

**ASCENSION**

**CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

Years Ended June 30, 2025 and 2024  
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements  
and Supplementary Information

Years Ended June 30, 2025 and 2024

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Ernst & Young LLP  
Suite 2600  
7676 Forsyth Boulevard  
St. Louis, MO 63105

Tel: +1 314 290 1000  
ey.com

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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, 2025 and 2024, 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, 2025 and 2024, 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.



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## **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, 2025

# Ascension

## Consolidated Balance Sheets (Dollars in Thousands)

	June 30, 2025	June 30, 2024
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 541,395	\$ 666,481
Short-term investments	43,974	50,317
Accounts receivable	3,031,345	4,354,476
Inventories	386,091	416,374
Due from counterparties <i>(see Notes 5 and 6)</i>	128,740	140,174
Estimated third-party payor settlements	212,757	259,985
Assets held for sale <i>(see Note 3)</i>	144,971	2,009,875
Other	1,344,555	1,061,506
Total current assets	5,833,828	8,959,188
Long-term investments <i>(see Notes 5 and 6)</i>	19,449,512	18,694,608
Property and equipment, net	8,451,644	8,485,756
Other assets:		
Right-of-use assets - leases	925,440	1,065,276
Investment in unconsolidated entities	2,475,295	1,206,829
Intangible assets, net	1,578,191	1,295,907
Other	1,146,369	998,761
Total other assets	6,125,295	4,566,773
Total assets	\$ 39,860,279	\$ 40,706,325

Continued on next page.

# Ascension

## Consolidated Balance Sheets (Dollars in Thousands)

	June 30, 2025	June 30, 2024
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 102,018	\$ 102,613
Long-term debt subject to short-term remarketing arrangements*	343,685	539,095
Short-term debt obligations	368,963	250,000
Current portion of lease obligations	190,964	266,801
Accounts payable and accrued liabilities	3,144,554	3,495,493
Estimated third-party payor settlements	439,062	605,558
Due to counterparties (see Notes 5 and 6)	756,642	186,200
Current portion of self-insurance liabilities	370,066	357,084
Advanced payments (see Note 4)	-	554,356
Liabilities held for sale (see Note 3)	43,677	397,162
Other	496,715	402,241
Total current liabilities	6,256,346	7,156,603
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	5,243,897	6,062,808
Lease obligations, less current portion	775,563	838,885
Self-insurance liabilities	886,434	1,029,265
Pension and other postretirement liabilities	428,021	448,296
Other	1,337,042	1,347,431
Total noncurrent liabilities	8,670,957	9,726,685
Total liabilities	14,927,303	16,883,288
Net assets:		
Without donor restrictions:		
Controlling interest	21,457,262	20,351,604
Noncontrolling interests	2,846,009	2,690,317
Total net assets without donor restrictions	24,303,271	23,041,921
Net assets with donor restrictions	629,705	781,116
Total net assets	24,932,976	23,823,037
Total liabilities and net assets	\$ 39,860,279	\$ 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 2038. In the event that bonds are not remarketed upon the exercise of put options for the variable 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 (Dollars in Thousands)

	The years ended June 30,	
	2025	2024
Operating revenue:		
Net patient service revenue	\$ 22,536,905	\$ 25,872,203
Other revenue	2,789,335	2,679,446
Total operating revenue	25,326,240	28,551,649
Operating expenses:		
Salaries and wages	10,065,118	11,840,397
Employee benefits	1,853,356	2,210,410
Purchased services	3,317,307	3,852,800
Professional fees	1,645,394	1,708,825
Supplies	3,520,963	4,139,467
Insurance	289,258	406,632
Interest	240,347	225,700
Provider tax	890,442	1,034,787
Depreciation and amortization	1,006,019	1,119,864
Other	3,001,187	3,530,357
Total operating expenses	25,829,391	30,069,239
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	(503,151)	(1,517,590)
Self-insurance trust fund investment return	93,497	110,024
Income (loss) from recurring operations	(409,654)	(1,407,566)
Impairment and nonrecurring gains (losses), net	(81,282)	(401,552)
Income (loss) from operations	(490,936)	(1,809,118)
Nonoperating gains (losses):		
Investment return, net	1,821,016	1,005,454
Other	(95,638)	12,319
Total nonoperating gains (losses), net	1,725,378	1,017,773
Excess (deficit) of revenues and gains over expenses and losses	1,234,442	(791,345)
Less noncontrolling interests	316,789	283,533
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	917,653	(1,074,878)

Continued on next page.



# Ascension

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

	The years ended June 30,	
	2025	2024
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	\$ 917,653	\$ (1,074,878)
Transfers (to) from sponsors, net	(5,000)	(5,000)
Net assets released from restrictions for property acquisitions	84,082	48,505
Change in pension liability	69,103	(42,074)
Change in unconsolidated entities' net assets	2,833	28,216
Other	36,987	5,755
Increase (decrease) in net assets without donor restrictions, controlling interest	1,105,658	(1,039,476)
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	316,789	283,533
Net contributions (distributions) of capital	(134,402)	(240,818)
Other	(26,695)	(8,531)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	155,692	34,184
Net assets with donor restrictions:		
Contributions and grants	106,754	93,311
Investment return	22,527	36,190
Net assets released from restrictions	(146,836)	(100,781)
Divestitures	(129,819)	(30,852)
Other	(4,037)	10,421
Increase (decrease) in net assets with donor restrictions	(151,411)	8,289
Increase (decrease) in net assets	1,109,939	(997,003)
Net assets, beginning of year	23,823,037	24,820,040
Net assets, end of year	\$ 24,932,976	\$ 23,823,037

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,	
	2025	2024
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 1,109,939	\$ (997,003)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,006,019	1,119,864
Amortization of bond premiums, discounts, and debt issuance costs	(21,440)	(26,712)
Loss (gain) on extinguishment of debt	(17,463)	232
Change in pension liability	(69,103)	42,074
Unrealized losses (gains) on investments without donor restrictions, net	(462,345)	(463,822)
Change in fair value of interest rate swaps	4,369	(8,613)
Change in equity of unconsolidated entities	(323,338)	(235,927)
Gain on sale of assets, net	(119,476)	(180,459)
Impairment and nonrecurring (gain) loss	24,150	400,579
Transfers to (from) sponsors, net	5,000	5,000
Donor restricted contributions, investment return and other	(72,902)	(77,225)
Distributions (contributions) of noncontrolling interest, net	134,402	240,818
Change in divested restricted net assets	129,819	30,852
Other	(2,738)	(26,320)
(Increase) decrease in:		
Short-term investments	4,440	10,476
Accounts receivable	946,399	(1,583,384)
Inventories and other current assets	(32,060)	(99,444)
Due from counterparties	11,434	(3,528)
Long-term investments	(532,169)	1,187,487
Other assets	(123,839)	(169,703)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(394,375)	697,408
Estimated third-party payor settlements, net	(127,071)	(5,264)
Due to counterparties	570,442	77,757
Advanced payments	(552,601)	554,356
Other current liabilities	101,005	23,120
Self-insurance liabilities	(129,849)	(85,930)
Other noncurrent liabilities	43,157	287,525
Net cash provided by (used in) operating activities	1,109,806	714,214

Continued on next page.

# Ascension

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

	The years ended June 30,	
	2025	2024
<b>Investing activities</b>		
Property, equipment, and capitalized software additions, net	\$ (1,225,377)	\$ (1,326,505)
Proceeds from sale of property and equipment	17,616	14,939
Distributions from (contributions to) unconsolidated entities, net	163,809	131,739
Net proceeds from (acquisition) divestiture of businesses	712,278	200,232
Net cash provided by (used in) investing activities	(331,674)	(979,595)
<b>Financing activities</b>		
Issuance of debt	5,306,515	263,933
Repayment of debt, including financing lease obligations	(6,155,555)	(176,020)
Decrease (increase) in assets under bond agreements	(9)	(9)
Transfers (to) from sponsors, net	(5,000)	(5,000)
Donor restricted contributions, investment return, and other	72,902	77,225
(Distributions) contributions of noncontrolling interest, net	(134,402)	(240,818)
Net cash provided by (used in) financing activities	(915,549)	(80,689)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(137,417)	(346,070)
Cash, cash equivalents, and restricted cash at beginning of year	714,794	1,060,864
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 577,377</u>	<u>\$ 714,794</u>
Cash and cash equivalents	\$ 541,395	\$ 666,481
Restricted cash, included in long-term investments	35,982	48,313
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 577,377</u>	<u>\$ 714,794</u>

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

# Ascension

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

### 1. Organization and Mission

#### Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 16 states and the District of Columbia. Ascension also serves as the direct or indirect member or shareholder of various subsidiaries including, but not limited to:

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

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

#### Sponsorship

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

## Ascension

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

#### 1. Organization and Mission (continued)

##### **Mission**

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

- Traditional charity care includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources, including those 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.
- Unreimbursed costs of programs for persons living in poverty and other persons who are vulnerable, and programs for the broader community, including health promotion and education, health clinics and screenings, and medical research.
- Unpaid costs of Medicare, represents the unpaid cost of services provided to Medicare recipients.

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 cost of traditional charity care provided was \$570,097 and \$474,431 for the years ended June 30, 2025 and 2024, respectively. See Community Benefit note for further information related to Ascension's cost of other community benefit.

## Ascension

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

#### **2. Significant Accounting Policies**

##### **Principles of Consolidation**

The System consolidates all entities for which operating control is exercised by the System or one of its member entities, and all significant inter-entity transactions have been eliminated in consolidation.

##### **Use of Estimates**

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

##### **Fair Value of Financial Instruments**

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

##### **Cash and Cash Equivalents**

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

##### **Short-Term Investments**

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

##### **Inventories**

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

## Ascension

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

#### **2. Significant Accounting Policies (continued)**

##### **Long-Term Investments and Investment Return**

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

Long-term investments include assets limited as to use of \$1,448,748 and \$1,716,182 at June 30, 2025 and 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 years ended June 30, 2025 and 2024 was approximately \$803,000 and \$943,000, respectively.

## Ascension

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

#### 2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	June 30, 2025	June 30, 2024
Land and improvements	\$ 1,100,920	\$ 1,264,192
Buildings and equipment	16,024,384	17,258,591
	17,125,304	18,522,783
Less accumulated depreciation	9,574,459	10,864,299
	7,550,845	7,658,484
Construction in progress	900,799	827,272
Total property and equipment, net	<u>\$ 8,451,644</u>	<u>\$ 8,485,756</u>

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$626,919 as of June 30, 2025.

#### Investment in Unconsolidated Entities

Investments in entities where the System does not have operating control but has the ability to exercise significant influence are primarily recorded under the equity method of accounting and included in Investment in unconsolidated entities on the System's Consolidated Balance Sheets, and results of operations are included in other operating revenue in the Consolidated Statements of Operations and Changes in Net Assets.



## Ascension

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

#### 2. Significant Accounting Policies (continued)

Ascension's noncontrolling interest in Henry Ford Health System (HFHS) (see Organizational Changes note) is an equity method investment, included in Investment in unconsolidated entities in the Consolidated Balance Sheet at June 30, 2025, where the fair value option is elected based on the nature of the investment. The fair value of this Level 3 investment (see Level 3 definition in the Fair Value Measurements note) is estimated based on a combination of the income and market approaches. The income approach considers the projected operating performance of the company and discounts future economic benefits back to present value using a risk adjusted rate of return, while the market approach considers prior company and other comparable transactions, and public guideline company information.

During the year ended June 30, 2025, the change in fair value of Ascension's investment in HFHS is approximately \$75,600, recognized in other revenue. As of June 30, 2025, Ascension's investment in HFHS is approximately \$1,300,000.

#### Intangible Assets, net

Intangible assets, net 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, net are included in the Consolidated Balance Sheets as presented in the table that follows.

	June 30, 2025	June 30, 2024
Capitalized software costs	\$ 2,541,384	\$ 2,734,310
Software in progress	129,473	224,433
Less accumulated amortization	2,067,911	2,307,253
Capitalized software costs, net	602,946	651,490
Goodwill	920,193	603,116
Other, net	55,052	41,301
Total intangible assets, net	<u>\$ 1,578,191</u>	<u>\$ 1,295,907</u>

## Ascension

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

#### 2. Significant Accounting Policies (continued)

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 years ended June 30, 2025 and 2024 was approximately \$203,000 and \$177,000, respectively.

Estimated future amortization of capitalized software costs and other intangible assets with definite lives, excluding software in progress, as of June 30, 2025 is as follows:

The years ending June 30:		
2026	\$	173,999
2027		103,619
2028		68,063
2029		48,848
2030		40,651
Thereafter		69,097
Total	\$	<u>504,277</u>

#### 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 Financial Statements represent the portion of Net assets and Excess (deficit) of revenues and gains over expenses and losses attributable to entities outside the System, for those controlled and consolidated entities in which the System's ownership interest is less than 100%.

## Ascension

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

#### **2. Significant Accounting Policies (continued)**

##### **Net Assets**

###### *Net Assets Without Donor Restrictions*

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

###### *Net Assets With Donor Restrictions*

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

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

##### **Performance Indicator**

The performance indicator is the Excess (deficit) of revenues and gains over expenses and losses. Change in pension liability, 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.

## Ascension

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

#### **2. Significant Accounting Policies (continued)**

##### **Net Patient Service Revenue and Accounts Receivable**

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

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

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

As related to the May 8, 2024 cybersecurity attack (see Cybersecurity Incidents note), 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. Changes in estimated revenue recognized for the year ended June 30, 2025 were not material.

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.

## Ascension

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

#### 2. Significant Accounting Policies (continued)

Adjustments to revenue from Medicare and Medicaid and third-party payers related to prior periods increased net patient service revenue by \$188,931 and \$79,216 for the years ended June 30, 2025 and 2024, 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.

Net patient service revenue earned for the years ended June 30, 2025 and 2024, is as follows:

	<b>The years ended</b>	
	<b>June 30,</b>	
	<b>2025</b>	<b>2024</b>
Inpatient care	\$ 10,595,170	\$ 12,032,165
Ambulatory care	9,227,555	10,541,821
Physician practices	2,291,868	2,839,094
Long-term care	422,312	459,123
Total net patient service revenue	<u>\$ 22,536,905</u>	<u>\$ 25,872,203</u>

## Ascension

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

#### 2. Significant Accounting Policies (continued)

The System grants credit without collateral to its patients. Net patient service revenues earned by payor and significant concentrations of accounts receivable are as follows. As discussed above, patient revenues and allowances for May and June 2024 were based on estimates and historical experience:

	Net Patient Service Revenue		Accounts Receivable	
	The years ended		June 30,	
	June 30,		June 30,	June 30,
	2025	2024	2025	2024
Medicare - traditional and managed	35.4 %	36.3 %	27.0 %	31.7 %
Medicaid - traditional and managed	15.9	15.5	9.2	10.5
Other commercial and managed care	44.5	42.0	47.8	45.5
Self-Pay and other	4.2	6.2	16.0	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.

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.

## Ascension

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

#### 2. Significant Accounting Policies (continued)

##### Other Operating Revenue

Other operating revenues primarily relate to amounts recognized for providing goods and services not directly associated with patient care, over the period of time the performance obligations are satisfied. Amounts recognized reflect consideration due from customers, third party payors, and others.

Components of other operating revenue are included in the following table for the years ended June 30, 2025 and 2024, respectively:

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Cafeteria and vending	\$ 69,636	\$ 80,607
Contracted services	579,575	299,297
Donations and grants	227,998	189,156
Gains on asset sales	129,696	200,380
Insurance plans	238,987	314,023
Income from investment in unconsolidated entities	298,312	207,727
Lease and rental income	76,430	93,032
Retail pharmacy	891,383	876,823
Value based programs	119,048	135,563
Other	158,270	282,838
Total other revenue	<u>\$ 2,789,335</u>	<u>\$ 2,679,446</u>

##### Impairment and Nonrecurring Gains (Losses), Net

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

## Ascension

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

#### **2. Significant Accounting Policies (continued)**

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.

#### **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, 2025.

The System had deferred tax assets of approximately \$498,000 and \$441,000 for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2025 and 2024, 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 \$498,000 and \$438,000 is recognized at June 30, 2025 and 2024, 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.



## Ascension

### Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

#### **2. Significant Accounting Policies (continued)**

##### **Reclassifications**

Certain reclassifications were made to prior periods' Consolidated Financial Statements to conform to the June 30, 2025 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 year ended June 30, 2025, the System evaluated subsequent events through September 17, 2025, representing the date the Consolidated Financial Statements were issued.

On July 1, 2025, Ascension Healthcare and Ascension Michigan Home Office completed the transition of its membership interest in four hospitals and certain related assets and operations in southwestern Michigan to Beacon Health System. See the Organizational Changes note.

In July 2025, Ascension paid approximately \$319,000 of its June 30, 2025 commercial paper balance. See the Debt note.

## Ascension

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

#### **3. Organizational Changes**

##### **Business Combinations**

###### *Cedar Park Regional Medical Center*

Effective June 30, 2025, Ascension Texas and Ascension Seton (collectively Ascension Texas) acquired, for cash, the remaining equity interest in Cedar Park Regional Medical Center (Cedar Park), including interests in certain related joint ventures. Prior to this transaction, Ascension Texas held a noncontrolling equity interest in Cedar Park. This transaction was accounted for as an acquisition in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-805, Business Combinations - Not-for-Profit entities, with the impact of the step acquisition recognized in income from investment in unconsolidated entities in Other Revenue. The preliminary fair value of net assets acquired and recognized in Ascension's June 30, 2025 Consolidated Balance Sheet is approximately \$540,000, determined in accordance with FASB ASC 820, Fair Value Measurements. Fair values of net assets acquired will be finalized during the measurement period, which ends on June 30, 2026.

###### *AmSurg*

In June 2025, Ascension entered into a definitive agreement to acquire AmSurg, an ambulatory surgery development, management, and operations services company. This transaction is expected to be finalized after all necessary approvals are obtained.

## Ascension

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

#### 3. Organizational Changes (continued)

##### Divestitures

The following table presents amounts, by balance sheet category, that comprise assets and liabilities held for sale at June 30, 2025 and June 30, 2024. These amounts are primarily associated with the transactions discussed in the Assets Held for Sale and Assets Sold sections below. In addition, Long Term Investments in the Consolidated Balance Sheet of approximately \$28,000 and \$190,000 at June 30, 2025 and June 30, 2024, respectively, were contributed with divestitures in Michigan (see Assets Held for Sale and Assets Sold below). Losses associated with certain Assets Held for Sale and Assets Sold transactions below are included in Impairment and nonrecurring gains (losses), net in the Consolidated Statement of Operations for the years ended June 30, 2025 and 2024.

	June 30, 2025	June 30, 2024
Accounts receivable	\$ 1,125	\$ 497,922
Inventories	12,658	75,140
Other current assets	-	55,504
Property and equipment, net	78,343	1,175,838
Right-of-use assets - leases	36,273	120,816
Investment in unconsolidated entities	16,572	84,655
Total assets held for sale	<u>\$ 144,971</u>	<u>\$ 2,009,875</u>
Accounts payable and accrued liabilities	\$ 5,821	\$ 238,175
Other current liabilities	-	27,397
Lease obligations, long term	37,856	124,062
Other noncurrent liabilities	-	7,528
Total liabilities held for sale	<u>\$ 43,677</u>	<u>\$ 397,162</u>

## Ascension

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

#### **3. Organizational Changes (continued)**

##### **Assets Held for Sale**

On March 31, 2025, Ascension Healthcare, Ascension Michigan Home Office (Ascension Michigan) and Beacon Health System (Beacon) signed an agreement whereby Ascension Michigan will transition its membership interest in four hospitals and certain related assets and operations in southwestern Michigan to Beacon. This transaction closed on July 1, 2025.

In March 2025, certain Ascension Senior Living entities signed asset sale agreements to sell certain assets and primarily all operations to various purchasers. Certain of these transactions closed during the year ended June 30, 2025 while the remaining transactions are expected to be finalized after all necessary approvals are obtained.

##### **Assets Sold**

On March 1, 2025, Presence Care Transformation Corporation (Presence), a wholly owned subsidiary of Ascension Healthcare, sold 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 Healthcare Services, Inc.

On November 1, 2024, Ascension Healthcare transitioned its membership interest in the St. Vincent's Health System in Alabama to UAB Health System Authority.

On October 1, 2024, Ascension Healthcare and Ascension Michigan, a wholly owned subsidiary of Ascension Healthcare, contributed its membership interest in southeast and mid Michigan hospitals and related ancillary entities to HFHS, and obtained a 20% noncontrolling interest in HFHS.

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

On February 1, 2024, Ascension Healthcare 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.

## Ascension

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

#### **3. Organizational Changes (continued)**

On October 1, 2023, Gulf Coast Health System, 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.

#### **4. Cybersecurity Incidents**

On May 8, 2024, Ascension experienced a cybersecurity attack, which interrupted access to certain information technology (IT) systems. Ascension's investigation and analysis into this incident is substantially complete. Notifications have been provided to individuals, government regulators and applicable state agencies.

In response to this incident, as well as a February 2024 third party clearinghouse incident, Ascension received advance payments of approximately \$1,018,000 from the Centers for Medicare and Medicaid Services (CMS) and other non-governmental payors between March and August 2024. As of June 30, 2024, approximately \$554,000 in Advanced payments remained to be recouped, as presented on the Consolidated Balance Sheet. These advance payments were fully recouped by December 31, 2024.

#### **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

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

#### 5. Investment Funds (continued)

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, 2025, unfunded capital commitments total approximately \$1,265,000, of which approximately \$234,000 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, as well as repurchase agreements, within approved 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 also 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, 2025 and 2024, the gross notional value of Alpha Fund derivatives outstanding was approximately \$3,981,000 and \$2,408,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

At June 30, 2025 and 2024, the fair value of Alpha Fund derivatives in an asset position was \$83,226 and \$40,069 respectively, while the fair value of Alpha Fund derivatives in a liability position was \$80,549 and \$49,117 at June 30, 2025 and 2024, respectively. These derivatives are included in Long-term investments in the Consolidated Balance Sheets.

The Alpha Fund is a party to repurchase agreements, whereby certain securities of the Alpha Fund's investments are sold to a counterparty in return for cash as collateral for the purchased securities, on a short-term basis. The fair value of investments under repurchase agreements at June 30, 2025 was approximately \$688,000. At June 30, 2025, cash collateral received, and invested within the Alpha Fund, of approximately \$678,000 is included in Long-Term Investments with an offsetting liability within Due to counterparties on the Consolidated Balance Sheets.

## Ascension

### Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

#### **5. Investment Funds (continued)**

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. At June 30, 2025 and 2024, the fair value of collateral, comprised primarily of non-cash collateral, was approximately \$486,000 and \$357,000, respectively. These amounts are recorded in Other current assets, with corresponding liabilities in Other current liabilities, in the Consolidated Balance Sheets at those dates. In the event of nonperformance by the counterparties to the securities lending agreements, the Alpha Fund could be exposed to some loss.

Due from counterparties and Due to counterparties 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, as well as amounts due to or from other counterparties for repurchase agreements.

#### **Venture Funds**

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

## Ascension

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

#### 6. Cash and Investments

The System's cash and investments are reported in the Consolidated Balance Sheets as presented in the table that follows. Total cash and investments, net, includes the net assets of Investment Funds. The Investment Funds' other assets (liabilities), net are primarily amounts due from and (to) counterparties. 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, 2025	June 30, 2024
Cash and cash equivalents	\$ 541,395	\$ 666,481
Short-term investments	43,974	50,317
Long-term investments	19,449,512	18,694,608
Subtotal	20,034,881	19,411,406
Investment Funds' other assets (liabilities), net	(597,482)	(22,619)
Total cash and investments, net	19,437,399	19,388,787
Less noncontrolling interest of Investment Funds	2,509,316	2,331,618
System cash and investments, including assets limited as to use	16,928,083	17,057,169
Less assets limited as to use:		
Under bond agreement	137	128
Self-insurance trust funds	854,723	976,828
With donor restrictions	593,888	739,226
Total assets limited as to use	1,448,748	1,716,182
System unrestricted cash and investments, net	\$ 15,479,335	\$ 15,340,987

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.



# Ascension

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

### 6. Cash and Investments (continued)

	June 30, 2025	June 30, 2024
Cash and cash equivalents and short-term investments	\$ 661,170	\$ 800,189
Pooled short-term investment funds	940,858	899,708
U.S. government, state, municipal and agency obligations	1,943,706	2,229,787
Corporate and foreign fixed income securities	921,116	770,053
Asset-backed securities	1,187,541	1,064,926
Equity securities	7,226,649	7,103,777
Alternative investments and other investments:		
Private equity and real estate funds	5,005,763	4,614,464
Private credit and energy funds	1,175,108	1,352,812
Hedge funds	523,261	480,871
Other investments	449,709	94,819
Total alternative investments and other investments	7,153,841	6,542,966
Total cash and cash equivalents, short-term investments, and long-term investments	<u>\$ 20,034,881</u>	<u>\$ 19,411,406</u>

Total investment return includes the System's return on Investment Funds and on certain investments held and managed outside the Investment Funds. System investment return is net of the investment return earned by the noncontrolling interests of the Investment Funds.

Investment return recognized by the System for the years ended June 30, 2025 and 2024, is summarized in the following table.

	The years ended June 30, 2025	2024
Interest and dividends	\$ 468,457	\$ 516,224
Net gains (losses) on investments reported at fair value	1,446,055	599,254
Restricted investment return and unrealized gains (losses), net	22,527	36,190
Total investment return, net	1,937,039	1,151,668
Less Investment Funds' noncontrolling interest return, net	198,313	184,454
System investment return, net	<u>\$ 1,738,726</u>	<u>\$ 967,214</u>

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

## Ascension

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

#### 7. Financial Assets and Liquidity Resources

As of June 30, 2025 and 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:

	June 30, 2025	June 30, 2024
Financial assets:		
Cash and cash equivalents	\$ 541,395	\$ 666,481
Short-term investments	43,974	50,317
Accounts receivable	3,031,345	4,354,476
Due from counterparties	128,740	140,174
Net assets held for sale (see Note 3)	101,294	442,702
Other current assets	1,344,555	1,061,506
Long term investments <sup>1</sup>	19,449,512	18,694,608
Total financial assets	24,640,815	25,410,264
Less:		
Assets limited as to use and internally designated funds	1,541,924	1,813,867
Noncontrolling interests of Investment Funds	2,509,316	2,331,618
Investments with liquidity more than one year	5,354,776	5,143,604
Total financial assets available within one year	15,234,799	16,121,175
Liquidity resources:		
Unused line(s) of credit	1,500,000	750,000
Total financial assets and liquidity resources available within one year	<u>\$ 16,734,799</u>	<u>\$ 16,871,175</u>

<sup>1</sup> Long-term investments of approximately \$28,000 and \$190,000 at June, 30 2025 and 2024, respectively were contributed upon the close of the Michigan transactions discussed in the Organizational Changes note.

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

## Ascension

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

#### 8. Fair Value Measurements

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

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

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

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

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

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

## Ascension

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

#### **8. Fair Value Measurements (continued)**

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

As of June 30, 2025 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.

## Ascension

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

#### **8. Fair Value Measurements (continued)**

##### *Corporate and Foreign Fixed Income Securities*

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

##### *Asset-backed Securities*

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

##### *Equity Securities*

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

##### *Alternative Investments and Other Investments*

Alternative investments consist of private equity and other investments. The fair value of private equity is primarily determined using techniques consistent with both the market and income approaches, based on the System's estimates and assumptions in the absence of observable market data. The market approach considers comparable company, comparable transaction, and company-specific information, including but not limited to restrictions on disposition, subsequent purchases of the same or similar securities by other investors, pending mergers or acquisitions, and current financial position and operating results. The income approach considers the projected operating performance of the portfolio company. Other investments primarily include derivative assets and derivative liabilities of the Alpha Fund, including level 1 exchange traded derivatives. Fair values of other derivatives are primarily determined using techniques consistent with the market approach.

## Ascension

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

#### **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 benchmark index 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 based on the nature of the underlying securities, which may include equity or fixed income securities, and whose valuation techniques are consistent with these security types as discussed above.

# Ascension

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

### 8. Fair Value Measurements (continued)

The following tables summarize fair value measurements, by level, at June 30, 2025 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
<b>June 30, 2025</b>				
Cash equivalents	\$ 30,498	\$ 1,855	\$ -	\$ 32,353
Short-term investments	31,239	5,355	-	36,594
Pooled short-term investment funds	940,858	-	-	940,858
U.S. government, state, municipal and agency obligations	-	1,943,706	-	1,943,706
Corporate and foreign fixed income securities	-	919,379	1,737	921,116
Asset-backed securities	-	970,939	216,600	1,187,539
Equity securities	7,195,135	14,778	5,932	7,215,845
Alternative investments and other investments:				
Private equity	-	-	603,986	603,986
Other investments, including derivatives, net	337,584	5,998	2,246	345,828
Assets at net asset value:				
Equity securities				10,804
Private equity funds and real estate funds				4,401,777
Private credit and energy funds				1,175,108
Hedge funds				523,261
Other investments				1,370
Cash and other investments not at fair value				694,736
Cash and investments				<u>\$ 20,034,881</u>
Deferred compensation plan assets, in other noncurrent assets	\$ 713,136	\$ -	\$ 33,249	\$ 746,385
Investments sold, not yet purchased, in other noncurrent liabilities	20	492	-	512
Interest rate swaps, included in other noncurrent liabilities	-	23,057	-	23,057

# Ascension

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

### 8. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
<b>June 30, 2024</b>				
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				<u>\$ 19,411,406</u>
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



# Ascension

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

### 8. Fair Value Measurements (continued)

For the years ended June 30, 2025 and 2024, 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
<b>The year ended</b>						
<b>June 30, 2025</b>						
Beginning balance	\$ 1,714	\$ 219,942	\$ 9,321	\$ 368,083	\$ 2,203	\$ 42,638
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	23	6,771	113	(1,664)	58	-
Included in changes in net assets	-	-	-	-	(15)	-
Purchases	-	142,134	6,871	15,934	61	1,700
Issuances	-	-	-	2,523	-	-
Sales	-	(150,107)	(10,432)	(2,123)	(61)	(7,362)
Transfers into Level 3	-	-	59	221,233	-	1,494
Transfers out of Level 3	-	(2,140)	-	-	-	(5,221)
Ending balance	<u>\$ 1,737</u>	<u>\$ 216,600</u>	<u>\$ 5,932</u>	<u>\$ 603,986</u>	<u>\$ 2,246</u>	<u>\$ 33,249</u>

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2025.

\$ 32	\$ 4,566	\$ (4,874)	\$ (427)	\$ (3)	\$ -
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# Ascension

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

### 8. Fair Value Measurements (continued)

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
<b>The year ended June 30, 2024</b>						
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	<u>\$ 1,714</u>	<u>\$ 219,942</u>	<u>\$ 9,321</u>	<u>\$ 368,083</u>	<u>\$ 2,203</u>	<u>\$ 42,638</u>

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2024.

\$ 441	\$ 18,555	\$ (22)	\$ -	\$ (8)	\$ -
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The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

### 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.

## Ascension

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

#### 9. Debt (continued)

Additionally, senior limited designated affiliates have 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 designed 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, with 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 bondholders may, under the terms of the debt, put their bonds within twelve months after June 30, 2025, 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.

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. No amounts were outstanding under this line of credit at June 30, 2025. At June 30, 2024, Ascension had \$250,000 outstanding under this line of credit, included in Short-term debt obligations in the Consolidated Balance Sheet.

## Ascension

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

#### 9. Debt (continued)

In August 2024, the Senior Credit Group established an additional \$500,000 line of credit committed through August 12, 2026, which was undrawn at June 30, 2025. Also in August 2024, the Senior Credit Group established a \$700,000 bank loan, which was repaid in November 2024.

During the year ended June 30, 2025, Ascension received approximately \$1,016,000 from the issuance of commercial paper, which proceeds were primarily used to repay amounts previously drawn under the System's lines of credit and a portion of an August 2024 bank loan borrowing.

Ascension's commercial paper balance of approximately \$369,000 outstanding at June 30, 2025 is included in Short-term debt obligations in the Consolidated Balance Sheet.

As of June 30, 2025, the Senior Credit Group has a \$100,000 revolving line of credit related to its letters of credit program for which a bank commitment of \$100,000 extends to November 8, 2027. 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 \$100,000 revolving line of credit, letters of credit totaling \$79,174 were issued as of June 30, 2025. At June 30, 2024, the Senior Credit Group had a \$115,000 revolving line of credit related to its letters of credit program. No borrowings were outstanding under this program at June 30, 2025 or 2024.

During the year ended June 30, 2025, Ascension remediated approximately \$853,000 of hospital revenue bond obligations in connection with certain divestitures noted in the Organizational Changes note.

# Ascension

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

### 9. Debt (continued)

Debt at June 30, 2025 and 2024 is comprised of the following:

	June 30, 2025	June 30, 2024
<b>Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:</b>		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2038; interest set at prevailing market rates (1.75% to 2.05% at June 30, 2025; 3.81% to 3.95% at June 30, 2024)	\$ 353,760	\$ 388,800
Fixed rate serial, term, and mode bonds fixed to maturity payable in installments through November 2047; interest at 3.00% to 5.00%	2,037,845	2,789,095
Fixed rate serial mode bonds; retired in December 2024	-	161,025
<b>Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:</b>		
Variable rate demand bonds issued under the Subordinate Master Trust Indenture, subject to a seven-day put provision, payable through November 2025; interest set at prevailing market rates (2.05% at June 30, 2025; 3.82% at June 30, 2024)	2,985	7,940
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%	36,655	60,105
<b>Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:</b>		
Taxable fixed rate term bonds payable through November 2053; interest at 4.847%	425,000	425,000
Taxable fixed rate term bonds payable through 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
<b>Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture</b>	<b>\$ 5,473,845</b>	<b>\$ 6,449,565</b>

# Ascension

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

### 9. Debt (continued)

	June 30, 2025	June 30, 2024
<b>Short-term debt:</b>		
Short-term debt obligations	\$ 368,963	\$ 250,000
<b>Long-term debt:</b>		
Total hospital revenue bonds - all Master Trust Indentures	\$ 5,473,845	\$ 6,449,565
Other	71,014	61,669
	5,544,859	6,511,234
Unamortized premium, net	170,864	222,660
Less debt issuance cost, net	(26,123)	(29,378)
Less current portion	(102,018)	(102,613)
Less long-term debt subject to short-term remarketing arrangements	(343,685)	(539,095)
Long-term debt, less current portion and long-term debt subject to short-term remarketing arrangements	\$ 5,243,897	\$ 6,062,808

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing as due according to their long-term amortization schedule, as of June 30, 2025, are as follows:

	Ascension Health Alliance MTIs	Other Debt	Total
<b>The years ending June 30:</b>			
2026	\$ 97,860	\$ 373,121	\$ 470,981
2027	102,150	6,472	108,622
2028	102,500	6,414	108,914
2029	137,275	6,828	144,103
2030	1,019,710	6,898	1,026,608
Thereafter	4,014,350	40,244	4,054,594
<b>Total</b>	<b>\$ 5,473,845</b>	<b>\$ 439,977</b>	<b>\$ 5,913,822</b>

During the years ended June 30, 2025 and 2024, interest paid was approximately \$290,341 and \$266,000, respectively. Capitalized interest was approximately \$19,653 and \$13,197 for the years ended June 30, 2025 and 2024, respectively.

## Ascension

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

#### **10. Derivative Instruments**

As provided for in the System's Master Trust Indenture, the System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and rates on fixed rate bonds to variable rates.

At June 30, 2025 and 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 June 30, 2025 and 2024, and amounted to \$23,057 and \$18,688, respectively. The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted as of June 30, 2025 and 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.

## Ascension

### Notes to Consolidated Financial Statements (continued) (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:

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating lease cost	\$ 273,506	\$ 345,613
Finance lease cost:		
Interest on lease liabilities	2,770	2,818
Amortization of right-of-use-asset	2,839	2,839
Variable lease cost	65,958	73,889
Total lease cost	<u>\$ 345,073</u>	<u>\$ 425,159</u>

The weighted average remaining lease terms and the weighted average discount rates at June 30, 2025 and 2024 were as follows:

	<b>June 30, 2025</b>		<b>June 30, 2024</b>	
	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Operating Leases</b>	<b>Finance Leases</b>
Weighted-average remaining lease term	7.9 years	24.5 years	8.3 years	25.5 years
Weighted-average discount rate	3.6%	3.3%	3.2%	3.3%

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

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Operating leases	\$ 268,018	\$ 329,359
Finance leases	3,982	4,141
Total cash paid	<u>\$ 272,000</u>	<u>\$ 333,500</u>



## Ascension

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

#### 11. Leases (continued)

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of June 30, 2025 to Lease obligations recorded on the Consolidated Balance Sheets at June 30, 2025. These amounts exclude lease obligations of approximately \$37,856 included in liabilities held for sale at June 30, 2025.

The years ending June 30,	Operating Leases	Finance Leases	Total
2026	\$ 192,090	\$ 4,054	\$ 196,144
2027	160,534	4,126	164,660
2028	123,890	4,200	128,090
2029	89,535	4,247	93,782
2030	68,569	4,284	72,853
Thereafter	282,096	98,380	380,476
Total future undiscounted lease obligations	916,714	119,291	1,036,005
Less: amount of lease payments representing interest	(28,983)	(40,495)	(69,478)
Present value of future lease obligations	887,731	78,796	966,527
Less: current portion of lease obligations	(189,636)	(1,328)	(190,964)
Long-term lease obligations	\$ 698,095	\$ 77,468	\$ 775,563

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, 2025, are as follows. These amounts exclude receipts associated with entities held for sale at June 30, 2025.

The years ending June 30:	Operating Leases
2026	\$ 47,704
2027	38,397
2028	33,577
2029	31,416
2030	27,860
Thereafter	295,153
Total	\$ 474,107

For the years ended June 30, 2025 and 2024, lease income was approximately \$65,000 and \$69,000 respectively.

## Ascension

### Notes to Consolidated Financial Statements (continued) (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 combined benefit obligations and assets of the System Plans at June 30, 2025 and 2024. 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's Plans' funded status percentage for both the projected and accumulated benefit obligations below were 98.3% and 96.4% at June 30, 2025 and 2024, respectively.

# Ascension

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

### 12. Retirement Plans (continued)

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 7,526,581	\$ 7,812,500
Interest Cost	409,221	419,863
Assumption change	74,010	(20,031)
Actuarial loss	34,256	27,670
Other	8,778	-
Benefits paid	(619,219)	(713,421)
Projected benefit obligation at end of year	7,433,627	7,526,581
Change in plan assets:		
Fair value of plan assets at beginning of year	7,253,510	7,489,121
Actual return on plan assets	664,906	477,786
Other	11,517	24
Benefits paid	(619,219)	(713,421)
Fair value of plan assets at end of year	7,310,714	7,253,510
Net amount recognized at end of year and funded status	\$ (122,913)	\$ (273,071)
System Plans in an asset position, included in long term other assets	304,333	169,069
System Plans in a liability position position, included in Pension and other post retirement liabilities	427,246	442,140
Accumulated benefit obligation at end of year	7,433,627	7,526,581

## Ascension

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

#### 12. Retirement Plans (continued)

The Unrecognized net pension costs for the System Plans in the following table are included in net assets without donor restrictions at June 30, 2025 and 2024, and have not yet been recognized in net periodic pension cost for the System Plans:

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Unrecognized actuarial loss	\$ (2,111,859)	\$ (2,181,000)
Unrecognized prior service credit	678	716
Unrecognized net pension cost in net assets	<u>\$ (2,111,181)</u>	<u>\$ (2,180,284)</u>

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

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
Current year actuarial gain (loss)	\$ (33,063)	\$ (141,454)
Amortization of actuarial loss	102,204	99,418
Amortization of prior service credit	(38)	(38)
Increase (decrease) in net assets	<u>\$ 69,103</u>	<u>\$ (42,074)</u>

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.

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>Components of net periodic benefit cost</b>		
Expected return on plan assets	\$ 587,560	\$ 611,602
Interest cost	(409,221)	(419,863)
Amortization of actuarial loss	(98,283)	(92,237)
Amortization of prior service credit	38	38
Settlement loss	(3,921)	(7,181)
Net periodic benefit gain	<u>\$ 76,173</u>	<u>\$ 92,359</u>

## Ascension

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

#### 12. 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, 2025 valuation.

	<b>The years ended June 30,</b>	
	<b>2025</b>	<b>2024</b>
<b>To determine benefit obligations:</b>		
Discount rate	<b>5.63%</b>	<b>5.75%</b>
<b>To determine net periodic benefit cost:</b>		
Discount rate	<b>5.75%</b>	<b>5.67%</b>
Expected return on plan assets	<b>8.00%</b>	<b>8.00%</b>
 <u><b>Cash Balance Plans</b></u>		
<b>To determine benefit obligations:</b>		
Interest crediting rate	<b>4.25%</b>	<b>4.25%</b>
 <b>To determine net periodic benefit cost:</b>		
Interest crediting rate	<b>4.25%</b>	<b>2.25%</b>

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.

## Ascension

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

#### 12. 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 45 to 180 days. Due to redemption restrictions, investments of certain private equity funds, whose fair value was approximately \$1,478,000 at June 30, 2025, 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, 2025, unfunded capital commitments of the Trust total approximately \$612,000.

## Ascension

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

#### 12. Retirement Plans (continued)

The weighted-average asset allocation for the System Plans in the Trust at June 30, 2025 and 2024 and the target allocation, by asset category, are as follows:

<b>Asset Category:</b>	<b>Target Allocation</b>	<b>Percentage of Plan Assets as of June 30,</b>	
		<b>2025</b>	<b>2024</b>
Growth	66%	67%	68%
Deflation	25%	25%	24%
Inflation	9%	8%	8%
	100%	100%	100%

The following tables summarize fair value measurements at June 30, 2025 and 2024, 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.

# Ascension

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

### 12. Retirement Plans (continued)

	Level 1	Level 2	Level 3	Total
<b>June 30, 2025</b>				
Short-term investments	\$ 537,069	\$ -	\$ -	\$ 537,069
U.S. government, state, municipal and agency obligations	-	1,820,998	-	1,820,998
Corporate and foreign fixed income securities	-	393,682	947	394,629
Asset-backed securities	-	534,483	542	535,025
Equity securities	2,609,328	-	9,445	2,618,773
Other investments, including derivatives, net	1,800	369,053	-	370,853
Assets at net asset value:				
Equity securities				-
Private equity and real estate funds				1,476,339
Hedge funds				238,749
Other assets and liabilities, net				(681,721)
Fair value of plan assets				<u>\$ 7,310,714</u>
	Level 1	Level 2	Level 3	Total
<b>June 30, 2024</b>				
Short-term investments	\$ 967,377	\$ 89,287	\$ -	\$ 1,056,664
U.S. government, state, municipal and agency obligations	-	2,058,695	-	2,058,695
Corporate and foreign fixed income securities	-	489,443	29	489,472
Asset-backed securities	-	547,268	2,735	550,003
Equity securities	1,542,778	-	5,491	1,548,269
Other investments, including derivatives, net	1,844	280,659	-	282,503
Assets at net asset value:				
Equity securities				39,888
Private equity and real estate funds				1,497,942
Hedge funds				284,472
Other assets and liabilities, net				(554,398)
Fair value of plan assets				<u>\$ 7,253,510</u>



## Ascension

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

#### 12. Retirement Plans (continued)

For the years ended June 30, 2025 and 2024, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	<b>Corporate and Foreign Fixed Income Securities</b>	<b>Asset-Backed Securities</b>	<b>Equity Securities</b>
<b>June 30, 2025</b>			
Beginning balance	\$ 29	\$ 2,735	\$ 5,491
Total actual return on assets	1	42	699
Purchases, issuances, and settlements	917	(976)	3,255
Transfers (out of) into Level 3	-	(1,259)	-
Ending balance	<u>\$ 947</u>	<u>\$ 542</u>	<u>\$ 9,445</u>

Actual return on plan assets relating to plan assets still held at June 30, 2025	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 1,280</u>
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	<b>Corporate and Foreign Fixed Income Securities</b>	<b>Asset-Backed Securities</b>	<b>Equity Securities</b>
<b>June 30, 2024</b>			
Beginning balance	\$ 31	\$ -	\$ 3,183
Total actual return on assets	-	(3)	(160)
Purchases, issuances, and settlements	(2)	2,738	2,468
Transfers (out of) into Level 3	-	-	-
Ending balance	<u>\$ 29</u>	<u>\$ 2,735</u>	<u>\$ 5,491</u>

Actual return on plan assets relating to plan assets still held at June 30, 2024	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ 17</u>
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At June 30, 2025 and 2024, the Trust held derivative agreements with a net notional amount of approximately \$3,930,000 and \$3,766,000, 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.

## Ascension

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

#### 12. Retirement Plans (continued)

The fair value of derivatives held by the Trust in an asset position was \$89,877 and \$106,123 at June 30, 2025 and 2024, respectively, while the fair value of derivatives held by the Trust in a liability position was \$27,743 and \$23,359 at June 30, 2025 and 2024, respectively. These derivatives are included in Pension and other postretirement liabilities in the Consolidated Balance Sheets.

Future expected benefit payments from the Trust, by fiscal year, for the System Plans follows:

#### Expected benefit payments:

2026	868,200
2027	649,100
2028	642,500
2029	633,800
2030	618,500
2031-2035	2,842,830

#### 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 \$363,000 and \$366,000, net of forfeitures, for the years ended June 30, 2025 and 2024, respectively, and are included in Employee benefits in the Consolidated Statements of Operations and Changes in Net Assets.

## Ascension

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

#### **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. 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, 2025. 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, 2025, 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 \$220,000. This excess coverage is primarily reinsured by commercial carriers.

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., a captive insurance company and wholly owned subsidiary of Ascension Risk Services, 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.

## Ascension

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

#### **13. 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 \$355,900 and \$336,384 for the years ended June 30, 2025 and 2024, 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 \$1,100,144 and \$1,206,750 at June 30, 2025 and 2024, respectively. Included in Other current and Other long-term assets on the Consolidated Balance Sheets are reinsurance receivables of \$100,093 and \$108,695 at June 30, 2025 and 2024, 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 \$29,883 and \$48,234 for the years ended June 30, 2025 and 2024, respectively. Included in current and long-term Self-insurance liabilities on the Consolidated Balance Sheets are workers' compensation loss reserves of \$144,711 and \$158,840 at June 30, 2025 and 2024, respectively.

#### **14. Related Parties**

The System has an agreement with a related party for clinical engineering services, under a committed contract through 2027. Expenses for clinical engineering services for the years ended June 30, 2025 and 2024 were approximately \$345,000 and \$395,000, respectively.

The System has certain agreements with HFHS (see Organizational Changes note) to provide revenue cycle, information technology, facilities management and finance services for specified periods of time. Revenue recognized for these services was approximately \$171,000 during the year ended June 30, 2025.

## Ascension

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

#### **15. Commitments and Contingencies**

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. 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 that the outcome of any current investigation and litigation is expected to be resolved without a material adverse effect on the financial position or liquidity of the system.

The System anticipates making payments under various committed contracts as follows: approximately \$3,500,000 for information technology and other purchased services over the next 1 - 6 years, and approximately \$3,900,000 for supplies over the next 3 years. Additionally, the System has a committed contract through 2031 for revenue cycle services, for which expenses of approximately \$769,000 were incurred for the year ended June 30, 2025.

The System also guarantees the performance of certain affiliates under third party financing arrangements at June 30, 2025 for approximately \$41,000, for up to 14 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.

# Ascension

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

### 16. Functional Expenses (continued)

Expenses by functional classification for the year ended June 30, 2025 consist of the following:

	<b>Healthcare services</b>	<b>Management support services</b>	<b>Total</b>
Salaries, wages, and employee benefits	\$ 10,856,458	\$ 1,062,016	\$ 11,918,474
Purchased services and professional fees	3,605,582	1,357,119	4,962,701
Supplies	3,519,785	1,178	3,520,963
Other	4,971,054	456,199	5,427,253
<b>Total operating expenses</b>	<b>\$ 22,952,879</b>	<b>\$ 2,876,512</b>	<b>\$ 25,829,391</b>

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

	<b>Healthcare services</b>	<b>Management support services</b>	<b>Total</b>
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
<b>Total operating expenses</b>	<b>\$ 26,893,725</b>	<b>\$ 3,175,514</b>	<b>\$ 30,069,239</b>

# Ascension

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

### 17. Community Benefit (Unaudited)

The System's community benefit is prepared in accordance with Internal Revenue Service Form 990, Schedule H and the Catholic Health Association of the United States' (CHA) publication, *A Guide for Planning and Reporting Community Benefit*. Costs incurred relate to System entities, including, but not limited to, licensed hospital facilities. For entities sold during the years ended June 30, 2025 and 2024, Care of persons living in poverty and other community benefit programs included in the following table reflect the costs of community benefit through the entities' sale dates (See Organizational Changes note). Community benefit for the years ended June 30, 2025 and 2024, respectively, consist of the following:

	The years ended June 30,	
	2025	2024
Traditional charity care provided	\$ 570,097	\$ 474,431
Unpaid cost of public programs for persons living in poverty	565,830	1,106,895
Programs for persons living in poverty, other persons who are vulnerable and the broader community:		
Community health improvement services	75,704	72,959
Health professions education	256,798	335,941
Subsidized health services	58,084	63,642
Research	1,943	3,295
Financial contributions	125,296	32,614
Community building activities	1,640	1,969
Community benefit operations	12,584	9,517
Cost of programs for persons living in poverty, other persons who are vulnerable and the broader community	532,049	519,938
Care of persons living in poverty and other community benefit programs	1,667,976	2,101,264
Unpaid costs of Medicare	1,775,465	2,240,080
Community benefit	<u>\$ 3,443,441</u>	<u>\$ 4,341,344</u>

**Traditional charity care provided** includes the cost of services provided to persons who cannot afford healthcare because of inadequate resources, including those who are insured or underinsured.

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

## Ascension

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

#### 17. Community Benefit (Unaudited) (continued)

**Community health improvement services** are carried out to improve community health and include community health education, outreach and prevention services. These services do not generate patient bills, although they may involve a nominal fee.

**Health professions education** includes educational programs for physicians, interns and residents, medical students, nurses and nursing students, pastoral care trainees, and other health professionals when that education is necessary to retain state licensure or certification by a board in the individual's health profession specialty.

**Subsidized health services** are clinical services provided by the System to meet an identified community need, despite a financial loss after removing the effects of bad debt, financial assistance, Medicaid and other means-tested government programs.

**Research** includes unreimbursed clinical and community health research and studies on health care delivery, which is generalizable and shared with the public.

**Financial contributions** include cash contributions or grants and the cost of in-kind contributions that support financial assistance, health professions education and other community benefit activities. In-kind contributions include the cost of associate time and other nonmonetary resources donated for community benefit.

**Community building activities** seek to address the root causes of health problems, such as discrimination, poverty, homelessness and environmental hazards. They include programs such as housing, economic development and environmental improvement.

**Community benefit operations** include the cost of assigned staff, consultants and activities of the community benefit team, such as community assessments and program evaluations and community benefit planning.



## Supplementary Information



Ernst & Young LLP  
Suite 2600  
7676 Forsyth Boulevard  
St. Louis, MO 63105

Tel: +1 314 290 1000  
ey.com

**Shape the future  
with confidence**

## 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 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, 2025

# Ascension

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

	<b>June 30, 2025</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 322,603
Short-term investments	39,062
Accounts receivable	2,745,514
Inventories	358,843
Estimated third-party payor settlements	196,770
Due from affiliates <i>(See Note 2)</i>	408,459
Other	1,072,253
Total current assets	5,143,504
Long-term investments	15,465,260
Property and equipment, net	7,666,306
Other assets:	
Right-of-use assets - leases	753,217
Investment in unconsolidated entities	2,368,139
Intangible assets, net	1,080,259
Due from affiliates <i>(See Note 2)</i>	731,297
Other	1,106,065
Total other assets	6,038,977
Total assets	<b>\$ 34,314,047</b>

*Continued on next page.*

# Ascension

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

	June 30, 2025
<b>Liabilities and net assets</b>	
Current liabilities:	
Current portion of long-term debt	\$ 101,851
Long-term debt subject to short-term remarketing arrangements*	343,685
Short-term debt obligations	368,963
Current portion of lease obligations	189,229
Accounts payable and accrued liabilities	2,750,872
Estimated third-party payor settlements	271,356
Due to affiliates (See Note 2)	89,616
Other	289,622
Total current liabilities	4,405,194
Noncurrent liabilities:	
Long-term debt (senior and subordinated)	5,243,855
Lease obligations, less current portion	599,044
Pension and other postretirement liabilities	427,242
Other	1,257,655
Total noncurrent liabilities	7,527,796
Total liabilities	11,932,990
Net assets:	
Without donor restrictions:	
Controlling interest	21,303,595
Noncontrolling interests	485,196
Total net assets without donor restrictions	21,788,791
Net assets with donor restrictions	592,266
Total net assets	22,381,057
Total liabilities and net assets	\$ 34,314,047

\*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2038. In the event that bonds are not remarketed upon the exercise of put options for the variable 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.

# Ascension

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

	The year ended June 30, 2025
Operating revenue:	
Net patient service revenue	\$ 18,192,907
Other revenue (See Note 2)	2,994,032
Total operating revenue	21,186,939
Operating expenses (See Note 2):	
Salaries and wages	8,009,338
Employee benefits	1,691,747
Purchased services	2,672,762
Professional fees	1,297,726
Supplies	2,910,264
Insurance	95,759
Interest	240,855
Provider tax	648,483
Depreciation and amortization	916,562
Other	2,542,288
Total operating expenses	21,025,784
Income (loss) from recurring operations	161,155
Impairment and nonrecurring gains (losses), net	(61,438)
Income (loss) from operations	99,717
Nonoperating gains (losses):	
Investment return, net	1,599,106
Other	14,495
Total nonoperating gains (losses), net	1,613,601
Excess (deficit) of revenues and gains over expenses and losses	1,713,318
Less noncontrolling interests	114,495
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	1,598,823

Continued on next page.

# Ascension

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

	The year ended June 30, 2025
Net assets without donor restrictions, controlling interest:	
Excess (deficit) of revenues and gains over expenses and losses	\$ 1,598,823
Transfers (to) from affiliates, net (See Note 2)	(1,419,233)
Transfers (to) from sponsor, net	(5,000)
Net assets released from restrictions for property acquisitions	73,586
Change in pension liability	69,103
Change in unconsolidated entities' net assets	2,686
Other	21,568
Increase (decrease) in net assets without donor restrictions, controlling interest	341,533
Net assets without donor restrictions, noncontrolling interest:	
Excess (deficit) of revenues and gains over expenses and losses	114,495
Net contributions (distributions) of capital	(106,900)
Other	(26,699)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	(19,104)
Net assets with donor restrictions:	
Contributions and grants	100,494
Investment return	21,645
Net assets released from restrictions	(126,517)
Divestitures	(126,507)
Other	(3,272)
Increase (decrease) in net assets with donor restrictions	(134,157)
Increase (decrease) in net assets	188,272
Net assets, beginning of year	22,192,785
Net assets, end of year	\$ 22,381,057

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, 2025, 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, 2025 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.

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

**2. Affiliate Transactions (continued)**

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

Revenue and expense activities, not transacted at arms length, between CGFS Entities and Non CGFS Entities were both approximately \$1,200,000 for the year ended June 30, 2025. 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.