

ASCENSION

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

For the Three Months Ended September 30, 2025 and 2024

Ascension

Consolidated Financial Statements and Supplementary Information

For the Three Months Ended September 30, 2025 and 2024

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Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	September 30, 2025	June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 501,170	\$ 541,395
Short-term investments	43,253	43,974
Accounts receivable	2,872,738	3,031,345
Inventories	385,706	386,091
Due from counterparties (see Notes 4 and 5)	91,720	128,740
Estimated third-party payor settlements	309,387	212,757
Other	1,453,977	1,489,526
Total current assets	5,657,951	5,833,828
Long-term investments (see Notes 4 and 5)	19,410,418	19,449,512
Property and equipment, net	8,510,134	8,451,644
Other assets:		
Right-of-use assets - leases	941,761	925,440
Investment in unconsolidated entities	2,536,395	2,475,295
Intangible assets, net	1,652,523	1,578,191
Other	1,207,407	1,146,369
Total other assets	6,338,086	6,125,295
Total assets	\$ 39,916,589	\$ 39,860,279

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Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	September 30, 2025	June 30, 2025
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 102,067	\$ 102,018
Long-term debt subject to short-term remarketing arrangements*	343,685	343,685
Short-term debt obligations	49,812	368,963
Current portion of lease obligations	187,137	190,964
Accounts payable and accrued liabilities	3,106,206	3,144,554
Estimated third-party payor settlements	454,264	439,062
Due to counterparties (see Notes 4 and 5)	723,721	756,642
Current portion of self-insurance liabilities	370,066	370,066
Other	441,150	540,392
Total current liabilities	5,778,108	6,256,346
Noncurrent liabilities:		
Long-term debt (senior and subordinated)	5,213,089	5,243,897
Lease obligations, less current portion	795,723	775,563
Self-insurance liabilities	857,760	886,434
Pension and other postretirement liabilities	415,589	428,021
Other	1,368,992	1,337,042
Total noncurrent liabilities	8,651,153	8,670,957
Total liabilities	14,429,261	14,927,303
Net assets:		
Without donor restrictions:		
Controlling interest	21,865,709	21,457,262
Noncontrolling interests	3,012,957	2,846,009
Total net assets without donor restrictions	24,878,666	24,303,271
Net assets with donor restrictions	608,662	629,705
Total net assets	25,487,328	24,932,976
Total liabilities and net assets	\$ 39,916,589	\$ 39,860,279

*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.

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

	The three months ended September 30,	
	2025	2024
Operating revenue:		
Net patient service revenue	\$ 5,388,443	\$ 6,445,056
Other revenue	747,987	645,806
Total operating revenue	6,136,430	7,090,862
Operating expenses:		
Salaries and wages	2,369,095	2,867,195
Employee benefits	457,620	569,639
Purchased services	739,150	932,533
Professional fees	400,856	448,379
Supplies	825,940	1,021,047
Insurance	65,935	103,503
Interest	46,252	64,025
Provider tax	339,827	248,856
Depreciation and amortization	246,662	251,251
Other	765,871	828,282
Total operating expenses	6,257,208	7,334,710
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	(120,778)	(243,848)
Self-insurance trust fund investment return	34,584	46,716
Income (loss) from recurring operations	(86,194)	(197,132)
Impairment and nonrecurring gains (losses), net	(1,681)	(24,192)
Income (loss) from operations	(87,875)	(221,324)
Nonoperating gains (losses):		
Investment return, net	569,491	730,312
Other	1,523	(10,285)
Total nonoperating gains (losses), net	571,014	720,027
Excess (deficit) of revenues and gains over expenses and losses	483,139	498,703
Less noncontrolling interests	145,448	111,617
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	337,691	387,086

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

	The three months ended September 30,	
	2025	2024
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	\$ 337,691	\$ 387,086
Net assets released from restrictions for property acquisitions	9,555	23,111
Change in pension liability	26,986	24,539
Change in unconsolidated entities' net assets	11,065	15,434
Other	23,150	(12,696)
Increase (decrease) in net assets without donor restrictions, controlling interest	408,447	437,474
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	145,448	111,617
Net contributions (distributions) of capital	(28,496)	(47,289)
Change in membership interest	48,759	1,932
Other	1,237	(94)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	166,948	66,166
Net assets with donor restrictions:		
Contributions and grants	19,727	28,346
Investment return	13,376	12,565
Net assets released from restrictions	(28,570)	(37,132)
Divestitures	(16,292)	(19,877)
Other	(9,284)	7,312
Increase (decrease) in net assets with donor restrictions	(21,043)	(8,786)
Increase (decrease) in net assets	554,352	494,854
Net assets, beginning of period	24,932,976	23,823,037
Net assets, end of period	\$ 25,487,328	\$ 24,317,891

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

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

	The three months ended September 30,	
	2025	2024
Operating activities		
Increase (decrease) in net assets	\$ 554,352	\$ 494,854
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	246,662	251,251
Amortization of bond premiums, discounts, and debt issuance costs	(4,738)	(7,493)
Loss (gain) on extinguishment of debt	(1,205)	731
Change in pension liability	(26,986)	(24,539)
Unrealized losses (gains) on investments without donor restrictions, net	(335,768)	(414,828)
Change in fair value of interest rate swaps	(539)	10,525
Change in equity of unconsolidated entities	(103,298)	(50,392)
Gain on sale of assets, net	(32,626)	(4,784)
Impairment and nonrecurring (gain) loss	3,979	19,271
Transfers to (from) sponsors, net	-	1,250
Donor restricted contributions, investment return and other	(14,088)	(26,889)
Distributions (contributions) of noncontrolling interest, net	28,496	47,289
Change in divested restricted net assets	16,292	19,877
Other	7,055	(18,895)
(Increase) decrease in:		
Short-term investments	721	(392)
Accounts receivable	163,816	(284,378)
Inventories and other current assets	(76,736)	(102,367)
Due from counterparties	37,020	(108,157)
Long-term investments	345,649	400,835
Intangible assets, net	(3,236)	17,365
Other assets	(55,434)	(59,207)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(27,354)	(386,712)
Estimated third-party payor settlements, net	(81,264)	(57,873)
Due to counterparties	(32,921)	62,326
Advanced payments	-	(393,783)
Other current liabilities	(56,162)	67,690
Self-insurance liabilities	(28,674)	(13,234)
Other noncurrent liabilities	(5,624)	4,856
Net cash provided by (used in) operating activities	517,389	(555,803)

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

	The three months ended September 30,	
	2025	2024
Investing activities		
Property, equipment, and capitalized software additions, net	\$ (341,977)	\$ (262,813)
Proceeds from sale of property and equipment	14,946	3,116
Distributions from (contributions to) unconsolidated entities, net	210	30,347
Net proceeds from (acquisition) divestiture of businesses	137,056	104,457
Net cash provided by (used in) investing activities	(189,765)	(124,893)
Financing activities		
Issuance of short-term debt obligations	99,573	1,400,000
Repayment of short-term debt obligations	(418,724)	(650,000)
Issuance of long-term debt	16,485	7,571
Repayment of long-term debt, including financing lease obligations	(45,979)	(34,505)
Decrease (increase) in assets under bond agreements	(4)	-
Transfers (to) from sponsors, net	-	(1,250)
Donor restricted contributions, investment return, and other	14,088	26,889
(Distributions) contributions of noncontrolling interest, net	(28,496)	(47,289)
Net cash provided by (used in) financing activities	(363,057)	701,416
Net increase (decrease) in cash, cash equivalents, and restricted cash	(35,433)	20,720
Cash, cash equivalents, and restricted cash at beginning of period	577,377	714,794
Cash, cash equivalents, and restricted cash at end of period	\$ 541,944	\$ 735,514
Cash and cash equivalents	\$ 501,170	\$ 679,955
Restricted cash, included in long-term investments	40,774	55,559
Cash, cash equivalents, and restricted cash at end of period	\$ 541,944	\$ 735,514

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

Ascension

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

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 15 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 (unaudited) (continued) (Dollars in Thousands)

1. Organization and Mission (continued)

Mission

The System directs its governance and management activities toward strong, vibrant, Catholic Ministries united in service and healing, and dedicates its resources to spiritually centered care which sustains and improves the health of the individuals and communities it serves. In accordance with the System's mission of service to those persons living in poverty and other vulnerable persons, each Ministry Market accepts patients regardless of their ability to pay. The System uses 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 \$112,523 and \$108,597 for the three months ended September 30, 2025 and 2024, respectively. See Community Benefit note for further information related to Ascension's cost of other community benefit.

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

2. Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

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

Fair Value of Financial Instruments

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

Cash and Cash Equivalents

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

Short-Term Investments

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

Inventories

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

Ascension

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

2. Significant Accounting Policies (continued)

Long-Term Investments and Investment Return

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

Long-term investments include assets limited as to use of \$1,404,360 and \$1,448,748 at September 30, 2025 and June 30, 2025, 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 realized and unrealized gains and losses. Investment returns, excluding returns of self-insurance trust funds and restricted investment returns, are reported as Nonoperating gains (losses) in the Consolidated Statements of Operations and Changes in Net Assets. Investment returns of Self-insurance trust funds are reported as a separate component of income from operations in the Consolidated Statements of Operations and Changes in Net Assets.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of the gift. Depreciation is determined on a straight-line basis over the estimated useful lives of the related assets. The range of estimated useful lives used in computing depreciation is as follows: buildings and leasehold improvements, primarily 2 to 40 years; and equipment, primarily 2 to 20 years. Depreciation expense for the three months ended September 30, 2025 and 2024 was approximately \$198,000 and \$204,000, respectively.

Ascension

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

2. Significant Accounting Policies (continued)

A summary of property and equipment is as follows:

	September 30, 2025	June 30, 2025
Land and improvements	\$ 1,102,184	\$ 1,100,920
Buildings and equipment	16,396,151	16,024,384
	17,498,335	17,125,304
Less accumulated depreciation	9,768,437	9,574,459
	7,729,898	7,550,845
Construction in progress	780,236	900,799
Total property and equipment, net	<u>\$ 8,510,134</u>	<u>\$ 8,451,644</u>

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$709,000 as of September 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 revenue in the Consolidated Statements of Operations and Changes in Net Assets.

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 Sheets, 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.

Ascension

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

2. Significant Accounting Policies (continued)

Changes in the fair value of this investment are included in Other revenue in the Consolidated Statement of Operations and Changes in Net Assets. At September 30, 2025 and 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 capitalized subsequent to project approval, for projects whose completion is probable. Intangible assets, net are included in the Consolidated Balance Sheets as presented in the table that follows.

	September 30, 2025	June 30, 2025
Capitalized software costs	\$ 2,532,686	\$ 2,541,384
Software in progress	167,953	129,473
Less accumulated amortization	2,083,139	2,067,911
Capitalized software costs, net	617,500	602,946
Goodwill	980,616	920,193
Other, net	54,407	55,052
Total intangible assets, net	<u>\$ 1,652,523</u>	<u>\$ 1,578,191</u>

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 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.

Ascension

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

2. Significant Accounting Policies (continued)

Amortization expense for these intangible assets for the three months ended September 30, 2025 and 2024 was approximately \$49,000 and \$48,000, respectively.

Noncontrolling Interests

The Consolidated Financial Statements include all assets, liabilities, revenues, and expenses of entities that are controlled and consolidated by the System. Noncontrolling interests in the Consolidated 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%.

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. Net assets released from restrictions for property acquisitions, Change in pension liability, and Change in unconsolidated entities' net assets are not included in the performance indicator.

Ascension

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

2. Significant Accounting Policies (continued)

Operating and Nonoperating Activities

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

Net Patient Service Revenue and Accounts Receivable

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

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

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.

Ascension

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

2. Significant Accounting Policies (continued)

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenue from Medicare, Medicaid and other third-party payers related to prior periods increased net patient service revenue by \$73,152 and \$93,168 for the three months ended September 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 three months ended September 30, 2025 and 2024, is as follows:

	The three months ended September 30,	
	2025	2024
Inpatient care	\$ 2,592,780	\$ 3,045,964
Ambulatory care	2,200,970	2,578,235
Physician practices	504,957	711,248
Long-term care	89,736	109,609
Total net patient service revenue	<u>\$ 5,388,443</u>	<u>\$ 6,445,056</u>

Ascension

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

2. Significant Accounting Policies (continued)

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

	Net Patient Service Revenue The three months ended September 30,		Accounts Receivable September 30, June 30,	
	2025	2024	2025	2025
Medicare - traditional and managed	32.0 %	38.5 %	26.2 %	27.0 %
Medicaid - traditional and managed	15.8	16.3	9.2	9.2
Other commercial and managed care	43.7	42.4	48.7	47.8
Self-Pay and other	8.5	2.8	15.9	16.0
	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 (unaudited) (continued) (Dollars in Thousands)

2. Significant Accounting Policies (continued)

Other Revenue

Other 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 revenue are included in the following table for the three months ended September 30, 2025 and 2024, respectively:

	The three months ended September 30,	
	2025	2024
Cafeteria and vending	\$ 15,687	\$ 19,805
Contracted services	172,703	83,037
Donations and grants	26,261	66,412
Gains on asset sales	33,686	5,302
Insurance plans	64,887	82,363
Income from investment in unconsolidated entities	93,111	34,935
Lease and rental income	16,730	22,766
Retail pharmacy	239,352	230,579
Value based programs	60,713	46,168
Other	24,857	54,439
Total other revenue	<u>\$ 747,987</u>	<u>\$ 645,806</u>

Impairment and Nonrecurring Gains (Losses), Net

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

Nonrecurring gains (losses) 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.

Ascension

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

2. Significant Accounting Policies (continued)

Amortization

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

Income Taxes

The System's tax-exempt organizations are described under Internal Revenue Code Section 501(c)(3), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of September 30, 2025.

Contingencies

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

Reclassifications

Certain reclassifications were made to prior periods' Consolidated Financial Statements to conform to the September 30, 2025 presentation.

New Accounting Standards Adopted

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2025-06, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40)* in September 2025, which guidance revises the criteria for capitalization of internal use software development costs. Ascension adopted this guidance effective July 1, 2025, with no material impact to the Consolidated Financial Statements.

Ascension

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

2. Significant Accounting Policies (continued)

Subsequent Events

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

For the three months ended September 30, 2025, the System evaluated subsequent events through October 31, 2025, representing the date the Consolidated Financial Statements were issued.

3. Organizational Changes

Business Combinations

Cedar Park Regional Medical Center

On June 30, 2025, Ascension Texas and Ascension Seton (collectively Ascension Texas) completed the transaction to acquire the remaining equity interest in Cedar Park Regional Medical Center, including interests in certain related joint ventures. Fair values of net assets acquired will be finalized by the end of the measurement period 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.

Divestitures

Assets held for sale are approximately \$36,000 and \$145,000 at September 30, 2025 and June 30, 2025, respectively, included in Other current assets in the Consolidated Balance Sheets, while liabilities held for sale, which only existed at June 30, 2025, were approximately \$44,000, included in Other current liabilities in the Consolidated Balance Sheet. 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 at June 30, 2025 were contributed with the July 1, 2025 divestiture in Michigan (see Assets Sold below).

Ascension

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

3. Organizational Changes (continued)

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 three months ended September 30, 2025 and 2024.

Assets Held for Sale

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 July 1, 2025, Ascension Healthcare and Ascension Michigan Home Office completed the membership substitution of four hospitals and certain related assets and operations in southwestern Michigan to Beacon Health System.

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.

4. 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.

Ascension

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

4. Investment Funds (continued)

Alpha Fund

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

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

Ascension and the Alpha Fund invest in certain alternative investment funds, which include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. At September 30, 2025, unfunded capital commitments were approximately \$1,181,000, of which approximately \$227,000 were 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 September 30, 2025 and June 30, 2025, the gross notional value of Alpha Fund derivatives outstanding was approximately \$5,187,000 and \$3,981,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

Ascension

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

4. Investment Funds (continued)

At September 30, 2025 and June 30, 2025, the fair value of Alpha Fund derivatives in an asset position was \$76,330 and \$83,226, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$75,259 and \$80,549 at September 30, 2025 and June 30, 2025, 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 September 30, 2025 and June 30, 2025 was approximately \$643,000 and \$688,000, respectively. At September 30, 2025 and June 30, 2025, cash collateral received and invested within the Alpha Fund was approximately \$639,000 and \$678,000, respectively. This collateral is included in Long-term investments, with an offsetting liability within Due to counterparties, on the Consolidated Balance Sheets.

The Alpha Fund participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected brokerage firms in return for cash and/or securities from the brokers as collateral for the investments loaned, usually on a short-term basis. Collateral provided by brokers is maintained at levels approximating 102% of the fair value of the securities on loan, and is adjusted daily for market fluctuations. At September 30, 2025 and June 30, 2025, the fair value of collateral, comprised primarily of non-cash collateral, was approximately \$574,000 and \$486,000, 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 loss.

Due from counterparties and Due to counterparties 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 (unaudited) (continued) (Dollars in Thousands)

5. 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.

	September 30, 2025	June 30, 2025
Cash and cash equivalents	\$ 501,170	\$ 541,395
Short-term investments	43,253	43,974
Long-term investments	19,410,418	19,449,512
Subtotal	19,954,841	20,034,881
Investment Funds' other assets (liabilities), net	(602,772)	(597,482)
Total cash and investments, net	19,352,069	19,437,399
Less noncontrolling interest of Investment Funds	2,600,467	2,509,316
System cash and investments, including assets limited as to use	16,751,602	16,928,083
Less assets limited as to use:		
Under bond agreement	141	137
Self-insurance trust funds	831,791	854,723
With donor restrictions	572,428	593,888
Total assets limited as to use	1,404,360	1,448,748
System unrestricted cash and investments, net	\$ 15,347,242	\$ 15,479,335

Ascension

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

5. Cash and Investments (continued)

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

	September 30, 2025	June 30, 2025
Cash and cash equivalents and short-term investments	\$ 636,859	\$ 661,170
Pooled short-term investment fund	1,076,430	940,858
U.S. government, state, municipal and agency obligations	1,871,883	1,943,706
Corporate and foreign fixed income securities	860,452	921,116
Asset-backed securities	1,159,922	1,187,541
Equity securities	7,178,027	7,226,649
Alternative investments and other investments:		
Private equity and real estate funds	5,070,090	5,005,763
Private credit and energy funds	1,205,901	1,175,108
Hedge funds	543,993	523,261
Other investments	351,284	449,709
Total alternative investments and other investments	7,171,268	7,153,841
Total cash and cash equivalents, short-term investments, and long-term investments	<u>\$ 19,954,841</u>	<u>\$ 20,034,881</u>

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

Investment return recognized by the System for the three months ended September 30, 2025 and 2024, is summarized as follows:

	The three months ended September 30, 2025	2024
Interest and dividends	\$ 67,865	\$ 83,010
Net gains (losses) on investments reported at fair value	536,210	694,018
Restricted investment return and unrealized gains (losses), net	13,376	12,565
Total investment return, net	617,451	789,593
Less Investment Funds' noncontrolling interest return, net	98,346	81,533
System investment return, net	<u>\$ 519,105</u>	<u>\$ 708,060</u>

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

Ascension

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

6. Financial Assets and Liquidity Resources

As of September 30, 2025 and June 30, 2025, 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:

	September 30, 2025	June 30, 2025
Financial assets:		
Cash and cash equivalents	\$ 501,170	\$ 541,395
Short-term investments	43,253	43,974
Accounts receivable	2,872,738	3,031,345
Due from counterparties	91,720	128,740
Net assets held for sale (see Note 3)	36,425	101,294
Other current assets	1,417,552	1,344,555
Long term investments*	19,410,418	19,449,512
Total financial assets	24,373,276	24,640,815
Less:		
Assets limited as to use and internally designated funds	1,501,347	1,541,924
Noncontrolling interests of Investment Funds	2,600,467	2,509,316
Investments with liquidity more than one year	5,441,097	5,354,776
Total financial assets available within one year	14,830,365	15,234,799
Liquidity resources:		
Unused line(s) of credit	1,500,000	1,500,000
Total financial assets and liquidity resources available within one year	\$ 16,330,365	\$ 16,734,799

*Long-term investments of approximately \$28,000 at June 30, 2025 were contributed upon the close of the July 1, 2025 Michigan transaction 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 (unaudited) (continued) (Dollars in Thousands)

7. 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.

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.

Ascension

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

7. Fair Value Measurements (continued)

The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

As of September 30, 2025 and June 30, 2025, 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 Fund

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

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

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

Corporate and Foreign Fixed Income Securities

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

Ascension

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

7. Fair Value Measurements (continued)

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.

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.

Ascension

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

7. Fair Value Measurements (continued)

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 (unaudited) (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

The following tables summarize fair value measurements, by level, at September 30, 2025 and June 30, 2025, for all financial assets and liabilities measured at fair value on a recurring basis in the System's Consolidated Financial Statements.

	Level 1	Level 2	Level 3	Total
September 30, 2025				
Cash equivalents	\$ 12,425	\$ 2,894	\$ -	\$ 15,319
Short-term investments	30,501	5,400	-	35,901
Pooled short-term investment fund	1,076,430	-	-	1,076,430
U.S. government, state, municipal and agency obligations	-	1,871,883	-	1,871,883
Corporate and foreign fixed income securities	-	858,701	1,751	860,452
Asset-backed securities	-	940,428	219,492	1,159,920
Equity securities	7,145,818	14,934	6,000	7,166,752
Alternative investments and other investments:				
Private equity	-	-	605,763	605,763
Other investments, including derivatives, net	258,404	1,794	2,265	262,463
Assets at net asset value:				
Equity securities				11,275
Private equity funds and real estate funds				4,464,327
Private credit and energy funds				1,205,901
Hedge funds				543,993
Other investments				-
Cash and other investments not at fair value				674,462
Cash and investments				<u>\$ 19,954,841</u>
Deferred compensation plan assets, in other noncurrent assets	\$ 734,940	\$ -	\$ 32,495	\$ 767,435
Investments sold, not yet purchased, in other noncurrent liabilities	7	-	-	7
Interest rate swaps, included in other noncurrent liabilities	-	22,518	-	22,518

Ascension

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

7. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
June 30, 2025				
Cash equivalents	\$ 30,498	\$ 1,855	\$ -	\$ 32,353
Short-term investments	31,239	5,355	-	36,594
Pooled short-term investment fund	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 (unaudited) (continued) (Dollars in Thousands)

7. Fair Value Measurements (continued)

For the three months ended September 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
The three months ended September 30, 2025						
Beginning balance	\$ 1,737	\$ 216,600	\$ 5,932	\$ 603,986	\$ 2,246	\$ 33,249
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	14	366	42	(5,528)	15	-
Included in changes in net assets	-	-	-	-	4	-
Purchases	-	27,677	1	6,797	15	548
Issuances	-	-	-	568	-	-
Sales	-	(25,151)	(10)	(60)	(15)	(871)
Transfers into Level 3	-	-	35	-	-	106
Transfers out of Level 3	-	-	-	-	-	(537)
Ending balance	<u>\$ 1,751</u>	<u>\$ 219,492</u>	<u>\$ 6,000</u>	<u>\$ 605,763</u>	<u>\$ 2,265</u>	<u>\$ 32,495</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 September 30, 2025.

<u>\$ 14</u>	<u>\$ 267</u>	<u>\$ 40</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ -</u>
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Ascension

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

7. Fair Value Measurements (continued)

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
The three months ended						
September 30, 2024						
Beginning balance	\$ 1,714	\$ 219,942	\$ 9,321	\$ 368,083	\$ 2,203	\$ 42,638
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	4	1,124	(11)	(3,606)	12	-
Purchases	-	10,000	-	651	-	422
Issuances	-	-	-	2,509	-	-
Sales	-	(13,403)	(3)	(1,746)	-	(1,101)
Transfers into Level 3	-	-	-	3,569	-	43
Transfers out of Level 3	-	(2,140)	(3,570)	-	-	(1,871)
Ending balance	<u>\$ 1,718</u>	<u>\$ 215,523</u>	<u>\$ 5,737</u>	<u>\$ 369,460</u>	<u>\$ 2,215</u>	<u>\$ 40,131</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 September 30, 2024.						
	<u>\$ 14</u>	<u>\$ 981</u>	<u>\$ (4,853)</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ -</u>

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.

8. 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 amounts, as necessary, to enable the obligated group to comply with the terms of the Senior MTI, including payment of the outstanding obligations.

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.

Ascension

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

8. Debt (continued)

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 amounts, as 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 September 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.

As of September 30, 2025, the Senior Credit Group has a line of credit totaling \$1,000,000, committed through November 18, 2027. The Senior Credit Group has an additional \$500,000 line of credit committed through August 12, 2026. If drawn upon, funds from these lines of credit can be used for general corporate purposes. No amounts were outstanding under these lines of credit at September 30, 2025 or June 30, 2025.

Ascension

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

8. Debt (continued)

As of September 30, 2025 and 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 of approximately \$79,200 were issued as of September 30, 2025 and June 30, 2025. There were no borrowings outstanding under this program at September 30, 2025 or June 30, 2025.

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

	September 30, 2025	June 30, 2025
Short-term debt:		
Short-term debt obligations*	\$ 49,812	\$ 368,963
Long-term debt:		
Total hospital revenue bonds - all Master Trust Indentures	\$ 5,432,130	\$ 5,473,845
Other	90,178	71,014
	<u>5,522,308</u>	<u>5,544,859</u>
Unamortized premium, net	162,068	170,864
Less debt issuance cost, net	(25,535)	(26,123)
Less current portion	(102,067)	(102,018)
Less long-term debt subject to short-term remarketing arrangements	(343,685)	(343,685)
Long-term debt (senior and subordinated)	<u>\$ 5,213,089</u>	<u>\$ 5,243,897</u>

*Short-term debt obligations consist of commercial paper at September 30, 2025 and June 30, 2025.

9. Derivative Instruments

As provided for in the System's Master Trust Indenture, the System uses interest rate swap agreements to manage interest rate risk associated with its outstanding debt. These swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates and interest rates on fixed rate bonds to variable rates. At September 30, 2025 and June 30, 2025, the notional values of outstanding interest rate swaps were \$399,675 and \$401,475, respectively, with maturity dates ranging from August 2029 through November 2036.

Ascension

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

9. Derivative Instruments (continued)

The System recognizes the fair value of its interest rate swaps in the Consolidated Balance Sheets as either assets, recorded in Other noncurrent assets, or liabilities, recorded in Other noncurrent liabilities, and are not netted. The total fair value of interest rate swaps at September 30, 2025 and June 30, 2025, all of which were in a liability position at those dates, were \$22,518 and \$23,057, respectively. The System's interest rate swap agreements include collateral requirements based on specified criteria. No collateral was posted at September 30, 2025 or June 30, 2025.

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

10. Leases

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

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

	The three months ended	
	September 30,	
	2025	2024
Operating lease cost	\$ 57,253	\$ 80,774
Finance lease cost:		
Interest on lease liabilities	698	698
Amortization of right-of-use-asset	710	710
Variable lease cost	13,178	17,821
Total lease cost	<u>\$ 71,839</u>	<u>\$ 100,003</u>

Ascension

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

10. Leases (continued)

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

	September 30, 2025		September 30, 2024	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	7.8 years	24.3 years	8.3 years	25.3 years
Weighted-average discount rate	3.7%	3.3%	3.4%	3.3%

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

	The three months ended September 30,	
	2025	2024
Operating leases	\$ 58,850	\$ 77,390
Finance leases	1,004	987
Total cash paid	<u>\$ 59,854</u>	<u>\$ 78,377</u>

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of September 30, 2025, to Lease obligations recorded on the Consolidated Balance Sheet at September 30, 2025.

Ascension

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

10. Leases (continued)

Twelve Months Ending September 30,	Operating Leases	Finance Leases	Total
2026	\$ 196,839	\$ 4,072	\$ 200,911
2027	163,269	4,145	167,414
2028	126,982	4,219	131,201
2029	93,728	4,249	97,977
2030	74,686	4,303	78,989
Thereafter	260,993	97,299	358,292
Total future undiscounted lease obligations	916,497	118,287	1,034,784
Less: amount of lease payments representing interest	(12,114)	(39,810)	(51,924)
Present value of future lease obligations	904,383	78,477	982,860
Less: current portion of lease obligations	(185,779)	(1,358)	(187,137)
Long-term lease obligations	<u>\$ 718,604</u>	<u>\$ 77,119</u>	<u>\$ 795,723</u>

For leases where the System is a lessor, future minimum noncancelable receipts on operating leases for each of the next five years and thereafter, as of September 30, 2025, are as follows.

Twelve Months Ending September 30:	Operating Leases
2026	\$ 49,171
2027	39,920
2028	36,102
2029	33,450
2030	28,808
Thereafter	301,667
Total	<u>\$ 489,118</u>

For the three months ended September 30, 2025 and 2024, lease income was approximately \$14,000 and \$15,000 respectively.

Ascension

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

11. 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. In the event certain entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, other participating entities are obligated to do so.

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

	The three months ended September 30,	
	2025	2024
Components of net periodic benefit gain:		
Expected return on plan assets	\$ 143,759	\$ 147,160
Interest cost	(98,672)	(102,487)
Amortization of actuarial loss	(26,995)	(24,638)
Amortization of prior service credit	9	9
Net periodic benefit gain	\$ 18,101	\$ 20,044

12. 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.

Ascension

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

12. Self Insurance Programs (continued)

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

Employed physicians and certain entities in the states of Indiana and Kansas are provided coverage by ProAssurance Corporation 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.

13. 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 three months ended September 30, 2025 and 2024 were approximately \$78,000 and \$98,000, 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 \$68,000 for the three months ended September 30, 2025.

14. 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.

Ascension

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

14. Commitments and Contingencies (continued)

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 \$3,400,000 for information technology and other purchased services over the next 1 - 6 years and approximately \$3,500,000 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 \$186,000 were incurred for the three months ended September 30, 2025.

The System also has outstanding guarantees of third party financing arrangements for certain affiliates at September 30, 2025 of approximately \$41,000 for up to 14 years. Payments under these commitments may not be required, depending on the performance of the affiliates.

15. Functional Expenses

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

Ascension

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

15. Functional Expenses (continued)

Expenses by functional classification for the three months ended September 30, 2025 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 2,465,323	\$ 361,392	\$ 2,826,715
Purchased services and professional fees	807,155	332,851	1,140,006
Supplies	825,705	235	825,940
Other	1,359,696	104,851	1,464,547
Total operating expenses	<u>\$ 5,457,879</u>	<u>\$ 799,329</u>	<u>\$ 6,257,208</u>

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

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

16. Community Benefit

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 three months ended September 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 three months ended September 30, 2025 and 2024, respectively, consist of the following:

Ascension

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

16. Community Benefit (continued)

	The three months ended September 30,	
	2025	2024
Traditional charity care provided	\$ 112,523	\$ 108,597
Unpaid cost of public programs for persons living in poverty	114,206	146,501
Programs for persons living in poverty, other persons who are vulnerable and the broader community:		
Community health improvement services	16,955	14,441
Health professions education	47,931	74,975
Subsidized health services	15,699	13,915
Research	588	473
Financial contributions	2,886	5,240
Community building activities	349	362
Community benefit operations	263	731
Cost of programs for persons living in poverty, other persons who are vulnerable and the broader community	84,671	110,137
Care of persons living in poverty and other community benefit programs	311,400	365,235
Unpaid costs of Medicare	443,128	387,249
Community Benefit	<u>\$ 754,528</u>	<u>\$ 752,484</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.

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.

Ascension

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

16. Community Benefit (continued)

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

Ascension

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

	September 30, 2025
Assets	
Current assets:	
Cash and cash equivalents	\$ 351,029
Short-term investments	38,299
Accounts receivable	2,651,283
Inventories	359,605
Estimated third-party payor settlements	242,677
Due from affiliates <i>(See Note 2)</i>	388,633
Other	1,107,049
Total current assets	<u>5,138,575</u>
Long-term investments	15,400,284
Property and equipment, net	7,719,980
Other assets:	
Right-of-use assets - leases	768,017
Investment in unconsolidated entities	2,416,108
Intangible assets, net	1,099,488
Due from affiliates <i>(See Note 2)</i>	548,759
Other	1,166,889
Total other assets	<u>5,999,261</u>
Total assets	<u><u>\$ 34,258,100</u></u>

Continued on next page.

Ascension

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

	September 30, 2025
Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	\$ 101,925
Long-term debt subject to short-term remarketing arrangements*	343,685
Short-term debt obligations	49,812
Current portion of lease obligations	185,585
Accounts payable and accrued liabilities	2,744,236
Estimated third-party payor settlements	308,826
Due to affiliates (See Note 2)	137,227
Other	371,890
Total current liabilities	<u>4,243,186</u>
Noncurrent liabilities:	
Long-term debt (senior and subordinated)	5,192,892
Lease obligations, less current portion	617,303
Pension and other postretirement liabilities	414,955
Other	1,273,299
Total noncurrent liabilities	<u>7,498,449</u>
Total liabilities	<u>11,741,635</u>
Net assets:	
Without donor restrictions:	
Controlling interest	21,383,012
Noncontrolling interests	552,993
Total net assets without donor restrictions	<u>21,936,005</u>
Net assets with donor restrictions	<u>580,460</u>
Total net assets	<u>22,516,465</u>
Total liabilities and net assets	<u><u>\$ 34,258,100</u></u>

*Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 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 (unaudited) (Dollars in Thousands)

	The three months ended September 30, 2025
Operating revenue:	
Net patient service revenue	\$ 4,845,959
Other revenue (See Note 2)	719,569
Total operating revenue	5,565,528
Operating expenses (See Note 2):	
Salaries and wages	2,102,488
Employee benefits	437,373
Purchased services	666,909
Professional fees	350,691
Supplies	769,107
Insurance	20,101
Interest	46,110
Provider tax	265,548
Depreciation and amortization	226,321
Other	703,003
Total operating expenses	5,587,651
Income (loss) from recurring operations	(22,123)
Impairment and nonrecurring gains (losses), net	(2,554)
Income (loss) from operations	(24,677)
Nonoperating gains (losses):	
Investment return, net	506,691
Other	800
Total nonoperating gains (losses), net	507,491
Excess (deficit) of revenues and gains over expenses and losses	482,814
Less noncontrolling interests	88,478
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	394,336

Continued on next page.

Ascension

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

	The three months ended September 30, 2025
Net assets without donor restrictions, controlling interest:	
Excess (deficit) of revenues and gains over expenses and losses	\$ 394,336
Transfers (to) from affiliates, net <i>(See Note 2)</i>	(377,448)
Net assets released from restrictions for property acquisitions	6,560
Change in pension liability	26,986
Change in unconsolidated entities' net assets	11,109
Other	17,875
Increase (decrease) in net assets without donor restrictions, controlling interest	79,418
Net assets without donor restrictions, noncontrolling interest:	
Excess (deficit) of revenues and gains over expenses and losses	88,478
Net contributions (distributions) of capital	(20,628)
Change in membership	266
Other	(320)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	67,796
Net assets with donor restrictions:	
Contributions and grants	18,203
Investment return	12,877
Net assets released from restrictions	(23,626)
Divestitures	(10,565)
Other	(8,695)
Increase (decrease) in net assets with donor restrictions	(11,806)
Increase (decrease) in net assets	135,408
Net assets, beginning of year	22,381,057
Net assets, end of year	<u>\$ 22,516,465</u>

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

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the three months ended September 30, 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 three months ended September 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. These transactions are primarily related to centralized cash and debt functions within Ascension. Current Due from and to affiliates on the CGFS Balance Sheet and Transfers (to) from affiliates, net in the CGFS Statement of Operations and Changes in Net Assets primarily relate to payments made by or received from CGFS Entities on behalf of Non CGFS Entities, as well as transfers of certain restricted assets to Non CGFS Entities. Non-current Due from affiliates primarily represents the Non CGFS Entities' portion of Ascension's long-term debt, based on internal centralized debt agreements.

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

2. Affiliate Transactions (continued)

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

Revenue and expense activities, not transacted at arms length, between CGFS Entities and Non CGFS Entities were both approximately \$112,000 for the three months ended September 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 revenue and various expense categories within the Statement of Operations of the CGFS.