benefit obligations, using a measurement date of August 31, as of and for the years ended August 31 are as follows:

	Staff Pension Plan		Postretirement Medical Benefit Plan Net of Medicare Part D Subsidy	
	2024	2023	2024	2023
Change in plan assets:				
Fair value of plan assets at beginning of year	$ 151,390	$ 164,594	$ -	$ -
Actual return on plan assets	6,264	(1,112)	-	-
Employer contributions	6,055	-	7,798	5,642
Participants contributions	-	-	1,068	1,156
Plan settlements	(156,344)	-	-	-
Benefits paid	(6,211)	(10,601)	(8,930)	(6,877)
Medicare subsidies received	-	-	64	79
Expenses paid	(1,154)	(1,491)	-	-
Fair value of plan assets at end of year	$ -	$ 151,390	$ -	$ -
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 157,554	$ 167,017	$ 115,588	$ 117,266
Service cost	1,350	894	5,282	5,478
Interest cost	3,448	7,533	5,949	5,322
Participants contributions	-	-	1,068	1,156
Plan curtailments	-	(856)	-	-
Plan settlements	(156,344)	-	-	-
Benefits paid	(6,211)	(10,601)	(8,930)	(6,877)
Medicare subsidies received	-	-	64	79
Expenses paid	(1,154)	(1,491)	-	-
Plan amendments	-	887	-	394
Actuarial loss (gain)	1,357	(5,829)	6,071	(7,230)
Benefit obligation at end of year	$ -	$ 157,554	$ 125,092	$ 115,588
Amounts recognized in consolidated balance sheets:				
Plan assets minus benefit obligation	$ -	$ (6,164)	$ (125,092)	$ (115,588)
Net benefit liability recognized	$ -	$ (6,164)	$ (125,092)	$ (115,588)
Amounts recognized in consolidated balance sheets:				
Current liabilities	-	(6,164)	(7,265)	(8,365)
Noncurrent liabilities	-	-	(117,827)	(107,223)
Net benefit liability recognized	$ -	$ (6,164)	$ (125,092)	$ (115,588)
Amounts recognized in net assets without donor restrictions:				
Prior service cost	$ -	$ (887)	$ (30,626)	$ (33,987)
Net (loss) gain	-	(54,125)	18,949	26,554
Net assets without donor restrictions	$ -	$ (55,012)	$ (11,677)	$ (7,433)

The accumulated benefit obligation for the Staff Pension Plan was $0 and $157,554 as of August 31, 2024 and 2023, respectively.

(in thousands of dollars)

10. Retirement Plans (continued)

Net benefit expense related to the Staff Pension Plan and Post Retirement Medical Benefit Plan for the years ended August 31 includes the following components:

	Staff Pension Plan 2024	Staff Pension Plan 2023
Service cost:	$ 1,350	$ 894
Periodic benefit expense	1,350	894
Non-operating:		
Interest cost	3,448	7,533
Expected return on plan assets	(2,602)	(7,370)
Amortization of prior service cost	66	-
Amortization of net loss	132	349
Curtailment loss recognized	821	-
Settlement loss recognized	51,688	-
Non-operating periodic benefit cost	53,553	512
Total net periodic benefit cost	$ 54,903	$ 1,406

	Postretirement Medical Benefit Plan 2024	Postretirement Medical Benefit Plan 2023
Service cost:	$ 5,282	$ 5,478
Periodic benefit expense	5,282	5,478
Non-operating:		
Interest cost	5,949	5,322
Amortization of prior service cost	3,361	3,553
Amortization of net gain	(1,534)	(1,193)
Non-operating periodic benefit cost	7,776	7,682
Total net periodic benefit cost	$ 13,058	$ 13,160

Changes recognized in net assets without donor restrictions for the years ended August 31 include the following components:

	Staff Pension Plan		Postretirement Medical Benefit Plan	
	2024	2023	2024	2023
Net (gain) loss arising during period	$ (2,305)	$ 1,797	$ 6,071	$ (7,230)
Prior service cost	-	887	-	394
Amortization				
Prior service cost	(887)	-	(3,361)	(3,553)
(Loss) gain	(51,820)	(349)	1,534	1,193
Total recognized in net assets without donor restrictions	$ (55,012)	$ 2,335	$ 4,244	$ (9,196)
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ (109)	$ 3,741	$ 17,302	$ 3,964

(in thousands of dollars)

10. Retirement Plans (continued)

Actuarial Assumptions

The weighted-average assumptions used to determine benefit obligations are as follows for the years ended August 31:

	Staff Pension Plan		Postretirement Medical Benefit Plan	
	2024	2023	2024	2023
Weighted-average assumptions				
Discount rate	N/A	5.33%	5.05%	5.34%
Rate of compensation increase	N/A	3.00%	N/A	N/A

The discount rate, expected rate of return on plan assets, and the projected covered payroll growth rates used in determining the above net benefit expense are as follows for the years ended August 31:

	Staff Pension Plan		Postretirement Medical Benefit Plan	
	2024	2023	2024	2023
Weighted-average assumptions				
Discount rate	N/A	4.68%	5.34%	4.69%
Expected return on plan assets	N/A	4.00%	N/A	N/A
Rate of compensation increase	N/A	3.00%	N/A	N/A

To develop the assumption for the expected rate of return on plan assets, SHC considered the historical and future expected returns. An independent investment consulting firm provided SHC with an estimate of the future expected returns for each asset class based on SHC's asset allocation targets. The discount rate is based on Mercer Yield Curve results based on high quality corporate bond yields as of the measurement date using the individual plan's benefit obligation cash flows.

To determine the accumulated postretirement benefit obligation as of August 31, 2024, a 8.40% for Post-65 and a 6.92% for Pre-65 annual rate of increase in the per capita cost of covered health care were assumed for calendar year 2024, declining gradually to 4.0% for both Post-65 and Pre-65, by 2048, and remaining at this rate thereafter.

Staff Pension Plan Assets

SHC's Staff Pension Plan weighted-average asset allocations as of the measurement date August 31, 2024 and 2023, respectively, by asset category are as follows:

Asset Category	2024	2023
Debt securities	N/A	100%
Equity securities	N/A	0%
Total	N/A	100%

(in thousands of dollars)

10. Retirement Plans (continued)

Staff Pension Plan Assets (continued)
SHC's Staff Pension Plan assets measured at fair value on a recurring basis as of August 31, 2023 based on the inputs used to value them as defined in Note 7, were Level 1 domestic debt securities of $151,390. There were no Level 2 or 3 investments held in the Staff Pension Plan. Due to the termination of the Staff Pension Plan, Staff Pension Plan assets at fair value for 2024 are not applicable.

Staff Pension Plan Investments
Prior to settlement in 2024, the investment objective of the Staff Pension Plan was to meet its pension obligations as promised by the Staff Pension Plan. The Staff Pension Plan's asset allocation was revised to reflect the termination status of the Staff Pension Plan. The Staff Pension Plan's assets were invested in cash and fixed income to minimize investment risk during the Staff Pension Plan termination. The Staff Pension Plan was terminated as of January 31, 2024.

11. Net Assets Without Donor Restrictions

The changes in consolidated net assets without donor restrictions attributable to the controlling financial interest of SHC and the noncontrolling interests, for the years ended August 31, are as follows:

	Total	Controlling Interest	Noncontrolling Interests
Balance as of August 31, 2022	$ 5,972,760	$ 5,934,103	$ 38,657
Excess of revenues over expenses	780,643	778,217	2,426
Noncontrolling capital distribution, net	(929)	-	(929)
Other changes in net assets without donor restrictions	(53,568)	(53,568)	-
Balance as of August 31, 2023	6,698,906	6,658,752	40,154
Excess of revenues over expenses	1,014,227	1,001,341	12,886
Noncontrolling capital distribution, net	(1,010)	-	(1,010)
Other changes in net assets without donor restrictions	(22,636)	(22,636)	-
Balance as of August 31, 2024	$ 7,689,487	$ 7,637,457	$ 52,030

12. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31:

	2024	2023
Subject to expenditure for specified purpose:		
Other	$ 44,920	$ 42,662
Pledges receivable	35,756	45,182
Plant facilities	12,607	8,356
Total subject to expenditure for specified purpose	93,283	96,200
Subject to the University's spending policy:		
Accumulated appreciation	29,063	26,185
Subject to restriction in perpetuity:		
Endowment principal	15,868	15,544
Total endowment classified as net assets with donor restrictions	44,931	41,729
Total net assets with donor restrictions	$ 138,214	$ 137,929

(in thousands of dollars)

12. Net Assets With Donor Restrictions (continued)

Endowments

In 2009, California adopted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). SHC has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SHC classifies as endowments (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, SHC considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund.
2. The purposes of SHC and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment policies of the organization.

The portion of endowment funds that is required to be retained either by explicit donor stipulation or by California UPMIFA, as of August 31, 2024 and 2023 are as follows:

	2024	2023
Clinical services	$ 7,491	$ 7,234
Plant replacement and expansion	253	-
Education	11,917	10,951
Indigent care and other	25,270	23,544
Total endowment classified as net assets with donor restrictions	$ 44,931	$ 41,729

All of SHC's endowment, totaling $44,931 and $41,729 at August 31, 2024 and 2023, respectively, are invested in the MP. The original funds are held in perpetuity and invested to generate income to support operating and strategic initiatives. The aggregate amount by which fair value was below historic value was $0 as of August 31, 2024 and 2023.

Return Objectives and Risk Parameters

The return objective for the endowment assets is to generate optimal total return while maintaining an appropriate level of risk established by the University.

Strategies Employed for Achieving Investment Objectives

SHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gain) and current yield (interest and dividend) managed by the MP.

13. Related-Party Transactions

Transactions with the University and SoM

SHC has various transactions with the University and the SoM. SHC records expense transactions where direct and incremental economic benefits are received by SHC.

Expenses paid to the University and the SoM are reported as operating expenses in the consolidated statements of operations and changes in net assets and are management's best estimates of SHC's arms-length payments of such amounts for its market specific circumstances. To the extent that payments to the University and the SoM exceed an arms-length estimated amount relative to the benefits received by SHC, they are recorded as transfers to the University and the SoM in other changes in net assets.

SHC purchases certain services from the University and the SoM. Payment for these services is based on management's best estimate of its market specific circumstances.

Services provided by the SoM include physician services that benefit SHC, such as emergency room coverage, physicians providing medical direction to SHC, and physicians providing service to the clinical practice, which are covered by the Professional Services Agreement ("PSA"). Such expenses are reflected as purchased services in the consolidated statements of operations and changes in net assets, and total $1,409,093 and $1,167,068 for the years ended August 31, 2024 and 2023, respectively.

Services provided by the University and other SoM non-physician services include telecommunications, transportation, utilities, and certain administrative services, such as legal and internal audit. Total costs incurred by SHC were $132,332 and $151,873 for the years ended August 31, 2024 and 2023, respectively, and are reflected in various categories in the consolidated statements of operations and changes in net assets.

SHC paid service fees to the University in the amount of $957 for both years ended August 31, 2024 and 2023. The service fees represent costs for the utilization of infrastructure owned by the University such as road improvements and parking garages and are reflected in the consolidated statements of operations and changes in net assets as other expense. The annual service fees range from approximately $957 for the year ending August 31, 2025, to $638 for the year ending August 31, 2033, for a total of $8,297 over the next nine years.

SHC also received payments for services provided to the University including primarily building maintenance, housekeeping, security, and information technology ("IT"). Costs incurred by SHC in providing these services are reflected in the various categories in the consolidated statements of operations and changes in net assets. Reimbursement from the University totaled $114,704 and $104,035 for the years ended August 31, 2024 and 2023, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets.

In addition, SHC received certain grant monies for clinical trials from the University. Grant revenue totaled $11,832 and $10,012 for the years ended August 31, 2024 and 2023, respectively, and is reflected in the consolidated statements of operations and changes in net assets as net patient service revenue in the consolidated statements of operations and changes in net assets.

During the year ended August 31, 2004, SHC paid $5,500 to the University. The amount represented a prepayment of a 51 year lease for property owned by the University. The short-term portion of $108 is included in prepaid expenses and other in the consolidated balance sheets as of August 31, 2024 and 2023. The remaining amount included in other assets in the consolidated balance sheets is $2,948 and $3,056 as of August 31, 2024 and 2023, respectively.

13. Related-Party Transactions (continued)

Transactions with the University and SoM (continued)

For the years ended August 31, 2024 and 2023, SHC transferred $104,835 and $89,645, respectively, to the University, which are included in other changes in net assets without donor restrictions in the consolidated statements of operations and changes in net assets. These funds are used by the University to support the academic mission of the SoM and its initiatives as well as the general support of the academic community and physical plant.

SHC also received and paid equity transfers of $301 and $258 during the years ended August 31, 2024 and 2023, respectively, which represented restricted gifts originally donated to the University. These gifts were subsequently re-designated by donors mostly for SHC patient care services and the New Stanford Hospital and are included in changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

SHC has made long term advances to the University for a housing assistance program offered to current physicians, who are employed by SoM, and to some SHC executive employees. These physicians and executives receive housing loans/assistance that is administered by the University's housing office. SHC issues funds to the University directly to fund these programs on behalf of SoM and records a receivable from the University. These loans have varying payment requirements and the latest maturity due date is 2054. The total outstanding loans were $230,063 and $186,726 as of August 31, 2024 and 2023, respectively, which are reflected on the consolidated balance sheets as due from Stanford University housing loans.

Transactions with LPCH

SHC and LPCH share certain departments, including facilities design and construction, materials management, Managed Care contracting, compliance and general services. Shared service costs are included in the respective categories on the consolidated statements of operations and changes in net assets and are allocated between SHC and LPCH based on negotiated rates. Reimbursement received from LPCH totaled $59,457 and $46,990 for the years ended August 31, 2024 and 2023, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets.

SHC provides various services to LPCH. These services include operating room, apheresis, cardiac catheterization, interventional radiology, radiation oncology and laboratory. The cost of these services is charged back to LPCH based on a percentage of charges intended to approximate cost or a cost per procedure. Costs of these purchased services are reflected in the appropriate category in the consolidated statements of operations and changes in net assets. Reimbursement of purchased services from LPCH totaled $49,436 and $44,013 for the years ended August 31, 2024 and 2023, respectively, and is reflected in the consolidated statements of operations and changes in net assets as net patient service revenue.

Other services provided by SHC include services provided by interns and residents, building maintenance, IT and utilities. Reimbursement of these services totaled $54,732 and $54,556 for the years ended August 31, 2024 and 2023, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets.

During the years ended August 31, 2024 and 2023, SHC received $276 and $1,783 from LPCH which represented reimbursement for capital equipment.

(in thousands of dollars)

14. Leases

Leasing Activities-Lessee

SHC's lease portfolio primarily consists of operating leases for real estate, personal property, and equipment under non-cancelable lease agreements expiring at various dates.

For the years ended August 31, 2024 and 2023, the components of SHC lease expenses and the classification of such expenses in SHC consolidated statements of operations and changes in net assets are as follows:

Components of Lease Cost	Classification on Consolidated Statements of Operations and Changes in Net Assets	2024	2023
Operating lease cost	Other	$ 89,997	$ 82,782
Short term lease cost	Other	7,151	11,696
Variable lease cost	Other	11,877	11,338
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	-	12
Sublease income	Other revenue	(4,114)	(3,949)
Total		$ 104,911	$ 101,879

For the years ended August 31, 2024 and 2023, the supplemental cash flow information related to leases are as follows:

	2024	2023
Operating cash flows from operating leases	$ 86,900	$ 84,650
Financing cash flows from finance leases	-	12
Total	$ 86,900	$ 84,662

For the years ended August 31, 2024 and 2023, the right-of-use assets obtained in exchange for new lease obligations are as follows:

	2024	2023
Operating leases	$ 138,450	$ 143,898

For the years ended August 31, 2024 and 2023, the weighted-average lease terms and discount rates for operating leases are as follows:

Weighted-average remaining lease term:	2024	2023
Operating leases	6.05 years	6.17 years

Weighted-average discount rate:	2024	2023
Operating leases	4.49%	3.68%

(in thousands of dollars)

14. Leases (continued)

Leasing Activities-Lessee (continued)
The following table includes the future maturities of lease payments for operating leases for periods subsequent to August 31, 2024:

Year Ending August 31,	**Operating**
2025	$ 90,028
2026	83,805
2027	75,323
2028	65,493
2029	49,174
Thereafter	88,748
Total lease payments	452,571
Less interest	(56,216)
Total lease liabilities	396,355
Less current lease liabilities	(74,236)
Total lease liabilities, net of current portion	$ 322,119

Leasing Activities-Lessor
SHC leases space in its medical office buildings to others under non-cancelable operating lease arrangements.

The following table includes the future maturities of lease payments for operating leases that will be received for periods subsequent to August 31, 2024:

Year Ending August 31,	
2025	$ 3,307
2026	2,415
2027	1,995
2028	1,335
2029	314
Thereafter	8,240
Total	$ 17,606

15. Commitments and Contingencies

SHC is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, from these actions will not have a material effect on SHC's financial position.

SHC has irrevocable standby letters of credit in the amount of $29,267, which are required as security for the workers' compensation self-insurance arrangements and $2,210 to serve as a security deposit for certain construction projects being undertaken by SHC. No amounts have been drawn on these letters of credit as of August 31, 2024.

As of August 31, 2024, SHC had contractual obligations of approximately $454,570 primarily related to hospital renovations (including 300P Renewal) and other capital projects and approximately $858,213 to support SHC's operations, such as maintenance, food services, software subscription related services, valet services and other purchased services.

SHC has an agreement with a global technology services and outsourcing company, pursuant to which SHC will receive certain information technology services. Effective April 1, 2024, SHC extended this contract for an additional five-year term through March 31, 2029, with no limit on renewals. SHC anticipates it will spend approximately $50,993 over the extended term of the agreement.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. SHC is subject to similar regulatory reviews, and while such reviews may result in repayments and/or civil remedies that could have a material effect on SHC's financial results of operations in a given period, management believes that such repayments and/or civil remedies would not have a material effect on SHC's financial position.

As with many medical centers across the country, information security and privacy is a growing risk area based on developments in the law and expanding technology practices. SHC has policies, procedures, and training in place to safeguard protected information, but select incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, certain identifiable information relating to patients or research participants). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet laws may require reporting to potentially affected individuals and federal and state governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite SHC for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. The cost of such possible consequences has not been material to date to SHC, and management does not believe that any future consequences of these incidents will be material to the consolidated financial statements.

The percentage of SHC employees that are covered by collective bargaining arrangements is approximately 39%. There are currently no expired agreements.

15. Commitments and Contingencies (continued)

California's Hospital Seismic Safety Act requires licensed acute care functions to be conducted only in facilities that meet specified seismic safety standards for structural performance. Facilities classified by the State of California as non-compliant in the event of an earthquake must be retrofitted, replaced or removed from acute care service by applicable deadlines between 2022 and 2030. SHC remains in compliance with all applicable deadlines.

The California Department of Health Care Access and Information ("HCAI"), formerly the Office of Statewide Health Planning and Development ("OSHPD") has classified a substantial portion of Stanford Hospital as compliant with seismic safety structural standards through 2030 and beyond. Certain inpatient care units are located in three existing 1959-era buildings that can be used for inpatient care until an interim deadline of January 1, 2026, and no later than a final deadline of January 1, 2030, at which time they must be removed from general acute care service. However, these three buildings have utility system configurations that have been modified to support critical infrastructure for inpatient units, until they are removed from acute care service. SHC is undertaking the additional utility work that has been required by HCAI to support the extended use of these beds. That work will remedy the remaining utility seismic infrastructure deficiencies in the electrical and chilled water services feeding these areas. Work is also in progress to construct additional inpatient beds to completely relocate all inpatients from non-compliant structures. Due to delays in construction, impacts from the pandemic, and an elevated inpatient census, work to complete the bed tower renovations will surpass the current regulatory deadline of January 1, 2026. HCAI staff is aware of SHC's anticipated delay in meeting the 2026 deadline, and SHC is coordinating closely with HCAI on its updated schedule to complete the additional upgrades.

SHC also has several 1959-era buildings that do not meet the structural seismic safety standards for 2020 compliance, but which do not contain any inpatient hospital functions. By prior agreement with the State, SHC reconfigured critical infrastructure that is required for life safety, and which would enable safe evacuation without compromising life safety for patients or staff. All critical utility infrastructure reconfiguration work has been completed in full compliance and approval by the State. HCAI has re-classified these non-hospital structures, which are no longer subject to seismic safety requirements for hospitals.

In October 2020, major renovations (300P Renewal) began on the D Pod patient care unit, which will modernize the four floors for all private patient rooms, enlarged bathrooms, and accommodation for rooming-in of family. D Pod re-opened for inpatient care in July 2023. In fall 2020, renovation commenced on the former adult emergency department to convert a large portion of it for a dedicated pediatric emergency service. These renovations were completed in mid-2022 and opened for patient care in August 2022. Other major renovations that started in 2021 include an overall modernization of the 300P operating room suite, expansion of the post-anesthesia care to double in size, and significant upgrades to various areas of public spaces.

In Summer 2024, renovations began for the E Pod patient care units, and groundbreaking occurred for new construction of 57 beds in extension towers. Once complete, this work will be followed by renovation of the F Pod patient care units. These improvements will enable the complete relocation of inpatient units that remain in the 1959-era portion of the hospital and fulfill the seismic safety mandate to have all inpatient beds located in compliant structures. As of August 31, 2024, $547 million was recorded to property and equipment of which $129 million was recorded to construction in progress and $418 million was capitalized to property and equipment. Estimated cost of the 300P Renewal is approximately $1.6 billion.

(in thousands of dollars)

16. Functional Expenses

Expenses are reported in their natural classification in the functional categories. All expenses that are not determined to be management and general or fundraising are classified as patient services. Certain cost centers are purely administrative and not directly related to patient care; therefore, the expenses from these cost centers are categorized as management and general. Fundraising expenses include cost centers solely dedicated to fundraising as well as allocation of employees who are involved with fundraising activities. Certain IT costs support more than one functional category. A percentage of their expenses are allocated to management and general based on the most recent audited annual HCAI Report.

Non operating expenses include components of net periodic benefit costs, pension termination expense and interest swap.

Expenses are categorized on a functional basis for the years ended August 31 are as follows:

	2024			
	Patient services	Management and general	Fundraising	Total
Salaries and benefits	$ 3,616,758	$ 297,137	$ 1,479	$ 3,915,374
Professional services	41,311	33,409	-	74,720
Supplies	1,336,060	9,111	-	1,345,171
Purchased services	1,945,007	72,738	16,148	2,033,893
Depreciation and amortization	272,513	19,517	-	292,030
Interest	80,394	-	-	80,394
Other	532,478	134,605	-	667,083
Total operating expenses	7,824,521	566,517	17,627	8,408,665
Non operating expenses	59,123	-	-	59,123
Total	$ 7,883,644	$ 566,517	$ 17,627	$ 8,467,788

	2023			
	Patient services	Management and general	Fundraising	Total
Salaries and benefits	$ 3,307,740	$ 266,724	$ 1,335	$ 3,575,799
Professional services	45,363	30,176	-	75,539
Supplies	1,160,947	10,228	-	1,171,175
Purchased services	1,660,036	81,987	15,498	1,757,521
Depreciation and amortization	244,834	18,306	-	263,140
Interest	74,100	-	-	74,100
Other	418,589	120,977	-	539,566
Total operating expenses	6,911,609	528,398	16,833	7,456,840
Non operating expenses	10,457	-	-	10,457
Total	$ 6,922,066	$ 528,398	$ 16,833	$ 7,467,297

17. Subsequent Events

SHC has evaluated subsequent events occurring between the end of the most recent fiscal year and December 10, 2024, the date the consolidated financial statements were issued. There were no such events that require adjustments or disclosure in the notes to the consolidated financial statements.

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Stanford Health Care
Consolidating Balance Sheet
August 31, 2024
(in thousands of dollars)

	FY 2024										
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ 295,654	$ 38,509	$ 399	$ -	$ 76,702	$ 9,756	$ 6,792	$ -	$ 18,936	$ -	$ 446,748
Short term investments	134,761	-	-	-	-	-	-	-	-	-	134,761
Patient accounts receivable, net	1,097,905	29,151	68,228	-	-	2,403	-	-	-	-	1,197,687
Other receivables	116,914	14,008	7,015	3,622	4,819	587	10,322	269	4,954	(3,997)	158,513
Inventories	95,235	-	12,281	2,702	-	-	-	-	25	-	110,243
Prepaid expenses and other	77,493	13,452	2,760	1,716	326	557	1,365	43	68	(49)	97,731
Due from related parties	3,625	-	-	-	44	-	-	-	-	(3,669)	-
Due from Stanford University	-	-	34	185	-	-	-	-	-	(219)	-
Due from Lucile Salter Packard Children's Hospital at Stanford	29,749	-	-	967	-	-	-	-	-	(324)	30,392
Total current assets	**1,851,336**	**95,120**	**90,717**	**9,192**	**81,891**	**13,303**	**18,479**	**312**	**23,983**	**(8,258)**	**2,176,075**
Investments	2,564,425	-	4,856	-	82,916	-	21,335	-	-	-	2,673,532
Equity method investments	189,183	-	7,628	-	-	-	-	-	-	-	196,811
Investments in University managed pools	2,942,083	-	-	-	77,556	-	-	-	-	-	3,019,639
Assets limited as to use for capital projects & other long-term purposes	35,378	-	-	-	-	-	-	-	-	-	35,378
Property and equipment, net	3,630,726	22,415	321,618	5,466	-	6,156	-	-	13,135	-	3,999,516
Right of use lease assets	326,314	57,949	46,257	2,212	-	-	-	-	1,301	(52,620)	381,413
Due from Stanford University - housing loans	229,313	-	750	-	-	-	-	-	-	-	230,063
Other assets	124,243	3,009	2,311	-	-	-	342	17	-	(43,933)	85,989
Investments in related entities	849,655	6,192	-	-	-	-	-	-	-	(855,847)	-
Total assets	**$ 12,742,656**	**$ 184,685**	**$ 474,137**	**$ 16,870**	**$ 242,363**	**$ 19,459**	**$ 40,156**	**$ 329**	**$ 38,419**	**$ (960,658)**	**$ 12,798,416**
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued liabilities	$ 474,044	$ 16,456	$ 21,063	$ 2,979	$ 621	$ 297	$ 3,185	$ 60	$ 265	$ (52)	$ 518,918
Accrued salaries and related benefits	457,825	38,898	24,944	-	-	-	-	125	-	-	521,792
Due to related parties	-	-	-	-	-	341	44	-	3,284	(3,669)	-
Due to Stanford University	300,010	-	-	53	-	-	-	-	-	(219)	299,844
Due to Lucile Salter Packard Children's Hospital at Stanford	-	-	324	-	-	-	-	-	-	(324)	-
Third-party payor settlements	76,089	-	-	-	-	-	-	-	-	-	76,089
Current portion of long-term debt	175,330	-	3,994	-	-	-	-	-	-	(3,994)	175,330
Debt subject to remarketing arrangements	168,200	-	-	-	-	-	-	-	-	-	168,200
Operating lease liabilities, current	64,436	11,788	6,411	1,579	-	-	-	-	363	(10,341)	74,236
Self-insurance reserves and other	87,782	2,261	4,271	24	29,463	-	-	-	-	-	123,801
Total current liabilities	**1,803,716**	**69,403**	**61,007**	**4,635**	**30,084**	**638**	**3,229**	**185**	**3,912**	**(18,599)**	**1,958,210**
Self-insurance reserves and other, net of current portion	144,749	-	5,155	91	91,015	-	26,420	-	-	-	267,430
Swap liabilities	77,506	-	-	-	-	-	-	-	-	-	77,506
Operating lease liabilities, net of current portion	275,338	47,551	40,925	740	-	-	-	-	985	(43,420)	322,119
Other long-term liabilities	140,102	659	47,565	(182)	-	-	-	-	103	(42,792)	145,455
Long-term debt, net of current portion	2,199,995	-	-	-	-	-	-	-	-	-	2,199,995
Total liabilities	**4,641,406**	**117,613**	**154,652**	**5,284**	**121,099**	**638**	**29,649**	**185**	**5,000**	**(104,811)**	**4,970,715**
Net assets:											
Without donor restrictions:											
Attributable to Stanford Health Care	7,967,728	67,072	314,793	11,586	95,004	11,293	6,192	144	19,492	(855,847)	7,637,457
Noncontrolling interests	-	-	-	-	26,260	7,528	4,315	-	13,927	-	52,030
Total without donor restrictions	**7,967,728**	**67,072**	**314,793**	**11,586**	**121,264**	**18,821**	**10,507**	**144**	**33,419**	**(855,847)**	**7,689,487**
With donor restrictions	133,522	-	4,692	-	-	-	-	-	-	-	138,214
Total net assets	**8,101,250**	**67,072**	**319,485**	**11,586**	**121,264**	**18,821**	**10,507**	**144**	**33,419**	**(855,847)**	**7,827,701**
Total liabilities and net assets	**$ 12,742,656**	**$ 184,685**	**$ 474,137**	**$ 16,870**	**$ 242,363**	**$ 19,459**	**$ 40,156**	**$ 329**	**$ 38,419**	**$ (960,658)**	**$ 12,798,416**

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Balance Sheet
August 31, 2023
(in thousands of dollars)

	FY 2023										
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
Assets											
Current assets:											
Cash and cash equivalents	$ 470,372	$ 36,550	$ 419	$ -	$ 61,979	$ 9,373	$ 15,826	$ -	$ 17,073	$ -	$ 611,592
Short term investments	73,957	-	-	-	-	-	-	-	-	-	73,957
Patient accounts receivable, net	959,194	27,165	54,066	-	-	2,361	-	-	-	-	1,042,786
Other receivables	86,139	18,998	8,141	3,602	14,182	2,380	7,887	324	4,191	(3,997)	141,847
Inventories	97,265	1,172	10,502	2,762	-	-	-	-	25	-	111,726
Prepaid expenses and other	102,488	15,333	9,913	1,178	310	632	1,256	109	46	(63)	131,202
Due from related parties	2,213	-	-	-	44	-	-	-	-	(2,257)	-
Due from Stanford University	-	-	141	2,895	-	-	-	-	-	(3,036)	-
Due from Lucile Salter Packard Children's Hospital at Stanford	17,064	-	-	582	-	-	-	-	-	(331)	17,315
Total current assets	**1,808,692**	**99,218**	**83,182**	**11,019**	**76,515**	**14,746**	**24,969**	**433**	**21,335**	**(9,684)**	**2,130,425**
Investments	1,913,670	-	6,013	-	59,847	-	7,539	-	-	-	1,987,069
Equity method investments	227,720	-	7,353	-	-	-	-	-	-	-	235,073
Investments in University managed pools	2,516,295	-	-	-	71,204	-	-	-	-	-	2,587,499
Assets limited as to use for capital projects & other long-term purposes	44,856	-	-	-	-	-	-	-	-	-	44,856
Property and equipment, net	3,529,395	29,745	298,419	3,736	-	3,819	-	-	10,563	-	3,875,677
Right of use lease assets	276,576	49,627	25,824	5,276	-	-	-	264	1,652	(41,069)	318,150
Due from Stanford University - housing loans	186,726	-	-	-	-	-	-	-	-	-	186,726
Other assets	93,693	1,476	3,493	-	-	-	384	17	-	(47,927)	51,136
Investments in related entities	740,522	5,137	-	-	-	-	-	-	-	(745,659)	-
Total assets	**$ 11,338,145**	**$ 185,203**	**$ 424,284**	**$ 20,031**	**$ 207,566**	**$ 18,565**	**$ 32,892**	**$ 714**	**$ 33,550**	**$ (844,339)**	**$ 11,416,611**
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued liabilities	$ 557,780	$ 24,885	$ 32,698	$ 4,564	$ 597	$ 194	$ 2,931	$ 58	$ 1,479	$ (66)	$ 625,120
Accrued salaries and related benefits	406,014	38,754	22,720	-	-	-	-	94	-	-	467,582
Due to related parties	-	-	-	-	-	243	44	-	1,970	(2,257)	-
Due to Stanford University	238,988	-	-	2,826	-	-	-	-	-	(3,036)	238,778
Due to Lucile Salter Packard Children's Hospital at Stanford	-	-	331	-	-	-	-	-	-	(331)	-
Third-party payor settlements	69,482	-	(358)	-	-	-	-	-	-	-	69,124
Current portion of long-term debt	13,475	-	3,994	-	-	-	-	-	-	(3,994)	13,475
Debt subject to remarketing arrangements	168,200	-	-	-	-	-	-	-	-	-	168,200
Operating lease liabilities, current	59,019	11,792	5,509	3,641	-	-	-	280	338	(11,244)	69,335
Self-insurance reserves and other	86,906	2,844	4,287	13	22,748	-	-	-	-	-	116,798
Total current liabilities	**1,599,864**	**78,275**	**69,181**	**11,044**	**23,345**	**437**	**2,975**	**432**	**3,787**	**(20,928)**	**1,768,412**
Self-insurance reserves and other, net of current portion	130,730	-	4,782	87	79,260	-	21,334	-	-	-	236,193
Swap liabilities	86,262	-	-	-	-	-	-	-	-	-	86,262
Operating lease liabilities, net of current portion	228,314	39,101	20,951	1,910	-	-	-	-	1,348	(30,947)	260,677
Other long-term liabilities	134,645	120	51,628	(126)	-	-	-	-	-	(46,805)	139,462
Long-term debt, net of current portion	2,088,770	-	-	-	-	-	-	-	-	-	2,088,770
Total liabilities	**4,268,585**	**117,496**	**146,542**	**12,915**	**102,605**	**437**	**24,309**	**432**	**5,135**	**(98,680)**	**4,579,776**
Net assets:											
Without donor restrictions:											
Attributable to Stanford Health Care	6,936,726	67,707	272,585	7,116	87,430	10,877	5,137	282	16,489	(745,597)	6,658,752
Noncontrolling interests	-	-	-	-	17,531	7,251	3,446	-	11,926	-	40,154
Total without donor restrictions	**6,936,726**	**67,707**	**272,585**	**7,116**	**104,961**	**18,128**	**8,583**	**282**	**28,415**	**(745,597)**	**6,698,906**
With donor restrictions	132,834	-	5,157	-	-	-	-	-	-	(62)	137,929
Total net assets	**7,069,560**	**67,707**	**277,742**	**7,116**	**104,961**	**18,128**	**8,583**	**282**	**28,415**	**(745,659)**	**6,836,835**
Total liabilities and net assets	**$ 11,338,145**	**$ 185,203**	**$ 424,284**	**$ 20,031**	**$ 207,566**	**$ 18,565**	**$ 32,892**	**$ 714**	**$ 33,550**	**$ (844,339)**	**$ 11,416,611**

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2024
(in thousands of dollars)

	FY 2024										
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
Operating revenues and other support:											
Net patient service revenue	$ 7,892,815	$ 263,550	$ 530,590	$ -	$ -	$ 10,914	$ -	$ -	$ -	$ (16,547)	$ 8,681,322
Premium revenue	568	56,141	-	-	-	-	-	-	-	-	56,709
Grants - COVID-19 and FEMA	(562)	230	635	-	-	-	-	-	-	-	303
Other revenue	126,525	25,596	7,870	106,210	49,167	76	4,880	1,729	12,463	(127,189)	207,327
Net assets released from restrictions used for operations	6,741	-	84	-	-	-	-	-	-	(62)	6,763
Total operating revenues and other support	**8,026,087**	**345,517**	**539,179**	**106,210**	**49,167**	**10,990**	**4,880**	**1,729**	**12,463**	**(143,798)**	**8,952,424**
Operating expenses:											
Salaries and benefits	3,387,937	155,717	309,726	50,240	4,678	2,949	-	2,758	1,525	(156)	3,915,374
Professional services	64,881	5,992	2,075	340	910	1,153	692	76	16	(1,415)	74,720
Supplies	1,241,618	38,243	80,217	23,318	6	125	-	-	28	(38,384)	1,345,171
Purchased services	1,848,167	199,626	42,024	5,997	183	1,230	-	46	2,771	(66,151)	2,033,893
Depreciation and amortization	249,264	7,282	30,587	1,503	-	947	-	-	2,447	-	292,030
Interest	80,394	-	1,689	-	-	-	-	-	-	(1,689)	80,394
Other	553,608	32,306	58,891	12,228	39,492	1,514	3,851	504	1,634	(36,945)	667,083
Total operating expenses	**7,425,869**	**439,166**	**525,209**	**93,626**	**45,269**	**7,918**	**4,543**	**3,384**	**8,421**	**(144,740)**	**8,408,665**
Income (loss) from operations	**600,218**	**(93,649)**	**13,970**	**12,584**	**3,898**	**3,072**	**337**	**(1,655)**	**4,042**	**942**	**543,759**
Interest and investment income	142,883	2,185	85	-	3,892	145	1,032	-	962	(1,689)	149,495
(Losses) earnings on equity method investments	(72,434)	-	275	-	-	-	-	-	-	-	(72,159)
Change in value of University managed pools and other	453,119	370	-	-	8,384	-	555	-	-	(370)	462,058
Swap interest and change in value of swap agreements	(2,898)	-	-	-	-	-	-	-	-	-	(2,898)
Other components of net periodic benefit costs	(6,608)	-	-	-	-	-	-	-	-	-	(6,608)
Pension termination	(51,688)	-	-	-	-	-	-	-	-	-	(51,688)
Loss on extinguishment of swaps	(7,732)	-	-	-	-	-	-	-	-	-	(7,732)
Excess (deficiency) of revenues over expenses	**1,054,860**	**(91,094)**	**14,330**	**12,584**	**16,174**	**3,217**	**1,924**	**(1,655)**	**5,004**	**(1,117)**	**1,014,227**
Other changes in net assets without donor restrictions:											
Transfers to Stanford University	(104,835)	-	-	-	-	-	-	-	-	-	(104,835)
Transfers from Lucile Salter Packard Children's Hospital at Stanford	276	-	-	-	-	-	-	-	-	-	276
Change in net unrealized gain on investments	22,639	-	-	-	-	-	-	-	-	-	22,639
Net assets released from restrictions used for:											
Purchase of property and equipment	5,162	-	1,222	-	-	-	-	-	-	-	6,384
Change in pension and postretirement liability	52,900	-	-	-	-	-	-	-	-	-	52,900
Noncontrolling capital contributions (distributions)	-	90,459	26,656	(8,114)	129	(2,524)	-	1,517	-	(109,133)	(1,010)
Increase (decrease) in net assets without donor restrictions	**1,031,002**	**(635)**	**42,208**	**4,470**	**16,303**	**693**	**1,924**	**(138)**	**5,004**	**(110,250)**	**990,581**
Changes in net assets with donor restrictions:											
Transfers from (to) Stanford University	326	-	(25)	-	-	-	-	-	-	-	301
Contributions and other	6,537	-	608	-	-	-	-	-	-	-	7,145
Investment income	1,579	-	258	-	-	-	-	-	-	-	1,837
Gains on University managed pools	4,149	-	-	-	-	-	-	-	-	-	4,149
Net assets released from restrictions used for:											
Operations	(6,741)	-	(84)	-	-	-	-	-	-	62	(6,763)
Purchase of property and equipment	(5,162)	-	(1,222)	-	-	-	-	-	-	-	(6,384)
Increase (decrease) in net assets with donor restrictions	**688**	**-**	**(465)**	**-**	**-**	**-**	**-**	**-**	**-**	**62**	**285**
Increase (decrease) in net assets	1,031,690	(635)	41,743	4,470	16,303	693	1,924	(138)	5,004	(110,188)	990,866
Net assets, beginning of year	7,069,560	67,707	277,742	7,116	104,961	18,128	8,583	282	28,415	(745,659)	6,836,835
Net assets, end of year	**$ 8,101,250**	**$ 67,072**	**$ 319,485**	**$ 11,586**	**$ 121,264**	**$ 18,821**	**$ 10,507**	**$ 144**	**$ 33,419**	**$ (855,847)**	**$ 7,827,701**

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2023
(in thousands of dollars)

	FY 2023										
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
Operating revenues and other support:											
Net patient service revenue	$ 6,760,409	$ 300,614	$ 467,587	$ -	$ -	$ 9,787	$ -	$ -	$ -	$ (17,362)	$ 7,521,035
Premium revenue	838	64,548	-	-	-	-	-	-	-	-	65,386
Grants - COVID-19 and FEMA	28,831	760	2,440	-	-	-	-	-	-	-	32,031
Other revenue	159,138	33,516	9,098	98,538	44,389	53	4,496	2,172	13,756	(123,115)	242,041
Net assets released from restrictions used for operations	11,112	-	71	30	-	-	-	-	-	-	11,213
Total operating revenues and other support	**6,960,328**	**399,438**	**479,196**	**98,568**	**44,389**	**9,840**	**4,496**	**2,172**	**13,756**	**(140,477)**	**7,871,706**
Operating expenses:											
Salaries and benefits	3,081,036	156,354	281,135	44,711	4,969	2,719	-	3,555	1,469	(149)	3,575,799
Professional services	64,878	7,441	1,628	214	925	1,246	641	73	-	(1,507)	75,539
Supplies	1,057,243	60,883	67,725	20,652	5	140	-	9	36	(35,518)	1,171,175
Purchased services	1,569,071	243,569	41,361	5,029	98	1,212	-	42	2,553	(105,414)	1,757,521
Depreciation and amortization	224,363	8,947	25,821	1,484	-	655	-	12	1,858	-	263,140
Interest	74,100	-	1,817	-	-	-	-	-	-	(1,817)	74,100
Other	442,584	34,862	46,072	11,294	31,163	1,586	3,802	482	1,807	(33,745)	539,907
Expense recoveries from related parties	(341)	(35,210)	-	-	-	-	-	(801)	-	36,011	(341)
Total operating expenses	**6,512,934**	**476,846**	**465,559**	**83,384**	**37,160**	**7,558**	**4,443**	**3,372**	**7,723**	**(142,139)**	**7,456,840**
Income (loss) from operations	**447,394**	**(77,408)**	**13,637**	**15,184**	**7,229**	**2,282**	**53**	**(1,200)**	**6,033**	**1,662**	**414,866**
Interest and investment income	60,425	1,680	96	-	2,006	-	495	-	266	(1,817)	63,151
Earnings on equity method investments	42,655	-	325	-	-	-	-	-	-	-	42,980
Change in value of University managed pools and other	208,792	(45)	-	-	1,743	-	(75)	-	-	45	210,460
Swap interest and change in value of swap agreements	55,155	-	-	-	-	-	-	-	-	-	55,155
Other components of net periodic benefit costs	(5,969)	-	-	-	-	-	-	-	-	-	(5,969)
Excess (deficiency) of revenues over expenses	**808,452**	**(75,773)**	**14,058**	**15,184**	**10,978**	**2,282**	**473**	**(1,200)**	**6,299**	**(110)**	**780,643**
Other changes in net assets without donor restrictions:											
Transfers to Stanford University	(89,645)	-	-	-	-	-	-	-	-	-	(89,645)
Transfers from Lucile Salter Packard Children's Hospital at Stanford	1,783	-	-	-	-	-	-	-	-	-	1,783
Change in net unrealized gain on investments	9,974	-	-	-	-	-	-	-	-	-	9,974
Net assets released from restrictions used for:											
Purchase of property and equipment	19,467	-	814	-	-	-	-	-	-	-	20,281
Change in pension and postretirement liability	4,039	-	-	-	-	-	-	-	-	-	4,039
Noncontrolling capital contributions (distributions), net	-	83,421	55,052	(72,276)	947	(3,071)	1,606	4,942	300	(71,850)	(929)
Increase (decrease) in net assets without donor restrictions	**754,070**	**7,648**	**69,924**	**(57,092)**	**11,925**	**(789)**	**2,079**	**3,742**	**6,599**	**(71,960)**	**726,146**
Changes in net assets with donor restrictions:											
Transfers to Stanford University	(258)	-	-	-	-	-	-	-	-	-	(258)
Transfers (to) from related entities	(1,406)	-	1,376	30	-	-	-	-	-	-	-
Contributions and other	20,534	-	350	-	-	-	-	-	-	-	20,884
Investment income	1,450	-	190	-	-	-	-	-	-	-	1,640
Gains on University managed pools	2,059	-	-	-	-	-	-	-	-	-	2,059
Net assets released from restrictions used for:											
Operations	(11,112)	-	(71)	(30)	-	-	-	-	-	-	(11,213)
Purchase of property and equipment	(19,467)	-	(814)	-	-	-	-	-	-	-	(20,281)
(Decrease) increase in net assets with donor restrictions	**(8,200)**	**-**	**1,031**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,169)**
Increase (decrease) in net assets	745,870	7,648	70,955	(57,092)	11,925	(789)	2,079	3,742	6,599	(71,960)	718,977
Net assets, beginning of year	6,323,690	60,059	206,787	64,208	93,036	18,917	6,504	(3,460)	21,816	(673,699)	6,117,858
Net assets, end of year	**$ 7,069,560**	**$ 67,707**	**$ 277,742**	**$ 7,116**	**$ 104,961**	**$ 18,128**	**$ 8,583**	**$ 282**	**$ 28,415**	**$ (745,659)**	**$ 6,836,835**

The accompanying note is an integral part of the accompanying consolidating information.

Accompanying Consolidating Information

The accompanying consolidating information presents Consolidating Balance Sheets as of August 31, 2024 and 2023 and Consolidating Statements of Operations and Changes in Net Assets for the years then ended.

The supplemental information has been prepared in a manner consistent with generally accepted accounting principles and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position and results of the individual entities.