

ASCENSION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2026 and 2025
With Reports of Independent Auditors

Ascension

Consolidated Financial Statements
and Supplementary Information

For the Years Ended June 30, 2026 and 2025

Contents

Report of Independent Auditors	1
Consolidated Financial Statements	
Consolidated Balance Sheets	4
Consolidated Statements of Operations and Changes in Net Assets	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10
Supplementary Information	
Report of Independent Auditors on Supplementary Information	60
Credit Group Financial Statements - Balance Sheet	61
Credit Group Financial Statements - Statement of Operations and Changes in Net Assets	63
Notes to Credit Group Financial Statements	65



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

Tel: +1 314 290 1000
ey.com

**Shape the future
with confidence**

Report of Independent Auditors

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

Opinion

We have audited the consolidated financial statements of Ascension Health Alliance d/b/a Ascension (the System), which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the System at June 30, 2026 and 2025, and the results of its operations and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



**Shape the future
with confidence**

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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



**Shape the future
with confidence**

Other Information

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

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

Ernst & Young LLP

September 16, 2026

Ascension

Consolidated Balance Sheets (Dollars in Thousands)

	June 30, 2026	June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 560,827	\$ 541,395
Short-term investments	39,367	43,974
Accounts receivable	3,012,528	3,031,345
Inventories	491,042	386,091
Due from counterparties (see Notes 5 and 6)	120,848	128,740
Estimated third-party payor settlements	622,415	212,757
Other	1,286,701	1,489,526
Total current assets	6,133,728	5,833,828
Long-term investments (see Notes 5 and 6)	20,232,647	19,449,512
Property and equipment, net	9,153,061	8,451,644
Other assets:		
Right-of-use assets - leases	1,171,196	925,440
Investment in unconsolidated entities	3,241,759	2,475,295
Goodwill	5,166,203	920,193
Intangible assets, net	932,328	657,998
Other	1,800,149	1,146,369
Total other assets	12,311,635	6,125,295
Total assets	\$ 47,831,071	\$ 39,860,279

Continued on next page.

Ascension

Consolidated Balance Sheets (Dollars in Thousands)

	June 30, 2026	June 30, 2025
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	\$ 102,462	\$ 102,018
Long-term debt subject to short-term remarketing arrangements	700,000	343,685
Short-term debt obligations	772,298	368,963
Current portion of lease obligations	224,929	190,964
Accounts payable and accrued liabilities	2,770,354	3,144,554
Estimated third-party payor settlements	350,143	439,062
Due to counterparties (see Notes 5 and 6)	898,677	756,642
Current portion of self-insurance liabilities	369,479	370,066
Other	406,975	540,392
Total current liabilities	6,595,317	6,256,346
Noncurrent liabilities:		
Long-term debt	9,064,884	5,243,897
Lease obligations, less current portion	1,013,532	775,563
Self-insurance liabilities	804,366	886,434
Pension liabilities	369,634	427,246
Other	1,395,231	1,337,817
Total noncurrent liabilities	12,647,647	8,670,957
Total liabilities	19,242,964	14,927,303
Net assets:		
Without donor restrictions:		
Controlling interest	23,553,423	21,457,262
Noncontrolling interests	4,395,302	2,846,009
Total net assets without donor restrictions	27,948,725	24,303,271
Net assets with donor restrictions	639,382	629,705
Total net assets	28,588,107	24,932,976
Total liabilities and net assets	\$ 47,831,071	\$ 39,860,279

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

Ascension

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

	The years ended June 30,	
	2026	2025
Operating revenue:		
Net patient service revenue	\$ 21,769,360	\$ 22,536,905
Other revenue	2,703,718	2,789,335
Total operating revenue	24,473,078	25,326,240
Operating expenses:		
Salaries and wages	9,317,151	10,065,118
Employee benefits	1,723,803	1,853,356
Purchased services	2,970,833	3,317,307
Professional fees	1,511,484	1,645,394
Supplies	3,356,502	3,520,963
Insurance	330,397	289,258
Interest	284,197	240,347
Provider tax	1,227,225	890,442
Depreciation and amortization	997,680	1,006,019
Other	2,935,512	3,001,187
Total operating expenses	24,654,784	25,829,391
Income (loss) from operations before self-insurance trust fund investment return, and nonrecurring gains (losses), net	(181,706)	(503,151)
Self-insurance trust fund investment return	124,720	93,497
Income (loss) from recurring operations	(56,986)	(409,654)
Nonrecurring gains (losses), net	(62,805)	(81,282)
Income (loss) from operations	(119,791)	(490,936)
Nonoperating gains (losses):		
Investment return, net	2,095,131	1,821,016
Other	(15,363)	(95,638)
Total nonoperating gains (losses), net	2,079,768	1,725,378
Excess (deficit) of revenues and gains over expenses and losses	1,959,977	1,234,442
Less noncontrolling interests	454,848	316,789
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	1,505,129	917,653

Continued on next page.

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

	The years ended June 30,	
	2026	2025
Net assets without donor restrictions, controlling interest:		
Excess (deficit) of revenues and gains over expenses and losses	\$ 1,505,129	\$ 917,653
Net assets released from restrictions for property acquisitions	31,035	84,082
Change in pension liability	547,241	69,103
Change in unconsolidated entities' net assets	10,387	2,833
Other	2,369	31,987
Increase (decrease) in net assets without donor restrictions, controlling interest	2,096,161	1,105,658
Net assets without donor restrictions, noncontrolling interest:		
Excess (deficit) of revenues and gains over expenses and losses	454,848	316,789
Net contributions (distributions) of capital	(221,117)	(134,402)
Acquisition of AmSurg (see Note 3)	1,307,000	-
Change in membership interest	55,137	1,985
Other	(46,575)	(28,680)
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	1,549,293	155,692
Net assets with donor restrictions:		
Contributions and grants	86,911	106,754
Investment return	35,765	22,527
Net assets released from restrictions	(90,086)	(146,836)
Divestitures	(16,292)	(129,819)
Other	(6,621)	(4,037)
Increase (decrease) in net assets with donor restrictions	9,677	(151,411)
Increase (decrease) in net assets	3,655,131	1,109,939
Net assets, beginning of year	24,932,976	23,823,037
Net assets, end of year	<u>\$ 28,588,107</u>	<u>\$ 24,932,976</u>

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

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	The years ended June 30,	
	2026	2025
Operating activities		
Increase (decrease) in net assets	\$ 3,655,131	\$ 1,109,939
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	997,680	1,006,019
Amortization of bond premiums, discounts, and debt issuance costs	(26,134)	(21,440)
Loss (gain) on extinguishment of debt	(8,157)	(17,463)
Change in pension liability	(547,241)	(69,103)
Unrealized losses (gains) on investments without donor restrictions, net	(638,785)	(462,345)
Change in fair value of interest rate swaps	(23,057)	4,369
Change in equity of unconsolidated entities	(272,966)	(323,338)
Gain on sale of assets, net	(57,360)	(119,476)
Nonrecurring (gain) loss	14,962	24,150
Transfers to (from) sponsors, net	-	5,000
Donor restricted contributions, investment return and other	(63,625)	(72,902)
Distributions (contributions) of noncontrolling interest, net	221,117	134,402
Acquisition of AmSurg noncontrolling interest	(1,307,000)	-
Change in membership interest	(55,137)	(1,985)
Change in divested restricted net assets	16,292	129,819
Other	50,645	(753)
(Increase) decrease in:		
Short-term investments	4,607	4,440
Accounts receivable	126,517	946,399
Inventories and other current assets	44,094	(32,060)
Due from counterparties	7,892	11,434
Long-term investments	434,878	(532,169)
Intangible assets, net	(4,266)	(2,207)
Other assets	(642,517)	(121,632)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(535,944)	(394,375)
Estimated third-party payor settlements, net	(498,413)	(127,071)
Due to counterparties	142,035	570,442
Advanced payments	-	(552,601)
Other current liabilities	(91,440)	101,005
Self-insurance liabilities	(83,371)	(129,849)
Other noncurrent liabilities	502,472	43,157
Net cash provided by (used in) operating activities	1,362,909	1,109,806

Continued on next page.

Consolidated Statements of Cash Flows

(Dollars in Thousands)

	The years ended June 30,	
	2026	2025
Investing activities		
Property, equipment, and capitalized software additions, net	\$ (1,714,698)	\$ (1,225,377)
Proceeds from sale of property and equipment	40,474	17,616
Distributions from (contributions to) unconsolidated entities, net	44,622	163,809
Proceeds from divestiture of businesses	218,198	1,135,566
Cash used in acquisition of businesses, net of cash acquired	(3,727,889)	(423,288)
Net cash provided by (used in) investing activities	(5,139,293)	(331,674)
Financing activities		
Issuance of short-term debt obligations	2,418,220	5,285,734
Repayment of short-term debt obligations	(2,014,885)	(5,166,771)
Issuance of long-term debt	4,740,729	20,781
Repayment of long-term debt, including financing lease obligations	(585,388)	(988,784)
Decrease (increase) in assets under bond agreements	(593,379)	(9)
Transfers (to) from sponsors, net	-	(5,000)
Donor restricted contributions, investment return, and other	63,625	72,902
(Distributions) contributions of noncontrolling interest, net	(221,117)	(134,402)
Net cash provided by (used in) financing activities	3,807,805	(915,549)
Net increase (decrease) in cash, cash equivalents, and restricted cash	31,421	(137,417)
Cash, cash equivalents, and restricted cash at beginning of year	577,377	714,794
Cash, cash equivalents, and restricted cash at end of year	\$ 608,798	\$ 577,377
Cash and cash equivalents	\$ 560,827	\$ 541,395
Restricted cash, included in long-term investments	47,971	35,982
Cash, cash equivalents, and restricted cash at end of year	\$ 608,798	\$ 577,377

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

Ascension

Notes to Consolidated Financial Statements (Dollars in Thousands)

1. Organization and Mission

Organizational Structure

Ascension Health Alliance, d/b/a Ascension (Ascension), is a Missouri nonprofit corporation formed on September 13, 2011. Ascension is a Catholic national health system consisting primarily of nonprofit corporations that own and operate local healthcare facilities, or Ministry Markets, located in 36 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 Horizontal Holdings f/k/a Ascension Global Mission
- Ascension Capital
 - o Ascension Investment Management (AIM)
 - o Ascension Ventures (AV)
 - o AV Holding Company
- Ascension Care Management
- Ascension Foundation
- Ascension Holdings
- Ascension Leadership Academy
- Ascension Risk Services
- Ascension Technologies
- SmartHealth Solutions
- The Resource Group

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

Sponsorship

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

Ascension

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

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 community health improvement services, health professions education, subsidized health services, research, financial contributions, community building activities, and community benefit operations.
- 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 \$474,324 and \$570,097 for the years ended June 30, 2026 and 2025, respectively. See Community Benefit note for further information related to Ascension's cost of other community benefit.

Ascension

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

2. Significant Accounting Policies

The Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Certain reclassifications were made to prior periods’ Consolidated Financial Statements to conform to the June 30, 2026 presentation.

Principles of Consolidation - The Consolidated Financial Statements include the assets, liabilities, revenues, and expenses of all wholly owned entities and entities for which the System or one of its member entities holds a controlling financial interest. All significant intercompany accounts, transactions, and balances have been eliminated in consolidation. Investments in entities for which the System does not have a controlling financial interest are primarily accounted for using the equity method of accounting.

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.

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, Investments, and Liquidity Resources and Fair Value Measurements notes.

Ascension

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

Long-term investments include assets limited as to use of \$2,294,295 and \$1,448,748 as of June 30, 2026 and 2025, respectively. Assets limited as to use are primarily assets under bond agreement, assets placed in trust or held by captive insurance companies for the payment of self-insured claims and investments with donor restrictions, including restricted cash and cash equivalents.

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, ranging from 2 to 40 years; and equipment, ranging from 2 to 20 years. Property and equipment 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. There were no material impairment charges recorded for the years ended June 30, 2026 and 2025.

Investment in Unconsolidated Entities - The System's Investment in unconsolidated entities is reviewed for impairment annually or whenever events or business conditions indicate the carrying amount of the investment may not be fully recoverable. An impairment loss is recognized in Income (loss) from operations when a decline in the fair value of an investment below its carrying amount is determined to be other-than-temporary.

Ascension

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

Goodwill - The System records goodwill from business combinations as the excess of purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not amortized and is evaluated for impairment annually, or when circumstances indicate a possible impairment may exist, at a reporting unit level. This evaluation is based on a qualitative assessment that considers performance outlook and industry considerations. If the qualitative assessment indicates the fair value of a reporting unit is, more likely than not, less than its carrying value, a quantitative assessment is performed. For the years ended June 30, 2026 and 2025, no goodwill impairments were recognized.

Intangible Assets, net - Intangible assets, net primarily consist of capitalized computer software costs, including internally developed software, and an indefinite-lived tradename. Costs incurred in the development and installation of internal use software are capitalized subsequent to project approval, for projects whose completion is probable. These costs are amortized on a straight-line basis over the expected useful lives ranging from 3 to 7 years. Intangible assets whose lives are definite are amortized over the expected useful lives ranging from 5 to 30 years.

Nonrecurring Gains (Losses), net - 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.

Noncontrolling Interests - 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%. With the acquisition of AmSurg, noncontrolling interests for certain of AmSurg's ambulatory surgery center investments are redeemable (See Organizational Changes Note).

Net Assets - Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions.

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.

Ascension

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

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. 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 \$359,707 and \$188,931 for the years ended June 30, 2026 and 2025, respectively.

Ascension

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

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care.

Such estimates are determined through either a probability-weighted estimate or an estimate of the most likely amount, depending on the circumstances related to a given estimated settlement item.

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

The System's 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.

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 (continued) (Dollars in Thousands)

Income Taxes - The System's member entities are primarily all tax-exempt organizations described under Internal Revenue Code Section 501(c)(3), and their related income is exempt from federal income tax under Section 501(a).

The System accounts for uncertainty in income tax positions by applying a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The System has determined that no material unrecognized tax benefits or liabilities exist as of June 30, 2026.

As of June 30, 2026 and 2025, excluding amounts recognized in conjunction with the acquisition of AmSurg (see Organizational Changes note), the System had consolidated deferred tax assets of approximately \$510,000 and \$498,000, respectively, for federal and state income tax purposes primarily related to net operating loss carryforwards for the years ended June 30, 2026 and 2025, respectively. Net operating losses incurred prior to July 1, 2018 have expiration dates through 2038, while net operating losses incurred after July 1, 2018 can be carried forward indefinitely, under the Tax Cuts and Jobs Act of 2017. A valuation allowance of approximately \$510,000 and \$498,000 is recognized as of June 30, 2026 and 2025, respectively, due to the uncertainty regarding use of the deferred tax assets. Deferred tax assets, along with valuation allowances, are included within Other long term assets in the Consolidated Balance Sheet.

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.

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

Ascension

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

3. Organizational Changes

Business Combinations

AmSurg - Effective June 4, 2026, Ascension, through a wholly-owned subsidiary, acquired Ambulatory Topco, LLC, including its wholly owned subsidiaries and interest in controlled and noncontrolled affiliates (collectively, AmSurg), a for profit ambulatory surgery development, management, and operations services company, for approximately \$3,800,000. This transaction was accounted for as an acquisition in accordance with the FASB Accounting Standards Codification (ASC) Subtopic 958-805, *Not-for-Profit Entities - Business Combinations*.

The System is in the process of determining final valuation amounts for certain assets and liabilities as well as confirming the accounting policies and procedures with those of the System, and as such, certain adjustments may be made during the measurement period that ends on June 4, 2027. These adjustments are not anticipated to be material to Ascension's Consolidated Balance Sheet. Fair values were determined in accordance with FASB ASC 820, *Fair Value Measurements*. The following summarizes the preliminary purchase price allocation:

	<u>AmSurg</u>
Cash and cash equivalents	\$ 119,067
Net working capital	42,279
Property and equipment	156,352
Right-of-use-asset - leases	240,292
Investment in unconsolidated entities	592,145
Goodwill	4,265,984
Trade name	100,000
Long-term debt	(51,169)
Lease obligations	(264,490)
Other long-term assets (liabilities), net	(55,348)
Net assets - noncontrolling interests	<u>(1,307,000)</u>
Consideration paid	<u>\$ 3,838,112</u>

Net assets - noncontrolling interests in the table above includes non-redeemable noncontrolling interests of \$927,000 and redeemable noncontrolling interests of \$380,000. Redeemable noncontrolling interests relate to certain AmSurg affiliates, whereby AmSurg has an obligation to purchase affiliate interests in the event of certain changes in law as defined in the respective affiliate agreements. The purchase price required upon redemption is in accordance with the respective affiliate agreements.

Ascension

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

The following unaudited pro forma financial information presents the combined results of operations of Ascension and AmSurg for the years ended June 30, 2026 and 2025, respectively, as though the business combination transaction had occurred on July 1, 2024. This pro forma financial information may not be indicative of the results of operations that would occur if this entity was consolidated into the System during those periods, nor is it necessarily indicative of future operating results.

	The years ended June 30,	
	2026	2025
Total operating revenue	\$ 25,776,709	\$ 26,730,278
Excess of revenues and gains over expenses and losses, controlling interest	1,382,087	802,827
Increase in unrestricted net assets, controlling interest	1,973,289	981,077
Increase in unrestricted net assets, noncontrolling interest	306,563	151,513
Increase (decrease) in donor restricted net assets	9,677	(151,411)

The pro forma excess (deficit) of revenues and gains over expenses and losses and other changes in net assets above excludes certain adjustments attributable to the business combination transaction.

As of June 30, 2026, AmSurg is a taxable entity subject to federal and state corporate income taxes and is accounted for under the asset and liability method prescribed by ASC 740, *Income Taxes*. The acquisition was structured as a taxable stock purchase, and as such, AmSurg carried over its existing tax basis in its assets and liabilities. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, measured using enacted tax rates expected to apply in the years the related temporary differences are expected to be recovered or settled.

As of June 30, 2026, gross deferred tax assets and gross deferred tax liabilities related to AmSurg were approximately \$316,000 and \$203,000, respectively, before consideration of a valuation allowance of \$109,000, resulting in a net deferred tax asset position of approximately \$4,000, included within Other long term assets in the Consolidated Balance Sheet as of June 30, 2026. These assets and liabilities relate primarily to federal and state net operating loss carryforwards, Section 163(j) business interest expense limitation carryforwards, the outside basis difference in AmSurg's investments in partnership interests, and basis differences in property, equipment, and intangible assets.

Ascension

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

AmSurg has federal net operating loss carryforwards that do not expire under the Tax Cuts and Jobs Act of 2017, state net operating loss carryforwards that begin to expire in 2038, and Section 163(j) interest expense carryforwards that do not expire. A valuation allowance has been established against a portion of these deferred tax assets, primarily related to the Section 163(j) carryforwards and certain state net operating losses, to the extent it is more likely than not that such assets will not be realized.

Variable Interest Entities (VIEs)

AmSurg's equity ownership interests in its controlled and consolidated entities are through variable interests in these entities, where AmSurg is considered the primary beneficiary, accounted for under ASC 810, Consolidations. Primary beneficiary designation is based on the entities' governing agreements, which allow AmSurg to govern the day-to-day activities and thereby control the most significant economic activities. The total assets (excluding goodwill and intangible assets, net) and total liabilities of AmSurg's consolidated VIEs as of June 30, 2026 are \$588,735 and \$365,778, respectively.

AmSurg also has equity interests in unconsolidated affiliates which meet the definition of a variable interest entity, but for which AmSurg is not the primary beneficiary. These entities are accounted for under the equity method of accounting and included in Investments in unconsolidated entities on the Consolidated Balance Sheet, and earnings or loss are recognized in Other revenue on the Statement of Operations and Changes in Net Assets. As of June 30, 2026, AmSurg has a variable interest in unconsolidated affiliates of approximately \$592,000.

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

Ascension

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

Divestitures

Assets and liabilities held for sale were approximately \$145,000 and \$44,000, respectively, as of 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 as of June 30, 2025 were contributed with the July 1, 2025 divestiture in Michigan.

Ascension Senior Living - During the years ended June 30, 2026 and 2025, Ascension Senior Living completed the sale of certain assets and primarily all operations of six senior living facilities to various purchasers.

Ascension Michigan - 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.

Presence - 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.

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

Ascension Michigan - 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 Henry Ford Health System (HFHS), and obtained a 20% noncontrolling interest in HFHS.

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

Ascension

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

4. Operating Revenue

Net Patient Service Revenue and Accounts Receivable

Net patient service revenue earned for the years ended June 30, 2026 and 2025, is as follows:

	The years ended June 30,	
	2026	2025
Inpatient care	\$ 10,275,604	\$ 10,595,170
Ambulatory care	9,131,796	9,227,555
Physician practices	2,021,493	2,291,868
Long-term care	340,467	422,312
Total net patient service revenue	<u>\$ 21,769,360</u>	<u>\$ 22,536,905</u>

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

	Net Patient Service Revenue		Accounts Receivable	
	The years ended June 30,	2026	June 30,	June 30,
	2026	2025	2026	2025
Medicare - traditional and managed	33.3 %	35.4 %	26.8 %	27.0 %
Medicaid - traditional and managed	15.7	15.9	8.9	9.2
Other commercial and managed care	44.3	44.5	42.8	47.8
Self-Pay and other	6.7	4.2	21.5	16.0
	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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.

Ascension

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

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 years ended June 30, 2026 and 2025:

	The years ended June 30,	
	2026	2025
Cafeteria and vending	\$ 59,759	\$ 69,636
Contracted services	648,377	579,575
Donations and grants	297,813	227,998
Gains on asset sales	65,390	129,696
Insurance plans	210,269	238,987
Income from investment in unconsolidated entities	270,133	298,312
Lease and rental income	71,070	76,430
Retail pharmacy	867,177	891,383
Value based programs	96,659	119,048
Other	117,071	158,270
Total other revenue	\$ 2,703,718	\$ 2,789,335

5. 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

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

Ascension and the Alpha Fund invest in certain alternative investment funds, which include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. As of June 30, 2026, unfunded capital commitments were approximately \$1,133,000, of which approximately \$215,000 were attributable to Alpha Fund investors other than Ascension. Funding under these commitments, if required, is expected to be primarily satisfied by the liquidation of existing investments in the Alpha Fund.

In the normal course of business, the Alpha Fund enters into derivative contracts (derivatives) for trading purposes, as well as repurchase agreements, within approved guidelines. Advisors selected by AIM to manage the Alpha Fund's assets may actively trade futures contracts, options, swaps, forward settling mortgage-backed securities, index-based instruments, and foreign currency forward contracts. AIM may also direct these advisors to execute derivative transactions. These transactions are used to hedge against changes in 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. As of June 30, 2026 and 2025, the gross notional value of Alpha Fund derivatives outstanding was approximately \$6,115,000 and \$3,981,000, respectively. See the Fair Value Measurements note for discussion of the Alpha Fund derivatives' fair value determination.

As of June 30, 2026 and 2025, the fair value of Alpha Fund derivatives in an asset position was \$109,039 and \$83,226, respectively, while the fair value of Alpha Fund derivatives in a liability position was \$100,355 and \$80,549 as of June 30, 2026 and 2025, respectively. These derivatives are included in Long-term investments in the Consolidated Balance Sheets.

The Alpha Fund enters into repurchase agreements, whereby certain securities of the Alpha Fund's investments are sold to a counterparty in return for cash, on a short-term basis. Repurchase agreements are recorded at their contractual amounts plus accrued interest and are included within Due to counterparties on the Consolidated Balance Sheets. The fair value of investments pledged under repurchase agreements as of June 30, 2026 and 2025 was approximately \$772,000 and \$688,000, respectively. Cash received by the Alpha Fund is not restricted for use. The Alpha Fund makes delivery of securities sold under agreements to repurchase and monitors the value of the collateral on a daily basis. When necessary, the Alpha Fund will deliver additional collateral.

Ascension

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

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. As of June 30, 2026 and 2025, the fair value of collateral under the System's securities lending program, consisting primarily of non-cash collateral, was approximately \$629,000 and \$486,000, respectively.

Cash collateral is 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 (continued) (Dollars in Thousands)

6. Cash, Investments and Liquidity Resources

Composition of Cash and Investments

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:

	June 30, 2026	June 30, 2025
Cash and cash equivalents and short-term investments	\$ 813,567	\$ 661,170
Pooled short-term investment fund	912,201	940,858
U.S. government, state, municipal and agency obligations	2,072,973	1,943,706
Corporate and foreign fixed income securities	1,055,387	921,116
Asset-backed securities	1,461,720	1,187,541
Equity securities	7,615,623	7,226,649
Alternative investments and other investments:		
Private equity and real estate funds	5,158,423	5,005,763
Private credit and energy funds	930,597	1,175,108
Hedge funds	564,281	523,261
Other investments	248,069	449,709
Total alternative investments and other investments	6,901,370	7,153,841
Total cash and cash equivalents, short-term investments, and long-term investments	<u>\$ 20,832,841</u>	<u>\$ 20,034,881</u>

Investment Return

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 (continued) (Dollars in Thousands)

Investment return recognized by the System for the years ended June 30, 2026 and 2025, is summarized as follows:

	The years ended June 30,	
	2026	2025
Interest and dividends	\$ 501,349	\$ 468,457
Net gains (losses) on investments reported at fair value	1,718,502	1,446,055
Restricted investment return and unrealized gains (losses), net	35,765	22,527
Total investment return, net	2,255,616	1,937,039
Less Investment Funds' noncontrolling interest return, net	282,328	198,313
System investment return, net	\$ 1,973,288	\$ 1,738,726

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

Liquidity Resources

Resources available within one year for general expenditure primarily consist of unrestricted cash and investments, net and borrowing capacity. System unrestricted cash and investments, net, as calculated below, excludes assets limited as to use and noncontrolling interests of Investment Funds and includes other net assets of Investment Funds, which are primarily amounts due from and to counterparties.

The System invests cash and cash equivalents obtained primarily through operating and investing activities in excess of daily requirements. The System's investment strategy ensures sufficient liquidity within the portfolio to satisfy general expenditures, principal payments on debt, capital expenditures not financed with debt and other obligations. Although intended to satisfy long-term obligations, management estimates that approximately 60% of unrestricted cash and investments, as of June 30, 2026 and 2025, could be utilized within the next year, if needed.

Ascension

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

	June 30, 2026	June 30, 2025
Cash and cash equivalents	\$ 560,827	\$ 541,395
Short-term investments	39,367	43,974
Long-term investments	20,232,647	19,449,512
Subtotal	20,832,841	20,034,881
Investment Funds' other assets (liabilities), net	(747,489)	(597,482)
Total cash and investments, net	20,085,352	19,437,399
Less noncontrolling interest of Investment Funds	2,717,165	2,509,316
System cash and investments, including assets limited as to use	17,368,187	16,928,083
Less assets limited as to use:		
Under bond agreement ¹	593,516	137
Self-insurance trust funds	1,089,539	854,723
With donor restrictions	611,240	593,888
Total assets limited as to use	2,294,295	1,448,748
System unrestricted cash and investments, net	\$ 15,073,892	\$ 15,479,335

¹Primarily relates to bond proceeds held in escrow. See Debt note.

Additional financial assets include accounts receivable and other current assets. The System also has access to public and private debt markets and maintains a revolving credit agreement and commercial paper program, as described in the Debt note.

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.

Ascension

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

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.

The System's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. As of June 30, 2026 and 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.

Ascension

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

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).

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.

Ascension

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

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.

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 the present value of expected future cash flows using discount rates appropriate with risks involved. Significant observable inputs to valuation models include interest rates, Treasury yields, volatilities, credit spreads, maturity, and recovery rates.

Investments Sold, Not Yet Purchased - The fair value of investments sold, not yet purchased is based on the nature of the underlying securities, which may include equity or fixed income securities, and whose valuation techniques are consistent with these security types as discussed above.

Ascension

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

The following tables summarize fair value measurements, by level, as of June 30, 2026 and 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
June 30, 2026				
Cash equivalents	\$ 21,340	\$ 134,513	\$ -	\$ 155,853
Short-term investments	28,507	5,523	-	34,030
Pooled short-term investment fund	912,201	-	-	912,201
U.S. government, state, municipal and agency obligations	-	2,072,973	-	2,072,973
Corporate and foreign fixed income securities	-	1,054,006	1,381	1,055,387
Asset-backed securities	-	1,223,487	238,233	1,461,720
Equity securities	7,598,901	2,143	6,160	7,607,204
Alternative investments and other investments:				
Private equity	-	-	666,318	666,318
Other investments, including derivatives, net	154,489	4,782	2,305	161,576
Assets at net asset value:				
Equity securities				8,419
Private equity funds and real estate funds				4,492,105
Private credit and energy funds				930,597
Hedge funds				564,281
Cash and other investments not at fair value				710,177
Cash and investments				<u>\$ 20,832,841</u>
Deferred compensation plan assets, in other noncurrent assets	\$ 794,957	\$ -	\$ 30,487	\$ 825,444
Investments sold, not yet purchased, in other noncurrent liabilities	802	-	-	802
Interest rate swaps, included in other noncurrent liabilities ¹	-	-	-	-

¹See Derivative Instruments note.

Ascension

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

	Level 1	Level 2	Level 3	Total
June 30, 2025				
Cash equivalents	\$ 30,498	\$ 1,855	\$ -	\$ 32,353
Short-term investments	31,239	5,355	-	36,594
Pooled short-term investment fund	940,858	-	-	940,858
U.S. government, state, municipal and agency obligations	-	1,943,706	-	1,943,706
Corporate and foreign fixed income securities	-	919,379	1,737	921,116
Asset-backed securities	-	970,939	216,600	1,187,539
Equity securities	7,195,135	14,778	5,932	7,215,845
Alternative investments and other investments:				
Private equity	-	-	603,986	603,986
Other investments, including derivatives, net	337,584	5,998	2,246	345,828
Assets at net asset value:				
Equity securities				10,804
Private equity funds and real estate funds				4,401,777
Private credit and energy funds				1,175,108
Hedge funds				523,261
Other investments				1,370
Cash and other investments not at fair value				694,736
Cash and investments				<u>\$ 20,034,881</u>
Deferred compensation plan assets, in other noncurrent assets	\$ 713,136	\$ -	\$ 33,249	\$ 746,385
Investments sold, not yet purchased, in other noncurrent liabilities	20	492	-	512
Interest rate swaps, included in other noncurrent liabilities	-	23,057	-	23,057

Ascension

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

For the years ended June 30, 2026 and 2025 the changes in the fair value of the assets and liabilities measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign Fixed Income Securities	Asset- Backed Securities	Equity Securities	Private Equity	Other Investments	Deferred Compensation Plan Assets
The year ended						
June 30, 2026						
Beginning balance	\$ 1,737	\$ 216,600	\$ 5,932	\$ 603,986	\$ 2,246	\$ 33,249
Realized and unrealized gains (losses):						
Included in nonoperating gains (losses)	45	(3,482)	228	(21,378)	64	-
Included in changes in net assets	-	-	-	-	(6)	-
Purchases	-	145,705	64	129,062	62	1,416
Issuances	-	-	-	1,160	-	-
Sales	(401)	(120,590)	(72)	(64,671)	(61)	(3,548)
Transfers into Level 3	-	-	8	69,848	-	1,794
Transfers out of Level 3	-	-	-	(51,689)	-	(2,424)
Ending balance	<u>\$ 1,381</u>	<u>\$ 238,233</u>	<u>\$ 6,160</u>	<u>\$ 666,318</u>	<u>\$ 2,305</u>	<u>\$ 30,487</u>

The amount of total gains or losses for the period included in nonoperating gains (losses) attributable to the changes in unrealized gains or losses relating to assets still held at June 30, 2026.

\$ 54	\$ (3,755)	\$ 202	\$ 533	\$ 3	\$ -
-------	------------	--------	--------	------	------

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

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

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

Ascension

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

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. Property and Equipment, net

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

	June 30, 2026	June 30, 2025
Land and improvements	\$ 1,096,353	\$ 1,100,920
Buildings and equipment	17,450,762	16,024,384
	18,547,115	17,125,304
Less accumulated depreciation	10,180,052	9,574,459
	8,367,063	7,550,845
Construction in progress	785,998	900,799
Total property and equipment, net	\$ 9,153,061	\$ 8,451,644

Depreciation expense for the years ended June 30, 2026 and 2025 was approximately \$805,000 and \$803,000, respectively. Several capital projects have remaining construction and related equipment purchase commitments of approximately \$769,000 as of June 30, 2026.

9. Investment in Unconsolidated Entities

The System's investment in unconsolidated entities consists of over 150 unconsolidated entities accounted for using the equity method of accounting. These investments are recognized in Investment in unconsolidated entities on the Consolidated Balance Sheets, with equity method income or loss recognized in Other revenue in the Consolidated Statement of Operations and Changes in Net Assets.

Ascension

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

Ascension's investment in unconsolidated entities by type, are included in the following table:

	June 30, 2026	June 30, 2025
Hospitals	\$ 1,739,580	\$ 1,694,680
Ambulatory surgery centers	711,062	103,511
Health plans	436,054	375,286
Health related services	263,612	216,545
Management services and other	91,451	85,273
Total investment in unconsolidated entities	<u>\$ 3,241,759</u>	<u>\$ 2,475,295</u>

Included within Hospitals in the above table is Ascension's 20% interest in HFHS as described in the Organizational Changes note, which was valued at approximately \$1,347,000 and \$1,329,000 as of June 30, 2026 and 2025, respectively. Ascension elected to measure this investment using the fair value option 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.

During the years ended June 30, 2026 and 2025, Ascension recorded gains of approximately \$18,000 and \$76,000, respectively, in Other revenue, reflecting the change in fair value of its investment in HFHS.

Ascension

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

10. Goodwill

Changes in the carrying amount of goodwill for the years ended June 30, 2026 and 2025 are as follows:

	June 30, 2026	June 30, 2025
Goodwill at the beginning of the period	\$ 920,193	\$ 603,116
Goodwill acquired during the year	4,298,588	342,892
Goodwill divested during the year	(52,578)	(25,815)
Goodwill at the end of the period	<u>\$ 5,166,203</u>	<u>\$ 920,193</u>

11. Intangible assets, net

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

	June 30, 2026	June 30, 2025
Capitalized software costs	\$ 2,546,467	\$ 2,541,384
Software in progress	358,450	129,473
Less accumulated amortization	2,121,357	2,067,911
Capitalized software costs, net	783,560	602,946
Other intangibles:		
Indefinite-lived intangible assets	114,264	23,446
Definite-lived intangible assets, net	34,504	31,606
Total intangible assets, net	<u>\$ 932,328</u>	<u>\$ 657,998</u>

Included in Indefinite-lived intangible assets is a trade name, as discussed in Organizational Changes note. Amortization expense for definite-lived intangible assets for the years ended June 30, 2026 and 2025 was approximately \$193,000 and \$203,000, respectively.

Ascension

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

As of June 30, 2026, estimated future amortization of capitalized software costs, excluding software in progress and indefinite-lived assets, is as follows:

The years ending June 30:		
2027	\$	154,134
2028		111,495
2029		68,852
2030		45,893
2031		41,584
Thereafter		37,656
Total	\$	<u>459,614</u>

12. Debt

Debt as of June 30, 2026 and 2025 is comprised of the following:

	June 30, 2026	June 30, 2025
Short-term debt:		
Short-term debt obligations	\$ 772,298	\$ 368,963
Long-term debt:		
Tax-exempt hospital revenue bonds - secured under Ascension's MTI	\$ 4,321,850	\$ 2,391,605
Tax-exempt hospital revenue bonds - unsecured under Ascension's Subordinate MTI	-	39,640
Taxable bonds - secured under Ascension's MTI	5,137,600	3,042,600
Total hospital revenue bonds - all Master Trust Indentures	<u>9,459,450</u>	5,473,845
Other	140,258	71,014
	<u>9,599,708</u>	5,544,859
Unamortized premium, net	312,258	170,864
Less debt issuance cost, net	(44,620)	(26,123)
Less current portion	(102,462)	(102,018)
Less long-term debt subject to short-term remarketing arrangements	(700,000)	(343,685)
Long-term debt	<u>\$ 9,064,884</u>	<u>\$ 5,243,897</u>

Ascension

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

The System's hospital revenue bonds as of June 30, 2026 and 2025 are comprised of the following:

	June 30, 2026	June 30, 2025
Tax-exempt hospital revenue bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Variable rate demand bonds, subject to a seven-day put provision, payable through November 2065; interest set at prevailing market rates (2.65% to 2.70% at June 30, 2026; 1.75% to 2.05% at June 30, 2025)	\$ 704,325	\$ 353,760
Fixed rate serial, term, and mode bonds fixed to maturity payable in installments through November 2046; interest at 3.00% to 5.00%	2,567,150	2,037,845
Fixed rate serial mode bonds payable through 2051 with purchase dates ranging from November 2030 through November 2035; interest at 5.00% through the purchase dates	1,050,375	-
Tax-exempt hospital revenue bonds – unsecured under Ascension Health Alliance Subordinate Master Trust Indenture:		
Variable rate demand bonds issued under the Subordinate Master Trust Indenture; retired in November 2025	-	2,985
Fixed rate serial, term, and mode bonds issued under the Subordinate Master Trust Indenture; retired November 2025	-	36,655
Taxable bonds – secured under Ascension Health Alliance Senior Credit Group Master Trust Indenture:		
Taxable fixed rate term bonds payable through November 2053; interest at 4.847%	425,000	425,000
Taxable fixed rate term bonds payable through November 2046; interest at 3.945%	1,170,000	1,170,000
Taxable fixed rate term bonds payable through November 2039; interest at 2.532% to 3.106%	1,447,600	1,447,600
Taxable fixed rate term bonds payable through November 2035; interest at 4.078% to 4.923%	2,095,000	-
Total hospital revenue bonds under Senior Master Trust Indenture and Subordinate Master Trust Indenture	\$ 9,459,450	\$ 5,473,845

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

Ascension

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

Master Trust Indenture

In December 2025, the Amended and Restated MTI became effective, replacing the Original MTI, dated November 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 year ending June 30, 2026, 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 Senior Credit Group to comply with the terms of the Amended and Restated MTI, including payment of the outstanding obligations. There are no active senior limited designated affiliates in the Senior Credit Group as of June 30, 2026.

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.

Debt Transactions

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 (continued) (Dollars in Thousands)

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. As of June 30, 2026, \$593,416 of the tax-exempt bond proceeds are held by the bond trustee and considered assets limited as to use until reimbursement of eligible capital project spending occurs, which is reported within Long-term investments on the Consolidated Balance Sheet.

Variable Rate Bonds and Debt Maturities

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 June 30, 2026, 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 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 line of credit, issuing commercial paper, and liquidating investments.

Scheduled principal repayments of long-term debt, considering obligations subject to short-term remarketing, as of June 30, 2026, are as follows:

The years ending June 30:	Ascension		Total
	MTIs	Other Debt	
2027	\$ 89,395	\$ 13,067	\$ 102,462
2028	98,520	20,452	118,972
2029	628,630	18,636	647,266
2030	1,015,050	17,790	1,032,840
2031	924,480	19,861	944,341
Thereafter	6,703,375	50,452	6,753,827
Total	\$ 9,459,450	\$ 140,258	\$ 9,599,708

Ascension

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

During the years ended June 30, 2026 and 2025, interest paid was \$306,298 and \$290,341, respectively. Capitalized interest was \$19,125 and \$19,653 for the years ended June 30, 2026 and 2025, respectively.

Sources of Liquidity

In December 2025, Ascension increased its commercial paper program authorization from \$1,000,000 to \$2,000,000. During the year ended June 30, 2026, Ascension both issued and repaid commercial paper resulting in net borrowings of \$403,335. As of June 30, 2026, an outstanding balance of \$772,298 is included in Short-term debt obligations on the Consolidated Balance Sheet.

As of June 30, 2026, the Senior Credit Group has a line of credit totaling \$1,000,000, committed through November 18, 2027. The Senior Credit Group also had an additional \$500,000 line of credit, which was terminated early on June 30, 2026 prior to its August 12, 2026 natural termination date. If drawn upon, funds from the remaining line of credit can be used for general corporate purposes. No amounts were outstanding under these lines of credit as of June 30, 2026 or 2025.

As of June 30, 2026 and 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 \$67,535 were issued as of June 30, 2026. There were no borrowings outstanding under this program as of June 30, 2026 or 2025.

13. 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 18, 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). As of 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 as of June 30, 2025, was \$23,057, included in Other noncurrent liabilities in the Consolidated Balance Sheet.

Ascension

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

14. Leases

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

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

	The years ended June 30,	
	2026	2025
Operating lease cost	\$ 243,608	\$ 273,506
Finance lease cost:		
Interest on lease liabilities	2,852	2,770
Amortization of right-of-use-asset	3,084	2,839
Variable lease cost	56,705	65,958
Total lease cost	\$ 306,249	\$ 345,073

The weighted average remaining lease terms and the weighted average discount rates as of June 30, 2026 and 2025 were as follows:

	June 30, 2026		June 30, 2025	
	Operating Leases	Finance Leases	Operating Leases	Finance Leases
Weighted-average remaining lease term	8.0 years	20.4 years	7.9 years	24.5 years
Weighted-average discount rate	5.4%	3.9%	3.6%	3.3%

Ascension

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

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

	The years ended June 30,	
	2026	2025
Operating leases	\$ 232,419	\$ 268,018
Finance leases	4,054	3,982
Total cash paid	<u>\$ 236,473</u>	<u>\$ 272,000</u>

The following table reconciles undiscounted future operating and finance lease obligations for each of the next five years and thereafter, as of June 30, 2026, to Lease obligations recorded on the Consolidated Balance Sheet as of June 30, 2026.

Twelve Months Ending June 30,	Operating Leases	Finance Leases	Total
2027	\$ 250,088	\$ 10,707	\$ 260,795
2028	216,226	7,563	223,789
2029	175,307	6,564	181,871
2030	147,003	5,979	152,982
2031	117,952	6,961	124,913
Thereafter	444,496	95,894	540,390
Total future undiscounted lease obligations	1,351,072	133,668	1,484,740
Less: amount of lease payments representing interest	(205,296)	(40,983)	(246,279)
Present value of future lease obligations	1,145,776	92,685	1,238,461
Less: current portion of lease obligations	(217,624)	(7,305)	(224,929)
Long-term lease obligations	<u>\$ 928,152</u>	<u>\$ 85,380</u>	<u>\$ 1,013,532</u>

Ascension

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

For leases where the System is a lessor, future minimum noncancelable receipts on operating leases for each of the next five years and thereafter, as of June 30, 2026, are as follows:

The years ending June 30:	Operating Leases
2027	\$ 53,525
2028	45,493
2029	38,545
2030	33,221
2031	26,578
Thereafter	284,592
Total	\$ 481,954

For the years ended June 30, 2026 and 2025, lease income was approximately \$60,000 and \$65,000, respectively.

15. Insurance Programs

Self Insurance Program

The System's entities are primarily self-insured for professional and general liability claims on a claims-made basis, as well as workers compensation claims on an occurrence basis, through grantor trusts and Ascension Health Insurance, Ltd. (AHIL), a captive insurance company and direct subsidiary of Ascension Risk Services. The grantor trusts provide funding for claims within the self-insured retentions. Actuarially determined amounts are contributed to the trust funds to provide for the estimated cost of claims.

The associated loss reserves recorded for estimated self-insured professional, general liability, and workers' compensation claims include estimates of the ultimate costs for both reported claims and claims incurred but not reported. For certain entities acquired by Ascension in 2018, loss reserves for estimated self-insured professional, general liability, and workers' compensation claims reported prior to July 1, 2018 were actuarially determined and are recorded on an undiscounted basis as of June 30, 2026. These reserves are held outside of the grantor trust. The self-insured professional and general liabilities for these claims are retained up to \$10,000 per occurrence with no aggregate and an additional \$10,000 in aggregate. Additionally, reinsurance up to \$150,000 in aggregate exists beyond these limits.

Ascension

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

Professional and General Liability Programs

Professional and general liability coverage is primarily provided on a claims-made basis through a wholly owned onshore revocable trust and through AHIL. For the current policy year ended June 30, 2026, the revocable trust has a self-insured retention up to \$25,000 per occurrence with no aggregate. Excess coverage is provided through AHIL with limits up to \$220,000. This excess coverage is primarily reinsured by commercial carriers.

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

Sunflower Assurance, Ltd., a captive insurance company and wholly owned subsidiary of Ascension Risk Services, offers physician professional liability coverage through insurance or reinsurance arrangements to non-employed physicians practicing at various facilities of the System. Coverage is offered to physicians with limits ranging from \$100 per claim to \$1,000 per claim with various aggregate limits.

Included in Insurance in the Consolidated Statements of Operations and Changes in Net Assets is professional and general liability claim and insurance expense of \$310,381 and \$355,900 for the years ended June 30, 2026 and 2025, respectively. Included in current and long-term Self-insurance liabilities on the Consolidated Balance Sheets are professional and general liability reserves, discounted at 5.5%, of \$1,034,286 and \$1,100,144 as of June 30, 2026 and 2025, respectively. Included in Other current and Other long-term assets on the Consolidated Balance Sheets are reinsurance receivables of \$34,203 and \$100,093 as of June 30, 2026 and 2025, respectively.

Workers' Compensation

Workers' compensation coverage is primarily provided on an occurrence basis through a grantor trust. The self-insured trust provides coverage up to \$1,500 per occurrence with no aggregate. The trust provides a mechanism for funding the workers' compensation obligations of its members. Included in Employee benefits in the Consolidated Statements of Operations and Changes in Net Assets is workers' compensation claim and insurance expense of \$19,638 and \$29,883 for the years ended June 30, 2026 and 2025, respectively. Included in current and long-term Self-insurance liabilities on the Consolidated Balance Sheets are workers' compensation loss reserves of \$125,926 and \$144,711 as of June 30, 2026 and 2025, respectively.

Ascension

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

AmSurg Insurance

AmSurg obtains professional liability insurance on a claims-made basis from third-party insurers for its surgery centers and certain of its owned practices. Additionally, AmSurg maintains insurance for workers' compensation liability and property damage. Certain policies are subject to deductibles.

16. Retirement Plans

Defined-Benefit Plans

Certain System entities participate in noncontributory, defined-benefit pension plans (the System Plans), which include traditional and cash balance plans. Benefits are based on each participant's years of service and compensation. Primarily all of the System Plans' assets are invested in the Master Pension Trust (the Trust). Contributions to the System Plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to participants. As of December 31, 2019, all System Plans were frozen.

The assets of the System Plans are available to pay the benefits of eligible employees and retirees of all participating entities, and consist of investment types as included in the fair value investment leveling tables further below. In the event certain entities participating in the System Plans are unable to fulfill their financial obligations under the System Plans, other participating entities are obligated to do so.

The following table provides the combined benefit obligations and assets of the System Plans as of June 30, 2026 and 2025. Certain System Plans are in an asset position, while others are in a liability position, and are included in the Consolidated Balance Sheets as shown below. The System's Plans' funded status percentage for both the projected and accumulated benefit obligations below were 107% and 98.3% as of June 30, 2026 and 2025, respectively.

Ascension

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

	The years ended June 30,	
	2026	2025
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 7,433,627	\$ 7,526,581
Interest Cost	394,688	409,221
Assumption change	(63,770)	74,010
Actuarial loss	(20,772)	34,256
Other	-	8,778
Benefits paid	(676,253)	(619,219)
Projected benefit obligation at end of year	7,067,520	7,433,627
Change in plan assets:		
Fair value of plan assets at beginning of year	7,310,714	7,253,510
Actual return on plan assets	925,350	664,906
Employer contributions	287	-
Other	-	11,517
Benefits paid	(676,253)	(619,219)
Fair value of plan assets at end of year	7,560,098	7,310,714
Net amount recognized at end of year and funded status	\$ 492,578	\$ (122,913)
System Plans in an asset position, included in long term other assets	862,212	304,333
System Plans in a liability position, included in Pension liabilities	369,634	427,246
Accumulated benefit obligation at end of year	7,067,520	7,433,627

The Unrecognized net pension costs for the System Plans in the following table are included in net assets without donor restrictions as of June 30, 2026 and 2025, and have not yet been recognized in net periodic pension cost for the System Plans:

	The years ended June 30,	
	2026	2025
Unrecognized actuarial loss	\$ (1,564,580)	\$ (2,111,859)
Unrecognized prior service credit	640	678
Unrecognized net pension cost in net assets	\$ (1,563,940)	\$ (2,111,181)

Ascension

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

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

	The years ended June 30,	
	2026	2025
Current year actuarial gain (loss)	\$ 434,858	\$ (33,063)
Amortization of actuarial loss	112,421	102,204
Amortization of prior service credit	(38)	(38)
Increase (decrease) in net assets	<u>\$ 547,241</u>	<u>\$ 69,103</u>

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

	The years ended June 30,	
	2026	2025
Components of net periodic benefit cost		
Expected return on plan assets	\$ 575,034	\$ 587,560
Interest cost	(394,688)	(409,221)
Amortization of actuarial loss	(107,961)	(98,283)
Amortization of prior service credit	38	38
Settlement loss	(4,460)	(3,921)
Net periodic benefit gain	<u>\$ 67,963</u>	<u>\$ 76,173</u>

Rate assumptions used to determine the benefit obligation and net periodic benefit cost for the System Plans are set forth in the table below. In addition, the System applied the Society of Actuaries Pri-2012 Private Retirement Plans Mortality Tables, with mortality improvement projected using the Society of Actuaries MP-2021 mortality projection scale, for purposes of the June 30, 2026 valuation.

Ascension

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

	The years ended June 30,	
	2026	2025
To determine benefit obligations:		
Discount rate	5.84%	5.63%
To determine net periodic benefit cost:		
Discount rate	5.63%	5.75%
Expected return on plan assets	8.00%	8.00%
<u>Cash Balance Plans</u>		
To determine benefit obligations:		
Interest crediting rate	4.25%	4.25%
To determine net periodic benefit cost:		
Interest crediting rate	4.25%	4.25%

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

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

The System Plans' assets invested in the Trust are invested in a portfolio designed to protect principal and obtain competitive investment returns and long-term investment growth, consistent with actuarial assumptions, with a reasonable and prudent level of risk. Diversification is achieved by allocating to funds and managers that correlate to one of three economic strategies: growth, deflation, and inflation.

Growth strategies include U.S. equity, emerging market equity, international equity, absolute return hedge funds, directional hedge funds, private equity, hedged equity, high yield, and private credit. Deflation strategies include core fixed income, opportunistic credit, and cash.

Ascension

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

Inflation strategies include inflation-linked bonds, and liquid real assets. The System Plans use multiple investment managers with complementary styles, philosophies, and approaches. In accordance with the System Plans' objectives, derivatives may also be used to gain market exposure in an efficient and timely manner.

In accordance with the System Plans' asset diversification targets, as presented in the table that follows, the Trust holds certain alternative investments, consisting of various hedge funds, private equity funds, and real estate funds. These investments do not have observable market values. As such, each of these investments is valued at net asset value (NAV) as determined by each fund's investment manager, which approximates fair value. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods ranging from 45 to 180 days. Due to redemption restrictions, investments of certain private equity funds, whose fair value was approximately \$1,450,000 as of June 30, 2026, cannot currently be redeemed. However, the potential for the System Plans to sell their interest in hedge funds, private equity funds and real estate funds in a secondary market prior to the end of the fund term does exist.

The investments in these alternative investment funds may also include contractual commitments to provide capital contributions during investment periods, which are typically five years, and can extend to the end of the fund term. As of June 30, 2026, unfunded capital commitments of the Trust total approximately \$592,000.

The weighted-average asset allocation for the System Plans in the Trust as of June 30, 2026 and 2025 and the target allocation, by asset category, are as follows:

Asset Category	Target Allocation	Percentage of Plan Assets as of June 30,	
		2026	2025
Growth	66%	66%	67%
Deflation	25%	26%	25%
Inflation	9%	8%	8%
	100%	100%	100%

Ascension

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

The following tables summarize fair value measurements as of June 30, 2026 and 2025, by asset class and by level, for the System Plans' assets and liabilities. As discussed in the Fair Value Measurements note, the System follows the three-level fair value hierarchy to categorize plan assets and liabilities recognized at fair value, which prioritize the inputs used to measure such fair values. The inputs and valuation techniques discussed in the Fair Value Measurements note also apply to the System Plans' assets and liabilities as presented in the following tables.

	Level 1	Level 2	Level 3	Total
June 30, 2026				
Short-term investments	\$ 730,384	\$ -	\$ -	\$ 730,384
U.S. government, state, municipal and agency obligations	-	1,778,648	-	1,778,648
Corporate and foreign fixed income securities	-	459,670	27	459,697
Asset-backed securities	-	567,390	9,322	576,712
Equity securities	2,857,588	-	8,875	2,866,463
Other investments, including derivatives, net	1,957	250,046	-	252,003
Assets at net asset value:				
Private equity and real estate funds				1,447,899
Hedge funds				285,600
Other assets and liabilities, net				(837,308)
Fair value of plan assets				<u>\$ 7,560,098</u>

	Level 1	Level 2	Level 3	Total
June 30, 2025				
Short-term investments	\$ 537,069	\$ -	\$ -	\$ 537,069
U.S. government, state, municipal and agency obligations	-	1,820,998	-	1,820,998
Corporate and foreign fixed income securities	-	393,682	947	394,629
Asset-backed securities	-	534,483	542	535,025
Equity securities	2,609,328	-	9,445	2,618,773
Other investments, including derivatives, net	1,800	369,053	-	370,853
Assets at net asset value:				
Private equity and real estate funds				1,476,339
Hedge funds				238,749
Other assets and liabilities, net				(681,721)
Fair value of plan assets				<u>\$ 7,310,714</u>

Ascension

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

For the years ended June 30, 2026 and 2025, the changes in the fair value of the System Plans' assets measured using significant unobservable inputs (Level 3) consisted of the following:

	Corporate and Foreign		
	Fixed Income Securities	Asset-Backed Securities	Equity Securities
June 30, 2026			
Beginning balance	\$ 947	\$ 542	\$ 9,445
Total actual return on assets	-	(1)	(444)
Purchases, issuances, and settlements	(920)	8,554	(128)
Transfers (out of) into Level 3	-	227	2
Ending balance	<u>\$ 27</u>	<u>\$ 9,322</u>	<u>\$ 8,875</u>

Actual return on plan assets relating to plan assets still held at June 30, 2026	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (889)</u>
---	-------------	---------------	-----------------

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

Actual return on plan assets relating to plan assets still held at June 30, 2025	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ 1,280</u>
---	-------------	-------------	-----------------

Ascension

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

As of June 30, 2026 and 2025, the Trust held derivative agreements with a net notional amount of approximately \$4,175,000 and \$3,930,000, respectively. The combined targeted duration of these derivatives and the Trust's fixed income investments approximates the duration of the liabilities of the Trust. Currently, 85% of the dollar duration of the liability is subject to this economic hedge. The purpose of this strategy is to economically hedge the change in the net funded status for a significant portion of the liability that can occur due to changes in interest rates.

The fair value of derivatives held by the Trust in an asset position was \$56,222 and \$89,877 as of June 30, 2026 and 2025, respectively, while the fair value of derivatives held by the Trust in a liability position was \$38,240 and \$27,743 as of June 30, 2026 and 2025, respectively. These derivatives are included in Pension liabilities in the Consolidated Balance Sheets.

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

Expected benefit payments:

2027	893,800
2028	637,500
2029	629,800
2030	614,500
2031	601,800
2032-2036	2,753,430

Defined-Contribution Plans

System entities participate in contributory and noncontributory defined-contribution plans covering all eligible associates. Employer automatic contributions, employee contributions, and employer matching contributions are the primary types of contributions to the plans. Employer automatic contributions are determined as a percentage of a participant's salary and, for certain entities, increases over specified periods of employee service. These contributions are funded annually, and participants become fully vested over a period of time. Employer matching contributions are determined as a percentage of an eligible participant's contributions each payroll period. These contributions are funded each payroll period, and participants become fully vested in these employer contributions over time.

Expenses for the defined-contribution plans were approximately \$321,000 and \$363,000, net of forfeitures, for the years ended June 30, 2026 and 2025, respectively, and are included in Employee benefits in the Consolidated Statements of Operations and Changes in Net Assets.

Ascension

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

17. 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 \$3,011,000 for IT and other purchased services over the next 1 - 6 years and approximately \$2,450,000 for supplies over the next 2 years. Additionally, the System has a committed contract through 2031 for revenue cycle services, for which expenses of approximately \$736,000 were incurred for the year ended June 30, 2026.

The System also has outstanding guarantees of third party financing arrangements for certain affiliates as of June 30, 2026 of approximately \$43,000 for up to 13 years. Payments under these commitments may not be required, depending on the performance of the affiliates.

18. Functional Expenses

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

Ascension

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

Expenses by functional classification for the year ended June 30, 2026 consist of the following:

	Healthcare services	Management support services	Total
Salaries, wages, and employee benefits	\$ 9,882,529	\$ 1,158,425	\$ 11,040,954
Purchased services and professional fees	3,252,765	1,229,552	4,482,317
Supplies	3,355,464	1,038	3,356,502
Other	5,287,455	487,556	5,775,011
Total operating expenses	\$ 21,778,213	\$ 2,876,571	\$ 24,654,784

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

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

19. Related Parties

The System has an agreement with a related party for clinical engineering services, under a committed contract through 2032. Expenses for clinical engineering services for the years ended June 30, 2026 and 2025 were approximately \$310,000 and \$345,000, respectively.

The System has certain agreements with HFHS (see Organizational Changes note) to provide revenue cycle, IT, facilities management and finance services. Revenue recognized for these services was approximately \$257,000 and \$171,000 for the years ended June 30, 2026 and 2025, respectively.

Ascension

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

20. Community Benefit (Unaudited)

The System's community benefit is prepared in accordance with Internal Revenue Service Form 990, Schedule H and the Catholic Health Association of the United States' (CHA) publication, *A Guide for Planning and Reporting Community Benefit*.

Community benefit costs included below relate to System entities, including, but not limited to, licensed hospital facilities. For entities sold during the years ended June 30, 2026 and 2025, Care of persons living in poverty and other community benefit programs included in the following table reflect the costs of community benefit through the entities' sale dates (See Organizational Changes note). Community benefit for the years ended June 30, 2026 and 2025, respectively, consists of the following:

	The years ended June 30,	
	2026	2025
Traditional charity care provided	\$ 474,324	\$ 570,097
Unpaid cost of public programs for persons living in poverty	211,140	565,830
Programs for persons living in poverty, other persons who are vulnerable and the broader community:		
Community health improvement services	71,602	75,704
Health professions education	190,835	256,798
Subsidized health services	73,932	58,084
Research	2,141	1,943
Financial contributions	28,723	125,296
Community building activities	1,788	1,640
Community benefit operations	9,998	12,584
Cost of programs for persons living in poverty, other persons who are vulnerable and the broader community	379,019	532,049
Care of persons living in poverty and other community benefit programs	1,064,483	1,667,976
Unpaid costs of Medicare	1,577,930	1,775,465
Community benefit	\$ 2,642,413	\$ 3,443,441

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

Ascension

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

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 - 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 - 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.

Unpaid costs of Medicare - The unpaid cost of services provided to Medicare recipients.

Ascension

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

21. Subsequent Events

The System evaluates the impact of subsequent events, which are events that occur after the Consolidated Balance Sheet date, but before the Consolidated Financial Statements are issued, for potential recognition or disclosure in the Consolidated Financial Statements as of the Consolidated Balance Sheet date. For the year ended June 30, 2026, the System evaluated subsequent events through September 16, 2026, representing the issuance date of the Consolidated Financial Statements.

In July 2026, Ascension Care Management Insurance Holdings, a wholly owned subsidiary of Ascension (Seller) entered into a definitive agreement with CVS Pharmacy, Inc. (CVS), whereby the Seller will transfer its membership interest in Mercy Care to CVS. This transaction is expected to be finalized after all necessary approvals are obtained.

Supplementary Information



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

Tel: +1 314 290 1000
ey.com

**Shape the future
with confidence**

Report of Independent Auditors on Supplementary Information

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

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

Ernst & Young LLP

September 16, 2026

Ascension

Credit Group Financial Statements Balance Sheet (Dollars in Thousands)

	June 30, 2026
Assets	
Current assets:	
Cash and cash equivalents	\$ 327,163
Short-term investments	34,301
Accounts receivable	2,716,317
Inventories	443,958
Estimated third-party payor settlements	618,408
Due from affiliates <i>(See Note 2)</i>	190,181
Other	1,035,779
Total current assets	5,366,107
Long-term investments	15,621,767
Property and equipment, net	8,380,944
Other assets:	
Right-of-use assets - leases	787,639
Investment in unconsolidated entities	2,622,523
Goodwill	848,145
Intangible assets, net	791,415
Due from affiliates <i>(See Note 2)</i>	2,773,277
Other	1,746,479
Total other assets	9,569,478
Total assets	<u>\$ 38,938,296</u>

Continued on next page.

Ascension

Credit Group Financial Statements

Balance Sheet

(Dollars in Thousands)

	June 30, 2026
Liabilities and net assets	
Current liabilities:	
Current portion of long-term debt	\$ 95,741
Long-term debt subject to short-term remarketing arrangements	700,000
Short-term debt obligations	772,298
Current portion of lease obligations	190,934
Accounts payable and accrued liabilities	2,386,245
Estimated third-party payor settlements	224,222
Due to affiliates <i>(See Note 2)</i>	123,471
Other	338,782
Total current liabilities	<u>4,831,693</u>
Noncurrent liabilities:	
Long-term debt	9,021,662
Lease obligations, less current portion	633,819
Pension liabilities	369,634
Other	1,276,150
Total noncurrent liabilities	<u>11,301,265</u>
Total liabilities	<u>16,132,958</u>
Net assets:	
Without donor restrictions:	
Controlling interest	21,698,222
Noncontrolling interests	495,255
Total net assets without donor restrictions	<u>22,193,477</u>
Net assets with donor restrictions	<u>611,861</u>
Total net assets	<u>22,805,338</u>
Total liabilities and net assets	<u><u>\$ 38,938,296</u></u>

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

Ascension

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

	The year ended June 30, 2026
Operating revenue:	
Net patient service revenue	\$ 19,843,486
Other revenue (See Note 2)	2,620,974
Total operating revenue	22,464,460
Operating expenses (See Note 2) :	
Salaries and wages	8,239,101
Employee benefits	1,668,897
Purchased services	2,695,956
Professional fees	1,337,268
Supplies	3,122,431
Insurance	142,748
Interest	285,137
Provider tax	1,064,068
Depreciation and amortization	923,291
Other	2,723,859
Total operating expenses	22,202,756
Income (loss) from recurring operations	261,704
Nonrecurring gains (losses), net	(47,683)
Income (loss) from operations	214,021
Nonoperating gains (losses):	
Investment return, net	1,788,584
Other	(12,950)
Total nonoperating gains (losses), net	1,775,634
Excess (deficit) of revenues and gains over expenses and losses	1,989,655
Less noncontrolling interests	132,683
Excess (deficit) of revenues and gains over expenses and losses attributable to controlling interest	1,856,972

Continued on next page.

Ascension

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

	The year ended June 30, 2026
Net assets without donor restrictions, controlling interest:	
Excess (deficit) of revenues and gains over expenses and losses	\$ 1,856,972
Transfers (to) from affiliates, net (See Note 2)	(2,639,350)
Net assets released from restrictions for property acquisitions	27,755
Change in pension liability	547,241
Change in unconsolidated entities' net assets	10,403
Other	39,680
Increase (decrease) in net assets without donor restrictions, controlling interest	(157,299)
Net assets without donor restrictions, noncontrolling interest:	
Excess (deficit) of revenues and gains over expenses and losses	132,683
Net contributions (distributions) of capital	(134,754)
Change in membership interest	6,881
Other	2,510
Increase (decrease) in net assets without donor restrictions, noncontrolling interest	7,320
Net assets with donor restrictions:	
Contributions and grants	82,497
Investment return	34,031
Net assets released from restrictions	(80,330)
Divestitures	(10,565)
Other	(6,038)
Increase (decrease) in net assets with donor restrictions	19,595
Increase (decrease) in net assets	(130,384)
Net assets, beginning of year	22,935,722
Net assets, end of year	\$ 22,805,338

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

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

1. Credit Group Financial Statements

Ascension's Credit Group Financial Statements (CGFS), presented above as of and for the year ended June 30, 2026, 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 year ended June 30, 2026 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 (continued)
(Dollars in Thousands)

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 \$649,000 for the year ended June 30, 2026. 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.