

ASCENSION

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION (UNAUDITED)**

For the Three and Six Months Ended December 31, 2023 and 2022

Ascension

Consolidated Financial Statements and Supplementary Information

For the Three and Six Months Ended December 31, 2023 and 2022

Contents

Consolidated Financial Statements

Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	9

Supplementary Information

Schedule of Net Cost of Providing Care of Persons	
Living in Poverty and Other Community Benefit Programs	51
Credit Group Financial Statements - Balance Sheet	52
Credit Group Financial Statements - Statement of Operations and Changes in Net Assets	54
Notes to Credit Group Financial Statements	56

Ascension

Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	December 31, 2023	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 693,640	\$ 1,013,225
Short-term investments	54,785	60,793
Accounts receivable	3,081,027	3,270,862
Inventories	445,007	487,104
Due from brokers <i>(see Notes 5 and 6)</i>	113,168	136,646
Estimated third-party payor settlements	427,130	195,549
Assets held for sale <i>(see Note 4)</i>	1,552,958	305,051
Other	1,276,100	1,001,164
Total current assets	7,643,815	6,470,394
Long-term investments <i>(see Notes 5 and 6)</i>	18,755,616	19,417,590
Property and equipment, net	8,950,657	9,942,027
Other assets:		
Right-of-use assets - leases	1,188,959	1,277,833
Investment in unconsolidated entities	1,220,839	1,325,565
Capitalized software costs, net	628,602	576,829
Other	1,527,448	1,447,951
Total other assets	4,565,848	4,628,178
Total assets	\$ 39,915,936	\$ 40,458,189

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Ascension

Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	December 31, 2023	June 30, 2023
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 102,436	\$ 121,541
Long-term debt subject to short-term remarketing arrangements*	539,195	471,425
Current portion of lease obligations	286,265	269,663
Accounts payable and accrued liabilities	2,801,215	3,031,199
Estimated third-party payor settlements	514,443	552,459
Due to brokers (see Notes 5 and 6)	86,791	108,443
Current portion of self-insurance liabilities	537,763	537,763
Liabilities held for sale (see Note 4)	299,465	40,773
Other	549,092	400,958
Total current liabilities	5,716,665	5,534,224
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	6,108,624	6,322,992
Lease obligations, less current portion	943,254	1,047,358
Self-insurance liabilities	785,760	934,516
Pension and other postretirement liabilities	349,564	436,952
Other	1,342,799	1,362,107
Total noncurrent liabilities	9,530,001	10,103,925
Total liabilities	15,246,666	15,638,149
Net assets:		
Without donor restrictions:		
Controlling interest	21,240,424	21,391,080
Noncontrolling interests	2,635,761	2,656,133
Total net assets without donor restrictions	23,876,185	24,047,213
Net assets with donor restrictions	793,085	772,827
Total net assets	24,669,270	24,820,040
Total liabilities and net assets	\$ 39,915,936	\$ 40,458,189

*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 December 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 December 31,		The six months ended December 31,	
	2023	2022	2023	2022
Operating revenue:				
Net patient service revenue	\$ 6,993,612	\$ 6,550,846	\$ 13,535,152	\$ 12,859,043
Other revenue	748,261	526,382	1,481,941	1,453,625
Total operating revenue	7,741,873	7,077,228	15,017,093	14,312,668
Operating expenses:				
Salaries and wages	2,963,128	2,958,493	5,897,128	5,955,821
Employee benefits	585,268	640,256	1,161,795	1,255,222
Purchased services	972,262	975,377	1,908,747	1,832,180
Professional fees	409,772	369,019	817,400	725,242
Supplies	1,068,937	1,008,726	2,103,595	2,032,983
Insurance	94,434	88,482	194,565	176,832
Interest	56,814	57,737	114,831	113,426
Provider tax	274,690	210,160	514,257	398,728
Depreciation and amortization	290,096	323,399	585,576	653,608
Other	866,968	767,618	1,730,591	1,574,191
Total operating expenses	7,582,369	7,399,267	15,028,485	14,718,233
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	159,504	(322,039)	(11,392)	(405,565)
Self-insurance trust fund investment return	71,380	31,263	51,781	(3,834)
Income (loss) from recurring operations	230,884	(290,776)	40,389	(409,399)
Impairment and nonrecurring gains (losses), net	(192,398)	(626)	(195,616)	(571)
Income (loss) from operations	38,486	(291,402)	(155,227)	(409,970)
Nonoperating gains (losses):				
Investment return, net	477,501	(6,163)	43,442	(798,566)
Other	(6,145)	17,094	7,065	48,719
Total nonoperating gains (losses), net	471,356	10,931	50,507	(749,847)
Excess (deficit) of revenues and gains over expenses and losses	509,842	(280,471)	(104,720)	(1,159,817)
Less noncontrolling interests	150,345	67,934	133,346	420
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	359,497	(348,405)	(238,066)	(1,160,237)

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Ascension

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

	The three months ended December 31,		The six months ended December 31,	
	2023	2022	2023	2022
Net assets without donor restrictions, controlling interest:				
Excess (deficit) of revenues and gains over expenses and losses	\$ 359,497	\$ (348,405)	\$ (238,066)	\$ (1,160,237)
Transfers (to) from sponsors and other affiliates, net	37,036	(16,237)	(167)	(15,055)
Net assets released from restrictions for property acquisitions	11,185	10,240	17,379	13,687
Change in pension liability	23,045	22,924	46,108	45,836
Change in unconsolidated entities' net assets	4,688	1,226	10,307	(44,128)
Other	(36,653)	16,945	13,783	13,708
Increase (decrease) in net assets without donor restrictions, controlling interest	398,798	(313,307)	(150,656)	(1,146,189)
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficit) of revenues and gains over expenses and losses	150,345	67,934	133,346	420
Net contributions (distributions) of capital	(122,180)	(54,317)	(145,150)	(82,054)
Other	(8,121)	41	(8,568)	3,923
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	20,044	13,658	(20,372)	(77,711)
Net assets with donor restrictions:				
Contributions and grants	25,926	39,186	46,582	62,926
Investment return	6,612	6,407	12,883	(3,139)
Net assets released from restrictions	(20,150)	(24,376)	(41,496)	(37,916)
Other	285	(1,419)	2,289	(7,760)
Increase (decrease) in net assets with donor restrictions	12,673	19,798	20,258	14,111
Increase (decrease) in net assets	431,515	(279,851)	(150,770)	(1,209,789)
Net assets, beginning of period	24,237,755	26,195,608	24,820,040	27,125,546
Net assets, end of period	\$ 24,669,270	\$25,915,757	\$ 24,669,270	\$25,915,757

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

Ascension

Consolidated Statements of Cash Flows (unaudited) (Dollars in Thousands)

	The six months ended December 31,	
	2023	2022
Operating activities		
Increase (decrease) in net assets	\$ (150,770)	\$ (1,209,789)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	585,576	653,608
Amortization of bond premiums, discounts, and debt issuance costs	(13,762)	(15,659)
Loss on extinguishment of debt	232	-
Change in pension liability	(46,108)	(45,223)
Unrealized losses (gains) on unrestricted investments, net	138,084	653,595
Change in fair value of interest rate swaps	2,069	(24,642)
Change in equity of unconsolidated entities	(123,343)	(62,388)
Gain on sale of assets, net	(189,897)	(362,588)
Impairment and nonrecurring expenses	193,890	290
Transfers to (from) sponsor and other affiliates, net	167	15,055
Donor restricted contributions, investment return and other	(35,346)	(35,558)
Distributions (contributions) of noncontrolling interest, net	145,150	82,054
Other	3,294	1,486
(Increase) decrease in:		
Short-term investments	6,008	13,713
Accounts receivable	(175,411)	(19,709)
Inventories and other current assets	(343,328)	(89,355)
Due from brokers	23,478	28,651
Long-term investments	523,970	2,000,761
Other assets	(77,201)	(28,293)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(43,439)	(504,624)
Estimated third-party payor settlements, net	(269,597)	(260,896)
Due to brokers	(21,652)	120,708
Medicare advanced payments	-	(522,045)
Other current liabilities	168,410	(81,682)
Self-insurance liabilities	(148,756)	54,642
Other noncurrent liabilities	254,446	(15,468)
Net cash provided by (used in) operating activities	406,164	346,644

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Ascension

Consolidated Statements of Cash Flows (unaudited) (Dollars in Thousands)

	The six months ended December 31,	
	2023	2022
Investing activities		
Property, equipment, and capitalized software additions, net	\$ (636,275)	\$ (763,385)
Proceeds from sale of property and equipment	10,437	9,040
Distributions from unconsolidated entities, net	40,062	62,188
Net proceeds from sale/acquisition of other assets	90,569	434,117
Net cash provided by (used in) investing activities	(495,207)	(258,040)
Financing activities		
Issuance of debt	9,500	35,578
Repayment of debt, including financing lease obligations	(131,625)	(93,799)
Decrease (increase) in assets under bond agreements	(38)	44
Transfers (to) from sponsors and other affiliates, net	(167)	(15,055)
Donor restricted contributions, investment return, and other	35,346	35,558
(Distributions) contributions of noncontrolling interest, net	(145,150)	(82,054)
Net cash provided by (used in) financing activities	(232,134)	(119,728)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(321,177)	(31,124)
Cash, cash equivalents, and restricted cash at beginning of period	1,060,864	813,452
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 739,687</u>	<u>\$ 782,328</u>
Cash and cash equivalents	\$ 693,640	\$ 715,516
Restricted cash, included in long-term investments	46,047	66,812
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 739,687</u>	<u>\$ 782,328</u>

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

Ascension

Notes to Consolidated Financial Statements (unaudited) (Dollars in Thousands)

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

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

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 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. Traditional charity care and the unpaid cost of public programs are calculated based on a cost to charge ratio methodology.

The amount of traditional charity care provided, determined on the basis of cost, was \$226,407 and \$273,350 for the six months ended December 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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 \$1,834,594 and \$1,647,986 at December 31, 2023 and June 30, 2023, 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, primarily 2 to 40 years; and equipment, primarily 2 to 15 years. Depreciation expense for the three months ended December 31, 2023 and 2022 was approximately \$247,000 and \$277,000, respectively. Depreciation expense for the six months ended December 31, 2023 and 2022 was approximately \$500,000 and \$555,000, respectively.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	December 31, 2023	June 30, 2023
Land and improvements	\$ 1,371,014	\$ 1,491,219
Buildings and equipment	18,642,590	20,950,390
	20,013,604	22,441,609
Less accumulated depreciation	11,634,472	13,057,675
	8,379,132	9,383,934
Construction in progress	571,525	558,093
Total property and equipment, net	\$ 8,950,657	\$ 9,942,027

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$831,000 as of December 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

	December 31, 2023	June 30, 2023
Capitalized software costs	\$ 2,647,886	\$ 2,595,944
Software in progress	247,900	191,912
Less accumulated amortization	2,267,184	2,211,027
Capitalized software costs, net	628,602	576,829
Goodwill	602,669	525,220
Other, net	42,092	42,883
Intangible assets included in other assets	644,761	568,103
Total intangible assets, net	\$ 1,273,363	\$ 1,144,932

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 was approximately \$43,000 and \$46,000 for the three months ended December 31, 2023 and 2022 respectively. Amortization expense for these intangible assets for the six months ended December 31, 2023 and 2022 was approximately \$85,000 and \$98,000, 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 controlled and consolidated entities in which the System's ownership interest is less than 100%.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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 (deficit) 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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 healthcare services. Net patient service revenues are recorded at expected collectible amounts over the time in which obligations to provide healthcare 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 healthcare 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 \$70,091 and \$110,500 for the six months ended December 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (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 December 31, 2023 and 2022, is as follows:

	The three months ended December 31,	
	2023	2022
Inpatient care	\$ 3,206,299	\$ 2,987,251
Ambulatory care	2,925,756	2,686,470
Physician practices	746,775	769,134
Long-term care	114,782	107,991
Total net patient service revenue	<u>\$ 6,993,612</u>	<u>\$ 6,550,846</u>

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

	The six months ended December 31,	
	2023	2022
Inpatient care	\$ 6,233,003	\$ 5,844,245
Ambulatory care	5,583,214	5,286,111
Physician practices	1,490,825	1,514,792
Long-term care	228,110	213,895
Total net patient service revenue	<u>\$ 13,535,152</u>	<u>\$ 12,859,043</u>

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (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		Accounts Receivable	
	The six months ended		December 31, June 30,	
	December 31,		December 31, June 30,	
	2023	2022	2023	2023
Medicare - traditional and managed	36.6 %	35.7 %	28.7 %	29.4 %
Medicaid - traditional and managed	14.9	15.7	10.5	11.2
Other commercial and managed care	41.9	41.8	48.3	44.6
Self-Pay and other	6.6	6.8	12.5	14.8
	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 healthcare 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (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 six months ended December 31, 2023 and 2022, respectively:

	The three months ended December 31,	
	2023	2022
Cafeteria and vending	\$ 20,145	\$ 19,213
COVID-19 funding (<i>see Note 3</i>)	12,674	12,256
Contracted services	69,079	64,532
Donations and grants	27,145	25,418
Gains on asset sales	178,466	3,080
Insurance plans	61,587	56,520
Joint venture income	50,581	58,669
Lab services	1,149	15,600
Lease and rental income	23,152	24,708
Retail pharmacy	223,824	176,506
Value based programs	25,831	17,994
Other	54,628	51,886
Total other revenue	<u>\$ 748,261</u>	<u>\$ 526,382</u>

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

	The six months ended December 31,	
	2023	2022
Cafeteria and vending	\$ 39,754	\$ 37,662
COVID-19 funding (<i>see Note 3</i>)	20,082	13,641
Contracted services	137,219	146,576
Donations and grants	53,700	52,035
Gains on asset sales	190,229	372,484
Insurance plans	158,801	98,494
Joint venture income	113,051	106,434
Lab services	3,323	36,910
Lease and rental income	46,600	48,193
Retail pharmacy	432,323	346,297
Value based programs	110,308	86,176
Other	176,551	108,723
Total other revenue	<u>\$ 1,481,941</u>	<u>\$ 1,453,625</u>

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.

Nonrecurring gains (losses) are related to natural disaster losses and related insurance proceeds and costs associated with entities held for sale.

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Income Taxes

The System's tax-exempt organizations are described under Internal Revenue Code Section 501(c)(3), 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 December 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 December 31, 2023 presentation.

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 six months ended December 31, 2023, the System evaluated subsequent events through February 16, 2023, representing the date the Consolidated Financial Statements were issued.

On February 1, 2024, Ascension Health finalized the transfer of its membership interest in Our Lady of Lourdes Memorial Hospital, Inc. in New York, along with related clinical and other business, to The Guthrie Clinic (New York transaction).

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

In February 2024, Ascension Via Christi Hospital Pittsburg, Inc. (Ascension Pittsburg) and Mercy Hospital Pittsburg, Inc. (Mercy) signed an asset purchase agreement whereby Ascension Pittsburg will transition certain of its assets and liabilities and primarily all operations to Mercy. 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, and FEMA funding. If unable to attest to or comply with terms and conditions, the System's ability to retain some or all of the distributions received may be impacted.

4. Organizational Changes - Assets Held for Sale / Sold

On November 1, 2023, Ministry Health Care, Inc., a wholly owned subsidiary of Ascension Healthcare, finalized the sale of its membership interest in Network Health Inc., a holding company that operates insurance companies and other non insurance operations in the state of Wisconsin, to Froedtert Health, Inc.

On October 1, 2023, Gulf Coast Health System (GCHS), a wholly owned subsidiary of Ascension Healthcare, completed the sale of substantially all assets, operations and related clinical and other business of Providence Hospital in Mobile, Alabama, to the University of South Alabama Health Care Authority (Mobile, Alabama transaction).

In October 2023, Ascension Healthcare, Ascension Michigan, a wholly owned subsidiary of Ascension Healthcare, and Henry Ford Health System (HFHS) signed an integration and affiliation agreement whereby Ascension Healthcare will contribute the membership interest in its southeast and mid Michigan hospitals and related ancillary entities (SEMI) to HFHS, and in exchange Ascension Healthcare will hold an interest in HFHS (SEMI transaction). Assets and liabilities anticipated to be contributed upon the close of this transaction are reported as held for sale in the Consolidated Balance Sheet at December 31, 2023, and an associated loss is included in impairment and nonrecurring gains (losses), net in the Consolidated Statement of Operations for the six months ended December 31, 2023. SEMI assets held for sale include current assets of approximately \$449,000, comprised primarily of accounts receivable and inventory, and long term assets of approximately \$875,000, comprised primarily of net property and equipment, right of use lease assets and investments in unconsolidated entities.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

4. Organizational Changes - Assets Held for Sale / Sold (continued)

SEMI liabilities held for sale include current liabilities of approximately \$190,000, comprised primarily of accounts payable and accrued liabilities, and long term liabilities of approximately \$66,000, comprised primarily of lease obligations. This transaction is expected to be finalized after all necessary approvals are obtained.

At December 31, 2023, assets and liabilities held for sale are primarily comprised of approximately \$212,000 and \$43,000, respectively, related to the aforementioned New York transaction, and the amounts associated with the SEMI transaction above. At June 30, 2023, assets and liabilities held for sale are primarily comprised of approximately \$88,000 and \$8,000, respectively, related to the Mobile, Alabama transaction, and \$201,000 and \$33,000, respectively, related to the New York transaction.

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.

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.

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

5. Investment Funds (continued)

Commitments not funded during the investment period will expire and remain unfunded. As of December 31, 2023, contractual agreements expire between January 2024 and May 2029. The remaining unfunded capital commitments total approximately \$1,510,000 for 286 individual funds as of December 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 December 31, 2023 and June 30, 2023, the gross notional value of Alpha Fund derivatives outstanding was approximately \$5,031,000 and \$5,669,000, 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 \$41,651 and \$95,080 at December 31, 2023 and June 30, 2023, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$48,976 and \$54,798 at December 31, 2023 and June 30, 2023, respectively. These derivatives are included in long-term investments in the Consolidated Balance Sheets.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

5. Investment Funds (continued)

Effective July 1, 2023, the Alpha Fund resumed its participation in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected brokerage firms in return for cash and/or securities from the brokers as collateral for the investments loaned, usually on a short-term basis. Collateral provided by brokers is maintained at levels approximating 102% of the fair value of the securities on loan, and is adjusted daily for market fluctuations. Cash collateral of approximately \$22,600 at December 31, 2023 is recorded as an asset, in other current assets, and corresponding liability, in other current liabilities, in the Consolidated Balance Sheet. The fair value of non-cash collateral held by the Alpha Fund associated with lending agreements is \$273,235 at December 31, 2023. In the event of nonperformance by the counterparties to the securities lending agreements, the Alpha Fund could be exposed to some loss.

Due from brokers and due to brokers included in 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 and convertible debt securities of privately held domestic entities, and are reported at fair value.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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.

	December 31, 2023	June 30, 2023
Cash and cash equivalents	\$ 693,640	\$ 1,013,225
Short-term investments	54,785	60,793
Long-term investments	18,755,616	19,417,590
Subtotal	19,504,041	20,491,608
Investment Funds' other assets (liabilities), net	51,930	61,564
Total cash and investments, net	19,555,971	20,553,172
Less noncontrolling interest of Investment Funds	2,263,573	2,321,790
System cash and investments, including assets limited as to use	17,292,398	18,231,382
Less assets limited as to use:		
Under bond agreement	157	119
Self-insurance trust funds	1,078,574	914,776
With donor restrictions	755,863	733,091
Total assets limited as to use	1,834,594	1,647,986
System unrestricted cash and investments, net	\$ 15,457,804	\$ 16,583,396

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (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.

	December 31, 2023	June 30, 2023
Cash and cash equivalents and short-term investments	\$ 820,964	\$ 1,148,934
Pooled short-term investment funds	289,554	502,177
U.S. government, state, municipal and agency obligations	2,821,056	2,949,110
Corporate and foreign fixed income securities	804,373	1,032,959
Asset-backed securities	1,576,346	1,952,581
Equity securities	6,418,828	6,106,192
Alternative investments and other investments:		
Private equity and real estate funds	4,589,829	4,450,670
Private credit and energy funds	1,460,497	1,489,455
Hedge funds	563,327	623,242
Other investments	159,267	236,288
Total alternative investments and other investments	6,772,920	6,799,655
Total cash and cash equivalents, short-term investments, and long-term investments	<u>\$ 19,504,041</u>	<u>\$ 20,491,608</u>

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 December 31, 2023 and 2022, is summarized in the following table.

	The three months ended December 31,	
	2023	2022
Interest and dividends	\$ 128,757	\$ 106,574
Net gains (losses) on investments reported at fair value	420,124	(81,475)
Restricted investment return and unrealized gains (losses), net	6,612	6,407
Total investment return, net	555,493	31,506
Less Investment Funds' noncontrolling interest return, net	124,476	45,350
System investment return, net	<u>\$ 431,017</u>	<u>\$ (13,844)</u>

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

6. Cash and Investments (continued)

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

	The six months ended December 31,	
	2023	2022
Interest and dividends	\$ 214,995	\$ 181,850
Net gains (losses) on investments reported at fair value	(119,772)	(984,250)
Restricted investment return and unrealized gains (losses), net	12,883	(3,139)
Total investment return, net	108,106	(805,539)
Less Investment Funds' noncontrolling interest return, net	81,293	(45,443)
System investment return, net	<u>\$ 26,813</u>	<u>\$ (760,096)</u>

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

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

7. Financial Assets and Liquidity Resources

As of December 31, 2023 and June 30, 2023, 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:

	December 31, 2023	June 30, 2023
Financial assets:		
Cash and cash equivalents	\$ 693,640	\$ 1,013,225
Short-term investments	54,785	60,793
Accounts receivable	3,081,027	3,270,862
Due from brokers	113,168	136,646
Net assets held for sale*	186,283	264,278
Other current assets	1,276,100	1,001,164
Long-term investments	18,755,616	19,417,590
Total financial assets	24,160,619	25,164,558
Less:		
Assets limited as to use and internally designated funds	(1,925,106)	(1,744,513)
Noncontrolling interests of Investment Funds	(2,263,573)	(2,321,790)
Investments with liquidity more than one year	(5,241,921)	(5,133,522)
Total financial assets available within one year	14,730,019	15,964,733
Liquidity resources:		
Unused line(s) of credit	1,000,000	1,000,000
Total financial assets and liquidity resources available within one year	\$ 15,730,019	\$ 16,964,733

*See Note 4. Primarily comprised of assets and liabilities held for sale associated with the New York and Mobile, Alabama transactions.

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

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

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.

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

8. Fair Value Measurements (continued)

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

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

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.

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

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

8. Fair Value Measurements (continued)

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.

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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

The following tables summarize fair value measurements, by level, at December 31, 2023 and June 30 2023, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements.

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Cash equivalents	\$ 10,770	\$ -	\$ -	\$ 10,770
Short-term investments	41,937	8,580	-	50,517
Pooled short-term investment funds	289,554	-	-	289,554
U.S. government, state, municipal and agency obligations	-	2,821,056	-	2,821,056
Corporate and foreign fixed income securities	-	803,046	1,327	804,373
Asset-backed securities	-	1,358,027	218,319	1,576,346
Equity securities	5,538,191	8,653	9,791	5,556,635
Alternative investments and other investments:				
Private equity	-	-	338,738	338,738
Other investments, including derivatives, net	17,065	7,155	2,238	26,458
Assets at net asset value:				
Equity securities				862,193
Private equity funds and real estate funds				4,251,091
Private credit and energy funds				1,460,497
Hedge funds				563,327
Other investments				6,168
Cash and other investments not at fair value				886,318
Cash and investments				<u>\$ 19,504,041</u>
Benefit plan assets, in other noncurrent assets	\$ 687,397	\$ -	\$ 53,408	\$ 740,805
Interest rate swaps, in other noncurrent assets	-	1,116	-	1,116
Investments sold, not yet purchased, in other noncurrent liabilities	42	-	-	42
Interest rate swaps, included in other noncurrent liabilities	-	30,486	-	30,486

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2023				
Cash equivalents	\$ 9,827	\$ -	\$ -	\$ 9,827
Short-term investments	35,563	8,382	-	43,945
Pooled short-term investment funds	502,177	-	-	502,177
U.S. government, state, municipal and agency obligations	-	2,949,110	-	2,949,110
Corporate and foreign fixed income securities	-	1,031,687	1,272	1,032,959
Asset-backed securities	-	1,739,069	213,512	1,952,581
Equity securities	4,676,177	8,315	10,215	4,694,707
Alternative investments and other investments:				
Private equity	-	-	334,891	334,891
Other investments, including derivatives, net	96,860	39,514	2,759	139,133
Assets at net asset value:				
Equity securities				1,411,485
Private equity funds and real estate funds				4,115,779
Private credit and energy funds				1,489,455
Hedge funds				623,242
Other investments				6,205
Cash and other investments not at fair value				<u>1,186,112</u>
Cash and investments				<u>\$ 20,491,608</u>
Benefit plan assets, in other noncurrent assets	\$ 606,445	\$ -	\$ 57,308	\$ 663,753
Investments sold, not yet purchased, in other noncurrent liabilities	34	202	-	236
Interest rate swaps, included in other noncurrent liabilities	-	27,301	-	27,301

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

For the three months ended December 31, 2023 and 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	Other Investments	Benefit Plan Assets
The three months ended						
December 31, 2023						
Beginning balance	\$ 1,281	\$ 227,473	\$ 10,370	\$ 333,291	\$ 2,762	\$ 56,320
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	45	3,100	(17)	(2,438)	(337)	-
Included in changes in net assets	-	-	-	-	(7)	-
Purchases	1	6,163	3	7,978	1,324	1,943
Issuances	-	-	-	-	-	-
Sales	-	(18,417)	(565)	(93)	(1,504)	(6,182)
Transfers into Level 3	-	-	-	-	-	4,451
Transfers out of Level 3	-	-	-	-	-	(3,124)
Ending balance	<u>\$ 1,327</u>	<u>\$ 218,319</u>	<u>\$ 9,791</u>	<u>\$ 338,738</u>	<u>\$ 2,238</u>	<u>\$ 53,408</u>
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 December 31, 2023						
	<u>\$ 45</u>	<u>\$ 2,283</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>\$ (1,278)</u>	<u>\$ -</u>

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Benefit Plan Assets
The three months ended						
December 31, 2022						
Beginning balance	\$ 1,210	\$ 206,310	\$ 37,276	\$ 524,347	\$ 3,164	\$ 59,305
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	27	(7,319)	(9,682)	(38,077)	19	-
Included in changes in net assets	-	-	-	-	(12)	-
Purchases	1,908	-	1,471	4,001	29	50,679
Issuances	-	-	-	8	-	-
Sales	-	-	(19,030)	-	(27)	(48,467)
Transfers into Level 3	-	-	1	-	-	32,040
Transfers out of Level 3	-	-	-	-	-	(34,407)
Ending balance	<u>\$ 3,145</u>	<u>\$ 198,991</u>	<u>\$ 10,036</u>	<u>\$ 490,279</u>	<u>\$ 3,173</u>	<u>\$ 59,150</u>
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 December 31, 2022						
	<u>\$ 27</u>	<u>\$ (7,319)</u>	<u>\$ 38</u>	<u>\$ -</u>	<u>\$ (6)</u>	<u>\$ -</u>

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

For the six months ended December 31, 2023 and 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	Other Investments	Benefit Plan Assets
The six months ended						
December 31, 2023						
Beginning balance	\$ 1,272	\$ 213,512	\$ 10,215	\$ 334,891	\$ 2,759	\$ 57,308
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	55	12,140	74	(17,051)	(674)	-
Included in changes in net assets	-	-	-	-	(10)	-
Purchases	-	11,663	23	22,058	1,690	1,307
Sales	-	(18,996)	(521)	(1,160)	(1,527)	(3,642)
Transfers into Level 3	-	-	-	-	-	1,314
Transfers out of Level 3	-	-	-	-	-	(2,879)
Ending balance	<u>\$ 1,327</u>	<u>\$ 218,319</u>	<u>\$ 9,791</u>	<u>\$ 338,738</u>	<u>\$ 2,238</u>	<u>\$ 53,408</u>

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 December 31, 2023

<u>\$ 54</u>	<u>\$ 10,606</u>	<u>\$ 35</u>	<u>\$ -</u>	<u>\$ (1,631)</u>	<u>\$ -</u>
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Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

8. Fair Value Measurements (continued)

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Benefit Plan Assets
The six months ended December 31, 2022						
Beginning balance	\$ 1,156	\$ 210,942	\$ 37,171	\$ 574,873	\$ 3,887	\$ 58,439
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	82	(3,712)	(9,629)	(90,137)	25	-
Included in changes in net assets	-	-	-	-	(740)	-
Purchases	1,907	4,625	1,471	5,621	55	5,859
Issuances	-	-	-	8	-	-
Sales	-	(8,077)	(18,978)	(86)	(54)	(6,365)
Transfers into Level 3	-	-	1	-	-	4,463
Transfers out of Level 3	-	(4,787)	-	-	-	(3,246)
Ending balance	\$ 3,145	\$ 198,991	\$ 10,036	\$ 490,279	\$ 3,173	\$ 59,150

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 December 31, 2022

\$ 82	\$ (3,521)	\$ 97	\$ -	\$ (27)	\$ -
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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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

9. Long-Term Debt

Long-term debt at December 31, 2023 and June 30, 2023 is comprised of the following:

	December 31, 2023	June 30, 2023
Total hospital revenue bonds - all Master Trust Indentures	\$ 6,481,540	\$ 6,614,920
Other	62,483	81,275
	<u>6,544,023</u>	<u>6,696,195</u>
Unamortized premium, net	236,582	251,327
Less debt issuance cost, net	(30,350)	(31,564)
Less current portion	(102,436)	(121,541)
Less long-term debt subject to short-term remarketing arrangements	(539,195)	(471,425)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	<u>\$ 6,108,624</u>	<u>\$ 6,322,992</u>

Certain members of the System comprise the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member is identified as either a senior obligated group member, a senior designated affiliate, or a senior limited designated affiliate. Senior obligated group members are jointly and severally liable under a Senior Master Trust Indenture (Senior MTI) to make all payments required with respect to obligations under the Senior MTI.

Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Senior MTI. The System may cause each senior designated affiliate to transfer such amounts as are necessary to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations.

Additionally, each senior limited designated affiliate has an independent limited designated affiliate agreement and promissory note with the System with stipulated repayment terms and conditions, each subject to the governing law of the senior limited designated affiliate's state of incorporation.

Pursuant to a Supplemental Master Indenture dated February 1, 2005, senior obligated group members, which are operating entities, have pledged and assigned to the Master Trustee a security interest in all of their rights, title, and interest in their pledged revenues and proceeds thereof.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

9. Long-Term Debt (continued)

A Subordinate Credit Group, which is comprised of subordinate obligated group members, subordinate designed affiliates, and subordinate limited designated affiliates, was created under the Subordinate Master Trust Indenture (Subordinate MTI). The subordinate obligated group members are jointly and severally liable under the Subordinate MTI to make all payments required with respect to obligations under the Subordinate MTI. Subordinate designated affiliates and subordinate limited designated affiliates are not obligated to make debt service payments on the obligations under the Subordinate MTI.

The System may cause each subordinate designated affiliate to transfer such amounts as are necessary to enable the obligated group members to comply with the terms of the Subordinate MTI, including payment of the outstanding obligations. Additionally, each subordinate limited designated affiliate has an independent subordinate limited designated affiliate agreement and promissory note with the System, which stipulated repayment terms and conditions, each subject to the governing law of the subordinate limited designated affiliate's state of incorporation.

As of December 31, 2023, the Senior Credit Group has a line of credit totaling \$1,000,000, which may be used for general corporate purposes. The line is committed through November 18, 2024, and as of December 31, 2023 and June 30, 2023 there were no outstanding borrowings under the line of credit.

As of December 31, 2023, the Senior Credit Group had a \$115,000 revolving line of credit related to its letters of credit program toward which a bank commitment of \$115,000 extends to November 8, 2024. The revolving line of credit may be accessed solely in the form of Letters of Credit issued by the bank for the benefit of the members of the Credit Groups. Of this \$115,000 revolving line of credit, letters of credit totaling \$90,199 have been issued as of December 31, 2023. No borrowings were outstanding under the letters of credit as of December 31, 2023 and June 30, 2023.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

10. 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 December 31, 2023 and June 30, 2023, the notional values of outstanding interest rate swaps were \$680,950 and \$755,040, respectively, with maturity dates ranging from November 2026 through November 2036.

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as either assets, recorded in other noncurrent assets, or liabilities, recorded in other noncurrent liabilities, and are not netted. The fair value of interest rate swaps in an asset position was \$1,116 at December 31, 2023. There were no interest rate swaps in an asset position at June 30, 2023. The fair value of interest rate swaps in a liability position were \$30,486 and \$27,301 at December 31, 2023 and June 30, 2023, respectively. The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted as of December 31, 2023 and June 30, 2023.

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.

11. 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

11. 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 December 31,		The six months ended December 31,	
	2023	2022	2023	2022
Operating lease cost	\$ 87,601	\$ 87,735	\$ 175,567	\$ 173,392
Finance lease cost:				
Interest on lease liabilities	706	716	1,414	1,433
Amortization of right-of-use-asset	710	710	1,420	1,420
Variable lease cost	18,053	13,840	34,319	31,503
Total lease cost	\$ 107,070	\$ 103,001	\$ 212,720	\$ 207,748

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

	December 31, 2023		December 31, 2022	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8.2 years	26 years	8.1 years	27 years
Weighted-average discount rate	2.9%	3.3%	2.5%	3.3%

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

	The three months ended December 31,		The six months ended December 31,	
	2023	2022	2023	2022
Operating leases	\$ 80,331	\$ 83,922	\$ 160,742	\$ 165,833
Finance leases	1,040	1,020	2,153	2,039
Total cash paid	\$ 81,371	\$ 84,942	\$ 162,895	\$ 167,872

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

11. Leases (continued)

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

Twelve months ending December 31:	Operating Leases	Finance Leases	Total
2024	\$ 237,399	\$ 4,105	\$ 241,504
2025	195,679	4,018	199,697
2026	162,946	4,090	167,036
2027	130,956	4,163	135,119
2028	90,792	4,238	95,030
Thereafter	381,487	104,792	486,279
Total future undiscounted lease obligations	1,199,259	125,406	1,324,665
Less: amount of lease payments representing interest	(50,313)	(44,833)	(95,146)
Present value of future lease obligations	1,148,946	80,573	1,229,519
Less: current portion of lease obligations	(285,115)	(1,150)	(286,265)
Long-term lease obligations	\$ 863,831	\$ 79,423	\$ 943,254

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 December 31, 2023, are as follows:

Twelve months ending December 31:	Operating Leases
2024	\$ 66,319
2025	51,519
2026	39,291
2027	31,396
2028	26,918
Thereafter	367,516
Total	\$ 582,959

For the three months ended December 31, 2023 and 2022, lease income was approximately \$20,000 and \$22,000, respectively. For the six months ended December 31, 2023 and 2022, lease income was approximately \$41,000 and \$43,000, respectively.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

12. 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 December 31,		The six months ended December 31,	
	2023	2022	2023	2022
Components of net periodic benefit gain:				
Expected return on plan assets	\$ 153,270	\$ 159,789	\$ 306,539	\$ 319,579
Interest cost	(105,215)	(100,072)	(210,412)	(200,161)
Amortization of actuarial loss	(23,143)	(23,010)	(49,702)	(46,008)
Amortization of prior service credit	10	(2)	19	(5)
Net periodic benefit gain	\$ 24,922	\$ 36,705	\$ 46,444	\$ 73,405

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

13. Self Insurance Program

Ascension entities are self-insured for professional and general liability claims on a claims-made basis, as well as workers compensation claims on an occurrence basis, through grantor trusts and Ascension Health Insurance, LTD. (AHIL), a captive insurance company and direct subsidiary of Ascension Risk Services LLC. The grantor trusts provide funding for claims within the self-insured retentions. Actuarially determined amounts are contributed to the trust funds to provide for the estimated cost of claims. The associated loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Employed physicians and certain entities in the states of Indiana and Kansas are provided coverage by ProAssurance Corporation (ProAssurance) on a fronted basis and are reinsured through AHIL. These entities and physicians are provided professional liability coverage with limits in compliance with participation in the state-specific Patient Compensation Fund programs.

Sunflower Assurance, Ltd. (Sunflower), a captive insurance company and wholly owned subsidiary of Ascension Risk Services LLC, offers physician professional liability coverage through insurance or reinsurance arrangements to non-employed physicians practicing at various facilities of the System.

14. Related Parties

The System has agreements with related parties for revenue cycle management services and clinical engineering services. The System expensed approximately \$330,000 and \$321,000 for these services during the three months ended December 31, 2023 and 2022. The System expensed approximately \$658,000 and \$645,000 for these services during the six months ended December 31, 2023 and 2022.

15. 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 practices 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued)

(Dollars in Thousands)

15. Contingencies and Commitments (continued)

In the opinion of management, investigations and litigation matters are expected to be resolved without a material adverse effect to Ascension's financial position or liquidity.

The System has entered into Master Service Agreements for information technology services provided by third parties, under which future committed payments of approximately \$779,400 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, including guarantees of performance of an affiliate under third party financing arrangements, financing of unaffiliated entities, non-employed physician minimum revenue guarantees, and other transactions. The terms of guarantees are equal to the terms of the related debt, which can be as long as 15 years.

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

St. Vincent de Paul Series 2000 A debt guarantee	\$	28,300
Other guarantees and commitments		107,029

16. Functional Expenses

Ascension provides healthcare services, including inpatient, outpatient, ambulatory, long-term care and community-based services. Management support services include information technology, finance and accounting, revenue cycle, public relations, human resources, legal, supply chain, risk management, compliance, administration and other related functions. Expenses are classified as 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.

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

16. Functional Expenses (continued)

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

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 3,281,426	\$ 266,970	\$ 3,548,396
Purchased services and professional fees	1,046,720	335,314	1,382,034
Supplies	1,067,093	1,844	1,068,937
Other	1,473,785	109,217	1,583,002
Total operating expenses	\$ 6,869,024	\$ 713,345	\$ 7,582,369

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

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 3,330,715	\$ 268,034	\$ 3,598,749
Purchased services and professional fees	1,010,134	334,262	1,344,396
Supplies	1,006,485	2,241	1,008,726
Other	1,335,861	111,535	1,447,396
Total operating expenses	\$ 6,683,195	\$ 716,072	\$ 7,399,267

Ascension

Notes to Consolidated Financial Statements (unaudited) (continued) (Dollars in Thousands)

16. Functional Expenses (continued)

Expenses by functional classification for the six months ended December 31, 2023 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 6,534,694	\$ 524,229	\$ 7,058,923
Purchased services and professional fees	2,054,735	671,412	2,726,147
Supplies	2,100,440	3,155	2,103,595
Other	2,924,266	215,554	3,139,820
Total operating expenses	\$ 13,614,135	\$ 1,414,350	\$ 15,028,485

Expenses by functional classification for the six months ended December 31, 2022 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 6,679,858	\$ 531,185	\$ 7,211,043
Purchased services and professional fees	1,896,667	660,755	2,557,422
Supplies	2,029,249	3,734	2,032,983
Other	2,692,333	224,452	2,916,785
Total operating expenses	\$ 13,298,107	\$ 1,420,126	\$ 14,718,233

Supplementary Information

Ascension

Schedule of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs (unaudited) (Dollars in Thousands)

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

	The six months ended December 31,	
	2023	2022
Traditional charity care provided	\$ 226,407	\$ 273,350
Unpaid cost of public programs for persons living in poverty	631,444	534,822
Other programs for persons living in poverty and other persons who are vulnerable	45,462	34,027
Community benefit programs	196,222	204,185
Care of persons living in poverty and other community benefit programs	<u>\$ 1,099,535</u>	<u>\$ 1,046,384</u>

Ascension

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

	December 31, 2023
Assets	
Current assets:	
Cash and cash equivalents	\$ 348,470
Short-term investments	44,952
Accounts receivable	2,541,419
Inventories	363,521
Estimated third-party payor settlements	341,336
Due from affiliates (See Note 2)	823,181
Other	964,203
Total current assets	5,427,082
Long-term investments	15,391,936
Property and equipment, net	7,719,353
Other assets:	
Right-of-use assets - leases	889,230
Investment in unconsolidated entities	1,135,744
Capitalized software costs, net	577,292
Due from affiliates (See Note 2)	2,670,830
Other	1,340,516
Total other assets	6,613,612
Total assets	<u><u>\$ 35,151,983</u></u>

Continued on next page.

Ascension

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

	December 31, 2023
Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	\$ 102,512
Long-term debt subject to short-term remarketing arrangements*	539,195
Current portion of lease obligations	285,950
Accounts payable and accrued liabilities	2,225,567
Estimated third-party payor settlements	208,356
Due to affiliates (See Note 2)	58,616
Other	457,046
Total current liabilities	<u>3,877,242</u>
Noncurrent liabilities:	
Long-term debt (senior and subordinated)	6,106,191
Lease obligations, less current portion	635,413
Pension and other postretirement liabilities	342,596
Other	1,287,601
Total noncurrent liabilities	<u>8,371,801</u>
Total liabilities	<u>12,249,043</u>
Net assets:	
Without donor restrictions:	
Controlling interest	21,623,126
Noncontrolling interests	567,445
Total net assets without donor restrictions	<u>22,190,571</u>
Net assets with donor restrictions	<u>712,369</u>
Total net assets	<u>22,902,940</u>
Total liabilities and net assets	<u><u>\$ 35,151,983</u></u>

*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 December 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 (unaudited) (Dollars in Thousands)

	The six months ended December 31, 2023
Operating revenue:	
Net patient service revenue	\$ 9,252,697
Other revenue (See note 2)	1,723,488
Total operating revenue	10,976,185
Operating expenses (See note 2):	
Salaries and wages	3,979,351
Employee benefits	1,006,937
Purchased services	1,301,994
Professional fees	547,556
Supplies	1,461,165
Insurance	90,122
Interest	116,980
Provider tax	346,513
Depreciation and amortization	468,943
Other	1,245,639
Total operating expenses	10,565,200
Income (loss) from recurring operations	410,985
Impairment and nonrecurring gains (losses), net	(1,734)
Income (loss) from operations	409,251
Nonoperating gains (losses):	
Investment return, net	6,165
Other	11,582
Total nonoperating gains (losses), net	17,747
Excess (deficit) of revenues and gains over expenses and losses	426,998
Less noncontrolling interests	104,687
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	322,311

Continued on next page.

Ascension

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

	The six months ended December 31, 2023
Net assets without donor restrictions, controlling interest:	
Excess (deficit) of revenues and gains over expenses and losses	\$ 322,311
Transfers (to) from affiliates, net (See Note 2)	(801,047)
Net assets released from restrictions for property acquisitions	12,477
Change in pension liability	46,108
Change in unconsolidated entities' net assets	10,245
Other	(24,519)
Increase (decrease) in net assets without donor restrictions, controlling interest	(434,425)
Net assets without donor restrictions, noncontrolling interest:	
Excess (deficit) of revenues and gains over expenses and losses	104,687
Net contributions (distributions) of capital	1,452
Contributions from business combinations	-
Other	(8,527)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	97,612
Net assets with donor restrictions:	
Contributions and grants	42,534
Investment return	12,546
Net assets released from restrictions	(36,604)
Other	232
Increase (decrease) in net assets with donor restrictions	18,708
Increase (decrease) in net assets	(318,105)
Net assets, beginning of period	23,221,045
Net assets, end of period	\$ 22,902,940

Ascension
Notes to Credit Group Financial Statements (unaudited)
(Dollars in Thousands)

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the six months ended December 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 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 six months ended December 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.

Ascension
Notes to Credit Group Financial Statements (unaudited) (continued)
(Dollars in Thousands)

2. Affiliate Transactions (continued)

These transactions are eliminated in consolidation within the Ascension Consolidated Financial Statements, but separately presented within the CGFS.

Revenue and expense activities, not transacted at arms length, between CGFS Entities and Non CGFS Entities were both approximately \$950,000 for the six months ended December 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.