ASCENSION

Consolidated Interim Financial Statements and Supplementary Information (Unaudited)

For the Three and Nine Months Ended March 31, 2023 and 2022

Ascension

Consolidated Financial Statements
and Supplementary Information

For the Three and Nine Months Ended March 31, 2023 and 2022

Contents

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Consolidated Balance Sheets (unaudited)

(Dollars in Thousands)

	March 31, 2023	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 757,659**	$ 747,084
Short-term investments	**57,965**	70,284
Accounts receivable	**3,415,271**	3,435,376
Inventories	**506,015**	511,064
Due from brokers *(see Notes 5 and 6)*	**112,955**	142,075
Estimated third-party payor settlements	**211,565**	219,544
Other	**1,159,304**	940,170
Total current assets	**6,220,734**	6,065,597
Long-term investments *(see Notes 5 and 6)*	**20,191,641**	22,058,171
Property and equipment, net	**10,785,637**	11,424,061
Other assets:		
Right-of-use assets - leases	**1,316,219**	1,323,258
Investment in unconsolidated entities	**1,353,779**	1,309,662
Capitalized software costs, net	**543,002**	500,547
Other	**1,407,715**	1,394,484
Total other assets	**4,620,715**	4,527,951
Total assets	**$ 41,818,727**	$ 44,075,780

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Consolidated Balance Sheets (unaudited)

(Dollars in Thousands)

	March 31, 2023	June 30, 2022
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 96,912**	$ 91,618
Long-term debt subject to short-term remarketing arrangements*	**760,525**	774,630
Current portion of lease obligations	**266,342**	265,528
Accounts payable and accrued liabilities	**3,071,123**	3,323,858
Estimated third-party payor settlements	**685,510**	752,532
Due to brokers *(see Notes 5 and 6)*	**152,434**	75,789
Current portion of self-insurance liabilities	**519,695**	307,762
Current portion of Medicare advanced payments	**-**	522,045
Other	**590,082**	613,416
Total current liabilities	**6,142,623**	6,727,178
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,309,161**	6,409,810
Lease obligations, less current portion	**1,086,421**	1,093,735
Self-insurance liabilities	**893,833**	824,552
Pension and other postretirement liabilities	**395,433**	562,609
Other	**1,350,075**	1,332,350
Total noncurrent liabilities	**10,034,923**	10,223,056
Total liabilities	**16,177,546**	16,950,234
Net assets:		
Without donor restrictions:		
Controlling interest	**22,246,938**	24,067,446
Noncontrolling interests	**2,632,486**	2,307,734
Total net assets without donor restrictions	**24,879,424**	26,375,180
Net assets with donor restrictions	**761,757**	750,366
Total net assets	**25,641,181**	27,125,546
Total liabilities and net assets	**$ 41,818,727**	$ 44,075,780

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to March 31, 2024. In the event that bonds are not remarketed upon the exercise of put options for the variable bonds or scheduled mandatory tender bonds, management would utilize other sources to access the necessary liquidity. Potential sources include a drawdown on the System's line of credit, issuing commercial paper, and liquidating investments.

The accompanying notes are an integral part of the consolidated financial statements

Ascension

Consolidated Statements of Operations and Changes in Net Assets (unaudited)

(Dollars in Thousands)

	The three months ended March 31, 2023	The three months ended March 31, 2022	The nine months ended March 31, 2023	The nine months ended March 31, 2022
Operating revenue:				
Net patient service revenue	**$6,334,109**	$6,135,605	**$ 19,193,152**	$ 19,003,870
Other revenue	**608,411**	554,211	**2,062,036**	1,884,020
Total operating revenue	**6,942,520**	6,689,816	**21,255,188**	20,887,890
Operating expenses:				
Salaries and wages	**2,906,238**	3,147,748	**8,862,059**	9,043,129
Employee benefits	**597,227**	585,880	**1,852,449**	1,774,277
Purchased services	**983,217**	819,101	**2,815,396**	2,446,806
Professional fees	**392,540**	352,764	**1,117,782**	1,034,807
Supplies	**1,011,232**	1,024,277	**3,044,216**	3,147,843
Insurance	**315,128**	85,366	**491,961**	254,774
Interest	**58,311**	56,372	**171,737**	169,808
Provider tax	**205,833**	170,922	**604,562**	542,253
Depreciation and amortization	**326,547**	335,632	**980,155**	999,026
Other	**825,379**	763,716	**2,399,568**	2,122,882
Total operating expenses	**7,621,652**	7,341,778	**22,339,885**	21,535,605
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	**(679,132)**	(651,962)	**(1,084,697)**	(647,715)
Self-insurance trust fund investment return	**32,004**	(35,245)	**28,169**	(17,079)
Income (loss) from recurring operations	**(647,128)**	(687,207)	**(1,056,528)**	(664,794)
Impairment and nonrecurring gains (losses), net	**(715,050)**	16,071	**(715,621)**	24,705
Income (loss) from operations	**(1,362,178)**	(671,136)	**(1,772,149)**	(640,089)
Nonoperating gains (losses):				
Investment return, net	**700,170**	(312,823)	**(98,396)**	736,388
Other	**8,099**	69,391	**56,819**	158,273
Total nonoperating gains (losses), net	**708,269**	(243,432)	**(41,577)**	894,661
Excess (deficit) of revenues and gains over expenses and losses	**(653,909)**	(914,568)	**(1,813,726)**	254,572
Less noncontrolling interests	**59,104**	(29,831)	**59,524**	109,366
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**(713,013)**	(884,737)	**(1,873,250)**	145,206

Continued on next page.

Ascension

Consolidated Statements of Operations and Changes in Net Assets (unaudited)

(Dollars in Thousands)

	The three months ended March 31, 2023	The three months ended March 31, 2022	The nine months ended March 31, 2023	The nine months ended March 31, 2022
Net assets without donor restrictions, controlling interest:				
Excess (deficit) of revenues and gains over expenses and losses	**$ (713,013)**	$ (884,737)	**$ (1,873,250)**	$ 145,206
Transfers (to) from sponsors and other affiliates, net	**(23,606)**	(1,175)	**(38,661)**	(1,371)
Net assets released from restrictions for property acquisitions	**11,964**	6,278	**25,651**	23,292
Pension and other postretirement liability adjustments	**22,751**	37,770	**67,974**	112,914
Change in unconsolidated entities' net assets	**(5,416)**	(20,259)	**(49,544)**	(18,969)
Other	**33,001**	36,748	**47,322**	25,981
Increase (decrease) in net assets without donor restrictions, controlling interest	**(674,319)**	(825,375)	**(1,820,508)**	287,053
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficit) of revenues and gains over expenses and losses	**59,104**	(29,831)	**59,524**	109,366
Net contributions (distributions) of capital	**339,147**	(52,394)	**257,093**	(353,311)
Other	**4,212**	(1,997)	**8,135**	(6,087)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	**402,463**	(84,222)	**324,752**	(250,032)
Net assets with donor restrictions:				
Contributions and grants	**28,509**	7,127	**91,435**	87,106
Investment return	**1,583**	(9,210)	**(1,556)**	(712)
Net assets released from restrictions	**(26,724)**	(14,691)	**(64,640)**	(47,992)
Divestiture	**-**	-	**-**	(92,623)
Other	**(6,088)**	(17,366)	**(13,848)**	(14,989)
Increase (decrease) in net assets with donor restrictions	**(2,720)**	(34,140)	**11,391**	(69,210)
Increase (decrease) in net assets	**(274,576)**	(943,737)	**(1,484,365)**	(32,189)
Net assets, beginning of period	**25,915,757**	30,187,763	**27,125,546**	29,276,215
Net assets, end of period	**$ 25,641,181**	$ 29,244,026	**$ 25,641,181**	$ 29,244,026

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

Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	The nine months ended March 31, 2023	2022
Operating activities		
Increase (decrease) in net assets	**$ (1,484,365)**	$ (32,189)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**980,155**	999,026
Amortization of bond premiums, discounts, and debt issuance costs	**(22,982)**	(25,671)
Pension and other postretirement liability adjustments	**(67,974)**	(112,914)
Unrealized losses (gains) on unrestricted investments, net	**43,615**	844,259
Change in fair value of interest rate swaps	**(20,395)**	(46,339)
Change in equity of unconsolidated entities	**(125,407)**	(147,464)
Gain on sale of assets, net	**(359,988)**	(80,270)
Impairment and nonrecurring expenses	**714,744**	4,644
Transfers to (from) sponsor and other affiliates, net	**38,661**	1,371
Donor restricted contributions, investment return and other	**(50,890)**	(61,695)
Distributions (contributions) of noncontrolling interest, net	**(257,093)**	353,311
Other	**2,114**	3,841
(Increase) decrease in:		
Short-term investments	**12,319**	11,225
Accounts receivable	**20,105**	(211,668)
Inventories and other current assets	**(267,099)**	(30,208)
Due from brokers	**29,120**	(45,580)
Long-term investments	**1,792,448**	408,570
Other assets	**(12,733)**	(19,294)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(201,476)**	31,268
Estimated third-party payor settlements, net	**(59,043)**	30,726
Due to brokers	**76,645**	137,733
Medicare advanced payments	**(522,045)**	(802,577)
Other current liabilities	**(28,332)**	149,018
Self-insurance liabilities	**281,214**	52,442
Other noncurrent liabilities	**(60,625)**	(401,383)
Net cash provided by (used in) operating activities	**450,693**	1,010,182

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Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	The nine months ended March 31, 2023	2022
Investing activities		
Property, equipment, and capitalized software additions, net	$ (1,176,206)	$ (1,113,865)
Proceeds from sale of property and equipment	9,717	11,226
Distributions from unconsolidated entities, net	81,232	189,226
Net proceeds from sale/acquisition of other assets	434,117	300,332
Net cash provided by (used in) investing activities	(651,140)	(613,081)
Financing activities		
Issuance of debt	212,568	5,579
Repayment of debt, including financing lease obligations	(299,763)	(174,648)
Decrease (increase) in assets under bond agreements	41	1,023
Transfers (to) from sponsors and other affiliates, net	(38,661)	(1,371)
Donor restricted contributions, investment return, and other	50,890	61,695
(Distributions) contributions of noncontrolling interest, net	257,093	(353,311)
Net cash provided by (used in) financing activities	182,168	(461,033)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(18,279)	(63,932)
Cash, cash equivalents, and restricted cash at beginning of period	813,452	727,913
Cash, cash equivalents, and restricted cash at end of period	$ 795,173	$ 663,981
Cash and cash equivalents	$ 757,659	$ 599,817
Restricted cash, included in long-term investments	37,514	64,164
Cash, cash equivalents, and restricted cash at end of period	$ 795,173	$ 663,981

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 19 states and the District of Columbia. Ascension also serves as the direct or indirect member or shareholder of various subsidiaries including, but not limited to:

- Ascension Care Management
- Ascension Risk Services
- Ascension Foundation
- Ascension Global Mission
- Ascension Healthcare
- Ascension Holdings
- Ascension Leadership Academy
- Ascension Technologies
- Ascension Capital
    - Ascension Investment Management (AIM)
    - Ascension Ventures (AV)
    - AV Holding Company
- The Resource Group
- SmartHealth Solutions

Ascension is also the majority investor in Ascension Alpha Fund, LLC (Alpha Fund), a limited liability company organized in the state of Delaware, as well as the majority limited partner of various venture capital funds (the Venture Funds), as further discussed in the Investment Funds note. The Alpha Fund and the Venture Funds are collectively referred to as Investment Funds. Ascension and its member organizations are hereafter referred to collectively as the System.

Sponsorship

Ascension is sponsored by the Ascension Sponsor, a Public Juridic Person. The Participating Entities of the Ascension Sponsor include the Daughters of Charity of St. Vincent de Paul, St. Louise Province; the Congregation of St. Joseph; the Congregation of the Sisters of St. Joseph of Carondelet; the Congregation of Alexian Brothers of the Immaculate Conception Province, Inc. – American Province; and the Sisters of the Sorrowful Mother of the Third Order of St. Francis of Assisi – US/Caribbean Province.

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses four categories to identify the resources utilized for the care of persons living in poverty and community benefit programs:

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured.

- Unpaid cost of public programs, excluding Medicare, represents the unpaid cost of services provided to persons covered by public programs for persons living in poverty and other vulnerable persons.

- Cost of other programs for persons living in poverty and other persons who are vulnerable.

- Unreimbursed costs of community benefit programs and services for the broader community, not solely for the persons living in poverty, including health promotion and education, health clinics and screenings, and medical research.

Discounts are provided to all uninsured and underinsured patients, including those with the means to pay. Discounts provided to those patients who did not qualify for financial assistance are not included in the cost of providing care for persons living in poverty and other community benefit programs. The cost of providing care for persons living in poverty and other community benefit programs is estimated by reducing charges forgone by a factor derived from the ratio of each entity's total operating expenses to the entity's billed charges for patient care. Certain costs such as graduate medical education and certain other activities are excluded from total operating expenses for purposes of this computation.

The amount of traditional charity care provided, determined on the basis of cost, was $388,469 and $395,693 for the nine months ended March 31, 2023 and 2022, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

The System consolidates all entities for which operating control is exercised by the System or one of its member entities, and all significant inter-entity transactions have been eliminated in consolidation. Excluding investments where the fair value option is elected, investments in entities where the System does not have operating control are recorded under the equity method of accounting, and results of operations are included in other operating revenue.

Use of Estimates

Management has made estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Fair Value of Financial Instruments

Carrying values of financial instruments classified as current assets and current liabilities approximate fair value. The fair values of financial instruments measured at fair value are disclosed in the Fair Value Measurements note.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits with original maturities of three months or less.

Short-Term Investments

Short-term investments consist of investments with original maturities exceeding three months and up to one year.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market value using first-in, first-out (FIFO) or a methodology that closely approximates FIFO.

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

Long-term investments are primarily comprised of the Investment Funds, which are consolidated by the System. The System's investments, including the Investment Funds, are measured at fair value or net asset value. Further information about long-term investments and investment return are discussed in the Investment Funds, Cash and Investments, and Fair Value Measurements notes.

Long-term investments include assets limited as to use of $1,644,683 and $1,492,774 at March 31, 2023 and June 30, 2022, respectively. Assets limited as to use are primarily investments with donor restrictions, including restricted cash and cash equivalents, and assets placed in trust or held by captive insurance companies for the payment of self-insured claims.

Purchases and sales of investments are accounted for on a trade-date basis. Investment returns consist of dividends, interest, and gains and losses. The cost of substantially all securities sold is based on the FIFO method. Investment returns, excluding returns of self-insurance trust funds and restricted investment returns, are reported as nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets. Investment returns of self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives used in computing depreciation is as follows: buildings and leasehold improvements, 2 to 40 years; and equipment, 2 to 20 years. Depreciation expense for the three months ended March 31, 2023 and 2022 was approximately $281,000 and $280,000, respectively. Depreciation expense for the nine months ended March 31, 2023 and 2022 was approximately $837,000 and $836,000, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	March 31, 2023	June 30, 2022
Land and improvements	$ 1,504,528	$ 1,458,294
Buildings and equipment	21,843,602	22,143,058
	23,348,130	23,601,352
Less accumulated depreciation	13,303,896	13,105,544
	10,044,234	10,495,808
Construction in progress	741,403	928,253
Total property and equipment, net	$ 10,785,637	$ 11,424,061

Several capital projects have remaining construction and related equipment purchase commitments of approximately $791,000 as of March 31, 2023.

Intangible Assets

Intangible assets primarily consist of goodwill and capitalized computer software costs, including internally developed software. Costs incurred in the development and installation of internal use software are expensed or capitalized depending on whether they are incurred in the preliminary project stage, application development stage, or post-implementation stage, and the nature of the costs. Intangible assets are included in the Consolidated Balance Sheets as presented in the table that follows.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Capitalized software costs in the following table include software in progress of $152,148 and $129,165 at March 31, 2023 and June 30, 2022, respectively:

	March 31, 2023	June 30, 2022
Capitalized software costs	**$ 2,735,083**	$ 2,619,142
Less accumulated amortization	**2,192,081**	2,118,595
Capitalized software costs, net	**543,002**	500,547
Goodwill	**525,208**	497,503
Other, net	**43,278**	45,072
Intangible assets included in other assets	**568,486**	542,575
Total intangible assets, net	**$ 1,111,488**	$ 1,043,122

Intangible assets whose lives are indefinite, primarily goodwill, are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. Intangible assets with definite lives, primarily capitalized computer software costs, are amortized on a straight line basis over their expected useful lives. Amortization expense for these intangible assets for the three months ended March 31, 2023 and 2022 was approximately $45,000 and $55,000, respectively. Amortization expense for these intangible assets for the nine months ended March 31, 2023 and 2022 was approximately $144,000 and $163,000, respectively.

Noncontrolling Interests

The Consolidated Financial Statements include all assets, liabilities, revenues, and expenses of entities that are controlled and consolidated by the System. Noncontrolling interests in the Consolidated Balance Sheets represent the portion of net assets owned by entities outside the System, for those entities in which the System's ownership interest is less than 100%.

2. Significant Accounting Policies (continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those whose use by the System has not been limited by donors and are available for general operating use.

Net Assets With Donor Restrictions

Net assets with donor restrictions include those whose use by the System has been limited by donors for a specific time period or purpose, primarily for patient care, operations, and property and equipment.

This category also includes net assets restricted by donors to be maintained in perpetuity. The income generated from these restricted investments is primarily used to purchase equipment and to provide charity care and other health and educational services. Contributions with donor-imposed restrictions that are met in the same reporting period are reported as net assets without donor restrictions.

Performance Indicator

The performance indicator is the excess of revenues and gains over expenses and losses. Pension and other postretirement liability adjustments, transfers to or from sponsors and other affiliates, net assets released from restrictions for property acquisitions, and changes in unconsolidated entities' net assets are not included in the performance indicator.

Operating and Nonoperating Activities

The System's primary mission is to meet the healthcare needs in its communities served through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, long-term care, and other healthcare services. Activities directly associated with the furtherance of this purpose are classified as operating activities, while activities resulting in gains or losses peripheral to the System's primary mission are classified as nonoperating.

2. Significant Accounting Policies (continued)

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue relates to contracts with patients, and in most cases involve a third-party payor (Medicare, Medicaid, commercial and other managed care insurance companies) in which the System's performance obligations are to provide health care services. Net patient service revenues are recorded at expected collectible amounts over the time in which obligations to provide health care services are satisfied. Revenue is accrued to estimate the amount of revenue earned to date for patients who have not been discharged and whose care services are not complete as of the reporting period. Substantially all the System's performance obligations are satisfied in one year.

The transaction price is determined based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the System's charity care policy, and implicit price concessions provided primarily to uninsured patients. Patients who have health care insurance may also have discounts applied related to their copayment or deductible. Implicit price concessions are recorded as a direct reduction to net patient service revenue and are based primarily on historical collection experience.

Estimates of contractual adjustments and discounts are determined by major payor classes for inpatient and outpatient revenues based on contractual agreements, discount policies and historical experience. Management regularly reviews the contractual estimation process to consider and incorporate updates to laws and regulations and frequent changes in commercial and managed care contractual terms resulting from contract renegotiations and renewals.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $132,635 and $152,526 for the nine months ended March 31, 2023 and 2022, respectively.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled or are no longer subject to such audits, reviews and investigations.

Net patient service revenue earned for the three months ended March 31, 2023 and 2022, is as follows:

	The three months ended March 31,	
	2023	**2022**
Inpatient care	$ **2,883,478**	$ 2,936,707
Ambulatory care	**2,617,618**	2,398,792
Physician practices	**726,658**	704,002
Long-term care	**106,355**	96,104
Total net patient service revenue	$ **6,334,109**	$ 6,135,605

Net patient service revenue earned for the nine months ended March 31, 2023 and 2022, is as follows:

	The nine months ended March 31,	
	2023	**2022**
Inpatient care	$ **8,727,723**	$ 9,007,525
Ambulatory care	**7,903,729**	7,497,936
Physician practices	**2,241,449**	2,203,995
Long-term care	**320,251**	294,414
Total net patient service revenue	$ **19,193,152**	$ 19,003,870

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The System grants credit without collateral to its patients. Net patient service revenues earned by payor and significant concentrations of accounts receivable are as follows:

	Net Patient Service Revenue The nine months ended March 31,		Accounts Receivable	
	2023	**2022**	**March 31, 2023**	**June 30, 2022**
Medicare - traditional and managed	**36.0 %**	35.8 %	**30.0 %**	30.0 %
Medicaid - traditional and managed	**15.4**	14.5	**11.6**	11.8
Other commercial and managed care	**41.9**	43.0	**44.3**	44.5
Self-Pay and other	**6.7**	6.7	**14.1**	13.7
	100.0 %	100.0 %	**100.0 %**	100.0 %

Deductibles, copayments, and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the preceding table.

The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient deductibles and copayments remain outstanding. Accounts are written off when all reasonable internal and external collection efforts have been performed.

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts. The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer health care coverage and other collection indicators.

Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectability of accounts receivable. Management updates the hindsight analysis at least quarterly, using primarily a rolling twelve-month collection history and write-off data. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of results of operations.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Other Operating Revenue

Other operating revenues are recorded at amounts the System expects to collect in exchange for providing goods or services not directly associated with patient care and recorded over the time in which obligations to provide goods or services are satisfied. The amounts recognized reflect consideration due from customers, third party payors, and others.

Components of other operating revenue are included in the following tables for the three and nine months ended March 31, 2023 and 2022, respectively:

	The three months ended March 31,	
	2023	**2022**
Cafeteria and vending	**$ 19,582**	$ 16,495
COVID-19 funding (*see Note 3*)	**9,578**	77,052
Contracted services	**63,582**	61,157
Donations and grants	**23,159**	29,306
Gains on asset sales	**1,505**	5,229
Insurance plans	**78,625**	33,540
Joint venture income	**68,368**	47,135
Lab services	**14,874**	21,062
Lease and rental income	**23,513**	22,559
Retail pharmacy	**211,902**	154,061
Supplemental care programs	**56,286**	38,432
Other	**37,437**	48,183
Total other revenue	**$ 608,411**	$ 554,211

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

	The nine months ended March 31, 2023	2022
Cafeteria and vending	**$ 57,243**	$ 48,113
COVID-19 funding (*see Note 3*)	**23,218**	311,342
Contracted services	**178,251**	172,045
Donations and grants	**75,194**	71,824
Gains on asset sales	**373,989**	84,871
Insurance plans	**177,118**	77,808
Joint venture income	**174,802**	166,306
Lab services	**51,784**	63,050
Lease and rental income	**71,707**	67,201
Retail pharmacy	**558,199**	426,736
Supplemental care programs	**203,842**	196,418
Other	**116,689**	198,306
Total other revenue	**$ 2,062,036**	$ 1,884,020

Supplemental care is revenue related to expansion and improvement of care through programs including accountable care organizations, shared savings, and other similar arrangements. Contracted services primarily include revenue from services provided under third party arrangements.

Impairment and Nonrecurring Gains (Losses), Net

Long-lived assets are reviewed for impairment whenever events or business conditions indicate the carrying amount of such assets may not be fully recoverable. Initial assessments of recoverability are based on estimates of undiscounted future net cash flows associated with an asset or group of assets. Where impairment is indicated, the carrying amount of an asset or group of assets is reduced to fair value based on income and market approaches, which may include discounted estimates of future net cash flows, market comparables for similar assets, and appraisals.

2. Significant Accounting Policies (continued)

Ascension has determined that estimated future net cash flows for certain System entities will not support their recoverability. As such, an impairment charge of approximately $714,454 was recognized for the three months ended March 31, 2023, included in Impairment and Nonrecurring gains (losses), net in the Consolidated Statement of Operations and Changes in Net Assets.

Nonrecurring gains (losses) are primarily related to natural disaster losses and related insurance proceeds and other recoveries.

Amortization

Bond issuance costs, discounts, and premiums are amortized over the term of the bonds or the fixed interest period, if applicable, primarily using a method approximating the effective interest method.

Income Taxes

The member healthcare entities of the System are primarily tax-exempt organizations under Internal Revenue Code Section 501(c)(3) or Section 501(c)(2), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of March 31, 2023.

Contingencies

Regulatory and legal contingencies are evaluated for risk of loss, and accruals are made when such losses are deemed probable and can be reasonably estimated. Liabilities accrued for professional liability claims include amounts covered by excess insurance, and as such, the Company records a receivable for the expected reimbursement of losses covered by excess insurance at the time liabilities are accrued.

Reclassifications

Certain reclassifications were made to prior periods' Consolidated Financial Statements to conform to the March 31, 2023 presentation.

2. Significant Accounting Policies (continued)

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date, but before the Consolidated Financial Statements are issued, for potential recognition or disclosure in the Consolidated Financial Statements as of the Consolidated Balance Sheet date. For the nine months ended March 31, 2023 the System evaluated subsequent events through May 26, 2023, representing the date the Consolidated Financial Statements were issued.

In April 2023, Gulf Coast Health System (GCHS), a wholly owned subsidiary of Ascension, and University of South Alabama Health Care Authority (USAHCA) entered into an agreement whereby GCHS will sell substantially all assets and operations, as well as related clinical and other business associated with, Providence Hospital in Mobile, Alabama to USAHCA This transition is expected to be finalized after all necessary approvals are obtained.

3. COVID-19

Other operating revenue includes amounts the System has recognized associated with U.S. Government COVID-19 legislation funding, for which management continues to monitor compliance of associated terms and conditions. If unable to attest to or comply with current or future terms and conditions, the System's ability to retain some or all of the distributions received may be impacted.

Ascension was advanced approximately $2,000,000 through the Centers for Medicare and Medicaid Services' Accelerated and Advanced Payment Program in April 2020. All funds have been recouped as of March 31, 2023. At June 30, 2022, $522,045 was not yet recouped, and was recorded as a current liability.

4. Organizational Changes

Divestitures

During the nine months ended March 31, 2023 and 2022, Ascension, including certain of its wholly owned subsidiaries, completed the sale of, or undertook actions to sell or transfer ownership of, certain assets and liabilities as follows.

4. Organizational Changes (continued)

Assets Held for Sale / Sold

Effective September 30, 2022, Ascension completed the sale of certain assets of its outreach laboratory business and transitioned management of hospital-based laboratories in certain markets to Laboratory Corporation of America Holdings. Assets held for sale of approximately $62,000 were included in other current assets in the Consolidated Balance Sheet at June 30, 2022.

Effective August 1, 2021, Ministry Health Care, Inc., a wholly owned subsidiary of Ascension, completed the transition of its sole membership interest in seven hospitals and related clinical and other business representing substantially all operations in the Northern and Central Wisconsin markets to Aspirus, Inc.

Other

Effective April 1, 2022, Ascension and Adventist Health System Sunbelt Healthcare Corporation (AdventHealth), disaffiliated from AMITA Health, the joint operating company which served the healthcare needs of the greater Chicago area from 2015 through March 31, 2022. Beginning April 1, 2022, Ascension operates and continues to consolidate its 15 hospitals and related healthcare facilities in the Chicagoland area separately from AdventHealth.

5. Investment Funds

A significant portion of the System's investments are held within the Investment Funds, with additional investments held by the Ministry Markets and their consolidated foundations outside of the Investment Funds.

Alpha Fund

The Alpha Fund is consolidated by the System, and includes the investment interests of the System and noncontrolling Alpha Fund investors.

AIM, a wholly owned subsidiary of the System, serves as the manager and primary investment advisor of the Alpha Fund, overseeing the investment strategies offered to the Alpha Fund's investors. AIM provides expertise in the areas of asset allocation, selection and monitoring of outside investment managers, and risk management.

5. Investment Funds (continued)

Ascension and the Alpha Fund invest in certain alternative investment funds which include contractual commitments to provide capital contributions during the investment period, which is typically five years and can extend to the end of the fund term. During these contractual periods, investment managers may require capital contributions in accordance with the terms of the agreement.

Commitments not funded during the investment period will expire and remain unfunded. As of March 31, 2023, contractual agreements expire between April 2023 and February 2029. The remaining unfunded capital commitments total approximately $1,690,000 for 282 individual funds as of March 31, 2023. Due to the uncertainty surrounding whether the contractual commitments will require funding during the contractual period, future minimum payments to meet these commitments cannot be reasonably estimated. These committed amounts are expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of business, the Alpha Fund enters into derivative contracts (derivatives) for trading purposes, following Alpha Fund guidelines. Advisors selected by AIM to manage the Alpha Fund's assets may actively trade futures contracts, options, swaps, forward settling mortgage-backed securities, index-based instruments, and foreign currency forward contracts.

AIM may direct these advisors to execute derivative transactions. These transactions are used to hedge against changes in the interest rates, security prices, currency fluctuations, and other market developments to manage risk or for the purposes of earning additional income. Derivatives are either exchange-traded or over the counter contracts. Exchange-traded derivatives are standard contracts traded on a regulated exchange. Over the counter contracts are private contracts negotiated with counterparties.

At March 31, 2023 and June 30, 2022, the gross notional value of Alpha Fund derivatives outstanding was approximately $6,250,000 and $13,344,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

The fair value of Alpha Fund derivatives in an asset position was $114,255 and $130,625 at March 31, 2023 and June 30, 2022, respectively, while the fair value of Alpha Fund derivatives in a liability position was $111,085 and $548,073 at March 31, 2023 and June 30, 2022, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets.

(Dollars in Thousands)

5. Investment Funds (continued)

Due from brokers and due to brokers on the Consolidated Balance Sheets represent the Alpha Fund's positions and amounts due from or to various brokers, primarily for security transactions not yet settled.

Venture Funds

The Venture Funds are consolidated by the System, and include the investment interests of the System and other noncontrolling limited partners. The general partners of the Venture Funds are wholly owned subsidiaries of AV Holding Company. The Venture Funds invest primarily in equity securities of privately held domestic entities, and are reported at fair value.

6. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes the net assets of Investment Funds. Other assets (liabilities), net of the Investment Funds are primarily amounts due from and to brokers. System unrestricted cash and investments, net, represent the System's cash and investments excluding assets limited as to use and the noncontrolling interests of Investment Funds.

	March 31, 2023	June 30, 2022
Cash and cash equivalents	$ 757,659	$ 747,084
Short-term investments	57,965	70,284
Long-term investments	20,191,641	22,058,171
Subtotal	21,007,265	22,875,539
Investment Funds' other assets (liabilities), net	(8,782)	86,150
Total cash and investments, net	20,998,483	22,961,689
Less noncontrolling interest of Investment Funds	2,309,012	2,012,636
System cash and investments, including assets limited as to use	18,689,471	20,949,053
Less assets limited as to use:		
Under bond agreement	116	157
Self-insurance trust funds	928,220	795,202
With donor restrictions	716,347	697,415
Total assets limited as to use	1,644,683	1,492,774
System unrestricted cash and investments, net	$ 17,044,788	$ 19,456,279

(Dollars in Thousands)

6. Cash and Investments (continued)

The System's composition of cash and cash equivalents, short-term investments and long-term investments, which include certain assets limited as to use, is summarized as follows.

	March 31, 2023	June 30, 2022
Cash and cash equivalents and short-term investments	$ **894,248**	$ 911,686
Pooled short-term investment funds	**492,869**	917,281
U.S. government, state, municipal and agency obligations	**3,476,959**	4,358,500
Corporate and foreign fixed income securities	**1,295,867**	1,909,257
Asset-backed securities	**2,331,579**	3,129,401
Equity securities	**5,549,915**	4,328,562
Alternative investments and other investments:		
Private equity and real estate funds	**4,500,176**	4,811,569
Private credit and energy funds	**1,562,327**	1,600,318
Hedge funds	**717,970**	835,556
Other investments	**185,355**	73,409
Total alternative investments and other investments	**6,965,828**	7,320,852
Total cash and cash equivalents, short-term investments, and long-term investments	$ **21,007,265**	$ 22,875,539

Total investment return includes the System's return on Investment Funds and on certain investments held and managed outside the Investment Funds. System investment return is net of the investment return earned by the noncontrolling interests of the Investment Funds. Investment return recognized by the System for the three months ended March 31, 2023 and 2022, is summarized in the following table.

	The three months ended March 31, 2023	2022
Interest and dividends	$ **126,299**	$ 85,487
Net gains (losses) on investments reported at fair value	**605,875**	(433,556)
Restricted investment return and unrealized gains (losses), net	**1,583**	(9,210)
Total investment return, net	**733,757**	(357,279)
Less Investment Funds' noncontrolling interest return, net	**33,442**	(46,932)
System investment return, net	$ **700,315**	$ (310,347)

(Dollars in Thousands)

6. Cash and Investments (continued)

Investment return recognized by the System for the nine months ended March 31, 2023 and 2022, is summarized in the following table.

	The nine months ended March 31, 2023	The nine months ended March 31, 2022
Interest and dividends	**$ 308,150**	$ 217,918
Net gains (losses) on investments reported at fair value	**(378,377)**	501,391
Restricted investment return and unrealized gains (losses), net	**(1,556)**	(712)
Total investment return, net	**(71,783)**	718,597
Less Investment Funds' noncontrolling interest return, net	**(12,001)**	37,999
System investment return, net	**$ (59,782)**	$ 680,598

Total and system investment returns are net of external and direct internal investment expenses.

7. Financial Assets and Liquidity Resources

As of March 31, 2023 and June 30, 2022, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt, and capital expenditures not financed with debt, are as follows:

(Dollars in Thousands)

7. Financial Assets and Liquidity Resources (continued)

Financial assets:	March 31, 2023	June 30, 2022
Cash and cash equivalents	**$ 757,659**	$ 747,084
Short-term investments	**57,965**	70,284
Accounts receivable	**3,415,271**	3,435,376
Due from brokers	**112,955**	142,075
Other current assets	**1,159,304**	940,170
Long-term investments	**20,191,641**	22,058,171
Total financial assets	**25,694,795**	27,393,160
Less:		
Assets limited as to use and internally designated funds	**(1,726,760)**	(1,529,771)
Noncontrolling interests of Investment Funds	**(2,309,012)**	(2,012,636)
Investments with liquidity more than one year	**(5,259,702)**	(5,511,336)
Total financial assets available within one year	**16,399,321**	18,339,417
Liquidity resources:		
Unused line(s) of credit	**1,000,000**	1,000,000
Total financial assets and liquidity resources available within one year	**$ 17,399,321**	$ 19,339,417

As part of the System's investment policy, highly liquid investments are held to enhance the System's ability to satisfy liquidity requirements.

8. Fair Value Measurements

The System measures the fair value of assets and liabilities in accordance with FASB ASC 820, *Fair Value Measurement*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability at the measurement date. Assets and liabilities reported at fair value are classified and disclosed in one of the following four categories:

Level 1 – Quoted prices (unadjusted) that are readily available in active markets/exchanges for identical assets or liabilities.

8. Fair Value Measurements (continued)

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 pricing inputs include prices quoted for similar assets and liabilities in active markets/exchanges or prices quoted for identical or similar assets and liabilities in markets that are not active. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Significant pricing inputs that are unobservable for the asset or liability, including assets or liabilities for which there is little, if any, market activity for such asset or liability. Inputs to determine the fair value of Level 3 assets and liabilities require management judgment and estimation.

Net Asset Value – Values are based on the calculated net asset value. The calculated net asset values for underlying investments are fair value estimates determined by an external fund manager and other sources based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector factors.

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

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

As of March 31, 2023, and June 30, 2022, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

8. Fair Value Measurements (continued)

Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents and certain short-term investments include certificates of deposit, whose fair value is based on cost plus accrued interest. Significant observable inputs include security cost, maturity, and relevant short-term interest rates.

Other short-term investments designated as Level 2 investments primarily consist of commercial paper, whose fair value is based on the income approach. Significant observable inputs include security cost, maturity, credit rating, interest rate, and par value.

Pooled Short-Term Investment Funds

The pooled short-term investment fund is a short-term exchange traded money market fund primarily invested in treasury securities.

U. S. Government, State, Municipal, and Agency Obligations

The fair value of investments in U.S. government, state, municipal, and agency obligations is primarily determined using techniques consistent with the income approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, and issuer spreads.

Corporate and Foreign Fixed Income Securities

The fair value of investments in U.S. and international corporate bonds and foreign government bonds is primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yields, reported trades, observable broker/dealer quotes, issuer spreads, and security-specific characteristics (e.g., such as early redemption options).

Asset-backed Securities

The fair value of U.S. agency, mortgage, and other asset-backed securities is primarily determined using techniques that are consistent with the income approach. Significant observable inputs include prepayment speeds and spreads, benchmark yield curves, volatility measures, and observable broker/dealer quotes.

8. Fair Value Measurements (continued)

Equity Securities

The fair value of investments in U.S. and international equity securities is primarily determined using techniques that are consistent with the market and income approaches. The values for underlying investments are based on readily available quoted market prices or represent fair value estimates based on market prices, operating results, balance sheet stability, growth, dividend, dividend yield, and other business and market sector fundamentals.

Alternative Investments and Other Investments

Alternative investments consist of private equity and other investments. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. Other investments include primarily exchange traded commodities and derivative assets and derivative liabilities of the Alpha Fund. Fair values of derivatives are primarily determined using techniques consistent with the market approach. Significant observable inputs to valuation models include the time value of money, counterparty credit risk, interest rates, Treasury yields, volatilities, credit spreads, maturity date, recovery rates, and the current market and contractual prices of the underlying financial instruments.

The fair value of hedge funds, private equity funds, private credit and energy funds, and real estate partnerships is primarily determined using net asset values, which approximate fair value, as determined by an external fund manager based on quoted market prices, operating results, balance sheet stability, growth, and other business and market sector fundamentals.

Benefit Plan Assets

The fair value of benefit plan assets is based on original investment into a guaranteed fund, plus guaranteed, annuity contract-based interest rates. Significant unobservable inputs to the guaranteed rate include the fair value and average duration of the portfolio of investments underlying annuity contract, the contract value, and the annualized weighted-average yield to maturity of the underlying investment portfolio.

8. Fair Value Measurements (continued)

Interest Rate Swap Assets and Liabilities

The fair value of interest rate swaps is primarily determined using techniques consistent with the income method. Under the income method, fair values are calculated based on present value of expected future cash flows using discount rates appropriate with risks involved.

Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased

The fair value of investments sold, not yet purchased is primarily determined using techniques consistent with the income approach. Significant observable inputs to the income approach include data points for benchmark, constant maturity curves, and spreads.

The following table summarizes fair value measurements, by level, at March 31, 2023, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements:

(Dollars in Thousands)

8. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
March 31, 2023				
Cash equivalents	$ 17,357	$ -	$ -	$ 17,357
Short-term investments	54,138	25,688	-	79,826
Pooled short-term investment funds	492,869	-	-	492,869
U.S. government, state, municipal and agency obligations	-	3,476,959	-	3,476,959
Corporate and foreign fixed income securities	-	1,294,587	1,280	1,295,867
Asset-backed securities	-	2,125,856	205,723	2,331,579
Equity securities	4,359,582	16,170	10,086	4,385,838
Alternative investments and other investments:				
Private equity	-	-	360,903	360,903
Other investments, including derivatives, net	68,501	6,025	2,853	77,379
Assets at net asset value:				
Equity securities				1,164,077
Private equity funds and real estate funds				4,139,273
Private credit and energy funds				1,562,327
Hedge funds				717,970
Other investments				6,219
Cash and other investments not at fair value				898,822
Cash and investments				$ 21,007,265
Benefit plan assets, in other noncurrent assets	$ 566,870	$ -	$ 56,232	$ 623,102
Investments sold, not yet purchased, in other noncurrent liabilities	143	-	-	143
Interest rate swaps, included in other noncurrent liabilities	-	37,516	-	37,516

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the three months ended March 31, 2023, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity	Other Investments	Benefit Plan Assets
The three months ended March 31, 2023						
Beginning balance	$ 3,145	$ 198,991	$ 10,036	$ 490,279	$ 3,173	$ 59,150
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	43	5,191	50	(131,508)	(11)	-
Included in changes in net assets	-	-	-	-	(69)	-
Purchases	-	1,541	-	2,132	28	977
Issuances	-	-	-	-	-	-
Sales	-	-	-	-	(268)	(3,425)
Transfers into Level 3	-	-	-	-	-	1,862
Transfers out of Level 3	(1,908)	-	-	-	-	(2,332)
Ending balance	$ 1,280	$ 205,723	$ 10,086	$ 360,903	$ 2,853	$ 56,232
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2023	$ 46	$ 5,191	$ 51	$ -	$ 1	$ -

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the nine months ended March 31, 2023, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity	Other Investments	Benefit Plan Assets
The nine months ended March 31, 2023						
Beginning balance	$ 1,156	$ 210,942	$ 37,171	$ 574,873	$ 3,887	$ 58,439
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	124	1,479	(9,578)	(221,645)	15	-
Included in changes in net assets	-	-	-	-	(810)	-
Purchases	-	6,166	1,470	7,753	82	2,757
Issuances	-	-	-	8	-	-
Sales	-	(8,077)	(18,978)	(86)	(321)	(6,399)
Transfers into Level 3	-	-	1	-	-	4,421
Transfers out of Level 3	-	(4,787)	-	-	-	(2,986)
Ending balance	$ 1,280	$ 205,723	$ 10,086	$ 360,903	$ 2,853	$ 56,232
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2023	$ 127	$ 1,670	$ 147	$ -	$ (29)	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

The following table summarizes fair value measurements, by level, at June 30, 2022, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements:

(Dollars in Thousands)

8. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2022				
Cash equivalents	$ 24,997	$ 14,975	$ -	$ 39,972
Short-term investments	56,426	9,845	-	66,271
Pooled short-term investment funds	917,281	-	-	917,281
U.S. government, state, municipal and agency obligations	-	4,358,500	-	4,358,500
Corporate and foreign fixed income securities	-	1,908,101	1,156	1,909,257
Asset-backed securities	-	2,918,459	210,942	3,129,401
Equity securities	2,486,729	16,551	37,171	2,540,451
Alternative investments and other investments:				
Private equity	-	-	574,873	574,873
Other investments, including derivatives, net	340,594	(344,325)	3,887	156
Assets at net asset value:				
Equity securities				1,788,111
Private equity funds and real estate funds				4,236,200
Private credit and energy funds				1,600,318
Hedge funds				835,556
Other investments				5,811
Cash and other investments not at fair value				873,381
Cash and investments				$ 22,875,539
Benefit plan assets, in other noncurrent assets	$ 541,191	$ -	$ 58,439	$ 599,630
Investments sold, not yet purchased, in other noncurrent liabilities	4	830	-	834
Interest rate swaps, included in other noncurrent liabilities	-	57,911	-	57,911

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the three months ended March 31, 2022, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Other Investments	Benefit Plan Assets
The three months ended March 31, 2022						
Beginning balance	$ 12,321	$ 469,465	$ 34,558	$ 680,708	$ 3,665	$ 55,282
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	605	(5,633)	(4,353)	18,279	702	-
Included in changes in net assets	-	-	-	-	(6)	-
Purchases	-	41,391	6,129	15,485	26	1,389
Sales	(3,658)	(109,175)	(24)	(16,007)	(276)	(2,603)
Transfers into Level 3	-	-	-	101	-	3,213
Transfers out of Level 3	-	(16,350)	-	(5)	-	(1,074)
Ending balance	$ 9,268	$ 379,698	$ 36,310	$ 698,561	$ 4,111	$ 56,207
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2022	$ 30	$ (4,954)	$ (4,376)	$ -	$ 426	$ -

(Dollars in Thousands)

8. Fair Value Measurements (continued)

For the nine months ended March 31, 2022, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity and Real Estate Funds	Other Investments	Benefit Plan Assets
The nine months ended March 31, 2022						
Beginning balance	$ 8,009	$ 479,273	$ 33,151	$ 733,753	$ 3,711	$ 58,504
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	870	(10,310)	(2,458)	19,190	671	-
Included in changes in net assets	-	-	-	-	(12)	-
Purchases	10,092	127,324	6,148	57,250	80	2,588
Sales	(9,091)	(203,802)	(531)	(106,084)	(339)	(8,865)
Transfers into Level 3	-	3,603	-	40	-	6,134
Transfers out of Level 3	(612)	(16,390)	-	(5,588)	-	(2,154)
Ending balance	$ 9,268	$ 379,698	$ 36,310	$ 698,561	$ 4,111	$ 56,207
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at March 31, 2022	$ 55	$ (8,838)	$ (2,625)	$ -	$ 341	$ -

The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

9. Derivative Instruments

As provided for in the System's Master Trust Indenture, the System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At March 31, 2023 and June 30, 2022, the notional values of outstanding interest rate swaps were $755,040 and $826,215, respectively.

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, as appropriate. The System does not offset fair value amounts recognized for derivative instruments. The fair value of interest rate swaps in a liability position was $37,516 and $57,911 at March 31, 2023 and June 30, 2022, respectively.

The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted as of March 31, 2023 and June 30, 2022.

The System does not designate its interest rate swaps as hedges, and accordingly, all changes in the fair value of interest rate swaps are recognized in nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets.

10. Leases

The System is a party to primarily real estate and medical and information technology equipment leases as a lessee and real estate leases as a lessor. Rental escalation clauses or renewal options are factored into the determination of lease payments when appropriate. To determine the present value of lease payments, the System utilizes its incremental borrowing rate at lease commencement when an implicit rate is not available for operating leases. In addition, the System does not separate lease and non-lease components.

(Dollars in Thousands)

10. Leases (continued)

All components of total lease cost are recognized in other operating expenses, excluding interest on finance lease liabilities, which is recognized in interest. The following table provides the total lease cost included in the Consolidated Statement of Operations and Changes in Net Assets:

	The three months ended March 31,		The nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
Operating lease cost	$ **87,079**	$ 84,458	$ **260,471**	$ 259,417
Finance lease cost:				
Interest on lease liabilities	**713**	749	**2,147**	$ 2,199
Amortization of right-of-use-asset	**710**	710	**2,129**	$ 2,130
Variable lease cost	**15,507**	17,559	**47,011**	$ 48,912
Total lease cost	$ **104,009**	$ 103,476	$ **311,758**	$ 312,658

The weighted average remaining lease terms and the weighted average discount rates at March 31, 2023 and 2022 were as follows:

	March 31, 2023		March 31, 2022	
	Operating Leases	**Finance Leases**	**Operating Leases**	**Finance Leases**
Weighted-average remaining lease term	8.3 years	26.8 years	8.2 years	27.8 years
Weighted-average discount rate	2.6%	3.3%	2.4%	3.3%

The following table provides the cash paid for amounts included in the measurement of lease obligations:

	The three months ended March 31,		The nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
Operating leases	$ **84,270**	$ 83,459	$ **250,103**	$ 256,819
Finance leases	**1,038**	1,044	**3,077**	3,051
Total cash paid	$ **85,308**	$ 84,503	$ **253,180**	$ 259,870

(Dollars in Thousands)

10. Leases (continued)

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of March 31, 2023, to lease obligations recorded on the Consolidated Balance Sheets at March 31, 2023.

Twelve months ending March 31:	Operating Leases	Finance Leases	Total
2024	$ 279,486	$ 4,188	$ 283,674
2025	225,534	3,979	229,513
2026	187,484	4,036	191,520
2027	147,592	4,108	151,700
2028	108,650	4,182	112,832
Thereafter	400,987	107,970	508,957
Total future undiscounted lease obligations	1,349,733	128,463	1,478,196
Less: amount of lease payments representing interest	(78,625)	(46,808)	(125,433)
Present value of future lease obligations	1,271,108	81,655	1,352,763
Less: current portion of lease obligations	(264,991)	(1,351)	(266,342)
Long-term lease obligations	$ 1,006,117	$ 80,304	$ 1,086,421

For leases where the System is a lessor, future minimum noncancelable receipts on operating leases for each of the next five years and thereafter, as of March 31, 2023, are as follows:

Twelve months ending March 31:	Operating Leases
2024	$ 67,462
2025	53,799
2026	39,764
2027	30,633
2028	24,748
Thereafter	359,718
Total	$ 576,124

Lease income was approximately $21,000 for both the three months ended March 31, 2023 and 2022. For the nine months ended March 31, 2023 and 2022, lease income was approximately $65,000 and $62,000, respectively.

(Dollars in Thousands)

11. Retirement Plans

Certain System entities participate in defined-benefit pension plans (the System Plans), which are noncontributory, defined-benefit pension plans. Certain of these plans are cash balance plans. Benefits are based on each participant's years of service and compensation. Primarily all of the System Plans' assets are invested in the Master Pension Trust (the Trust).

Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants. As of December 31, 2019, all System Plans were frozen.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities, and consist primarily of short term investments, U.S. government, state, municipal and agency obligations, corporate and foreign fixed income securities, asset-backed securities, equity securities, and alternative investments including private equity funds, real estate funds and hedge funds. In the event entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, the other participating entities are obligated to do so.

The following table provides the components of net periodic benefit gain for the System included in Other non-operating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets.

	The three months ended March 31,		The nine months ended March 31,	
	2023	**2022**	**2023**	**2022**
Components of net periodic benefit gain:				
Expected return on plan assets	**$ 159,790**	$ 171,431	**$ 479,369**	$ 514,294
Interest cost	**(100,072)**	(73,865)	**(300,233)**	(221,602)
Amortization of prior service credit	**(3)**	(73)	**(8)**	(219)
Amortization of actuarial loss	**(23,009)**	(37,834)	**(69,017)**	(113,501)
Net periodic benefit gain	**$ 36,706**	$ 59,659	**$ 110,111**	$ 178,972

12. Self Insurance Program

Ascension entities are self-insured through a grantor trust and Ascension Health Insurance, LTD. (AHIL), which provides professional liability coverage on a claims-made basis. AHIL provides coverage in excess of a self-insured retention per medical incident/occurrence with no aggregate limit. The grantor trust provides funding for claims within the self-insured retention. The excess coverage provided by AHIL is reinsured by commercial carriers.

13. Contingencies and Commitments

Ascension, like other healthcare organizations, periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations arising in the ordinary course of business. These investigations generally seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practice for certain services. To support compliance with these laws and regulations, Ascension maintains a compliance program designed to prevent, proactively detect, and correct potential violations of laws and regulations. Also, the System is periodically involved in litigation arising in the ordinary course of business. In the opinion of management, these investigations and litigation matters are expected to be resolved without a material adverse effect to Ascension's financial position or liquidity.

The System enters into agreements with non-employed physicians that include minimum revenue guarantees. The terms of the guarantees vary. The maximum amount of future payments that the System could be required to make under these guarantees is approximately $6,900.

The System has entered into Master Service Agreements for information technology services provided by third parties, under which future committed payments of approximately $685,900 will be made over the next 2 to 5 years.

Guarantees and other commitments represent contingent commitments issued by Ascension Health Alliance Senior and Subordinate Credit Groups, generally to guarantee the performance of an affiliate to a third party in borrowing arrangements such as commercial paper issuances, bond financing, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 16 years.

The following represents the remaining guarantees and other commitments of the Senior and Subordinate Credit Groups at March 31, 2023:

St. Vincent de Paul Series 2000 A debt guarantee	$	28,300
Other guarantees and commitments		82,089

(Dollars in Thousands)

14. Functional Expenses

Ascension provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services. Management support services include administration, finance and accounting, revenue cycle, information technology, public relations, human resources, legal, supply chain, risk management, compliance and other functions. Expenses are allocated to healthcare services and management support services based on the functional department for which they are incurred. Departmental expenses may include various allocations of costs based on direct assignment, expenses or other methods.

Expenses by functional classification for the three months ended March 31, 2023 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 3,220,515	$ 282,950	$ 3,503,465
Purchased services and professional fees	1,048,033	327,724	1,375,757
Supplies	1,009,966	1,266	1,011,232
Other	1,620,213	110,985	1,731,198
Total operating expenses	**$ 6,898,727**	**$ 722,925**	**$ 7,621,652**

Expenses by functional classification for the three months ended March 31, 2022 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 3,484,633	$ 248,995	$ 3,733,628
Purchased services and professional fees	846,944	324,921	1,171,865
Supplies	1,023,098	1,179	1,024,277
Other	1,311,832	100,176	1,412,008
Total operating expenses	$ 6,666,507	$ 675,271	$ 7,341,778

(Dollars in Thousands)

14. Functional Expenses (continued)

Expenses by functional classification for the nine months ended March 31, 2023 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 9,895,851	$ 818,657	$ 10,714,508
Purchased services and professional fees	2,944,650	988,528	3,933,178
Supplies	3,039,212	5,004	3,044,216
Other	4,317,824	330,159	4,647,983
Total operating expenses	**$ 20,197,537**	**$ 2,142,348**	**$ 22,339,885**

Expenses by functional classification for the nine months ended March 31, 2022 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 10,067,425	$ 749,981	$ 10,817,406
Purchased services and professional fees	2,517,548	964,065	3,481,613
Supplies	3,143,176	4,667	3,147,843
Other	3,783,834	304,909	4,088,743
Total operating expenses	$ 19,511,983	$ 2,023,622	$ 21,535,605

Supplementary Information

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs

(Dollars in Thousands)

The net cost of providing care to persons living in poverty and other community benefit programs is as follows:

	The nine months ended March 31, 2023	2022
Traditional charity care provided	**$ 388,469**	$ 395,693
Unpaid cost of public programs for persons living in poverty	**877,129**	1,003,988
Other programs for persons living in poverty and other persons who are vulnerable	**53,262**	54,913
Community benefit programs	**306,529**	273,331
Care of persons living in poverty and other community benefit programs	**$ 1,625,389**	$ 1,727,925

Ascension

Credit Group Financial Statements
Balance Sheet
(Dollars in Thousands)

		March 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$	**427,488**
Short-term investments		**48,431**
Accounts receivable		**2,405,976**
Inventories		**361,245**
Estimated third-party payor settlements		**149,028**
Due from affiliates *(See Note 2)*		**998,286**
Other		**758,291**
Total current assets		**5,148,745**
Long-term investments		**16,825,538**
Property and equipment, net		**8,131,412**
Other assets:		
Right-of-use assets - leases		**887,165**
Investment in unconsolidated entities		**1,213,665**
Capitalized software costs, net		**488,096**
Due from affiliates *(See Note 2)*		**2,814,017**
Other		**1,225,644**
Total other assets		**6,628,587**
Total assets	$	**36,734,282**

Continued on next page.

Ascension

Credit Group Financial Statements
Balance Sheet (continued)
(Dollars in Thousands)

	March 31, 2023
Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	$ 96,512
Long-term debt subject to short-term remarketing arrangements*	760,525
Current portion of lease obligations	265,599
Accounts payable and accrued liabilities	2,356,912
Estimated third-party payor settlements	279,415
Due to affiliates *(See Note 2)*	147,607
Other	496,239
Total current liabilities	4,402,809
Noncurrent liabilities:	
Long-term debt (senior and subordinated)	6,306,701
Lease obligations, less current portion	650,318
Pension and other postretirement liabilities	388,075
Other	1,282,349
Total noncurrent liabilities	8,627,443
Total liabilities	13,030,252
Net assets:	
Without donor restrictions:	
Controlling interest	22,520,155
Noncontrolling interests	496,672
Total net assets without donor restrictions	23,016,827
Net assets with donor restrictions	687,203
Total net assets	23,704,030
Total liabilities and net assets	$ 36,734,282

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2047, as well as certain serial mode bonds with scheduled remarketing/mandatory tender dates occurring prior to March 31, 2024. In the event that bonds are not remarketed upon the exercise of put options for the variable bonds or scheduled mandatory tender bonds, management would utilize other sources to access the necessary liquidity. Potential sources include a drawdown on the System's line of credit, issuing commercial paper, and liquidating investments.

Ascension

Credit Group Financial Statements
Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

		The nine months ended March 31, 2023
Operating revenue:		
Net patient service revenue	$	12,845,329
Other revenue *(See note 2)*		2,543,895
Total operating revenue		15,389,224
Operating expenses *(See note 2)* :		
Salaries and wages		5,857,913
Employee benefits		1,579,264
Purchased services		1,889,957
Professional fees		751,530
Supplies		2,075,870
Insurance		124,899
Interest		175,273
Provider tax		374,540
Depreciation and amortization		723,210
Other		1,757,940
Total operating expenses		15,310,396
Income (loss) from recurring operations		78,828
Impairment and nonrecurring gains (losses), net		(21,880)
Income (loss) from operations		56,948
Nonoperating gains (losses):		
Investment return, net		(160,329)
Other		66,631
Total nonoperating gains (losses), net		(93,698)
Excess (deficit) of revenues and gains over expenses and losses		(36,750)
Less noncontrolling interests		12,238
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest		(48,988)

Continued on next page.

Ascension

Credit Group Financial Statements
Statements of Operations and Changes in Net Assets (continued)
(Dollars in Thousands)

		The nine months ended March 31, 2023
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	$	(48,988)
Transfers (to) from affiliates, net *(See Note 2)*		(1,796,127)
Net assets released from restrictions for property acquisitions		15,480
Pension and other postretirement liability adjustments		68,242
Change in unconsolidated entities' net assets		(49,633)
Other		26,449
Increase (decrease) in net assets without donor restrictions, controlling interest		(1,784,577)
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses		12,238
Net contributions (distributions) of capital		(50,617)
Other		7,513
Increase (decrease) in net assets without donor restrictions,		(30,866)
Net assets with donor restrictions:		
Contributions and grants		84,716
Investment return		(300)
Net assets released from restrictions		(56,719)
Other		(11,184)
Increase (decrease) in net assets with donor restrictions		16,513
Increase (decrease) in net assets		(1,798,930)
Net assets, beginning of period		25,502,960
Net assets, end of period	$	23,704,030

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the nine months ended March 31, 2023, were prepared in accordance with Section 3.10(b)(2)(c) of the Master Trust Indenture (MTI), which provides that the CGFS (1) shall include all Material Credit Group Members, which represent obligated group members and designated affiliates whose total net assets were equal to or greater than 90% of the consolidated net assets of the Credit Group; (2) at the option of Ascension, as Credit Group Representative, may include one or more Immaterial Affiliates, which are entities whose total net assets were less than 10% of the consolidated net assets of the Credit Group as shown on the CGFS; (3) at the option of Ascension, as Credit Group Representative, may exclude one or more Credit Group Members that are not Material Credit Group Members, as defined above; and (4) shall exclude all entities that are neither Credit Group Members nor Immaterial Affiliates. Consistent with these terms, the CGFS as of and for the nine months ended March 31, 2023 include the results of all Material Credit Group Members and certain Immaterial Affiliates, and exclude the results of certain entities which are not Material Credit Group members as well as entities that are not Credit Group Members, such as Ascension risk entities which oversee Ascension's self-insurance programs, or Immaterial Affiliates.

Ascension's CGFS are not representative of the consolidated results of Ascension.

2. Affiliate Transactions

Amounts due to and from affiliates as presented in the Balance Sheet of the CGFS represent intercompany transactions between 1) Material Credit Group Members and Immaterial Affiliates (CGFS Entities) and 2) other entities that are included within the Ascension Consolidated Financial Statements whose results have been excluded from the CGFS (Non CGFS Entities), in accordance with Section 3.10(b)(2)(c) of the MTI as described in Note 1. These transactions are primarily related to centralized cash and debt functions within Ascension. Current Due from and to affiliates on the CGFS Balance Sheet and Transfers (to) from affiliates, net in the CGFS Statement of Operations and Changes in Net Assets primarily relate to payments made by or received from CGFS Entities on behalf of Non CGFS Entities, as well as transfers of certain restricted assets to Non CGFS Entities. Non-current Due from affiliates primarily represents the Non CGFS Entities' portion of Ascension's long-term debt, based on internal centralized debt agreements. These transactions are eliminated in consolidation within the Ascension Consolidated Financial Statements, but separately presented within the CGFS.

2. Affiliate Transactions (continued)

Revenue and expense activities, not transacted at arms length, between CGFS Entities and Non CGFS Entities were both $1,464,000 for the nine months ended March 31, 2023. These transactions include services provided between CGFS Entities and Non CGFS Entities, including, but not limited to, shared service functions, participation in employee and dependent health insurance programs, participation in other risk management programs, participation in a centralized debt management program and other insurance services, and are included in Other Operating Revenue and various expense categories within the Statement of Operations of the CGFS.