ASCENSION

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2024 and 2023
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

Years Ended June 30, 2024 and 2023

Contents

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Report of Independent Auditors

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Opinion

We have audited the consolidated financial statements of Ascension Health Alliance d/b/a Ascension (the System), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System at June 30, 2024 and 2023, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

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Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis of Financial Condition and Results of Operations for Ascension but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

September 17, 2024

Ascension

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30, 2024	June 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ **666,481**	$ 1,013,225
Short-term investments	**50,317**	60,793
Accounts receivable	**4,354,476**	3,270,862
Inventories	**416,374**	487,104
Due from brokers *(see Notes 6 and 7)*	**140,174**	136,646
Estimated third-party payor settlements	**259,985**	195,549
Assets held for sale *(see Note 4)*	**2,009,875**	305,051
Other	**1,061,506**	1,001,164
Total current assets	**8,959,188**	6,470,394
Long-term investments *(see Notes 6 and 7)*	**18,694,608**	19,417,590
Property and equipment, net	**8,485,756**	9,942,027
Other assets:		
Right-of-use assets - leases	**1,065,276**	1,277,833
Investment in unconsolidated entities	**1,206,829**	1,325,565
Capitalized software costs, net	**651,490**	576,829
Other	**1,643,178**	1,447,951
Total other assets	**4,566,773**	4,628,178
Total assets	$ **40,706,325**	$ 40,458,189

Continued on next page.

Ascension

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30, 2024	June 30, 2023
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$ 352,613	$ 121,541
Long-term debt subject to short-term remarketing arrangements*	539,095	471,425
Current portion of lease obligations	266,801	269,663
Accounts payable and accrued liabilities	3,495,493	3,031,199
Estimated third-party payor settlements	605,558	552,459
Due to brokers *(see Notes 6 and 7)*	186,200	108,443
Current portion of self-insurance liabilities	357,084	537,763
Advanced payments *(see Note 5)*	554,356	-
Liabilities held for sale *(see Note 4)*	397,162	40,773
Other	402,241	400,958
Total current liabilities	7,156,603	5,534,224
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	6,062,808	6,322,992
Lease obligations, less current portion	838,885	1,047,358
Self-insurance liabilities	1,029,265	934,516
Pension and other postretirement liabilities	448,296	436,952
Other	1,347,431	1,362,107
Total noncurrent liabilities	9,726,685	10,103,925
Total liabilities	16,883,288	15,638,149
Net assets:		
Without donor restrictions:		
Controlling interest	20,351,604	21,391,080
Noncontrolling interests	2,690,317	2,656,133
Total net assets without donor restrictions	23,041,921	24,047,213
Net assets with donor restrictions	781,116	772,827
Total net assets	23,823,037	24,820,040
Total liabilities and net assets	$ 40,706,325	$ 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 June 30, 2025. 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

(Dollars in Thousands)

	The years ended June 30, 2024	2023
Operating revenue:		
Net patient service revenue	**$ 25,872,203**	$ 25,647,921
Other revenue	**2,679,446**	2,699,847
Total operating revenue	**28,551,649**	28,347,768
Operating expenses:		
Salaries and wages	**11,840,397**	11,792,351
Employee benefits	**2,210,410**	2,457,733
Purchased services	**3,852,800**	3,792,039
Professional fees	**1,708,825**	1,519,295
Supplies	**4,139,467**	4,059,567
Insurance	**406,632**	652,278
Interest	**225,700**	231,121
Provider tax	**1,034,787**	850,567
Depreciation and amortization	**1,119,864**	1,295,479
Other	**3,530,357**	3,295,974
Total operating expenses	**30,069,239**	29,946,404
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	**(1,517,590)**	(1,598,636)
Self-insurance trust fund investment return	**110,024**	50,042
Income (loss) from recurring operations	**(1,407,566)**	(1,548,594)
Impairment and nonrecurring gains (losses), net	**(401,552)**	(1,495,439)
Income (loss) from operations	**(1,809,118)**	(3,044,033)
Nonoperating gains (losses):		
Investment return, net	**1,005,454**	422,837
Other	**12,319**	83,278
Total nonoperating gains (losses), net	**1,017,773**	506,115
Excess (deficit) of revenues and gains over expenses and losses	**(791,345)**	(2,537,918)
Less noncontrolling interests	**283,533**	122,123
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**(1,074,878)**	(2,660,041)

Continued on next page.

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Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	The years ended June 30,	
	2024	**2023**
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**$ (1,074,878)**	$ (2,660,041)
Transfers (to) from sponsors, net	**(5,000)**	(5,000)
Net assets released from restrictions for property acquisitions	**48,505**	35,322
Change in pension liability	**(42,074)**	(13,302)
Change in unconsolidated entities' net assets	**28,216**	(44,095)
Other	**5,755**	10,750
Increase (decrease) in net assets without donor restrictions, controlling interest	**(1,039,476)**	(2,676,366)
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**283,533**	122,123
Net contributions (distributions) of capital	**(240,818)**	222,592
Other	**(8,531)**	3,684
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	**34,184**	348,399
Net assets with donor restrictions:		
Contributions and grants	**93,311**	109,450
Investment return	**36,190**	4,959
Net assets released from restrictions	**(100,781)**	(89,178)
Other	**(20,431)**	(2,770)
Increase (decrease) in net assets with donor restrictions	**8,289**	22,461
Increase (decrease) in net assets	**(997,003)**	(2,305,506)
Net assets, beginning of year	**24,820,040**	27,125,546
Net assets, end of year	**$ 23,823,037**	$ 24,820,040

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

Ascension

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	The years ended June 30,	
	2024	**2023**
Operating activities		
Increase (decrease) in net assets	$ **(997,003)**	$ (2,305,506)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**1,119,864**	1,295,479
Amortization of bond premiums, discounts, and debt issuance costs	**(26,712)**	(30,004)
Loss on extinguishment of debt	**232**	-
Change in pension liability	**42,074**	13,302
Unrealized losses (gains) on unrestricted investments, net	**(463,822)**	(328,129)
Change in fair value of interest rate swaps	**(8,613)**	(30,610)
Change in equity of unconsolidated entities	**(235,927)**	(189,495)
Gain on sale of assets, net	**(180,459)**	(364,085)
Impairment and nonrecurring expenses	**400,579**	1,496,212
Transfers to (from) sponsors, net	**5,000**	5,000
Donor restricted contributions, investment return and other	**(77,225)**	(60,553)
Distributions (contributions) of noncontrolling interest, net	**240,818**	(222,592)
Other	**4,532**	4,704
(Increase) decrease in:		
Short-term investments	**10,476**	9,491
Accounts receivable	**(1,583,384)**	115,782
Inventories and other current assets	**(99,444)**	(120,832)
Due from brokers	**(3,528)**	5,429
Long-term investments	**1,187,487**	2,948,888
Other assets	**(198,706)**	(55,272)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**697,408**	(242,486)
Estimated third-party payor settlements, net	**(5,264)**	(176,078)
Due to brokers	**77,757**	32,654
Advanced payments	**554,356**	(522,045)
Other current liabilities	**23,120**	(211,252)
Self-insurance liabilities	**(85,930)**	339,965
Other noncurrent liabilities	**287,525**	(75,986)
Net cash provided by (used in) operating activities	**685,211**	1,331,981

Continued on next page.

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Consolidated Statements of Cash Flows

(Dollars in Thousands)

	The years ended June 30, 2024	2023
Investing activities		
Property, equipment, and capitalized software additions, net	**$ (1,326,505)**	$ (1,645,030)
Proceeds from sale of property and equipment	**14,939**	18,967
Distributions from unconsolidated entities, net	**131,739**	159,240
Net proceeds from sale/acquisition of other assets	**229,235**	435,213
Net cash provided by (used in) investing activities	**(950,592)**	(1,031,610)
Financing activities		
Issuance of debt	**263,933**	263,631
Repayment of debt, including financing lease obligations	**(176,020)**	(594,773)
Decrease (increase) in assets under bond agreements	**(9)**	38
Transfers (to) from sponsors, net	**(5,000)**	(5,000)
Donor restricted contributions, investment return, and other	**77,225**	60,553
(Distributions) contributions of noncontrolling interest, net	**(240,818)**	222,592
Net cash provided by (used in) financing activities	**(80,689)**	(52,959)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**(346,070)**	247,412
Cash, cash equivalents, and restricted cash at beginning of year	**1,060,864**	813,452
Cash, cash equivalents, and restricted cash at end of year	**$ 714,794**	$ 1,060,864
Cash and cash equivalents	**$ 666,481**	$ 1,013,225
Restricted cash, included in long-term investments	**48,313**	47,639
Cash, cash equivalents, and restricted cash at end of year	**$ 714,794**	$ 1,060,864

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 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
  - Ascension Investment Management (AIM)
  - Ascension Ventures (AV)
  - 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.

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 $474,431 and $517,090 for the years ended June 30, 2024 and 2023, respectively. The amount of unpaid cost of public programs, cost of other programs for persons living in poverty and other vulnerable persons, and community benefit cost is reported in the accompanying supplementary information.

2. Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Inventories

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

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

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

Long-term investments include assets limited as to use of $1,716,182 and $1,647,986 at June 30, 2024 and 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. The cost of substantially all securities sold is based on the FIFO method. Investment returns consist of dividends, interest, and gains and losses. 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 20 years. Depreciation expense for the years ended June 30, 2024 and 2023 was approximately $943,000 and $1,107,000, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	June 30, 2024	June 30, 2023
Land and improvements	$ 1,264,192	$ 1,491,219
Buildings and equipment	17,258,591	20,950,390
	18,522,783	22,441,609
Less accumulated depreciation	10,864,299	13,057,675
	7,658,484	9,383,934
Construction in progress	827,272	558,093
Total property and equipment, net	$ 8,485,756	$ 9,942,027

Several capital projects have remaining construction and related equipment purchase commitments of approximately $701,000 as of June 30, 2024.

Intangible Assets

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

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

	June 30, 2024	June 30, 2023
Capitalized software costs	**$ 2,734,310**	$ 2,595,944
Software in progress	**224,433**	191,912
Less accumulated amortization	**2,307,253**	2,211,027
Capitalized software costs, net	**651,490**	576,829
Goodwill	**603,116**	525,220
Other, net	**41,301**	42,883
Intangible assets included in other assets	**644,417**	568,103
Total intangible assets, net	**$ 1,295,907**	$ 1,144,932

Goodwill and other intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at a reporting unit level at least annually, or when circumstances indicate a possible impairment may exist. This evaluation is based on a qualitative assessment that considers factors such as the reporting unit fair value and carrying value, industry considerations and performance outlook. If the qualitative assessment indicates that it is more likely than not that goodwill is impaired, a quantitative assessment is performed.

Capitalized computer software and other intangible assets with definite lives are amortized on a straight line basis over their expected useful lives of approximately 3 to 7 years for capitalized software and approximately 5 to 30 years for other intangible assets with definite lives. Amortization expense for these intangible assets for the years ended June 30, 2024 and 2023 was approximately $177,000 and $189,000, respectively.

Estimated future amortization of capitalized software costs and other intangible assets with definite lives, excluding software in progress, as of June 30, 2024 is as follows:

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

The years ending June 30:		
2025	$	178,091
2026		113,669
2027		58,599
2028		35,291
2029		24,610
Thereafter		47,024
Total	$	457,284

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%.

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.

2. Significant Accounting Policies (continued)

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, Net assets released from restrictions for property acquisitions, and Change 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.

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.

2. Significant Accounting Policies (continued)

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.

As related to the May 8, 2024 cybersecurity attack (see Note 5), gross patient service revenue (GPSR) for May and June 2024 was estimated, utilizing inpatient and outpatient volumes and estimated transaction prices based on average GPSR for inpatients and outpatients from the month prior to the attack. GPSR was adjusted to expected net patient service revenue using estimated contractual adjustments and discounts based on historical experience by patient type categories and major payor classes.

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 $79,216 and $222,785 for the years ended June 30, 2024 and 2023, 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.

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.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Net patient service revenue earned for the years ended June 30, 2024 and 2023, is as follows:

	The years ended June 30, 2024	2023
Inpatient care	**$ 12,032,165**	$ 11,656,483
Ambulatory care	**10,541,821**	10,557,720
Physician practices	**2,839,094**	3,004,790
Long-term care	**459,123**	428,928
Total net patient service revenue	**$ 25,872,203**	$ 25,647,921

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. As discussed above, patient revenues and allowances for May and June 2024 were based on estimates and historical experience:

	Net Patient Service Revenue The years ended June 30,		Accounts Receivable	
	2024	2023	June 30, 2024	June 30, 2023
Medicare - traditional and managed	**36.3 %**	36.1 %	**31.7 %**	28.3 %
Medicaid - traditional and managed	**15.5**	15.7	**10.5**	10.8
Other commercial and managed care	**42.0**	41.7	**45.5**	42.8
Self-Pay and other	**6.2**	6.5	**12.3**	18.1
	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.

2. Significant Accounting Policies (continued)

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 during the year, using collection history and write-off data. The results of these updates have not resulted in material adjustments to the valuations of accounts receivable or period-to-period comparisons of results of operations.

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.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

Components of other operating revenue are included in the following tables for the years ended June 30, 2024 and 2023, respectively:

	The years ended June 30, 2024	2023
Cafeteria and vending	**$ 80,607**	$ 77,479
COVID-19 funding (*see Note 3*)	**76,941**	28,448
Contracted services	**299,297**	285,228
Donations and grants	**112,652**	111,697
Gains on asset sales	**200,380**	382,453
Insurance plans	**314,023**	270,449
Joint venture income	**207,727**	232,681
Lab services	**5,919**	65,472
Lease and rental income	**93,032**	95,127
Retail pharmacy	**876,823**	791,031
Value based programs	**135,563**	146,512
Other	**276,482**	213,270
Total other revenue	**$ 2,679,446**	$ 2,699,847

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.

For the year ended June 30, 2023, Ascension determined that estimated future net cash flows for certain System long-lived assets would not support their net book values. As such, an impairment charge of approximately $1,483,000 was recognized for the year ended June 30, 2023, included in Impairment and nonrecurring gains (losses), net in the Consolidated Statement of Operations and Changes in Net Assets.

Nonrecurring gains (losses) primarily include losses associated with the recognition of assets and liabilities held for sale, and also include natural disaster losses and related insurance proceeds.

2. Significant Accounting Policies (continued)

Amortization

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

Income Taxes

The 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 June 30, 2024.

The System had deferred tax assets of approximately $441,000 and $507,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2024 and 2023, respectively.

Net operating losses incurred prior to July 1, 2018 have expiration dates through 2038, while net operating losses incurred after July 1, 2018 can be carried forward indefinitely, under the Tax Cuts and Jobs Act of 2017. A valuation allowance of approximately $438,000 and $505,000 is recognized at June 30, 2024 and 2023, respectively, due to the uncertainty regarding use of the deferred tax assets.

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 June 30, 2024 presentation.

2. Significant Accounting Policies (continued)

New Accounting Standards Adopted

Effective July 1, 2023, Ascension adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU requires entities to include estimates for expected credit losses on financial assets in scope, replacing the former incurred loss methodology. The adoption of this ASU did not have a material impact to the consolidated financial statements.

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 year ended June 30, 2024, the System evaluated subsequent events through September 17, 2024, representing the date the Consolidated Financial Statements were issued.

In July 2024, Presence Care Transformation Corporation (Presence), a wholly owned subsidiary of Ascension Illinois, and Prime Healthcare Services, Inc. (Prime) signed an asset purchase agreement whereby Presence will sell substantially all assets and operations, as well as related clinical and other businesses, of nine hospitals and four senior living facilities in the greater Chicago, Illinois area to Prime. This transaction is expected to be finalized after all necessary approvals are obtained.

On August 1, 2024, Ascension completed the membership substitution of its northern Michigan hospitals to MyMichigan Health. See the Organizational Changes note.

In August 2024, Ascension borrowed $700,000 under a bank loan with a one year term, and the $250,000 outstanding at June 30, 2024 under its $1,000,000 line of credit was repaid. Also in August 2024, Ascension established an additional $500,000 line of credit, which has a one year term and remains undrawn.

(Dollars in Thousands)

3. COVID-19

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

4. Organizational Changes

The following table presents amounts, by balance sheet category, that comprise assets and liabilities held for sale at June 30, 2024 and 2023. These amounts are primarily associated with the transactions discussed in the Assets Held for Sale and Assets Sold sections below. Long term investments of approximately $190,000 at June 30, 2024, in Long term investments in the Consolidated Balance Sheet, are also anticipated to be contributed upon the close of certain of the following Assets Held for Sale transactions. Losses associated with certain Assets Held for Sale transactions below are included in Impairment and nonrecurring gains (losses), net in the Consolidated Statement of Operations for the year ended June 30, 2024, while gains associated with certain Assets Sold transactions below are included in Other operating revenue in the Consolidated Statement of Operations for the years ended June 30, 2024 and 2023.

	June 30, 2024	June 30, 2023
Accounts receivable	**$ 497,922**	$ 48,732
Inventories	**75,140**	13,733
Other current assets	**55,504**	877
Property and equipment, net	**1,175,838**	211,468
Right-of-use assets - leases	**120,816**	29,083
Investment in unconsolidated entities	**84,655**	1,158
Total assets held for sale	**$ 2,009,875**	$ 305,051
Accounts payable and accrued liabilities	**$ 238,175**	$ 7,824
Other current liabilities	**27,397**	3,322
Lease obligations, long term	**124,062**	29,627
Other noncurrent liabilities	**7,528**	-
Total liabilities held for sale	**$ 397,162**	$ 40,773

4. Organizational Changes (continued)

Assets Held for Sale

The following transactions are expected to be finalized after all necessary approvals are obtained.

In June 2024, Ascension Health and UAB Health System Authority (UAB) signed a membership substitution agreement whereby Ascension will transition its membership interest in the St. Vincent's Health System in Alabama to UAB.

In March 2024, Ascension Health and MyMichigan Health (MyMichigan) signed a membership substitution agreement for Ascension to transition its membership interest in its northern Michigan hospitals and related ancillary entities to MyMichigan.

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.

Assets Sold

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.

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.

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. Cybersecurity Incidents

On May 8, 2024, Ascension experienced a cybersecurity attack, which interrupted access to certain information technology (IT) systems. Ascension’s top priority has been patient safety during the entirety of this incident, while continuing to work to contain and remediate the impacts of this attack.

Upon discovery, Ascension took immediate action to isolate and protect its systems, notify the appropriate law enforcement authorities, and commence remediation activities including retaining cybersecurity experts, while concurrently initiating clinical downtime procedures and protocols. This incident resulted in delays in revenue cycle processes, including insurance verification processes, claims submission, and payment processing, as well as the incurrence of certain remediation costs, which collectively led to negative impacts to results of operations and cash flows during May and June 2024. Claims submission for certain patients treated during the downtime period remains in process during the subsequent event period and is expected to be completed by December 31, 2024. By June 30, 2024, Ascension completed its restoration of electronic health record access across the System, allowing clinical systems and processes to function similarly to time periods prior to the cyber attack.

During February 2024, Ascension was also impacted by a cybersecurity incident involving a third party clearinghouse, primarily with respect to claims submission, payment processing, and insurance verification processes.

In response to these incidents, the Centers for Medicare and Medicaid Services (CMS) and other non-governmental payors provided for advanced payments. For the year ended June 30, 2024, Ascension received approximately $874,500 in advanced payments, of which approximately $554,400 remains to be recouped at June 30, 2024, and is included in Advanced payments in the Consolidated Balance Sheet. Recoupment of advanced payments will occur in accordance with the terms and conditions of the respective programs.

6. 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.

6. Investment Funds (continued)

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 investment periods, which are typically five years, and can extend to the end of the fund term. As of June 30, 2024, unfunded capital commitments total approximately $1,378,000, of which approximately $212,000 are attributable to Alpha Fund investors other than Ascension. Funding under these commitments, if required, is 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 June 30, 2024 and 2023, the gross notional value of Alpha Fund derivatives outstanding was approximately $2,408,000 and $5,669,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

At June 30, 2024 and 2023, the fair value of Alpha Fund derivatives in an asset position was $40,069 and $95,080, respectively, while the fair value of Alpha Fund derivatives in a liability position was $49,117 and $54,798 at June 30, 2024 and 2023, respectively. These derivatives are included in Long-term investments in the Consolidated Balance Sheets.

6. 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 $10,900 at June 30, 2024 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 $346,000 at June 30, 2024. 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.

(Dollars in Thousands)

7. 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. The Investment Funds' other assets (liabilities), net 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.

	June 30, 2024	June 30, 2023
Cash and cash equivalents	$ 666,481	$ 1,013,225
Short-term investments	50,317	60,793
Long-term investments	18,694,608	19,417,590
Subtotal	19,411,406	20,491,608
Investment Funds' other assets (liabilities), net	(22,619)	61,564
Total cash and investments, net	19,388,787	20,553,172
Less noncontrolling interest of Investment Funds	2,331,618	2,321,790
System cash and investments, including assets limited as to use	17,057,169	18,231,382
Less assets limited as to use:		
Under bond agreement	128	119
Self-insurance trust funds	976,828	914,776
With donor restrictions	739,226	733,091
Total assets limited as to use	1,716,182	1,647,986
System unrestricted cash and investments, net	$ 15,340,987	$ 16,583,396

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.

(Dollars in Thousands)

7. Cash and Investments (continued)

	June 30, 2024	June 30, 2023
Cash and cash equivalents and short-term investments	**$ 800,189**	$ 1,148,934
Pooled short-term investment funds	**899,708**	502,177
U.S. government, state, municipal and agency obligations	**2,229,787**	2,949,110
Corporate and foreign fixed income securities	**770,053**	1,032,959
Asset-backed securities	**1,064,926**	1,952,581
Equity securities	**7,103,777**	6,106,192
Alternative investments and other investments:		
Private equity and real estate funds	**4,614,464**	4,450,670
Private credit and energy funds	**1,352,812**	1,489,455
Hedge funds	**480,871**	623,242
Other investments	**94,819**	236,288
Total alternative investments and other investments	**6,542,966**	6,799,655
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 19,411,406**	$ 20,491,608

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 years ended June 30, 2024 and 2023, is summarized in the following table.

	The years ended June 30, 2024	2023
Interest and dividends	**$ 516,224**	$ 481,214
Net gains (losses) on investments reported at fair value	**599,254**	(8,335)
Restricted investment return and unrealized gains (losses), net	**36,190**	4,959
Total investment return, net	**1,151,668**	477,838
Less Investment Funds' noncontrolling interest return, net	**184,454**	24,795
System investment return, net	**$ 967,214**	$ 453,043

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

(Dollars in Thousands)

8. Financial Assets and Liquidity Resources

As of June 30, 2024 and 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:

Financial assets:	**June 30, 2024**	June 30, 2023
Cash and cash equivalents	**$ 666,481**	$ 1,013,225
Short-term investments	**50,317**	60,793
Accounts receivable	**4,354,476**	3,270,862
Due from brokers	**140,174**	136,646
Net assets held for sale *(see Note 4)*	**442,702**	264,278
Other current assets	**1,061,506**	1,001,164
Long-term investments*	**18,694,608**	19,417,590
Total financial assets	**25,410,264**	25,164,558
Less:		
Assets limited as to use and internally designated funds	**(1,813,867)**	(1,744,513)
Noncontrolling interests of Investment Funds	**(2,331,618)**	(2,321,790)
Investments with liquidity more than one year	**(5,143,604)**	(5,133,522)
Total financial assets available within one year	**16,121,175**	15,964,733
Liquidity resources:		
Unused line(s) of credit	**750,000**	1,000,000
Total financial assets and liquidity resources available within one year	**$ 16,871,175**	$ 16,964,733

*Approximately $190,000 of Long term investments at June 30, 2024 are anticipated to be contributed upon the close of certain transactions discussed in the Organizational Changes note.

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

9. 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.

9. 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 June 30, 2024 and 2023, the assets and liabilities listed in the fair value hierarchy tables below use the following valuation techniques and inputs:

Cash Equivalents and Short-Term Investments

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.

9. 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.

9. Fair Value Measurements (continued)

Significant observable inputs to valuation models include the time value of money, counterparty credit risk, interest rates, Treasury yields, volatilities, credit spreads, maturity date, recovery rates, and the current market and contractual prices of the underlying financial instruments.

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

Deferred Compensation Plan Assets

The fair value of Level 3 deferred compensation plan assets is based on original investments into a guaranteed fund, plus guaranteed, annuity contract-based interest. 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.

(Dollars in Thousands)

9. Fair Value Measurements (continued)

The following tables summarize fair value measurements, by level, at June 30, 2024 and 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
June 30, 2024				
Cash equivalents	$ 12,409	$ 1,636	$ -	$ 14,045
Short-term investments	33,687	5,164	-	38,851
Pooled short-term investment funds	899,708	-	-	899,708
U.S. government, state, municipal and agency obligations	-	2,229,787	-	2,229,787
Corporate and foreign fixed income securities	-	768,339	1,714	770,053
Asset-backed securities	-	844,984	219,942	1,064,926
Equity securities	6,173,073	5,950	9,321	6,188,344
Alternative investments and other investments:				
Private equity	-	-	368,083	368,083
Other investments, including derivatives, net	16,772	(2,253)	2,203	16,722
Assets at net asset value:				
Equity securities				915,433
Private equity funds and real estate funds				4,246,381
Private credit and energy funds				1,352,812
Hedge funds				480,871
Other investments				6,549
Cash and other investments not at fair value				818,841
Cash and investments				$ 19,411,406
Deferred compensation plan assets, in other noncurrent assets	$ 682,018	$ -	$ 42,638	$ 724,656
Investments sold, not yet purchased, in other noncurrent liabilities	13	-	-	13
Interest rate swaps, included in other noncurrent liabilities	-	18,688	-	18,688

(Dollars in Thousands)

9. 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				1,186,112
Cash and investments				$ 20,491,608
Deferred compensation 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

(Dollars in Thousands)

9. Fair Value Measurements (continued)

For the years ended June 30, 2024 and 2023, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
The year ended June 30, 2024						
Beginning balance	$ 1,272	$ 213,512	$ 10,215	$ 334,891	$ 2,759	$ 57,308
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	442	24,190	153	(3,924)	160	-
Included in changes in net assets	-	-	-	-	(8)	-
Purchases	-	49,360	7,299	38,520	1,377	3,198
Sales	-	(67,120)	(8,355)	(1,404)	(2,085)	(10,930)
Transfers into Level 3	-	-	9	-	-	1,732
Transfers out of Level 3	-	-	-	-	-	(8,670)
Ending balance	$ 1,714	$ 219,942	$ 9,321	$ 368,083	$ 2,203	$ 42,638
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 June 30, 2024.	$ 441	$ 18,555	$ (22)	$ -	$ (8)	$ -

(Dollars in Thousands)

9. Fair Value Measurements (continued)

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
The year ended June 30, 2023						
Beginning balance	$ 1,156	$ 210,942	$ 37,171	$ 574,873	$ 3,887	$ 58,439
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	116	2,529	(9,485)	(263,825)	(89)	-
Included in changes in net assets	-	-	-	-	(805)	-
Purchases	-	19,399	4,469	24,334	248	6,859
Issuances	-	-	-	8	-	-
Sales	-	(18,608)	(22,950)	(499)	(482)	(11,854)
Transfers into Level 3	-	-	1,010	-	-	10,030
Transfers out of Level 3	-	(750)	-	-	-	(6,166)
Ending balance	$ 1,272	$ 213,512	$ 10,215	$ 334,891	$ 2,759	$ 57,308
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 June 30, 2023.	$ 119	$ 1,962	$ 141	$ -	$ 60	$ -

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.

(Dollars in Thousands)

10. Long-Term Debt

Long-term debt at June 30, 2024 and 2023 is comprised of the following:

	June 30, 2024	June 30, 2023
Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2047; interest (3.81% to 3.95% at June 30, 2024) set at prevailing market rates	**$ 388,800**	$ 472,635
Fixed rate serial, term, and mode bonds fixed to maturity payable in installments through November 2047; interest at 3.00% to 5.00%	**2,789,095**	2,842,550
Fixed rate serial mode bonds payable through 2047 with purchase dates ranging from July 2024 through December 2024; interest at 4.00% to 5.00% through the mandatory tender dates	**161,025**	165,010
Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:		
Variable rate demand bonds issued under the Subordinate Master Trust Indenture, subject to a seven-day put provision, payable through November 2025; interest (3.82% at June 30, 2024) set at prevailing market rates	**7,940**	12,895
Fixed rate serial, term, and mode bonds issued under the Subordinate Master Trust Indenture fixed to maturity payable in installments through November 2027; interest at 4.00% to 5.00%	**60,105**	79,230
Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Taxable fixed rate term bonds payable as of November 2053; interest at 4.847%	**425,000**	425,000
Taxable fixed rate term bonds payable as of November 2046; interest at 3.945%	**1,170,000**	1,170,000
Taxable fixed rate term bonds payable through November 2039; interest at 2.532% to 3.106%	**1,447,600**	1,447,600
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	**$ 6,449,565**	$ 6,614,920

(Dollars in Thousands)

10. Long-Term Debt (continued)

	June 30, 2024	June 30, 2023
Total hospital revenue bonds - all Master Trust Indentures	**$ 6,449,565**	$ 6,614,920
Other	**311,669**	81,275
	6,761,234	6,696,195
Unamortized premium, net	**222,660**	251,327
Less debt issuance cost, net	**(29,378)**	(31,564)
Less current portion	**(352,613)**	(121,541)
Less long-term debt subject to short-term remarketing arrangements	**(539,095)**	(471,425)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 6,062,808**	$ 6,322,992

Scheduled principal repayments of long-term debt, including obligations under the outstanding line of credit and those subject to short-term remarketing arrangements as of June 30, 2024, are as follows:

	Ascension Health Alliance MTIs	Other Debt	Total
The years ending June 30:			
2025	$ 96,665	$ 255,948	$ 352,613
2026	102,050	7,128	109,178
2027	107,780	4,734	112,514
2028	124,980	4,989	129,969
2029	141,800	7,583	149,383
Thereafter	5,876,290	31,287	5,907,577
Total	**$ 6,449,565**	**$ 311,669**	**$ 6,761,234**

During the years ended June 30, 2024 and 2023, interest paid was approximately $266,000 and $276,000, respectively.

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.

10. Long-Term Debt (continued)

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.

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.

The unsecured variable rate demand bonds of both the Senior and Subordinate Credit Groups, while subject to long-term amortization periods, may be put to the System at the option of the bondholders in connection with certain remarketing dates. To the extent that bondholders may, under the terms of the debt, put their bonds within twelve months after June 30, 2024, the principal amount of such bonds has been classified as a current liability in the Consolidated Balance Sheets. Management believes the likelihood of a material amount of bonds being put to the System to be remote.

10. Long-Term Debt (continued)

The Senior Credit Group has a line of credit totaling $1,000,000, committed through November 18, 2024, which may be used for general corporate purposes. At June 30, 2024, Ascension had an outstanding borrowing balance of $250,000. There were no outstanding borrowings under the line of credit at June 30, 2023.

At June 30, 2024, the Senior Credit Group has 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. At June 30, 2024, letters of credit of approximately $90,000 have been issued. No borrowings were outstanding under the letters of credit as of June 30, 2024 and 2023.

11. 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 June 30, 2024 and 2023, the notional values of outstanding interest rate swaps were $403,200 and $755,040, respectively, with maturity dates ranging from August 2029 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. All interest rate swaps were in a liability position at June 30, 2024 and 2023, and amounted to $18,688 and $27,301, respectively. The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted as of June 30, 2024 and 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.

(Dollars in Thousands)

12. 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.

The following table provides the total lease cost included in Other operating expenses in the Consolidated Statement of Operations and Changes in Net Assets, excluding interest on lease liabilities, which is included in Interest:

	The years ended June 30, 2024	2023
Operating lease cost	**$ 345,613**	$ 348,472
Finance lease cost:		
Interest on lease liabilities	**2,818**	2,857
Amortization of right-of-use-asset	**2,839**	2,839
Variable lease cost	**73,889**	68,778
Total lease cost	**$ 425,159**	$ 422,946

The weighted average remaining lease terms and the weighted average discount rates at June 30, 2024 and 2023 were as follows:

	June 30, 2024		June 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8.3 years	25.5 years	8.3 years	26.5 years
Weighted-average discount rate	3.2%	3.3%	2.7%	3.3%

(Dollars in Thousands)

12. Leases (continued)

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

	The years ended June 30,	
	2024	**2023**
Operating leases	**$ 329,359**	$ 332,055
Finance leases	**4,141**	4,116
Total cash paid	**$ 333,500**	$ 336,171

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of June 30, 2024 to Lease obligations recorded on the Consolidated Balance Sheets at June 30, 2024. These amounts exclude lease obligations of approximately $124,100 included in liabilities held for sale at June 30, 2024.

The years ending June 30:	Operating Leases	Finance Leases	Total
2025	$ 209,388	$ 3,982	$ 213,370
2026	177,693	4,054	181,747
2027	146,471	4,126	150,597
2028	111,299	4,200	115,499
2029	76,216	4,247	80,463
Thereafter	337,015	102,664	439,679
Total future undiscounted lease obligations	1,058,082	123,273	1,181,355
Less: amount of lease payments representing interest	(32,399)	(43,270)	(75,669)
Present value of future lease obligations	1,025,683	80,003	1,105,686
Less: current portion of lease obligations	(265,593)	(1,208)	(266,801)
Long-term lease obligations	$ 760,090	$ 78,795	$ 838,885

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 June 30, 2024, are as follows. These amounts exclude receipts of approximately $97,300 associated with entities held for sale at June 30, 2024.

(Dollars in Thousands)

12. Leases (continued)

The years ending June 30:	Operating Leases
2025	$ 55,981
2026	41,740
2027	33,235
2028	27,783
2029	25,119
Thereafter	310,190
Total	$ 494,048

For the years ended June 30, 2024 and 2023, lease income was approximately $69,000 and $85,000, respectively.

13. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in noncontributory, defined-benefit pension plans (the System Plans), which include traditional and 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 of investment types as included in the fair value investment leveling tables further below. In the event certain entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, other participating entities are obligated to do so.

The following table provides the combined benefit obligations and assets of the System Plans at June 30, 2024 and 2023. Certain System Plans are in an asset position, while others are in a liability position, and are included in the Consolidated Balance Sheets as shown below. The System Plans' funded status percentage for both the projected and accumulated benefit obligations below were 96.4% and 95.9% at June 30, 2024 and 2023, respectively.

(Dollars in Thousands)

13. Retirement Plans (continued)

	The years ended June 30, 2024	2023
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	**$ 7,831,010**	$ 8,404,948
Interest Cost	**420,857**	400,288
Assumption change	**(20,165)**	(373,950)
Actuarial loss	**27,643**	4,392
Acquisitions/Divestitures	**-**	2,986
Benefits paid	**(715,008)**	(607,654)
Projected benefit obligation at end of year	**7,544,337**	7,831,010
Change in plan assets:		
Fair value of plan assets at beginning of year	**7,508,562**	7,952,418
Actual return on plan assets	**479,024**	161,299
Employer contributions	**23**	290
Acquisitions/Divestitures	**-**	2,209
Benefits paid	**(715,008)**	(607,654)
Fair value of plan assets at end of year	**7,272,601**	7,508,562
Net amount recognized at end of year and funded status	**$ (271,736)**	$ (322,448)
System Plans in an asset position, included in long term other assets	**170,407**	106,659
System Plans in a liability position, included in Pension and other post retirement liabilities	**442,143**	429,107
Accumulated benefit obligation at end of year	**7,544,337**	7,831,010

(Dollars in Thousands)

13. Retirement Plans (continued)

The Unrecognized net pension costs for System Plans in the following table are included in net assets without donor restrictions at June 30, 2024 and 2023, and have not yet been recognized in net periodic pension cost for the System Plans:

	The years ended June 30, 2024	2023
Unrecognized actuarial loss	**$ (2,186,636)**	$ (2,144,876)
Unrecognized prior service credit	**716**	754
Unrecognized net pension cost in net assets	**$ (2,185,920)**	$ (2,144,122)

Details of the change in Unrecognized net pension cost in net assets for System Plans in the table above is shown below.

	The years ended June 30, 2024	2023
Current year actuarial gain (loss)	**$ (141,531)**	$ (108,582)
Amortization of actuarial loss	**99,771**	95,460
Amortization of prior service cost	**(38)**	10
Decrease in net assets	**$ (41,798)**	$ (13,112)

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

	The years ended June 30, 2024	2023
Components of net periodic benefit cost		
Expected return on plan assets	**$ 613,078**	$ 639,158
Interest cost	**(420,857)**	(400,288)
Amortization of prior service cost	**38**	(10)
Amortization of actuarial loss	**(92,590)**	(92,027)
Settlement loss	**(7,181)**	(3,433)
Net periodic benefit gain	**$ 92,488**	$ 143,400

(Dollars in Thousands)

13. Retirement Plans (continued)

Rate assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth in the table below. In addition, the System applied the Society of Actuaries Pri-2012 Private Retirement Plans Mortality Tables, with mortality improvement projected using the Society of Actuaries MP-2021 mortality projection scale, for purposes of the June 30, 2024 valuation.

	The years ended June 30,	
	2024	**2023**
All Defined-Benefit Plans		
To determine benefit obligations:		
Discount rate	**5.75%**	5.67%
To determine net periodic benefit cost:		
Discount rate	**5.67%**	5.05%
Expected return on plan assets	**8.00%**	8.00%
Cash Balance Plans		
To determine benefit obligations:		
Interest crediting rate	**4.25% - 4.50%**	2.25%

The expected long-term rate of return on the System Plans' assets is based on historical and projected rates of return for current and planned asset categories in the investment portfolio. Assumed projected rates of return for each asset category were selected after analyzing historical experience and future expectations of the returns and volatility for assets of that category using benchmark rates.

Based on the target asset allocation among the asset categories, the overall expected rate of return for the portfolio was developed and adjusted for historical and expected experience of active portfolio management results compared to benchmark returns and for the effect of expenses paid from plan assets.

13. Retirement Plans (continued)

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation. Growth strategies include U.S. equity, emerging market equity, international equity, absolute return hedge funds, directional hedge funds, private equity, hedged equity, high yield, and private credit. Deflation strategies include core fixed income, opportunistic credit, and cash. Inflation strategies include inflation-linked bonds, and liquid real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, private equity funds, and real estate funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value (NAV) as determined by each fund's investment manager, which approximates fair value. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 30 to 180 days. Due to redemption restrictions, investments of certain private equity funds, whose fair value was approximately $1,502,000 at June 30, 2024, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in hedge funds, private equity funds and real estate funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. As of June 30, 2024, unfunded capital commitments of the Trust total approximately $655,000.

(Dollars in Thousands)

13. Retirement Plans (continued)

The weighted-average asset allocation for the System Plans in the Trust at June 30, 2024 and 2023 and the target allocation, by asset category, are as follows:

		Percentage of Plan Assets as of June 30,	
Asset Category:	**Target Allocation**	**2024**	**2023**
Growth	56%	68%	68%
Inflation	15%	8%	8%
Deflation	29%	24%	24%
	100%	100%	100%

The following tables summarize fair value measurements at June 30, 2024 and 2023, by asset class and by level, for the System Plans' assets and liabilities. As discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritize the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

(Dollars in Thousands)

13. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2024				
Short-term investments	$ 969,949	$ 89,524	$ -	$ 1,059,473
U.S. government, state, municipal and agency obligations	-	2,064,168	-	2,064,168
Corporate and foreign fixed income securities	-	490,726	29	490,755
Asset-backed securities	-	548,722	2,741	551,463
Equity securities	1,546,707	-	5,506	1,552,213
Other investments, including derivatives, net	1,848	281,406	-	283,254
Assets at net asset value:				
Equity securities				39,994
Private equity and real estate funds				1,501,924
Hedge funds				285,228
Other assets and liabilities, net				(555,871)
Fair value of plan assets				$ 7,272,601

	Level 1	Level 2	Level 3	Total
June 30, 2023				
Short-term investments	$ 574,909	$ -	$ -	$ 574,909
U.S. government, state, municipal and agency obligations	-	2,492,018	-	2,492,018
Corporate and foreign fixed income securities	6,144	557,417	31	563,592
Asset-backed securities	-	513,187	-	513,187
Equity securities	1,200,375	-	3,192	1,203,567
Other investments, including derivatives, net	264,335	81,834	-	346,169
Assets at net asset value:				
Equity securities				72,951
Private equity and real estate funds				1,536,752
Hedge funds				319,185
Other assets and liabilities, net				(113,768)
Fair value of plan assets				$ 7,508,562

(Dollars in Thousands)

13. Retirement Plans (continued)

For the years ended June 30, 2024 and 2023, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2024			
Beginning balance	$ 31	$ -	$ 3,192
Total actual return on assets	-	(4)	(161)
Purchases, issuances, and settlements	(2)	2,745	2,475
Ending balance	$ 29	$ 2,741	$ 5,506
Actual return on plan assets relating to plan assets still held at June 30, 2024	$ -	$ (3)	$ 17

	Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2023			
Beginning balance	$ 31	$ 4,086	$ 3,058
Total actual return on assets	-	(208)	281
Purchases, issuances, and settlements	-	(1,794)	(147)
Transfers (out of) into Level 3	-	(2,084)	-
Ending balance	$ 31	$ -	$ 3,192
Actual return on plan assets relating to plan assets still held at June 30, 2023	$ -	$ -	$ 49

At June 30, 2024 and 2023, the Trust held derivative agreements with a net notional amount of approximately $3,766,000 and $2,976,000, respectively. The combined targeted duration of these derivatives and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 75% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

(Dollars in Thousands)

13. Retirement Plans (continued)

The fair value of derivatives held by the Trust in an asset position was $106,405 and $127,522 at June 30, 2024 and 2023, respectively, while the fair value of derivatives held by the Trust in a liability position was $23,421 and $44,197 at June 30, 2024 and 2023, respectively. These derivatives are included in Pension and other postretirement liabilities in the Consolidated Balance Sheets. Future expected employer contributions to the Trust and expected benefit payments from the Trust, by fiscal year, for the System Plans follows:

Expected employer contributions 2025	$	310
Expected benefit payments:		
2025		846,010
2026		651,700
2027		646,500
2028		638,800
2029		629,100
2030-2034		2,898,300

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. Employer automatic contributions, employee contributions, and employer matching contributions are the primary types of contributions to the plans. Employer automatic contributions are determined as a percentage of a participant’s salary and, for certain entities, increases over specified periods of employee service. These contributions are funded annually, and participants become fully vested over a period of time. Employer matching contributions are determined as a percentage of an eligible participant’s contributions each payroll period. These contributions are funded each payroll period, and participants become fully vested in these employer contributions over time. Expenses for the defined-contribution plans were approximately $366,000 and $458,000 for the years ended June 30, 2024 and 2023, respectively, and are included in Employee benefits in the Consolidated Statements of Operations and Changes in Net Assets.

14. Self Insurance Programs

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.

For certain entities acquired by Ascension in 2018, loss reserves for estimated self-insured professional, general liability, and workers' compensation claims reported prior to July 1, 2018 were actuarially determined and are recorded on an undiscounted basis at June 30, 2024. These reserves are held outside of the grantor trust. The self-insured professional and general liabilities for these claims are retained up to $10,000 per occurrence with no aggregate and an additional $10,000 in aggregate. Additionally, reinsurance up to $150,000 in aggregate exists beyond these limits.

Professional and General Liability Programs

Professional and general liability coverage is primarily provided on a claims-made basis through a wholly owned onshore revocable trust and through AHIL. For the current policy year ended June 30, 2024, the revocable trust has a self-insured retention up to $25,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to $205,000. This excess coverage is primarily reinsured by commercial carriers, with the exception of AHIL which retains $7,750.

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. Coverage is offered to physicians with limits ranging from $100 per claim to $1,000 per claim with various aggregate limits.

14. Self Insurance Programs (continued)

Included in Insurance in the Consolidated Statements of Operations and Changes in Net Assets is professional and general liability claim and insurance expense of $336,384 and $619,249 for the years ended June 30, 2024 and 2023, respectively. Included in current and long-term Self-insurance liabilities on the Consolidated Balance Sheets are professional and general liability reserves, discounted at 5.5%, of $1,206,750 and $1,299,393 at June 30, 2024 and 2023, respectively. Included in Other current and Other long-term assets on the Consolidated Balance Sheets are reinsurance receivables of $108,695 and $126,692 at June 30, 2024 and 2023, respectively.

Workers' Compensation

Workers' compensation coverage is primarily provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to $1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members.

Included in Employee benefits in the Consolidated Statements of Operations and Changes in Net Assets is workers' compensation claim and insurance expense of $48,234 and $38,963 for the years ended June 30, 2024 and 2023, respectively. Included in current and long-term Self-insurance liabilities on the Consolidated Balance Sheets are workers' compensation loss reserves of $158,840 and $155,442 at June 30, 2024 and 2023, respectively.

15. Related Parties

The System has agreements with related parties for revenue cycle management services and clinical engineering services. The System incurred expenses of approximately $1,304,000 and $1,278,000 for these services during the years ended June 30, 2024 and 2023, respectively.

16. 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.

16. Contingencies and Commitments (continued)

Also, the System is periodically involved in litigation arising in the ordinary course of business, which for the year ended June 30, 2024 includes certain litigation associated with Ascension's May 8, 2024 cybersecurity attack (see Note 5).

While no assurance can be given concerning the outcome of any current investigation or the related impact to consolidated financial statements, management believes that adequate reserves have been established, where estimates of liability have been or can be reached, and the outcome of any current investigations is expected to be resolved without a material adverse effect on the financial position or liquidity of the system.

The System has commitments of approximately $1,800,000, primarily comprised of agreements for information technology and other purchased services, under which payments will be made over the next 2-5 years. In addition, the System's agreements with its related party clinical engineering service provider and revenue cycle management provider extend through 2027 and 2031, respectively.

The System also guarantees the performance of certain affiliates under third party financing arrangements at June 30, 2024 for approximately $42,000, for up to 15 years. Payments under these commitments may not be required, depending on the performance of the affiliates.

17. 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.

(Dollars in Thousands)

17. Functional Expenses (continued)

Expenses by functional classification for the year ended June 30, 2024 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 12,958,042	$ 1,092,765	$ 14,050,807
Purchased services and professional fees	4,141,276	1,420,349	5,561,625
Supplies	4,138,170	1,297	4,139,467
Other	5,656,237	661,103	6,317,340
Total operating expenses	**$ 26,893,725**	**$ 3,175,514**	**$ 30,069,239**

Expenses by functional classification for the year ended June 30, 2023 consist of the following:

	Health care services	Management support services	Total
Salaries, wages, and employee benefits	$ 13,193,675	$ 1,056,409	$ 14,250,084
Purchased services and professional fees	3,958,762	1,352,572	5,311,334
Supplies	4,058,030	1,537	4,059,567
Other	5,713,197	612,222	6,325,419
Total operating expenses	$ 26,923,664	$ 3,022,740	$ 29,946,404

Supplementary Information

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Building a better working world

Report of Independent Auditors on Supplementary Information

The Board of Directors
Ascension Health Alliance d/b/a Ascension

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedules of Net Cost of Providing Care of Persons Living in Poverty and Other Community Benefit Programs, Credit Group Financial Statements – Balance Sheet, Credit Group Financial Statements – Statement of Operations and Changes in Net Assets, and the related notes to the Credit Group Financial Statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Ernst & Young LLP

September 17, 2024

Ascension

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

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

	The years ended June 30, 2024	2023
Traditional charity care provided	**$ 474,431**	$ 517,090
Unpaid cost of public programs for persons living in poverty	**1,106,895**	1,141,223
Other programs for persons living in poverty and other persons who are vulnerable	**105,523**	93,244
Community benefit programs	**414,415**	431,902
Care of persons living in poverty and other community benefit programs	**$ 2,101,264**	$ 2,183,459

Ascension

Credit Group Financial Statements
Balance Sheet
(Dollars in Thousands)

	June 30, 2024
Assets	
Current assets:	
Cash and cash equivalents	$ 250,161
Short-term investments	43,721
Accounts receivable	3,565,110
Inventories	345,946
Estimated third-party payor settlements	166,933
Due from affiliates *(See Note 2)*	709,816
Other	1,349,529
Total current assets	6,431,216
Long-term investments	15,385,827
Property and equipment, net	7,453,897
Other assets:	
Right-of-use assets - leases	788,509
Investment in unconsolidated entities	1,157,607
Capitalized software costs, net	596,655
Due from affiliates *(See Note 2)*	2,618,236
Other	1,463,259
Total other assets	6,624,266
Total assets	$ 35,895,206

Continued on next page.

Ascension

Credit Group Financial Statements
Balance Sheet
(Dollars in Thousands)

	June 30, 2024
Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	$ 353,440
Long-term debt subject to short-term remarketing arrangements*	539,095
Current portion of lease obligations	266,762
Accounts payable and accrued liabilities	2,913,343
Estimated third-party payor settlements	295,627
Due to affiliates *(See Note 2)*	131,231
Advanced payments	422,953
Other	412,600
Total current liabilities	5,335,051
Noncurrent liabilities:	
Long-term debt (senior and subordinated)	6,060,215
Lease obligations, less current portion	553,034
Pension and other postretirement liabilities	442,136
Other	1,311,985
Total noncurrent liabilities	8,367,370
Total liabilities	13,702,421
Net assets:	
Without donor restrictions:	
Controlling interest	20,962,062
Noncontrolling interests	504,300
Total net assets without donor restrictions	21,466,362
Net assets with donor restrictions	726,423
Total net assets	22,192,785
Total liabilities and net assets	$ 35,895,206

*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 June 30, 2025. In the event that bonds are not remarketed upon the exercise of put options for the variable bonds or scheduled mandatory tender bonds, management would utilize other sources to access the necessary liquidity. Potential sources include a drawdown on the System's line of credit, issuing commercial paper, and liquidating investments.

Ascension

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

		The year ended June 30, 2024
Operating revenue:		
Net patient service revenue	$	**17,736,466**
Other revenue *(See note 2)*		**3,251,730**
Total operating revenue		**20,988,196**
Operating expenses *(See note 2)*:		
Salaries and wages		**8,118,611**
Employee benefits		**1,918,896**
Purchased services		**2,676,629**
Professional fees		**1,167,199**
Supplies		**2,926,424**
Insurance		**185,311**
Interest		**230,275**
Provider tax		**672,624**
Depreciation and amortization		**942,090**
Other		**2,634,062**
Total operating expenses		**21,472,121**
Income (loss) from recurring operations		**(483,925)**
Impairment and nonrecurring gains (losses), net		**(13,921)**
Income (loss) from operations		**(497,846)**
Nonoperating gains (losses):		
Investment return, net		**796,025**
Other		**19,242**
Total nonoperating gains (losses), net		**815,267**
Excess (deficit) of revenues and gains over expenses and losses		**317,421**
Less noncontrolling interests		**93,525**
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest		**223,896**

Ascension

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

	The year ended June 30, 2024
Net assets without donor restrictions, controlling interest:	
Excess (deficit) of revenues and gains over expenses and losses	$ 223,896
Transfers (to) from affiliates, net *(See Note 2)*	(1,290,684)
Transfers (to) from sponsor, net	(5,000)
Net assets released from restrictions for property acquisitions	30,174
Change in pension liability	(42,074)
Change in unconsolidated entities' net assets	27,845
Other	(39,646)
Increase (decrease) in net assets without donor restrictions, controlling interest	(1,095,489)
Net assets without donor restrictions, noncontrolling interest:	
Excess (deficit) of revenues and gains over expenses and losses	93,525
Net contributions (distributions) of capital	(50,774)
Contributions from business combinations	-
Other	(8,284)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	34,467
Net assets with donor restrictions:	
Contributions and grants	82,015
Investment return	35,098
Net assets released from restrictions	(91,944)
Other	7,593
Increase (decrease) in net assets with donor restrictions	32,762
Increase (decrease) in net assets	(1,028,260)
Net assets, beginning of period	23,221,045
Net assets, end of period	$ 22,192,785

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

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the year ended June 30, 2024, 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 year ended June 30, 2024 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.

Ascension's CGFS are not representative of the consolidated financial position or 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.

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 $1,900,000 for the year ended June 30, 2024. 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 Ascension's 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.