

**ASCENSION**

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

For the Three and Six Months Ended December 31, 2025 and 2024

## Ascension

### Consolidated Financial Statements and Supplementary Information

For the Three and Six Months Ended December 31, 2025 and 2024

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## Ascension

### Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	December 31, 2025	June 30, 2025
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 485,231	\$ 541,395
Short-term investments	40,324	43,974
Accounts receivable	2,870,984	3,031,345
Inventories	451,602	386,091
Due from counterparties <i>(see Notes 4 and 5)</i>	124,838	128,740
Estimated third-party payor settlements	368,974	212,757
Other	1,352,452	1,489,526
Total current assets	5,694,405	5,833,828
Long-term investments <i>(see Notes 4 and 5)</i>	23,440,919	19,449,512
Property and equipment, net	8,614,003	8,451,644
Other assets:		
Right-of-use assets - leases	963,444	925,440
Investment in unconsolidated entities	2,601,676	2,475,295
Intangible assets, net	1,688,846	1,578,191
Other	1,257,016	1,146,369
Total other assets	6,510,982	6,125,295
Total assets	\$ 44,260,309	\$ 39,860,279

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# Ascension

## Consolidated Balance Sheets (unaudited) (Dollars in Thousands)

	December 31, 2025	June 30, 2025
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 91,978	\$ 102,018
Long-term debt subject to short-term remarketing arrangements <sup>1</sup>	700,000	343,685
Short-term debt obligations	49,815	368,963
Current portion of lease obligations	187,618	190,964
Accounts payable and accrued liabilities	2,763,246	3,144,554
Estimated third-party payor settlements	443,890	439,062
Due to counterparties (see Notes 4 and 5)	768,648	756,642
Current portion of self-insurance liabilities	370,066	370,066
Other	467,900	540,392
Total current liabilities	5,843,161	6,256,346
Noncurrent liabilities:		
Long-term debt	9,076,043	5,243,897
Lease obligations, less current portion	817,313	775,563
Self-insurance liabilities	915,220	886,434
Pension and other postretirement liabilities	403,418	428,021
Other	1,367,317	1,337,042
Total noncurrent liabilities	12,579,311	8,670,957
Total liabilities	18,422,472	14,927,303
Net assets:		
Without donor restrictions:		
Controlling interest	22,169,448	21,457,262
Noncontrolling interests	3,037,879	2,846,009
Total net assets without donor restrictions	25,207,327	24,303,271
Net assets with donor restrictions	630,510	629,705
Total net assets	25,837,837	24,932,976
Total liabilities and net assets	\$ 44,260,309	\$ 39,860,279

<sup>1</sup> Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2065. In the event that bonds are not remarketed upon the exercise of put options for the variable bonds, management would utilize other sources to access the necessary liquidity. Potential sources include a drawdown on the System's lines of credit, issuing commercial paper, and liquidating investments.

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

# Ascension

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

	The three months ended December 31,		The six months ended December 31,	
	2025	2024	2025	2024
Operating revenue:				
Net patient service revenue	\$ 5,301,371	\$ 5,654,681	\$ 10,689,813	\$ 12,099,737
Other revenue	695,255	750,640	1,443,243	1,396,446
Total operating revenue	<u>5,996,626</u>	<u>6,405,321</u>	<u>12,133,056</u>	<u>13,496,183</u>
Operating expenses:				
Salaries and wages	2,290,936	2,489,541	4,660,031	5,356,736
Employee benefits	439,665	450,626	897,285	1,020,266
Purchased services	743,689	821,438	1,482,839	1,753,971
Professional fees	352,872	403,900	753,728	852,279
Supplies	848,775	882,661	1,674,715	1,903,709
Insurance	114,962	60,978	180,897	164,481
Interest	61,048	67,339	107,300	131,364
Provider tax	227,128	246,526	566,955	495,382
Depreciation and amortization	245,587	250,671	492,249	501,922
Other	714,345	836,947	1,480,215	1,665,227
Total operating expenses	<u>6,039,007</u>	<u>6,510,627</u>	<u>12,296,214</u>	<u>13,845,337</u>
Income (loss) from operations before self-insurance trust fund investment return, impairment and nonrecurring gains (losses), net	(42,381)	(105,306)	(163,158)	(349,154)
Self-insurance trust fund investment return	<u>21,166</u>	<u>(10,980)</u>	<u>55,750</u>	<u>35,736</u>
Income (loss) from recurring operations	(21,215)	(116,286)	(107,408)	(313,418)
Impairment and nonrecurring gains (losses), net	<u>(30,378)</u>	<u>(26,938)</u>	<u>(32,059)</u>	<u>(51,130)</u>
Income (loss) from operations	(51,593)	(143,224)	(139,467)	(364,548)
Nonoperating gains (losses):				
Investment return, net	411,653	28,093	981,144	758,405
Other	214	19,483	1,735	9,198
Total nonoperating gains (losses), net	<u>411,867</u>	<u>47,576</u>	<u>982,879</u>	<u>767,603</u>
Excess (deficit) of revenues and gains over expenses and losses	360,274	(95,648)	843,412	403,055
Less noncontrolling interests	<u>90,099</u>	<u>14,533</u>	<u>235,547</u>	<u>126,150</u>
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	270,175	(110,181)	607,865	276,905

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# Ascension

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

	The three months ended December 31,		The six months ended December 31,	
	2025	2024	2025	2024
Net assets without donor restrictions, controlling interest:				
Excess (deficit) of revenues and gains over expenses and losses	\$ 270,175	\$ (110,181)	\$ 607,865	\$ 276,905
Net assets released from restrictions for property acquisitions	2,080	11,468	11,635	34,579
Change in pension liability	26,986	24,567	53,972	49,106
Change in unconsolidated entities' net assets	(733)	3,025	10,332	18,459
Other	5,231	(355)	28,382	(13,051)
Increase (decrease) in net assets without donor restrictions, controlling interest	<u>303,739</u>	<u>(71,476)</u>	<u>712,186</u>	<u>365,998</u>
Net assets without donor restrictions, noncontrolling interest:				
Excess (deficit) of revenues and gains over expenses and losses	90,099	14,533	235,547	126,150
Net contributions (distributions) of capital	(65,322)	(13,196)	(93,818)	(60,485)
Change in membership interest	54	(22)	48,813	1,910
Other	91	(3,048)	1,328	(3,142)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	<u>24,922</u>	<u>(1,733)</u>	<u>191,870</u>	<u>64,433</u>
Net assets with donor restrictions:				
Contributions and grants	28,768	25,427	48,495	53,773
Investment return	8,782	6,067	22,158	18,632
Net assets released from restrictions	(13,731)	(22,034)	(42,301)	(59,166)
Divestitures	-	(109,942)	(16,292)	(129,819)
Other	(1,971)	1,261	(11,255)	8,573
Increase (decrease) in net assets with donor restrictions	<u>21,848</u>	<u>(99,221)</u>	<u>805</u>	<u>(108,007)</u>
Increase (decrease) in net assets	<b>350,509</b>	<b>(172,430)</b>	<b>904,861</b>	<b>322,424</b>
Net assets, beginning of period	<u>25,487,328</u>	<u>24,317,891</u>	<u>24,932,976</u>	<u>23,823,037</u>
Net assets, end of period	<u><b>\$ 25,837,837</b></u>	<u><b>\$ 24,145,461</b></u>	<u><b>\$ 25,837,837</b></u>	<u><b>\$ 24,145,461</b></u>

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

# Ascension

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

	The six months ended December 31,	
	2025	2024
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 904,861	\$ 322,424
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	492,249	501,922
Amortization of bond premiums, discounts, and debt issuance costs	(9,124)	(11,759)
Loss (gain) on extinguishment of debt	(8,157)	(21,441)
Change in pension liability	(53,972)	(49,106)
Unrealized losses (gains) on investments without donor restrictions, net	(295,591)	197,180
Change in fair value of interest rate swaps	(23,057)	(946)
Change in equity of unconsolidated entities	(181,135)	(120,600)
Gain on sale of assets, net	(56,317)	(91,656)
Impairment and nonrecurring (gain) loss	5,332	(1,562)
Transfers to (from) sponsors, net	-	2,500
Donor restricted contributions, investment return and other	(39,992)	(47,818)
Distributions (contributions) of noncontrolling interest, net	93,818	60,485
Change in divested restricted net assets	16,292	129,819
Other	6,919	2,240
(Increase) decrease in:		
Short-term investments	3,650	10,077
Accounts receivable	163,953	451,919
Inventories and other current assets	(54,673)	(435,170)
Due from counterparties	3,902	1,087
Long-term investments	(2,851,509)	(234,034)
Intangible assets, net	(8,749)	(1,275)
Other assets	(96,514)	(55,498)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(384,667)	(425,352)
Estimated third-party payor settlements, net	(151,225)	(198,298)
Due to counterparties	12,006	287,715
Advanced payments	-	(554,356)
Other current liabilities	(29,412)	121,691
Self-insurance liabilities	28,786	(52,886)
Other noncurrent liabilities	35,139	1,531
Net cash provided by (used in) operating activities	(2,477,187)	(211,167)

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## Ascension

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

	<b>The six months ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
<b>Investing activities</b>		
Property, equipment, and capitalized software additions, net	\$ (719,143)	\$ (539,546)
Proceeds from sale of property and equipment	32,363	6,903
Distributions from (contributions to) unconsolidated entities, net	7,463	39,169
Net proceeds from (acquisition) divestiture of businesses	160,791	559,712
Net cash provided by (used in) investing activities	(518,526)	66,238
<b>Financing activities</b>		
Issuance of short-term debt obligations	723,527	3,138,152
Repayment of short-term debt obligations	(1,042,675)	(2,397,333)
Issuance of long-term debt	4,734,230	13,856
Repayment of long-term debt, including financing lease obligations	(543,391)	(578,545)
Decrease (increase) in assets under bond agreements	(874,094)	(4)
Transfers (to) from sponsors, net	-	(2,500)
Donor restricted contributions, investment return, and other	39,992	47,818
(Distributions) contributions of noncontrolling interest, net	(93,818)	(60,485)
Net cash provided by (used in) financing activities	2,943,771	160,959
Net increase (decrease) in cash, cash equivalents, and restricted cash	(51,942)	16,030
Cash, cash equivalents, and restricted cash at beginning of period	577,377	714,794
Cash, cash equivalents, and restricted cash at end of period	\$ 525,435	\$ 730,824
Cash and cash equivalents	\$ 485,231	\$ 682,303
Restricted cash, included in long-term investments	40,204	48,521
Cash, cash equivalents, and restricted cash at end of period	\$ 525,435	\$ 730,824

*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 17 states and the District of Columbia. Ascension also serves as the direct or indirect member or shareholder of various subsidiaries including, but not limited to:

- Ascension Healthcare
- Ascension Capital
  - Ascension Investment Management (AIM)
  - Ascension Ventures (AV)
  - AV Holding Company
- Ascension Care Management
- Ascension Foundation
- 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 \$234,845 and \$243,882 for the six months ended December 31, 2025 and 2024, respectively. See Community Benefit note for further information related to Ascension's cost of other community benefit.

## Ascension

### Notes to Consolidated Financial Statements (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 \$2,533,430 and \$1,448,748 at December 31, 2025 and June 30, 2025, respectively. Assets limited as to use are primarily investments with donor restrictions, including restricted cash and cash equivalents, assets under bond agreement, 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 December 31, 2025 and 2024 was approximately \$197,000 and \$200,000, respectively. Depreciation expense for the six months ended December 31, 2025 and 2024 was approximately \$395,000 and \$404,000, respectively.

## Ascension

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

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

A summary of property and equipment in the Consolidated Balance Sheets, is as follows:

	<b>December 31, 2025</b>	<b>June 30, 2025</b>
Land and improvements	<b>\$ 1,089,633</b>	\$ 1,100,920
Buildings and equipment	<b>16,552,795</b>	16,024,384
	<b>17,642,428</b>	17,125,304
Less accumulated depreciation	<b>9,953,261</b>	9,574,459
	<b>7,689,167</b>	7,550,845
Construction in progress	<b>924,836</b>	900,799
Total property and equipment, net	<b>\$ 8,614,003</b>	\$ 8,451,644

Several capital projects have remaining construction and related equipment purchase commitments of approximately \$662,000 as of December 31, 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. Changes in the fair value of this investment are included in Other revenue in the Consolidated Statement of Operations and Changes in Net Assets. As of December 31, 2025 and June 30, 2025, Ascension's investment in HFHS is approximately \$1,300,000.

## Ascension

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

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

##### 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. A summary of intangible assets, net, as presented in the Consolidated Balance Sheets, is as follows:

	<b>December 31, 2025</b>	<b>June 30, 2025</b>
Capitalized software costs	<b>\$ 2,587,374</b>	<b>\$ 2,541,384</b>
Software in progress	<b>192,149</b>	<b>129,473</b>
Less accumulated amortization	<b>2,130,490</b>	<b>2,067,911</b>
Capitalized software costs, net	<b>649,033</b>	<b>602,946</b>
Goodwill	<b>980,945</b>	<b>920,193</b>
Other, net	<b>58,868</b>	<b>55,052</b>
Total intangible assets, net	<b>\$ 1,688,846</b>	<b>\$ 1,578,191</b>

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.

Amortization expense for these intangible assets for the three months ended December 31, 2025 and 2024 was approximately \$49,000 and \$50,000, respectively. Amortization expense for these intangible assets for the six months ended December 31, 2025 and 2024 was approximately \$98,000 for both periods.

## Ascension

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

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

##### **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.

##### **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.

## Ascension

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

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

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.

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 \$262,165 and \$114,918 for the six months ended December 31, 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.

## Ascension

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

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

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 December 31, 2025 and 2024, is as follows:

	<b>The three months ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Inpatient care	\$ 2,457,497	\$ 2,609,834
Ambulatory care	2,254,872	2,362,807
Physician practices	505,548	568,783
Long-term care	83,454	113,257
<b>Total net patient service revenue</b>	<b>\$ 5,301,371</b>	<b>\$ 5,654,681</b>

Net patient service revenue earned for the six months ended December 31, 2025 and 2024, is as follows:

	<b>The six months ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Inpatient care	\$ 5,050,277	\$ 5,655,799
Ambulatory care	4,455,842	4,941,041
Physician practices	1,010,504	1,280,031
Long-term care	173,190	222,866
<b>Total net patient service revenue</b>	<b>\$ 10,689,813</b>	<b>\$ 12,099,737</b>

## 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:

	<b>Net Patient Service Revenue</b>		<b>Accounts Receivable</b>	
	<b>The six months ended</b>		<b>December 31,</b>	<b>June 30,</b>
	<b>December 31,</b>	<b>2024</b>	<b>2025</b>	<b>2025</b>
Medicare - traditional and managed	32.9 %	35.9 %	26.7 %	27.0 %
Medicaid - traditional and managed	14.3	16.2	9.0	9.2
Other commercial and managed care	45.2	44.6	48.7	47.8
Self-Pay and other	7.6	3.3	15.6	16.0
	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

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 and six months ended December 31, 2025 and 2024, respectively:

	<b>The three months ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Cafeteria and vending	\$ 15,360	\$ 17,473
Contracted services	174,405	148,821
Donations and grants	76,741	33,284
Gains on asset sales	23,061	92,060
Insurance plans	49,620	79,829
Income from investment in unconsolidated entities	78,570	49,173
Lease and rental income	17,801	19,032
Retail pharmacy	215,702	209,098
Value based programs	14,226	55,483
Other	29,769	46,387
<b>Total other revenue</b>	<b>\$ 695,255</b>	<b>\$ 750,640</b>

## Ascension

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

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

	The six months ended December 31,	
	2025	2024
Cafeteria and vending	\$ 31,047	\$ 37,278
Contracted services	347,108	231,857
Donations and grants	103,002	99,696
Gains on asset sales	56,747	97,361
Insurance plans	114,507	162,193
Income from investment in unconsolidated entities	171,681	84,108
Lease and rental income	34,531	41,798
Retail pharmacy	455,054	439,678
Value based programs	74,939	101,650
Other	54,627	100,827
Total other revenue	\$ 1,443,243	\$ 1,396,446

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

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

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

#### Amortization

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

## Ascension

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

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

##### **Income Taxes**

The System's tax-exempt organizations are described under Internal Revenue Code Section 501(c)(3), and their related income is exempt from federal income tax under Section 501(a). The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of December 31, 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 December 31, 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.

##### **Subsequent Events**

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date, but before the Consolidated Financial Statements are issued, for potential recognition or disclosure in the Consolidated Financial Statements as of the Consolidated Balance Sheet date. For the six months ended December 31, 2025, the System evaluated subsequent events through February 13, 2026, representing the issuance date of the Consolidated Financial Statements.

## Ascension

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

#### **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 and liabilities held for sale were approximately \$145,000 and \$44,000, respectively, at June 30, 2025, included in Other current assets and Other current liabilities, respectively, in the Consolidated Balance Sheet at that date. These amounts are primarily associated with the transactions discussed 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.

Losses associated with certain transactions below are included in Impairment and nonrecurring gains (losses), net in the Consolidated Statement of Operations for the three and six months ended December 31, 2025 and 2024.

During the six months ended December 31, 2025 and the year ended June 30, 2025, Ascension Senior Living completed the sale of certain assets and primarily all operations of six senior living facilities to various purchasers.

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.

## Ascension

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

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

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 Ascension's investments are held within the Investment Funds. Certain system entities hold additional investments outside of the Investment Funds.

##### **Alpha Fund**

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

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

Ascension and the Alpha Fund invest in certain alternative investment funds, which include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. As of December 31, 2025, unfunded capital commitments were approximately \$1,106,000, of which approximately \$219,000 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.

## Ascension

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

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

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 December 31, 2025 and June 30, 2025, the gross notional value of Alpha Fund derivatives outstanding was approximately \$5,665,000 and \$3,981,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

At December 31, 2025 and June 30, 2025, the fair value of Alpha Fund derivatives in an asset position was \$111,102 and \$83,226, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$103,163 and \$80,549 at December 31, 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 December 31, 2025 and June 30, 2025 was approximately \$630,000 and \$688,000, respectively. As of December 31, 2025 and June 30, 2025, cash collateral received and invested within the Alpha Fund was approximately \$635,000 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.

## Ascension

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

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

The Alpha Fund participates in a securities lending program, whereby a portion of the Alpha Fund's investments are loaned to selected brokerage firms in return for cash and/or securities from the brokers as collateral for the investments loaned, usually on a short-term basis. Collateral provided by brokers is maintained at levels approximating 102% of the fair value of the securities on loan, and is adjusted daily for market fluctuations. At December 31, 2025 and June 30, 2025, the fair value of collateral, comprised primarily of non-cash collateral, was approximately \$618,000 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.

	<b>December 31, 2025</b>	<b>June 30, 2025</b>
Cash and cash equivalents	<b>\$ 485,231</b>	\$ 541,395
Short-term investments	<b>40,324</b>	43,974
Long-term investments	<b>23,440,919</b>	19,449,512
Subtotal	<b>23,966,474</b>	20,034,881
Investment Funds' other assets (liabilities), net	<b>(616,598)</b>	(597,482)
Total cash and investments, net	<b>23,349,876</b>	19,437,399
Less noncontrolling interest of Investment Funds	<b>2,619,018</b>	2,509,316
System cash and investments, including assets limited as to use	<b>20,730,858</b>	16,928,083
Less assets limited as to use:		
Under bond agreement <sup>1</sup>	<b>874,231</b>	137
Self-insurance trust funds	<b>1,065,367</b>	854,723
With donor restrictions	<b>593,832</b>	593,888
Total assets limited as to use	<b>2,533,430</b>	1,448,748
System unrestricted cash and investments, net	<b>\$ 18,197,428</b>	\$ 15,479,335

<sup>1</sup>See Debt note.

## 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:

	<b>December 31, 2025</b>	<b>June 30, 2025</b>
Cash and cash equivalents and short-term investments	<b>\$ 879,057</b>	<b>\$ 661,170</b>
Pooled short-term investment fund	<b>836,116</b>	<b>940,858</b>
U.S. government, state, municipal and agency obligations	<b>5,558,297</b>	<b>1,943,706</b>
Corporate and foreign fixed income securities	<b>939,825</b>	<b>921,116</b>
Asset-backed securities	<b>1,305,429</b>	<b>1,187,541</b>
Equity securities	<b>7,365,556</b>	<b>7,226,649</b>
Alternative investments and other investments:		
Private equity and real estate funds	<b>5,066,338</b>	<b>5,005,763</b>
Private credit and energy funds	<b>1,167,062</b>	<b>1,175,108</b>
Hedge funds	<b>551,434</b>	<b>523,261</b>
Other investments	<b>297,360</b>	<b>449,709</b>
Total alternative investments and other investments	<b>7,082,194</b>	<b>7,153,841</b>
Total cash and cash equivalents, short-term investments, and long-term investments	<b>\$ 23,966,474</b>	<b>\$ 20,034,881</b>

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.

## Ascension

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

#### 5. Cash and Investments (continued)

Investment return recognized by the System for the three months ended December 31, 2025 and 2024, is summarized as follows:

	<b>The three months ended</b>	
	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest and dividends	\$ 108,514	\$ 102,657
Net gains (losses) on investments reported at fair value	324,305	(85,543)
Restricted investment return and unrealized gains (losses), net	8,782	6,067
Total investment return, net	441,601	23,181
Less Investment Funds' noncontrolling interest return, net	51,887	(16,891)
System investment return, net	<u>\$ 389,714</u>	<u>\$ 40,072</u>

Investment return recognized by the System for the six months ended December 31, 2025 and 2024, is summarized as follows:

	<b>The six months ended</b>	
	<b>December 31,</b>	
	<b>2025</b>	<b>2024</b>
Interest and dividends	\$ 176,380	\$ 185,667
Net gains (losses) on investments reported at fair value	860,514	608,474
Restricted investment return and unrealized gains (losses), net	22,158	18,632
Total investment return, net	1,059,052	812,773
Less Investment Funds' noncontrolling interest return, net	150,232	64,642
System investment return, net	<u>\$ 908,820</u>	<u>\$ 748,131</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 December 31, 2025 and June 30, 2025, financial assets and liquidity resources available within one year for expenditures, such as operating expenses, principal payments on debt, and capital expenditures, are as follows:

	<b>December 31, 2025</b>	<b>June 30, 2025</b>
<b>Financial assets:</b>		
Cash and cash equivalents	\$ 485,231	\$ 541,395
Short-term investments	40,324	43,974
Accounts receivable	2,870,984	3,031,345
Due from counterparties	124,838	128,740
Other current assets <sup>1</sup>	1,352,452	1,445,849
Long term investments <sup>2</sup>	23,440,919	19,449,512
<b>Total financial assets</b>	<b>28,314,748</b>	<b>24,640,815</b>
<b>Less:</b>		
Assets limited as to use and internally designated funds	2,639,400	1,541,924
Noncontrolling interests of Investment Funds	2,619,018	2,509,316
Investments with liquidity more than one year	5,418,317	5,354,776
<b>Total financial assets available within one year</b>	<b>17,638,013</b>	<b>15,234,799</b>
 <b>Liquidity resources:</b>		
Unused line(s) of credit	1,500,000	1,500,000
<b>Total financial assets and liquidity resources available within one year</b>	<b>\$ 19,138,013</b>	<b>\$ 16,734,799</b>

<sup>1</sup> Includes assets held for sale, net of liabilities held for sale.

<sup>2</sup> 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 December 31, 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 December 31, 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
<b>December 31, 2025</b>				
Cash equivalents	\$ 11,038	\$ 277,799	\$ -	\$ 288,837
Short-term investments	28,300	5,441	-	33,741
Pooled short-term investment fund	836,116	-	-	836,116
U.S. government, state, municipal and agency obligations	-	5,558,297	-	5,558,297
Corporate and foreign fixed income securities	-	938,143	1,682	939,825
Asset-backed securities	-	1,082,066	223,361	1,305,427
Equity securities	7,330,826	15,482	6,011	7,352,319
Alternative investments and other investments:				
Private equity	-	-	618,839	618,839
Other investments, including derivatives, net	204,587	3,576	2,282	210,445
Assets at net asset value:				
Equity securities				13,237
Private equity funds and real estate funds				4,447,499
Private credit and energy funds				1,167,062
Hedge funds				551,434
Cash and other investments not at fair value				<u>643,396</u>
Cash and investments				<u>\$ 23,966,474</u>
Deferred compensation plan assets, in other noncurrent assets	\$ 752,487	\$ -	\$ 33,337	\$ 785,824
Investments sold, not yet purchased, in other noncurrent liabilities	-	-	-	-
Interest rate swaps, included in other noncurrent liabilities <sup>1</sup>	-	-	-	-

<sup>1</sup>See Debt note.

## Ascension

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

#### 7. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
<b>June 30, 2025</b>				
Cash equivalents	\$ 30,498	\$ 1,855	\$ -	\$ 32,353
Short-term investments	31,239	5,355	-	36,594
Pooled short-term investment 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 December 31, 2025 and 2024, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
<b>The three months ended</b>						
<b>December 31, 2025</b>						
Beginning balance	\$ 1,751	\$ 219,492	\$ 6,000	\$ 605,763	\$ 2,265	\$ 32,495
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	(69)	(901)	28	(55)	16	-
Included in changes in net assets	-	-	-	-	1	-
Purchases	-	38,388	-	21,983	23	515
Issuances	-	-	-	313	-	-
Sales	-	(33,618)	(19)	(37,899)	(23)	(315)
Transfers into Level 3	-	-	2	56,565	-	1,265
Transfers out of Level 3	-	-	-	(27,831)	-	(623)
Ending balance	<u>\$ 1,682</u>	<u>\$ 223,361</u>	<u>\$ 6,011</u>	<u>\$ 618,839</u>	<u>\$ 2,282</u>	<u>\$ 33,337</u>
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2025.						
	<u>\$ (69)</u>	<u>\$ (1,062)</u>	<u>\$ 40</u>	<u>\$ 541</u>	<u>\$ -</u>	<u>\$ -</u>

## 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
<b>The three months ended</b>						
<b>December 31, 2024</b>						
Beginning balance	\$ 1,718	\$ 215,523	\$ 5,737	\$ 369,460	\$ 2,215	\$ 40,131
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	62	1,220	39	3,880	32	-
Included in changes in net assets	-	-	-	-	2	-
Purchases	-	61,471	257	9,818	15	491
Sales	-	(55,253)	(215)	-	(15)	(1,298)
Transfers into Level 3	-	-	39	378,233	-	798
Transfers out of Level 3	-	-	(10)	-	-	(1,838)
Ending balance	<u>\$ 1,780</u>	<u>\$ 222,961</u>	<u>\$ 5,847</u>	<u>\$ 761,391</u>	<u>\$ 2,249</u>	<u>\$ 38,284</u>
The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2024.						
	<u>\$ 62</u>	<u>\$ 596</u>	<u>\$ (103)</u>	<u>\$ 124</u>	<u>\$ 17</u>	<u>\$ -</u>

## Ascension

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

#### 7. Fair Value Measurements (continued)

For the six months ended December 31, 2025 and 2024, the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
<b>The six months ended</b>						
<b>December 31, 2025</b>						
Beginning balance	\$ 1,737	\$ 216,600	\$ 5,932	\$ 603,986	\$ 2,246	\$ 33,249
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	(55)	(538)	80	(5,582)	31	-
Included in changes in net assets	-	-	-	-	6	-
Purchases	-	65,064	1	37,393	38	74
Issuances	-	-	-	881	-	-
Sales	-	(57,765)	(10)	(43,526)	(39)	(46)
Transfers into Level 3	-	-	8	44,041	-	103
Transfers out of Level 3	-	-	-	(18,354)	-	(43)
Ending balance	<u>\$ 1,682</u>	<u>\$ 223,361</u>	<u>\$ 6,011</u>	<u>\$ 618,839</u>	<u>\$ 2,282</u>	<u>\$ 33,337</u>

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2025.

<u>\$ (55)</u>	<u>\$ (804)</u>	<u>\$ 78</u>	<u>\$ 538</u>	<u>\$ 1</u>	<u>\$ -</u>
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## Ascension

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

#### 7. Fair Value Measurements (continued)

	<b>Corporate and Foreign Fixed Income Securities</b>	<b>Asset- Backed Securities</b>	<b>Equity Securities</b>	<b>Private Equity</b>	<b>Other Investments</b>	<b>Deferred Compensation Plan Assets</b>
<b>The six months ended</b>						
<b>December 31, 2024</b>						
Beginning balance	\$ 1,714	\$ 219,942	\$ 9,321	\$ 368,083	\$ 2,203	\$ 42,638
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	66	2,345	18	274	43	-
Included in changes in net assets	-	-	-	-	2	-
Purchases	-	71,470	6,853	10,635	31	889
Issuances	-	-	-	2,509	-	-
Sales	-	(68,656)	(6,814)	(1,913)	(30)	(2,343)
Transfers into Level 3	-	-	49	381,803	-	745
Transfers out of Level 3	-	(2,140)	(3,580)	-	-	(3,645)
Ending balance	<u>\$ 1,780</u>	<u>\$ 222,961</u>	<u>\$ 5,847</u>	<u>\$ 761,391</u>	<u>\$ 2,249</u>	<u>\$ 38,284</u>

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at December 31, 2024.	\$ 75	\$ 1,343	\$ (4,648)	\$ 124	\$ 13	\$ -
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The basis for recognizing and valuing transfers into or out of Level 3, in the Level 3 rollforward, is as of the beginning of the period in which the transfers occur.

#### 8. Debt

Ascension completed various debt-related activities in November and December 2025 resulting in the issuance of taxable and tax-exempt bonds, refunding of certain outstanding tax-exempt bonds, amendment and restatement of Ascension's Master Trust Indenture (MTI), and defeasance and discharge of existing subordinate debt obligations, as further noted below.

In November 2025, Ascension issued \$2,095,000 of taxable bonds. The proceeds of these bonds were used for the defeasance of outstanding tax-exempt subordinate bonds, to pay costs of issuance, and for corporate purposes of Ascension.

## Ascension

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

#### 8. Debt (continued)

In December 2025, Ascension issued \$2,451,700 of tax-exempt bonds through issuing authorities in Indiana, Tennessee, and Texas. The proceeds of these bonds, including original issue premium of \$181,982, were used to finance, refinance, or reimburse Ascension for all or a portion of certain capital projects and refund certain tax-exempt revenue bonds issued previously for the benefit of Ascension and certain affiliates. The refunded bonds include the Indiana Health Facility Financing Authority Revenue Bonds Series 2001A-1 and 2003E-6, Indiana Finance

Authority Revenue Bonds Series 2008E-4, E-5, E-7, and E-8, and the Health and Educational Facility Authority of the State of Missouri Revenue Bonds Series 2003 C-2 and C-3, and totaled \$407,610. At December 31, 2025, approximately \$874,100 of the tax-exempt bond proceeds are held by the bond trustee and reported on the System's balance sheet within assets limited as to use until reimbursement of eligible capital project spending occurs.

In December 2025, the Amended and Restated MTI became effective, replacing the Original MTI, dated December 1, 1999 (Original MTI) and its amendments in its entirety. All existing MTI obligations were carried forward as obligations subject to the Amended and Restated MTI.

A Subordinate Credit Group was previously established under Ascension's Subordinate MTI. During the six months ending December 31, 2025, the System fully discharged and terminated the Subordinate MTI through repayment and defeasance of its outstanding subordinate debt, which was \$39,640 as of June 30, 2025.

As provided by both the Amended and Restated MTI and Original MTI, certain members of the System comprise the Ascension Health Alliance Credit Group (Senior Credit Group). Each Senior Credit Group member may be 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 the Amended and Restated MTI to make all payments required with respect to obligations under the Amended and Restated MTI.

Senior designated affiliates and senior limited designated affiliates are not obligated to make debt service payments on the obligations under the Amended and Restated 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 Amended and Restated MTI, including payment of the outstanding obligations.

## Ascension

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

#### **8. Debt (continued)**

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

Pursuant to the Amended and Restated MTI, 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.

The unsecured variable rate demand bonds of the Senior Credit Group, 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 December 31, 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.

In December 2025, Ascension increased its commercial paper program authorization from \$1,000,000 to \$2,000,000. During the six months ended December 31, 2025, Ascension both issued and repaid commercial paper resulting in net repayments of \$319,148 and an outstanding balance of \$49,815 at December 31, 2025, included in Short-term debt obligations on the Consolidated Balance Sheets.

As of December 31, 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 December 31, 2025 or June 30, 2025.

As of December 31, 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 \$73,300 were issued as of December 31, 2025 and June 30, 2025. There were no borrowings outstanding under this program as of December 31, 2025 or June 30, 2025.

## Ascension

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

#### 8. Debt (continued)

Debt at December 31, 2025 and June 30, 2025 is comprised of the following:

	December 31, 2025	June 30, 2025
<b>Short-term debt:</b>		
Short-term debt obligations	\$ 49,815	\$ 368,963
<b>Long-term debt:</b>		
Tax-exempt hospital revenue bonds - secured under Ascension's MTI	\$ 5,137,600	\$ 2,391,605
Tax-exempt hospital revenue bonds - unsecured under Ascension's Subordinate MTI	-	39,640
Taxable bonds - secured under Ascension's MTI	4,356,940	3,042,600
Total hospital revenue bonds - all Master Trust Indentures	9,494,540	5,473,845
Other	88,833	71,014
	9,583,373	5,544,859
Unamortized premium, net	331,663	170,864
Less debt issuance cost, net	(47,015)	(26,123)
Less current portion	(91,978)	(102,018)
Less long-term debt subject to short-term remarketing arrangements	(700,000)	(343,685)
Long-term debt	\$ 9,076,043	\$ 5,243,897

#### 9. Derivative Instruments

As provided for in Ascension's MTI, the System may use interest rate swap agreements to manage interest rate risk associated with its outstanding debt. Interest rate swaps have historically been used to effectively convert interest rates on variable rate bonds to fixed rates or on fixed rate bonds to variable rates. Ascension utilized interest rate swaps during the fiscal year ended June 30, 2025 and through their termination date of November 25, 2025.

The System did not designate its outstanding interest rate swaps as hedges, and as such, all gains and losses have been recognized as nonoperating gains (losses).

At June 30, 2025, the notional value of outstanding interest rate swaps was \$401,475, with maturity dates which ranged from August 2029 through November 2036. The fair value of these swaps, all of which were in a liability position at June 30, 2025, was \$23,057, included in Other noncurrent liabilities in the Consolidated Balance Sheet.

## Ascension

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

#### 10. Leases

The System is a party to real estate and equipment (medical and IT) 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 expense in the Consolidated Statement of Operations and Changes in Net Assets expense in the Consolidated Statement of Operations and Changes in Net Assets:

	The three months ended		The six months ended	
	December 31,		December 31,	
	2025	2024	2025	2024
Operating lease cost	\$ 59,783	\$ 68,706	\$ 117,036	\$ 148,523
Finance lease cost:				
Interest on lease liabilities	691	691	1,389	1,389
Amortization of right-of-use-asset	710	710	1,420	1,420
Variable lease cost	14,235	16,283	27,413	34,043
Total lease cost	<u>\$ 75,419</u>	<u>\$ 86,390</u>	<u>\$ 147,258</u>	<u>\$ 185,375</u>

The weighted average remaining lease terms and the weighted average discount rates at December 31, 2025 and 2024 were as follows:

	December 31, 2025		December 31, 2024	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8 years	24 years	8.7 years	25 years
Weighted-average discount rate	4.0%	3.3%	3.4%	3.3%

## Ascension

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

#### 10. Leases (continued)

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

	The three months ended December 31,		The six months ended December 31,	
	2025	2024	2025	2024
Operating leases	\$ 56,665	\$ 68,203	\$ 115,444	\$ 145,593
Finance leases	1,004	987	2,009	1,974
Total cash paid	<u>\$ 57,669</u>	<u>\$ 69,190</u>	<u>\$ 117,453</u>	<u>\$ 147,567</u>

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of December 31, 2025, to Lease obligations recorded on the Consolidated Balance Sheet at December 31, 2025.

Twelve Months Ending December 31,	Operating Leases	Finance Leases	Total
2026	\$ 198,697	\$ 4,090	\$ 202,787
2027	164,495	4,163	168,658
2028	131,179	4,238	135,417
2029	100,101	4,251	104,352
2030	81,743	4,323	86,066
Thereafter	287,004	96,218	383,222
Total future undiscounted lease obligations	963,219	117,283	1,080,502
Less: amount of lease payments representing interest	(36,444)	(39,127)	(75,571)
Present value of future lease obligations	926,775	78,156	1,004,931
Less: current portion of lease obligations	(186,229)	(1,389)	(187,618)
Long-term lease obligations	<u>\$ 740,546</u>	<u>\$ 76,767</u>	<u>\$ 817,313</u>

## Ascension

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

#### 10. Leases (continued)

For leases where the System is a lessor, future minimum noncancelable receipts on operating leases for each of the next five years and thereafter, as of December 31, 2025, are as follows:

<b>Twelve Months Ending December 31:</b>	<b>Operating Leases</b>
2026	\$ 49,955
2027	40,812
2028	37,195
2029	33,893
2030	28,024
Thereafter	294,896
<b>Total</b>	<b>\$ 484,775</b>

For the three months ended December 31, 2025 and 2024, lease income was approximately \$15,000 and \$16,000, respectively. For the six months ended December 31, 2025 and 2024, lease income was approximately \$29,000 and \$35,000, respectively.

#### 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.

## Ascension

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

#### 11. Retirement Plans (continued)

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

	The three months ended December 31,		The six months ended December 31,	
	2025	2024	2025	2024
Components of net periodic benefit gain:				
Expected return on plan assets	\$ 143,758	\$ 147,161	\$ 287,517	\$ 294,321
Interest cost	(98,672)	(102,486)	(197,344)	(204,973)
Amortization of actuarial loss	(26,996)	(24,638)	(53,991)	(49,276)
Amortization of prior service credit	10	10	19	19
Net periodic benefit gain	<u>\$ 18,100</u>	<u>\$ 20,047</u>	<u>\$ 36,201</u>	<u>\$ 40,091</u>

#### 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.

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.

## Ascension

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

#### **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 December 31, 2025 and 2024 were approximately \$78,000 and \$85,000, respectively. Expenses for clinical engineering services for the six months ended December 31, 2025 and 2024 were approximately \$155,000 and \$183,000, 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 and \$40,000 for the three months ended December 31, 2025 and 2024, respectively. Revenue recognized for these services was approximately \$136,000 and \$40,000 for the six months ended December 31, 2025 and 2024, respectively.

#### **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.

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 litigation and 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 \$3,200,000 for information technology and other purchased services over the next 1 - 6 years and approximately \$3,200,000 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 \$369,000 were incurred for the six months ended December 31, 2025.

## Ascension

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

#### 14. Commitments and Contingencies (continued)

The System also has outstanding guarantees of third party financing arrangements for certain affiliates at December 31, 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.

Expenses by functional classification for the three months ended December 31, 2025 consist of the following:

	<b>Healthcare services</b>	<b>Management support services</b>	<b>Total</b>
Salaries, wages, and employee benefits	\$ 2,457,956	\$ 272,645	\$ 2,730,601
Purchased services and professional fees	807,970	288,591	1,096,561
Supplies	848,493	282	848,775
Other	1,253,870	109,200	1,363,070
<b>Total operating expenses</b>	<b>\$ 5,368,289</b>	<b>\$ 670,718</b>	<b>\$ 6,039,007</b>

## Ascension

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

#### 15. Functional Expenses (continued)

Expenses by functional classification for the three months December 31, 2024 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 2,677,016	\$ 263,151	\$ 2,940,167
Purchased services and professional fees	878,418	346,920	1,225,338
Supplies	882,335	326	882,661
Other	1,310,745	151,716	1,462,461
<b>Total operating expenses</b>	<b>\$ 5,748,514</b>	<b>\$ 762,113</b>	<b>\$ 6,510,627</b>

Expenses by functional classification for the six months December 31, 2025 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 4,923,336	\$ 633,980	\$ 5,557,316
Purchased services and professional fees	1,615,125	621,442	2,236,567
Supplies	1,674,199	516	1,674,715
Other	2,613,565	214,051	2,827,616
<b>Total operating expenses</b>	<b>\$ 10,826,225</b>	<b>\$ 1,469,989</b>	<b>\$ 12,296,214</b>

Expenses by functional classification for the six months December 31, 2024 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 5,844,883	\$ 532,119	\$ 6,377,002
Purchased services and professional fees	1,900,399	705,851	2,606,250
Supplies	1,903,078	631	1,903,709
Other	2,658,164	300,212	2,958,376
<b>Total operating expenses</b>	<b>\$ 12,306,524</b>	<b>\$ 1,538,813</b>	<b>\$ 13,845,337</b>

## Ascension

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

#### 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 and six months ended December 31, 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 six months ended December 31, 2025 and 2024, respectively, consists of the following:

	<b>The six months ended December 31,</b>	
	<b>2025</b>	<b>2024</b>
Traditional charity care provided	\$ 234,845	\$ 243,882
Unpaid cost of public programs for persons living in poverty	238,922	291,178
Programs for persons living in poverty, other persons who are vulnerable and the broader community:		
Community health improvement services	32,880	29,329
Health professions education	82,060	137,792
Subsidized health services	24,639	23,652
Research	1,113	1,089
Financial contributions	16,016	14,806
Community building activities	616	669
Community benefit operations	557	1,652
Cost of programs for persons living in poverty, other persons who are vulnerable and the broader community	157,881	208,988
Care of persons living in poverty and other community benefit programs	631,648	744,048
Unpaid costs of Medicare	823,580	917,563
Community Benefit	\$ 1,455,228	\$ 1,661,611

***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.

## Ascension

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

#### 16. Community Benefit (continued)

*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.

*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)

	<b>December 31, 2025</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 344,538
Short-term investments	35,329
Accounts receivable	2,647,593
Inventories	423,153
Estimated third-party payor settlements	357,680
Due from affiliates (See Note 2)	399,093
Other	1,063,695
Total current assets	<u>5,271,081</u>
Long-term investments	19,119,699
Property and equipment, net	7,834,272
Other assets:	
Right-of-use assets - leases	791,324
Investment in unconsolidated entities	2,482,067
Intangible assets, net	1,138,324
Due from affiliates (See Note 2)	541,718
Other	1,216,646
Total other assets	<u>6,170,079</u>
Total assets	<u><u>\$ 38,395,131</u></u>

Continued on next page.

# Ascension

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

	<b>December 31, 2025</b>
<b>Liabilities and net assets</b>	
Current liabilities:	
Current portion of long-term debt	\$ 93,345
Long-term debt subject to short-term remarketing arrangements <sup>1</sup>	700,000
Short-term debt obligations	49,815
Current portion of lease obligations	186,041
Accounts payable and accrued liabilities	2,453,035
Estimated third-party payor settlements	297,582
Due to affiliates <i>(See Note 2)</i>	42,570
Other	396,562
Total current liabilities	4,218,950
Noncurrent liabilities:	
Long-term debt	9,056,132
Lease obligations, less current portion	640,514
Pension and other postretirement liabilities	402,850
Other	1,279,886
Total noncurrent liabilities	11,379,382
Total liabilities	15,598,332
Net assets:	
Without donor restrictions:	
Controlling interest	21,674,701
Noncontrolling interests	519,337
Total net assets without donor restrictions	22,194,038
Net assets with donor restrictions	602,761
Total net assets	22,796,799
Total liabilities and net assets	\$ 38,395,131

<sup>1</sup> Consists of variable rate demand bonds with put options that may be exercised at the option of the bondholders, with stated repayment installments through 2065. 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 six months ended December 31, 2025
Operating revenue:	
Net patient service revenue	\$ 9,654,793
Other revenue (See Note 2)	1,388,738
Total operating revenue	11,043,531
Operating expenses (See Note 2):	
Salaries and wages	4,118,597
Employee benefits	855,957
Purchased services	1,331,531
Professional fees	658,627
Supplies	1,553,280
Insurance	50,090
Interest	107,259
Provider tax	461,374
Depreciation and amortization	451,891
Other	1,359,451
Total operating expenses	10,948,057
Income (loss) from recurring operations	95,474
Impairment and nonrecurring gains (losses), net	(33,157)
Income (loss) from operations	62,317
Nonoperating gains (losses):	
Investment return, net	828,411
Other	7,523
Total nonoperating gains (losses), net	835,934
Excess (deficit) of revenues and gains over expenses and losses	898,251
Less noncontrolling interests	94,848
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	803,403

Continued on next page.

## Ascension

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

	<b>The six months ended December 31, 2025</b>
<b>Net assets without donor restrictions, controlling interest:</b>	
Excess (deficit) of revenues and gains over expenses and losses	\$ 803,403
Transfers (to) from affiliates, net <i>(See Note 2)</i>	(529,482)
Net assets released from restrictions for property acquisitions	8,633
Change in pension liability	53,972
Change in unconsolidated entities' net assets	10,599
Other	23,982
<b>Increase (decrease) in net assets without donor restrictions, controlling interest</b>	<b>371,107</b>
<b>Net assets without donor restrictions, noncontrolling interest:</b>	
Excess (deficit) of revenues and gains over expenses and losses	94,848
Net contributions (distributions) of capital	(60,660)
Change in membership interest	266
Other	(314)
<b>Increase (decrease) in net assets without donor restrictions, noncontrolling interest</b>	<b>34,140</b>
<b>Net assets with donor restrictions:</b>	
Contributions and grants	46,379
Investment return	21,247
Net assets released from restrictions	(35,902)
Divestitures	(10,565)
Other	(10,664)
<b>Increase (decrease) in net assets with donor restrictions</b>	<b>10,495</b>
<b>Increase (decrease) in net assets</b>	<b>415,742</b>
<b>Net assets, beginning of period</b>	<b>22,381,057</b>
<b>Net assets, end of period</b>	<b>\$ 22,796,799</b>

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

**1. Credit Group Financial Statements**

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the six months ended December 31, 2025, were prepared in accordance with Section 3.10(b)(2)(c) of the Amended and Restated 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 80% 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 20% of the consolidated net assets of the Credit Group as shown on the CGFS; (3) at the option of Ascension, as Credit Group Representative, may exclude one or more Credit Group Members that are not Material Credit Group Members, as defined above; and (4) shall exclude all entities that are neither Credit Group Members nor Immaterial Affiliates. Consistent with these terms, the CGFS as of and for the six months ended December 31, 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)  
*(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 \$207,000 for the six months ended December 31, 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.