ASCENSION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION (UNAUDITED)

For the Three Months Ended September 30, 2024 and 2023

Ascension

Consolidated Financial Statements
and Supplementary Information

For the Three Months Ended September 30, 2024 and 2023

Contents

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Consolidated Balance Sheets (unaudited)

(Dollars in Thousands)

		September 30, 2024		June 30, 2024
Assets				
Current assets:				
Cash and cash equivalents	**$**	**679,955**	$	666,481
Short-term investments		**50,709**		50,317
Accounts receivable		**4,266,560**		4,354,476
Inventories		**379,904**		416,374
Due from brokers *(see Notes 5 and 6)*		**248,331**		140,174
Estimated third-party payor settlements		**282,261**		259,985
Assets held for sale *(see Note 3)*		**2,706,844**		2,009,875
Other		**1,159,064**		1,061,506
Total current assets		**9,773,628**		8,959,188
Long-term investments *(see Notes 5 and 6)*		**18,696,098**		18,694,608
Property and equipment, net		**8,161,687**		8,485,756
Other assets:				
Right-of-use assets - leases		**999,833**		1,065,276
Investment in unconsolidated entities		**1,218,003**		1,206,829
Capitalized software costs, net		**634,638**		651,490
Other		**1,694,199**		1,643,178
Total other assets		**4,546,673**		4,566,773
Total assets	**$**	**41,178,086**	$	40,706,325

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Ascension

Consolidated Balance Sheets (unaudited)

(Dollars in Thousands)

	September 30, 2024	June 30, 2024
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 104,185**	$ 102,613
Long-term debt subject to short-term remarketing arrangements*	**523,690**	539,095
Short-term debt obligations	**1,000,000**	250,000
Current portion of lease obligations	**267,139**	266,801
Accounts payable and accrued liabilities	**3,055,485**	3,495,493
Estimated third-party payor settlements	**570,043**	605,558
Due to brokers *(see Notes 5 and 6)*	**248,526**	186,200
Current portion of self-insurance liabilities	**357,084**	357,084
Advanced payments *(see Note 4)*	**160,573**	554,356
Liabilities held for sale *(see Note 3)*	**495,718**	397,162
Other	**455,515**	402,241
Total current liabilities	**7,237,958**	7,156,603
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	**6,043,352**	6,062,808
Lease obligations, less current portion	**772,842**	838,885
Self-insurance liabilities	**1,016,031**	1,029,265
Pension and other postretirement liabilities	**407,707**	448,296
Other	**1,382,305**	1,347,431
Total noncurrent liabilities	**9,622,237**	9,726,685
Total liabilities	**16,860,195**	16,883,288
Net assets:		
Without donor restrictions:		
Controlling interest	**20,789,078**	20,351,604
Noncontrolling interests	**2,756,483**	2,690,317
Total net assets without donor restrictions	**23,545,561**	23,041,921
Net assets with donor restrictions	**772,330**	781,116
Total net assets	**24,317,891**	23,823,037
Total liabilities and net assets	**$ 41,178,086**	$ 40,706,325

*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 lines of credit, issuing commercial paper, and liquidating investments.

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

Ascension

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

(Dollars in Thousands)

	The three months ended September 30, 2024	2023
Operating revenue:		
Net patient service revenue	**$ 6,445,056**	$ 6,541,540
Other revenue	**645,806**	733,680
Total operating revenue	**7,090,862**	7,275,220
Operating expenses:		
Salaries and wages	**2,867,195**	2,934,001
Employee benefits	**569,639**	576,526
Purchased services	**932,533**	936,485
Professional fees	**448,379**	407,628
Supplies	**1,021,047**	1,034,658
Insurance	**103,503**	100,131
Interest	**64,025**	58,017
Provider tax	**248,856**	239,567
Depreciation and amortization	**251,251**	295,479
Other	**828,282**	863,624
Total operating expenses	**7,334,710**	7,446,116
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	**(243,848)**	(170,896)
Self-insurance trust fund investment return	**46,716**	(19,599)
Income (loss) from recurring operations	**(197,132)**	(190,495)
Impairment and nonrecurring gains (losses), net	**(24,192)**	(3,218)
Income (loss) from operations	**(221,324)**	(193,713)
Nonoperating gains (losses):		
Investment return, net	**730,312**	(434,059)
Other	**(10,285)**	13,210
Total nonoperating gains (losses), net	**720,027**	(420,849)
Excess (deficit) of revenues and gains over expenses and losses	**498,703**	(614,562)
Less noncontrolling interests	**111,617**	(16,999)
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	**387,086**	(597,563)

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Ascension

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

(Dollars in Thousands)

	The three months ended September 30, 2024	2023
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**$ 387,086**	$ (597,563)
Transfers (to) from sponsors, net	**(1,250)**	(1,250)
Net assets released from restrictions for property acquisitions	**23,111**	6,194
Change in pension liability	**24,539**	23,063
Change in unconsolidated entities' net assets	**15,434**	5,619
Other	**(11,446)**	14,483
Increase (decrease) in net assets without donor restrictions, controlling interest	**437,474**	(549,454)
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	**111,617**	(16,999)
Net contributions (distributions) of capital	**(47,289)**	(22,970)
Other	**1,838**	(447)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	**66,166**	(40,416)
Net assets with donor restrictions:		
Contributions and grants	**28,346**	20,656
Investment return	**12,565**	6,271
Net assets released from restrictions	**(37,132)**	(21,346)
Other	**(12,565)**	2,004
Increase (decrease) in net assets with donor restrictions	**(8,786)**	7,585
Increase (decrease) in net assets	**494,854**	(582,285)
Net assets, beginning of period	**23,823,037**	24,820,040
Net assets, end of period	**$ 24,317,891**	$ 24,237,755

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

Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	The three months ended September 30, 2024	2023
Operating activities		
Increase (decrease) in net assets	**$ 494,854**	$ (582,285)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	**251,251**	295,479
Amortization of bond premiums, discounts, and debt issuance costs	**(7,493)**	(6,926)
Loss on extinguishment of debt	**731**	-
Change in pension liability	**(24,539)**	(23,063)
Unrealized losses (gains) on unrestricted investments, net	**(414,828)**	618,275
Change in fair value of interest rate swaps	**10,525**	(10,335)
Change in equity of unconsolidated entities	**(50,392)**	(68,072)
Gain on sale of assets, net	**(4,784)**	(11,730)
Impairment and nonrecurring expenses	**19,271**	3,085
Transfers to (from) sponsors, net	**1,250**	1,250
Donor restricted contributions, investment return and other	**(26,889)**	(11,775)
Distributions (contributions) of noncontrolling interest, net	**47,289**	22,970
Other	**982**	(17,246)
(Increase) decrease in:		
Short-term investments	**(392)**	5,226
Accounts receivable	**(284,378)**	(121,850)
Inventories and other current assets	**(102,367)**	(190,192)
Due from brokers	**(108,157)**	(6,538)
Long-term investments	**400,835**	(4,760)
Other assets	**(41,842)**	(80,280)
Increase (decrease) in:		
Accounts payable and accrued liabilities	**(386,712)**	33,151
Estimated third-party payor settlements, net	**(57,873)**	(139,830)
Due to brokers	**62,326**	276,358
Advanced payments	**(393,783)**	-
Other current liabilities	**67,690**	120,063
Self-insurance liabilities	**(13,234)**	(178,784)
Other noncurrent liabilities	**4,856**	(8,608)
Net cash provided by (used in) operating activities	**(555,803)**	(86,417)

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Ascension

Consolidated Statements of Cash Flows (unaudited)

(Dollars in Thousands)

	The three months ended September 30, 2024	The three months ended September 30, 2023
Investing activities		
Property, equipment, and capitalized software additions, net	$ **(262,813)**	$ (316,456)
Proceeds from sale of property and equipment	**3,116**	7,310
Distributions from unconsolidated entities, net	**30,347**	40,867
Net proceeds from sale/acquisition of other assets	**104,457**	1,024
Net cash provided by (used in) investing activities	**(124,893)**	(267,255)
Financing activities		
Issuance of debt	**1,407,571**	9,500
Repayment of debt, including financing lease obligations	**(684,505)**	(5,670)
Decrease (increase) in assets under bond agreements	**-**	(36)
Transfers (to) from sponsors, net	**(1,250)**	(1,250)
Donor restricted contributions, investment return, and other	**26,889**	11,775
(Distributions) contributions of noncontrolling interest, net	**(47,289)**	(22,970)
Net cash provided by (used in) financing activities	**701,416**	(8,651)
Net increase (decrease) in cash, cash equivalents, and restricted cash	**20,720**	(362,323)
Cash, cash equivalents, and restricted cash at beginning of period	**714,794**	1,060,864
Cash, cash equivalents, and restricted cash at end of period	$ **735,514**	$ 698,541
Cash and cash equivalents	$ **679,955**	$ 650,169
Restricted cash, included in long-term investments	**55,559**	48,372
Cash, cash equivalents, and restricted cash at end of period	$ **735,514**	$ 698,541

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 $108,597 and $108,962 for the three months ended September 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 $1,686,172 and $1,716,182 at September 30, 2024 and June 30, 2024, 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 three months ended September 30, 2024 and 2023 was approximately $204,000 and $254,000, respectively.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	September 30, 2024	June 30, 2024
Land and improvements	$ 1,098,014	$ 1,264,192
Buildings and equipment	16,995,274	17,258,591
	18,093,288	18,522,783
Less accumulated depreciation	10,697,567	10,864,299
	7,395,721	7,658,484
Construction in progress	765,966	827,272
Total property and equipment, net	$ 8,161,687	$ 8,485,756

Several capital projects have remaining construction and related equipment purchase commitments of approximately $569,000 as of September 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)

	September 30, 2024	June 30, 2024
Capitalized software costs	**$ 2,702,621**	$ 2,734,310
Software in progress	**241,273**	224,433
Less accumulated amortization	**2,309,256**	2,307,253
Capitalized software costs, net	**634,638**	651,490
Goodwill	**617,765**	603,116
Other, net	**40,940**	41,301
Intangible assets included in other assets	**658,705**	644,417
Total intangible assets, net	**$ 1,293,343**	$ 1,295,907

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 primarily 3 to 7 years for capitalized software and primarily 5 to 30 years for other intangible assets with definite lives. Amortization expense for these intangible assets for the three months ended September 30, 2024 and 2023 was approximately $48,000 and $42,000, respectively.

Noncontrolling Interests

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

2. Significant Accounting Policies (continued)

Net Assets

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

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

Performance Indicator

The performance indicator is the Excess (deficit) of revenues and gains over expenses and losses. Pension and other postretirement liability adjustments, Transfers (to) or from sponsors, 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.

2. Significant Accounting Policies (continued)

Net Patient Service Revenue and Accounts Receivable

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

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

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

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue related to prior periods increased net patient service revenue by $93,168 and $26,708 for the three months ended September 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.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

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

Net patient service revenue earned for the three months ended September 30, 2024 and 2023, is as follows:

	The three months ended September 30,	
	2024	**2023**
Inpatient care	**$ 3,045,964**	$ 3,026,703
Ambulatory care	**2,578,235**	2,657,458
Physician practices	**711,248**	744,050
Long-term care	**109,609**	113,329
Total net patient service revenue	**$ 6,445,056**	$ 6,541,540

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

	Net Patient Service Revenue The three months ended September 30,		Accounts Receivable	
			September 30,	June 30,
	2024	**2023**	**2024**	**2024**
Medicare - traditional and managed	**38.5 %**	35.7 %	**28.4 %**	31.7 %
Medicaid - traditional and managed	**16.3**	14.4	**10.0**	10.5
Other commercial and managed care	**42.4**	42.4	**46.6**	45.5
Self-Pay and other	**2.8**	7.5	**15.0**	12.3
	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.

2. Significant Accounting Policies (continued)

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

Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are recorded for all uninsured accounts, regardless of the aging of those accounts.

The estimates for implicit price concessions are based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in federal, state and private employer healthcare coverage and other collection indicators.

Management relies on the results of detailed reviews of historical write-offs and collections of revenues and accounts receivable as a primary source of information in estimating the collectability of accounts receivable. Management updates the hindsight analysis 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. Components of other operating revenue are included in the following tables for the three months ended September 30, 2024 and 2023, respectively:

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

	The three months ended September 30, 2024	2023
Cafeteria and vending	$ **19,805**	$ 19,609
Contracted services	**83,037**	68,139
Donations and grants	**66,412**	34,091
Gains on asset sales	**5,302**	11,764
Insurance plans	**82,363**	97,214
Joint venture income	**34,935**	62,471
Lease and rental income	**22,766**	23,448
Retail pharmacy	**230,579**	208,499
Value based programs	**46,168**	84,478
Other	**54,439**	123,967
Total other revenue	$ **645,806**	$ 733,680

Impairment and Nonrecurring Gains (Losses), Net

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

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

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.

2. Significant Accounting Policies (continued)

Income Taxes

The System's tax-exempt organizations are described under Internal Revenue Code Section 501(c)(3), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of September 30, 2024.

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 September 30, 2024 presentation.

Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date, but before the Consolidated Financial Statements are issued, for potential recognition or disclosure in the Consolidated Financial Statements as of the Consolidated Balance Sheet date.

For the three months ended September 30, 2024 the System evaluated subsequent events through November 22, 2024, representing the date the Consolidated Financial Statements were issued.

On October 1, 2024, Ascension Healthcare and Ascension Michigan, a wholly owned subsidiary of Ascension Healthcare, completed the membership interest contribution in southeast and mid Michigan hospitals and related ancillary entities to Henry Ford Health System (HFHS), and obtained a noncontrolling interest in HFHS. In addition, on November 1, 2024, Ascension finalized the transition of its membership interest in the St. Vincent's Health System in Alabama to UAB Health System Authority (UAB). See the Organizational Changes note.

(Dollars in Thousands)

2. Significant Accounting Policies (continued)

In October 2024, Ascension received $966,000 from the issuance of commercial paper, which was used to repay Ascension's $300,000 line of credit outstanding at September 30, 2024, its $250,000 line of credit drawn in early October 2024, and $416,000 of its $700,000 August 2024 bank loan borrowing. On November 22, 2024, the remaining balance of the bank loan was paid. See the Debt note.

3. Organizational Changes

The following table presents amounts, by balance sheet category, that comprise assets and liabilities held for sale at September 30, 2024 and June 30, 2024. 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 $185,000 and $190,0000 at September 30, 2024 and June 30, 2024, respectively, are also anticipated to be contributed upon the close of certain transactions, and are included in Long term investments in the Consolidated Balance Sheets.

	September 30, 2024	June 30, 2024
Accounts receivable	**$ 867,605**	$ 497,922
Inventories	**103,331**	75,140
Other current assets	**60,582**	55,504
Property and equipment, net	**1,419,516**	1,175,838
Right-of-use assets - leases	**197,540**	120,816
Investment in unconsolidated entities	**58,270**	84,655
Total assets held for sale	**$ 2,706,844**	$ 2,009,875
Accounts payable and accrued liabilities	**$ 253,127**	$ 238,175
Other current liabilities	**34,647**	27,397
Lease obligations, long term	**202,212**	124,062
Other noncurrent liabilities	**5,732**	7,528
Total liabilities held for sale	**$ 495,718**	$ 397,162

3. Organizational Changes (continued)

Assets Held for Sale

In July 2024, Presence Care Transformation Corporation (Presence), a wholly owned subsidiary of Ascension, 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.

As discussed in the Significant Accounting Policies note, Subsequent Events, Ascension completed its membership interest contribution transaction with HFHS on October 1, 2024 and the transition of its membership interest in St. Vincent's Health System to UAB on November 1, 2024. These transactions included assets and liabilities held for sale at September 30, 2024 and June 30, 2024 in the table above.

Assets Sold

On August 1, 2024, Ascension Health completed the membership substitution of its northern Michigan hospitals and related ancillary entities to MyMichigan Health.

4. Cybersecurity Incidents

On May 8, 2024, Ascension experienced a cybersecurity attack, which interrupted access to certain information technology (IT) systems. In mid-June 2024, Ascension completed the restoration of electronic health record (EHR) access across the System, allowing clinical workflows to function similar to before the ransomware attack. Ascension's investigation and analysis into this incident is ongoing and will likely be concluded during fiscal year 2025. As the data analysis is completed, Ascension is committed to following all applicable laws and regulations to notify affected individuals and the appropriate regulatory bodies. Claims submission for certain patients treated during the downtime period remains in process and is expected to be substantially complete by December 31, 2024.

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.

4. Cybersecurity Incidents (continued)

In response to these incidents, Ascension received advance payments of approximately $1,018,000 from the Centers for Medicare and Medicaid Services (CMS) and other non-governmental payors through September 30, 2024. Approximately $161,000 and $554,000 remained to be recouped at September 30, 2024 and June 30, 2024, respectively, included in Advanced payments in the Consolidated Balance Sheets.

5. Investment Funds

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

Alpha Fund

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

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

Ascension and the Alpha Fund invest in certain alternative investment funds, which include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. As of September 30, 2024, unfunded capital commitments total approximately $1,280,000, of which approximately $211,000 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.

5. Investment Funds (continued)

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 September 30, 2024 and June 30, 2024, the gross notional value of Alpha Fund derivatives outstanding was approximately $4,615,000 and $2,408,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

At September 30, 2024 and June 30, 2024, the fair value of Alpha Fund derivatives in an asset position was $184,634 and $40,069 respectively, while the fair value of Alpha Fund derivatives in a liability position was $193,545 and $49,117 at September 30, 2024 and June 30, 2024, respectively. These derivatives are included in Long-term investments in the Consolidated Balance Sheets.

The Alpha Fund participates 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 $17,400 at September 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 approximately $275,000 at September 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)

6. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes the net assets of Investment Funds. 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.

	September 30, 2024	June 30, 2024
Cash and cash equivalents	**$ 679,955**	$ 666,481
Short-term investments	**50,709**	50,317
Long-term investments	**18,696,098**	18,694,608
Subtotal	**19,426,762**	19,411,406
Investment Funds' other assets (liabilities), net	**22,424**	(22,619)
Total cash and investments, net	**19,449,186**	19,388,787
Less noncontrolling interest of Investment Funds	**2,389,890**	2,331,618
System cash and investments, including assets limited as to use	**17,059,296**	17,057,169
Less assets limited as to use:		
Under bond agreement	**128**	128
Self-insurance trust funds	**960,056**	976,828
With donor restrictions	**725,988**	739,226
Total assets limited as to use	**1,686,172**	1,716,182
System unrestricted cash and investments, net	**$ 15,373,124**	$ 15,340,987

(Dollars in Thousands)

6. Cash and Investments (continued)

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

	September 30, 2024	June 30, 2024
Cash and cash equivalents and short-term investments	**$ 921,915**	$ 800,189
Pooled short-term investment funds	**434,431**	899,708
U.S. government, state, municipal and agency obligations	**2,117,739**	2,229,787
Corporate and foreign fixed income securities	**719,263**	770,053
Asset-backed securities	**1,063,307**	1,064,926
Equity securities	**7,508,442**	7,103,777
Alternative investments and other investments:		
Private equity and real estate funds	**4,704,088**	4,614,464
Private credit and energy funds	**1,361,057**	1,352,812
Hedge funds	**484,728**	480,871
Other investments	**111,792**	94,819
Total alternative investments and other investments	**6,661,665**	6,542,966
Total cash and cash equivalents, short-term investments, and long-term investments	**$ 19,426,762**	$ 19,411,406

Total investment return includes the System's return on Investment Funds and on certain investments held and managed outside the Investment Funds. System investment return is net of the investment return earned by the noncontrolling interests of the Investment Funds. Investment return recognized by the System for the three months ended September 30, 2024 and 2023, is summarized in the following table.

	The three months ended September 30, 2024	2023
Interest and dividends	**$ 83,010**	$ 86,239
Net gains (losses) on investments reported at fair value	**694,018**	(539,897)
Restricted investment return and unrealized gains (losses), net	**12,565**	6,271
Total investment return, net	**789,593**	(447,387)
Less Investment Funds' noncontrolling interest return, net	**81,533**	(43,183)
System investment return, net	**$ 708,060**	$ (404,204)

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

(Dollars in Thousands)

7. Financial Assets and Liquidity Resources

As of September 30, 2024 and June 30, 2024, 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:	**September 30, 2024**	**June 30, 2024**
Cash and cash equivalents	**$ 679,955**	$ 666,481
Short-term investments	**50,709**	50,317
Accounts receivable	**4,266,560**	4,354,476
Due from brokers	**248,331**	140,174
Net assets held for sale *(see Note 3)*	**945,140**	442,702
Other current assets	**1,159,064**	1,061,506
Long-term investments*	**18,696,098**	18,694,608
Total financial assets	**26,045,857**	25,410,264
Less:		
Assets limited as to use and internally designated funds	**(1,777,441)**	(1,813,867)
Noncontrolling interests of Investment Funds	**(2,389,890)**	(2,331,618)
Investments with liquidity more than one year	**(5,235,062)**	(5,143,604)
Total financial assets available within one year	**16,643,464**	16,121,175
Liquidity resources:		
Unused line(s) of credit	**1,200,000**	750,000
Total financial assets and liquidity resources available within one year	**$ 17,843,464**	$ 16,871,175

* Long term investments of approximately $185,000 and $190,000 at September 30, 2024 and June 30, 2024, respectively, 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.

8. Fair Value Measurements

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

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

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

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

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

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

8. Fair Value Measurements (continued)

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

As of September 30, 2024 and June 30, 2024, 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.

8. Fair Value Measurements (continued)

Corporate and Foreign Fixed Income Securities

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

Asset-backed Securities

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

Equity Securities

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

Alternative Investments and Other Investments

Alternative investments consist of private equity and other investments. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. Other investments include primarily exchange traded commodities and derivative assets and derivative liabilities of the Alpha Fund. Fair values of derivatives are primarily determined using techniques consistent with the market approach.

8. 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.

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

8. Fair Value Measurements (continued)

The following tables summarize fair value measurements, by level, at September 30, 2024 and June 30, 2024, 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
September 30, 2024				
Cash equivalents	$ 15,830	$ 3,742	$ -	$ 19,572
Short-term investments	34,150	5,217	-	39,367
Pooled short-term investment funds	434,431	-	-	434,431
U.S. government, state, municipal and agency obligations	-	2,117,739	-	2,117,739
Corporate and foreign fixed income securities	-	717,545	1,718	719,263
Asset-backed securities	-	847,784	215,523	1,063,307
Equity securities	6,480,847	6,065	5,737	6,492,649
Alternative investments and other investments:				
Private equity	-	-	369,460	369,460
Other investments, including derivatives, net	20,467	(4,151)	2,215	18,531
Assets at net asset value:				
Equity securities				1,015,793
Private equity funds and real estate funds				4,334,628
Private credit and energy funds				1,361,057
Hedge funds				484,728
Cash and other investments not at fair value				956,237
Cash and investments				$ 19,426,762
Deferred compensation plan assets, in other noncurrent assets	$ 716,215	$ -	$ 40,131	$ 756,346
Investments sold, not yet purchased, in other noncurrent liabilities	151	-	-	151
Interest rate swaps, included in other noncurrent liabilities	-	29,213	-	29,213

(Dollars in Thousands)

8. Fair Value Measurements (continued)

	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

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

8. Fair Value Measurements (continued)

For the three months ended September 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	Benefit Plan Assets
The three months ended September 30, 2024						
Beginning balance	$ 1,714	$ 219,942	$ 9,321	$ 368,083	$ 2,203	$ 42,638
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	4	1,124	(11)	(3,606)	12	-
Purchases	-	10,000	-	651	-	422
Issuances	-	-	-	2,509	-	-
Sales	-	(13,403)	(3)	(1,746)	-	(1,101)
Transfers into Level 3	-	-	-	3,569	-	43
Transfers out of Level 3	-	(2,140)	(3,570)	-	-	(1,871)
Ending balance	$ 1,718	$ 215,523	$ 5,737	$ 369,460	$ 2,215	$ 40,131
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 September 30, 2024.	$ 14	$ 981	$ (4,853)	$ -	$ (3)	$ -

	Corporate and Foreign Fixed Income Securities	Asset-Backed Securities	Equity Securities	Private Equity	Other Investments	Benefit Plan Assets
The three months ended September 30, 2023						
Beginning balance	$ 1,272	$ 213,512	$ 10,215	$ 334,891	$ 2,759	$ 57,308
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	9	9,040	99	(14,613)	6	-
Included in changes in net assets	-	-	-	-	(2)	-
Purchases	-	5,501	74	14,080	-	249
Sales	-	(580)	(181)	(1,067)	(1)	(583)
Transfers into Level 3	-	-	163	-	-	6
Transfers out of Level 3	-	-	-	-	-	(660)
Ending balance	$ 1,281	$ 227,473	$ 10,370	$ 333,291	$ 2,762	$ 56,320
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 September 30, 2023.	$ 9	$ 9,034	$ 23	$ -	$ (11)	$ -

8. Fair Value Measurements (continued)

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

9. Debt

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

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

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

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

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.

(Dollars in Thousands)

9. Debt (continued)

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.

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

	September 30, 2024	June 30, 2024
Total hospital revenue bonds - all Master Trust Indentures	**$ 6,417,850**	$ 6,449,565
Other	**66,856**	61,669
	6,484,706	6,511,234
Unamortized premium, net	**215,397**	222,660
Less debt issuance cost, net	**(28,876)**	(29,378)
Less current portion	**(104,185)**	(102,613)
Less long-term debt subject to short-term remarketing arrangements	**(523,690)**	(539,095)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	**$ 6,043,352**	$ 6,062,808

The Senior Credit Group has a line of credit totaling $1,000,000, committed through November 18, 2027, which may be used for general corporate purposes. At September 30, 2024 and June 30, 2024, Ascension had $300,000 and $250,000, respectively, outstanding under this line of credit, included in Short-term debt obligations in the Consolidated Balance Sheets.

In August 2024, the Ascension Senior Credit Group established an additional $500,000 line of credit committed through August 13, 2025, which remained undrawn at September 30, 2024.

In August 2024, Ascension entered into a one year term loan with a bank for $700,000, which was outstanding at September 30, 2024 and included in Short-term debt obligations in the Consolidated Balance Sheets.

9. Debt (continued)

As of September 30, 2024, the Senior Credit Group had a $115,000 revolving line of credit related to its letters of credit program toward which a bank commitment of $115,000 extended 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, or at the request of, Ascension. Of this $115,000 revolving line of credit, letters of credit totaling approximately $90,000 were issued as of September 30, 2024. No borrowings were outstanding under this program at September 30, 2024 or June 30, 2024. In November 2024, the revolving line of credit related to its letters of credit program was renewed with a bank commitment of $100,000, which extends to November 8, 2027.

10. Derivative Instruments

As provided for in the System's Master Trust Indenture, the System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates. At September 30, 2024 and June 30, 2024, the notional values of outstanding interest rate swaps were $401,475 and $403,200, 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 September 30, 2024 and June 30, 2024, and amounted to $29,213 and $18,688, respectively. The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted as of September 30, 2024 and June 30, 2024.

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

11. Leases

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

(Dollars in Thousands)

11. Leases (continued)

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 three months ended September 30, 2024	The three months ended September 30, 2023
Operating lease cost	**$ 80,774**	$ 87,966
Finance lease cost:		
Interest on lease liabilities	**698**	708
Amortization of right-of-use-asset	**710**	710
Variable lease cost	**17,821**	16,267
Total lease cost	**$ 100,003**	$ 105,651

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

	September 30, 2024		September 30, 2023	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease tern	8.3 years	25.3 years	8.3 years	26.3 years
Weighted-average discount rate	3.4%	3.3%	2.8%	3.3%

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

	The three months ended September 30, 2024	The three months ended September 30, 2023
Operating leases	**$ 77,390**	$ 80,496
Finance leases	**987**	1,040
Total cash paid	**$ 78,377**	$ 81,536

(Dollars in Thousands)

11. Leases (continued)

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of September 30, 2024 to Lease obligations recorded on the Consolidated Balance Sheets at September 30, 2024. These amounts exclude lease obligations of approximately $202,211 included in liabilities held for sale at September 30, 2024.

Twelve Months Ending September 30:	Operating Leases	Finance Leases	Total
2025	202,454	4,000	206,454
2026	169,777	4,072	173,849
2027	141,084	4,145	145,229
2028	105,298	4,219	109,517
2029	73,596	4,266	77,862
Thereafter	327,792	101,689	429,481
Total future undiscounted lease obligations	1,020,001	122,391	1,142,392
Less: amount of lease payments representing interest	(59,734)	(42,677)	(102,411)
Present value of future lease obligations	960,267	79,714	1,039,981
Less: current portion of lease obligations	(265,902)	(1,237)	(267,139)
Long-term lease obligations	694,365	78,477	772,842

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 September 30, 2024, are as follows. These amounts exclude receipts of approximately $101,890 associated with entities held for sale at September 30, 2024.

Twelve Months Ending September 30:	Operating Leases
2025	$ 52,157
2026	39,431
2027	31,856
2028	27,651
2029	24,998
Thereafter	305,315
Total	$ 481,408

For the three months ended September 30, 2024 and 2023, lease income was approximately $15,000 and $21,000 respectively.

(Dollars in Thousands)

12. 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 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 three months ended September 30, 2024	2023
Components of net periodic benefit gain:		
Expected return on plan assets	**$ 147,160**	$ 153,269
Interest cost	**(102,487)**	(105,197)
Amortization of actuarial loss	**(24,638)**	(26,559)
Amortization of prior service credit	**9**	9
Net periodic benefit gain	**$ 20,044**	$ 21,522

13. 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.

13. Self Insurance Programs (continued)

The associated loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

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

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

14. Related Parties

The System has agreements with related parties, primarily for revenue cycle management and clinical engineering services. Expenses of approximately $310,000 and $328,000 for these services were incurred during the three months ended September 30, 2024 and 2023, respectively.

15. Contingencies and Commitments

Ascension, like other healthcare organizations, periodically undergoes investigations or audits by federal, state and local agencies involving compliance with a variety of laws and regulations arising in the ordinary course of business. These investigations generally seek to determine compliance with, among other things, laws and regulations relating to Medicare and Medicaid reimbursement, including billing practices for certain services. To support compliance with these laws and regulations, Ascension maintains a compliance program designed to prevent, proactively detect, and correct potential violations of laws and regulations.

The System is also periodically involved in litigation arising in the ordinary course of business. As related to the May 8, 2024 cybersecurity attack (see Cybersecurity Incident note), Ascension has received notice of various lawsuits relating to or arising from this cybersecurity incident, and additional lawsuits and actions may be filed.

15. Contingencies and Commitments (continued)

While no assurance can be given concerning the outcome of any current investigation or the related impact to the System’s 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 $2,000,000, primarily comprised of agreements for information technology and other purchased services, under which payments will be made primarily over the next 2-5 years. In addition, the System’s agreements with related parties for clinical engineering and revenue cycle management services extend through 2027 and 2031, respectively.

The System also guarantees the performance of certain affiliates under third party financing arrangements at September 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.

16. Functional Expenses

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

(Dollars in Thousands)

16. Functional Expenses (continued)

Expenses by functional classification for the three months ended September 30, 2024 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	$ 3,168,132	$ 268,702	$ 3,436,834
Purchased services and professional fees	1,021,981	358,931	1,380,912
Supplies	1,020,742	305	1,021,047
Other	1,347,421	148,496	1,495,917
Total operating expenses	**$ 6,558,276**	**$ 776,434**	**$ 7,334,710**

Expenses by functional classification for the three months ended September 30, 2023 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	$ 3,257,483	$ 253,044	$ 3,510,527
Purchased services and professional fees	1,000,128	343,985	1,344,113
Supplies	1,034,280	378	1,034,658
Other	1,414,573	142,245	1,556,818
Total operating expenses	$ 6,706,464	$ 739,652	$ 7,446,116

Supplementary Information

Ascension

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

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

	The three months ended September 30, 2024	2023
Traditional charity care provided	**$ 108,597**	$ 108,962
Unpaid cost of public programs for persons living in poverty	**146,501**	372,076
Other programs for persons living in poverty and other persons who are vulnerable	**20,154**	21,612
Community benefit programs	**89,983**	105,256
Care of persons living in poverty and other community benefit programs	**$ 365,235**	$ 607,906

Ascension

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

		September 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	$	**382,827**
Short-term investments		**44,062**
Accounts receivable		**3,845,829**
Inventories		**348,894**
Estimated third-party payor settlements		**200,515**
Due from affiliates *(See Note 2)*		**726,253**
Other		**1,316,494**
Total current assets		**6,864,874**
Long-term investments		**15,395,445**
Property and equipment, net		**7,458,411**
Other assets:		
Right-of-use assets - leases		**773,705**
Investment in unconsolidated entities		**1,170,136**
Capitalized software costs, net		**587,502**
Due from affiliates *(See Note 2)*		**2,502,479**
Other		**1,506,574**
Total other assets		**6,540,396**
Total assets	$	**36,259,126**

Continued on next page.

Ascension

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

		September 30, 2024
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	$	102,897
Long-term debt subject to short-term remarketing arrangements*		523,690
Short-term debt obligations		1,000,000
Current portion of lease obligations		264,874
Accounts payable and accrued liabilities		2,551,600
Estimated third-party payor settlements		255,249
Due to affiliates *(See Note 2)*		123,168
Advanced payments		160,573
Other		477,102
Total current liabilities		5,459,153
Noncurrent liabilities:		
Long-term debt (senior and subordinated)		6,043,277
Lease obligations, less current portion		541,135
Pension and other postretirement liabilities		401,672
Other		1,338,753
Total noncurrent liabilities		8,324,837
Total liabilities		13,783,990
Net assets:		
Without donor restrictions:		
Controlling interest		21,213,635
Noncontrolling interests		542,389
Total net assets without donor restrictions		21,756,024
Net assets with donor restrictions		719,112
Total net assets		22,475,136
Total liabilities and net assets	$	36,259,126

*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 (unaudited)
(Dollars in Thousands)

		The three months ended September 30, 2024
Operating revenue:		
Net patient service revenue	$	4,545,773
Other revenue *(See Note 2)*		758,035
Total operating revenue		5,303,808
Operating expenses *(See Note 2)* :		
Salaries and wages		2,031,452
Employee benefits		495,827
Purchased services		666,774
Professional fees		307,116
Supplies		747,791
Insurance		49,945
Interest		64,211
Provider tax		154,974
Depreciation and amortization		226,924
Other		644,295
Total operating expenses		5,389,309
Income (loss) from recurring operations		(85,501)
Impairment and nonrecurring gains (losses), net		(7,460)
Income (loss) from operations		(92,961)
Nonoperating gains (losses):		
Investment return, net		670,050
Other		(9,315)
Total nonoperating gains (losses), net		660,735
Excess (deficit) of revenues and gains over expenses and losses		567,774
Less noncontrolling interests		58,902
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest		508,872

Ascension

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

		The three months ended September 30, 2024
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	$	508,872
Transfers (to) from affiliates, net *(See Note 2)*		(299,321)
Transfers (to) from sponsor, net		(1,250)
Net assets released from restrictions for property acquisitions		21,186
Change in pension liability		24,539
Change in unconsolidated entities' net assets		15,383
Other		(17,836)
Increase (decrease) in net assets without donor restrictions, controlling interest		251,573
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses		58,902
Net contributions (distributions) of capital		(22,650)
Other		1,837
Increase (decrease) in net assets without donor restrictions, noncontrolling interest		38,089
Net assets with donor restrictions:		
Contributions and grants		27,153
Investment return		12,188
Net assets released from restrictions		(35,044)
Other		(11,608)
Increase (decrease) in net assets with donor restrictions		(7,311)
Increase (decrease) in net assets		282,351
Net assets, beginning of period		22,192,785
Net assets, end of period	$	22,475,136

Ascension

Notes to Credit Group Financial Statements (unaudited)

(Dollars in Thousands)

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the three months ended September 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 three months ended September 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 Organization and Mission note. 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 $445,000 for the three months ended September 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.