



This document is dated September 30, 2026

UNAUDITED ANNUAL REPORT

For the Years Ended
June 30, 2026 and 2025

The information in this report
has been provided by
CommonSpirit Health

COMMONSPIRIT HEALTH

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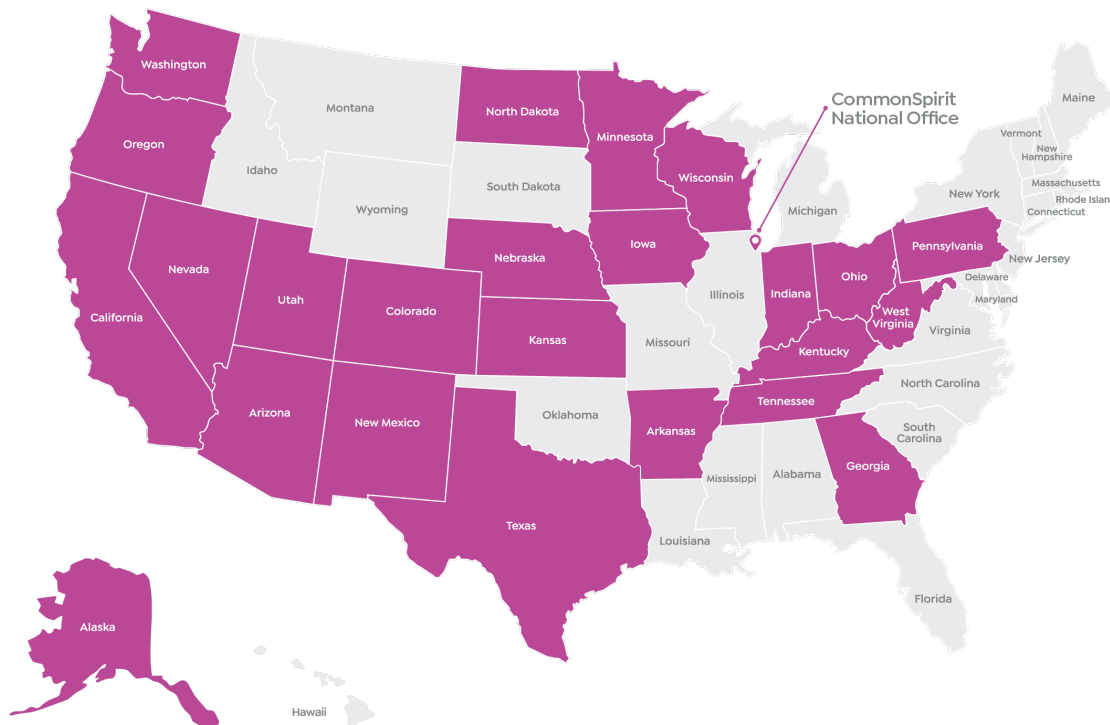
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Management Discussion and Analysis of Financial Condition and Results of Operations

Overview

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation (“CHCF”).

CommonSpirit Health owns and operates health care facilities in 24 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations. CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code. With its national office in Chicago, and a team of over 160,000 employees and over 30,000 physicians and advanced practice clinicians, as of September 30, 2026, CommonSpirit Health is comprised of approximately 2,600 care sites, including 136 hospitals accounted for in continuing operations, consisting of academic health centers, major teaching hospitals and critical access facilities; community health services organizations; accredited nursing colleges; home health agencies; living communities; a medical foundation and other affiliated medical groups; and other facilities and services that span the inpatient and outpatient continuum of care. An additional 20 hospitals are operated through unconsolidated joint ventures. The audited consolidated financial statements in Exhibit I include CommonSpirit Health and its direct affiliates and subsidiaries (together, “CommonSpirit” or the “System”).



Forward-Looking Statements

Certain of the discussions in this document may include “forward-looking statements” which involve known and unknown risks and uncertainties inherent in the operation of health care facilities. Actual actions or results may differ materially from those presented herein, and past or current trends may not continue. Specific factors that might cause such differences include competition from other health care facilities in the service areas of CommonSpirit, federal and state regulation of health care providers, the impact of policies such as those related to trade, including changes in, or the imposition of, tariffs and/or trade barriers, the impact of staffing shortages, organized labor initiatives, and reimbursement policies of state and federal governments and managed care organizations. In particular, statements that are preceded by, followed by or include the words “believes,” “estimates,” “expects,” “anticipates,” “plans,” “intends,” “scheduled,” or other similar expressions are or may constitute forward-looking statements.

CommonSpirit’s forward-looking statements are based on its current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond its control, which could significantly affect current plans and expectations and our future financial position and results of operations.

These factors include, but are not limited to:

- Changes in or related to general economic or business conditions nationally and regionally in its markets, including inflation, the impact of trade policies, including changes in, or the imposition of, tariffs and/or trade barriers, and potential shutdowns of the federal government.
- The impact of current and future health care public policy developments and the implementation of new, and possible changes to existing, federal, state or local laws and regulations affecting the health care industry, including the effects of the House Resolution Act 1 (the “HR1”), signed in July 2025, which includes significant changes to U.S. health care policy, coverage and reimbursement systems. While the most substantial health care provisions are not scheduled to take effect until 2027 and thereafter, the HR1 introduces new limitations and eligibility requirements that are expected to materially impact Medicaid funding and enrollment, as well as the health insurance marketplace and provider fee programs. CommonSpirit is unable to predict at this time how states will implement various requirements of the law.
- The impact of the current and future Medicaid Disproportionate Share Hospital (“DSH”) payments, since changes to this program could materially affect program payments to many hospitals and could negatively impact CommonSpirit’s operating results. In February 2026, Congress passed a funding package that extended the delay of DSH payment cuts. These cuts, which total \$8 billion annually, were eliminated for federal fiscal years 2026 and 2027 with only one year of the cuts remaining for federal fiscal year 2028.

CommonSpirit has presented its operating results for the years ended June 30, 2026 and 2025, in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and on a non-GAAP basis for EBITDA (earnings before interest, tax, depreciation and amortization, special charges, including contract termination and asset impairment, and nonoperating income). The non-GAAP financial measures are in addition to, not a substitute for, measures of financial performance prepared in accordance with GAAP.

Special charges, including contract termination, intangible asset impairments, and certain restructuring costs (“special charges”) includes certain non-routine costs that are significant and unusual in nature such as impairment of long-lived assets, certain contract termination costs, and consulting and severance costs related to a system wide restructuring.

CommonSpirit believes that its presentation of non-GAAP financial measures provides useful supplementary information to and facilitates additional analysis by investors. CommonSpirit uses certain non-GAAP financial measures to enhance an investor’s overall understanding of the financial performance and prospects for the future of CommonSpirit’s ongoing business activities by facilitating comparison of results of ongoing business operations among current, past and future periods.

Financial Highlights and Summary

CommonSpirit's operating loss before special charges was \$430 million, compared to an operating loss of \$687 million, in the prior year.

CommonSpirit's EBITDA was \$1.9 billion for the year ended June 30, 2026, compared to \$1.4 billion during the prior year. The EBITDA margin for the year ended June 30, 2026, was 4.5%, an increase from 3.7% in the prior year.

CommonSpirit's EBITDA results for the year ended June 30, 2026, reflect an increase from the prior year. The increase in financial performance is primarily due to \$991 million of net California provider fee recorded, compared to only \$305 million in the prior year. Favorable results were also impacted by strong volumes, length-of-stay improvements, and higher productivity, partially offset by continued revenue yield challenges resulting from case mix/acuity declines, collection performance, and deterioration in payor mix. Results also include Federal Emergency Management Agency ("FEMA") grant revenue of \$402 million and net employee retention credits ("ERC") of \$133 million, compared to \$645 million and \$240 million in the prior year, respectively.

CommonSpirit has multiple efforts underway to improve operating performance, including, but not limited to:

- Volume growth with an emphasis on improving network integrity, expansion of ambulatory services, physician enterprise, emergency department, and capacity optimization for perioperative and imaging services.
- Continued efforts for revenue realization improvements through a focus on clinical denials prevention, escalation and resolution of disputes with payors, collaboration with the organization's revenue cycle vendor partners and ongoing managed care negotiations to reflect performance.
- Labor cost management via deployment of standard department staffing models across the organization as well as reduced contract labor utilization and spend.
- Other expense reduction efforts through renegotiation of supply chain contracts, rationalization of purchased service contracts, insourcing of group purchasing contracts, length-of-stay improvement, and improved management of out of network expenses for at-risk contracts.
- Focused improvement efforts, including service rationalization, for those markets where performance is currently below requirements.

Key Indicators Financial Summary

(\$ in millions)	Years Ended June 30,		
	2026	2025	Change
EBITDA	\$ 1,923	\$ 1,444	\$ 479
Margin %	4.5%	3.7%	0.8%
Operating loss before special charges	\$ (430)	\$ (687)	\$ 257
Margin %	(1.0%)	(1.8%)	0.8%
Excess (deficit) of revenues over expenses	\$ (662)	\$ 1,116	\$ (1,778)
Margin %	(1.5%)	2.7%	(4.2%)

California Provider Fee Program

In 2026, CommonSpirit reassessed its ability to recognize state provider fee programs. As such, CommonSpirit records the impact of the programs in the period to which the revenue and expense relate if probable of occurring, based on historical experience and other available information, and amounts are reasonably estimable. As such, during the year ended June 30, 2026, CommonSpirit recorded \$991 million in California provider fee net income representing 12 months of the 2025 program and the first six months of the 2026 program, compared to \$305 million recorded in the prior year.

Following is a summary of California provider fee net income:

California Provider Fee Program			
(\$ in millions)	Years Ended June 30,		
	2026	2025	Change
Net patient and premium revenues	\$ 2,049	\$ 632	\$ 1,417
Operating expenses	<u>1,058</u>	<u>327</u>	<u>731</u>
California provider fee net income	<u>\$ 991</u>	<u>\$ 305</u>	<u>\$ 686</u>

Significant Transactions

In January 2026, CommonSpirit entered into an agreement with a revenue cycle solutions vendor to terminate services effective December 31, 2026. Terms of the agreement included the redemption of an equity interest held in the vendor by CommonSpirit for \$540 million. The termination is a strategic decision to bring the revenue cycle operations in-house for the facilities currently served by this vendor. As part of the agreement, CommonSpirit will pay an aggregate amount of \$1.9 billion, of which \$540 million was applied during the year ended June 30, 2026, through the redemption of the equity interest, with the remaining balance payable in equal installments over the next three years. The termination agreement and loss on sale of the equity interest total a charge of \$2.2 billion and are included in special charges in the statements of operations and changes in net assets for the year ended June 30, 2026, and current portion of long-term debt and long-term debt of \$453 million and \$765 million, respectively, were recorded in the balance sheets as of June 30, 2026.

Results of Operations

Operating Revenues and Volume Trends

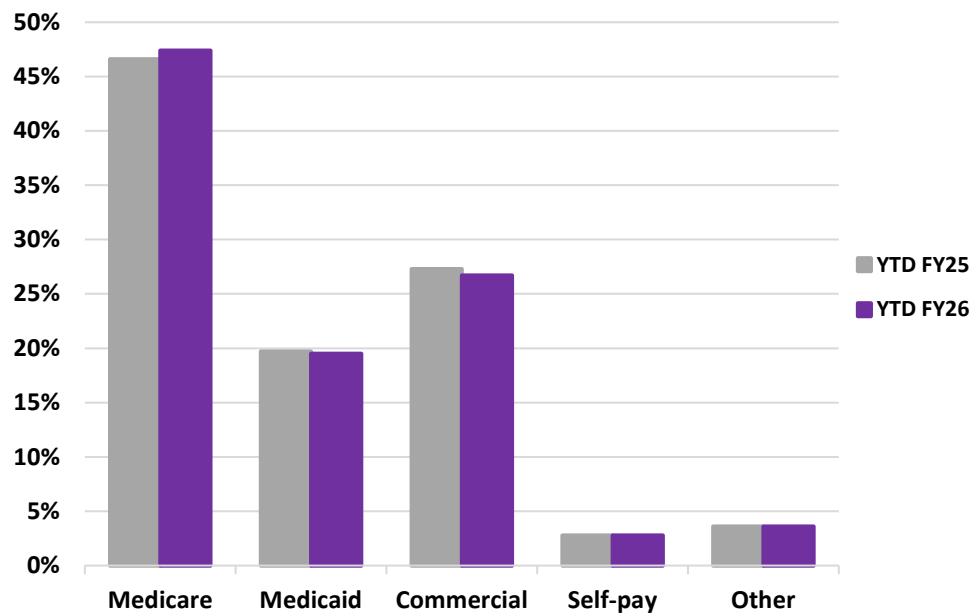
Net patient and premium revenues increased \$3.4 billion, or 9.4%, over the prior year for the year ended June 30, 2026. California provider fee revenues increased \$1.4 billion over the prior year. The remaining increase is primarily due to higher volume levels and the approval of the Nebraska and Colorado provider fee programs, partially offset by slight declines in gross payor mix.

For the year ended June 30, 2026, CommonSpirit's volumes on an adjusted admission basis were favorable to the prior year by 3.9%. The acute average length of stay ("ALOS") of 4.61 days for the year ended June 30, 2026, was lower than the prior year of 4.70.

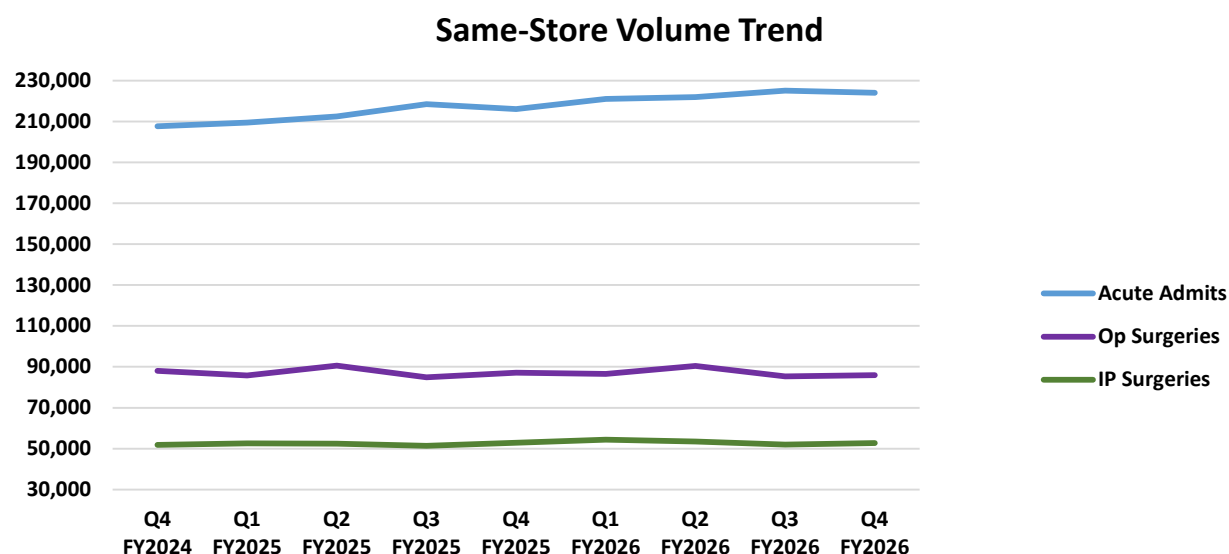
Volumes	Years Ended June 30,			
	2026	2025	Change	%
Acute admissions	891,869	856,528	35,341	4.1%
Adjusted admissions	1,850,547	1,780,448	70,099	3.9%
Acute inpatient days	4,110,717	4,026,814	83,903	2.1%
Adjusted patient days	8,870,068	8,713,842	156,226	1.8%
Acute average length of stay	4.61	4.70	(0.09)	(1.9%)
Outpatient visits	30,187,767	29,376,008	811,759	2.8%
ED visits	4,072,654	4,069,486	3,168	0.1%
Gross outpatient revenue as a % of total gross patient services revenue	51.7%	51.7%	-	-

Payor mix based on gross revenues for the year ended June 30, 2026, had a slight decline when compared to the prior year. The following chart represents the gross revenue payor mix for consolidated operations for the years ended June 30, 2026 and 2025:

Gross Revenue Payor Mix



The following table is a summary of key volume metrics on a same-store basis (excluding surgical volumes in joint ventures with a minority interest):



All other operating revenues decreased \$99 million, or 3.3%, from the prior year, for the year ended June 30, 2026. The decrease is primarily due to a decrease in grant revenues, primarily FEMA and ERC, partially offset by higher pharmaceutical revenue.

Operating Revenues			
(\$ in millions)	Years Ended June 30,		
	2026	2025	Change
Net patient and premium revenues	\$ 39,542	\$ 36,135	\$ 3,407
All other operating revenues	<u>2,882</u>	<u>2,981</u>	<u>(99)</u>
Total operating revenues	<u>\$ 42,424</u>	<u>\$ 39,116</u>	<u>\$ 3,308</u>

Operating Revenues by Region

The following table presents operating revenues by region for the years ended June 30, 2026 and 2025:

Operating Revenues By Region (\$ in millions)	Years Ended June 30,		
	2026	2025	Change
California	\$ 14,515	\$ 13,254	\$ 1,261
Central	9,558	8,404	1,154
South*	6,719	6,562	157
Northwest	5,688	5,367	321
Mountain	4,363	3,901	462
National Business Lines**	362	331	31
Others	1,115	937	178
Subtotal	42,320	38,756	3,564
Corporate Services	104	360	(256)
CommonSpirit Total	\$ 42,424	\$ 39,116	\$ 3,308

* South excludes TriHealth System which is reported in the section 'others'.

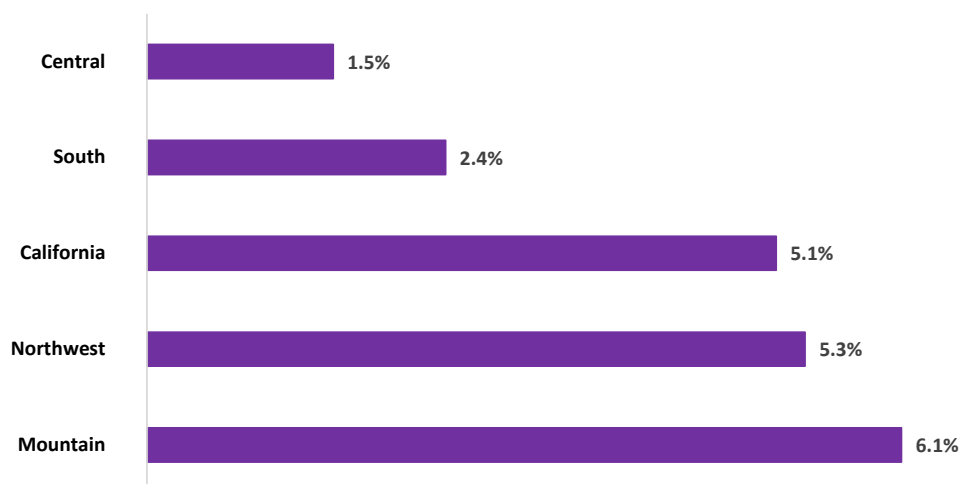
** Includes Home Care and Senior Living Business Lines.

Following are the significant performance drivers related to operating revenues for the year ended June 30, 2026, compared to the same period in the prior year:

- California – operating revenues increased \$1.3 billion from the prior year, primarily due to 18 months of provider fee revenue recorded in the current year compared to only six months in the prior year, a 5.1% increase in adjusted admissions and higher outpatient and surgical volume, partially offset by revenue yield challenges and an unfavorable shift in payor mix.
- Central – operating revenues increased \$1.2 billion from the prior year, primarily due to a 1.5% increase in adjusted admissions, the approval and expansion of the Nebraska and Arizona provider fee programs, respectively, higher FEMA revenue, and higher outpatient and surgical volumes, partially offset by an unfavorable shift in payor mix.
- South – operating revenues increased \$157 million from the prior year, primarily due to adjusted admissions increasing by 2.4% over the prior year, and higher disproportionate share revenue, partially offset by an unfavorable shift in payor mix, lower surgical and outpatient volumes, and continued revenue yield challenges.
- Northwest – operating revenues increased \$321 million from the prior year, primarily due to a 5.3% increase in adjusted admissions, higher outpatient and surgical volume, and higher FEMA revenue, partially offset by continued revenue yield challenges.
- Mountain – operating revenues increased \$462 million from the prior year, primarily due to adjusted admissions increasing by 6.1%, higher provider fee revenue, and higher outpatient and surgical volumes, partially offset by continued revenue yield challenges. The growth in volume is largely associated with the Kaiser contract in Denver.

The table below reflects the adjusted admissions growth reported for the year ended June 30, 2026, compared to the same period in the prior year:

Adjusted Admissions Growth



Uncompensated Care

(\$ in millions)	Years Ended June 30,		
	2026	2025	Change

Uncompensated Care:

Charity care, at customary charges	\$ 3,105	\$ 2,659	\$ 446
Charity care, at cost, net	\$ 676	\$ 680	\$ (4)
Charity care, at cost, as a percentage of total expenses	1.6%	1.7%	(0.1%)
Unpaid cost of Medicaid/Medi-Cal, net	\$ 973	\$ 1,800	\$ (827)
Unpaid cost of Medicare, net	\$ 2,266	\$ 2,085	\$ 181

Net Community Benefit Expense:

Community service to the poor	\$ 139	\$ 138	\$ 1
Benefits for the broader community	\$ 584	\$ 451	\$ 133
Total community benefits	\$ 2,372	\$ 3,071	\$ (699)
Total community benefits including unpaid cost of Medicare	\$ 4,638	\$ 5,156	\$ (518)

Operating Expenses

Salaries and benefits increased \$1.1 billion, or 5.2% over the prior year, for the year ended June 30, 2026. The increase is primarily due to an increase in adjusted admissions and continued salary inflation costs, partially offset by improved labor productivity and reduced contract labor spend. Labor cost as a percentage of net patient revenue was 53.4% for the year ended June 30, 2026, compared to 55.5% for the prior year. Hospital FTEs per adjusted admission decreased 2.3% for the year ended June 30, 2026.

Supplies increased \$354 million, or 5.6%, during the year ended June 30, 2026, compared to the prior year. Supplies per adjusted admission increased 1.6% compared to the prior year. The increase on a volume adjusted basis is primarily due to higher surgical volume and the continued inflationary impact on pharmaceuticals, and surgical and medical supplies. CommonSpirit is working to reduce supply costs through renegotiation of supply chain contracts and vendor consolidations.

Purchased services and other increased \$1.4 billion, or 12.6% for the year ended June 30, 2026, compared to the prior year. Purchased services and other per adjusted admission increased 8.4%, compared to the prior year. The increase during the year is primarily due to higher provider fee expense, medical fees, hosting fees, utilities, software costs, and repairs and maintenance costs, partially offset by lower insurance costs.

Operating Expenses (\$ in millions)	Years Ended June 30,		
	2026	2025	Change
Salaries and benefits	\$ 21,114	\$ 20,064	\$ 1,050
Supplies	6,695	6,341	354
Purchased services and other	12,692	11,267	1,425
Depreciation and amortization	1,552	1,403	149
Interest expense, net	<u>801</u>	<u>728</u>	<u>73</u>
Total operating expenses	<u>\$ 42,854</u>	<u>\$ 39,803</u>	<u>\$ 3,051</u>

Expense Management and Productivity

	Years Ended June 30,		
	2026	2025	Change

Expense Management:

Supply expense as a % of net patient and premium revenue	16.9%	17.5%	-0.6%
Purchased services and other as a % of net patient and premium revenue	32.1%	31.2%	0.9%
Capital expense as a % of net patient and premium revenue	6.0%	5.9%	0.1%
Non-capital cost per adjusted admission	\$ 21,886	\$ 21,159	\$ 727

Productivity:

Salaries, wages and benefits as a % of net patient and premium revenue	53.4%	55.5%	-2.1%
Total number of FTEs	139,507	137,354	2,153
Hospital FTEs per adjusted admission	21.4	21.9	(0.5)

Nonoperating Results

CommonSpirit recorded investment income, net, of \$2.4 billion during the year ended June 30, 2026, compared to investment income of \$1.7 billion during the prior year, due to market fluctuations.

Income tax expense was \$58 million for the year ended June 30, 2026, compared to \$32 million during the prior year.

The change in market value and cash payments of interest rate swaps was a favorable result of \$9 million during the year ended June 30, 2026, compared to an unfavorable result of \$29 million during the prior year.

Net periodic postretirement credits amounted to \$156 million during the year ended June 30, 2026, compared to \$128 million during the prior year.

Nonoperating Results

	Years Ended June 30,		
(\$ in millions)	2026	2025	Change
Investment income, net	\$ 2,401	\$ 1,719	\$ 682
Gain on early extinguishment of debt	-	13	(13)
Income tax expense	(58)	(32)	(26)
Change in fair value and cash payments of interest rate swaps	9	(29)	38
Other components of net periodic postretirement credits	156	128	28
Other	11	4	7
Total nonoperating income, net	<u>\$ 2,519</u>	<u>\$ 1,803</u>	<u>\$ 716</u>

The detail of investment earnings is as follows:

Investment income, net (\$ in millions)	Years Ended June 30,		
	2026	2025	Change
Net realized gains on sale of securities	\$ 1,052	\$ 656	\$ 396
Net unrealized gains on securities	1,046	778	268
Other, net of capitalized investment income	<u>303</u>	<u>285</u>	<u>18</u>
Total investment income, net	<u>\$ 2,401</u>	<u>\$ 1,719</u>	<u>\$ 682</u>

The presentation of realized and unrealized gains and losses is determined based on the cost basis at the original acquisition date of the securities.

Balance Sheet Metrics

The following table provides key balance sheet metrics for CommonSpirit:

Key Balance Sheet Metrics (\$ in millions)	June 30,		
	2026	2025	Change
Consolidated Balance Sheet Summary			
Total assets	\$ 59,666	\$ 57,260	\$ 2,406
Total liabilities	\$ 36,011	\$ 33,687	\$ 2,324
Total net assets	\$ 23,655	\$ 23,573	\$ 82
Financial Position Ratios			
Unrestricted cash and investments	\$ 18,030	\$ 16,755	\$ 1,275
Days cash on hand*	159	159	-
Total debt	\$ 21,824	\$ 19,774	\$ 2,050
Debt to capitalization	50.7%	48.1%	2.6%

* Days cash on hand is negatively impacted year over year due to 18 months of provider fee expense in FY26 vs 6 months in FY25.

Liquidity

Unrestricted cash and investments were \$18.0 billion at June 30, 2026, and \$16.8 billion at June 30, 2025. CommonSpirit is actively monitoring liquidity given continued inflationary pressures, cash flow disruptions related to denials, and the timing of payments related to employee retention credits, FEMA grant revenues, and provider fee revenues and expenses.

Liquidity and Capital Resources			
(\$ in millions)	June 30, 2026	June 30, 2025	Change
Cash	\$ 2,264	\$ 2,010	\$ 254
Short-term investments	138	255	(117)
Long-term investments, excluding assets limited as to use	<u>15,628</u>	<u>14,490</u>	<u>1,138</u>
Total unrestricted cash and investments	<u>\$ 18,030</u>	<u>\$ 16,755</u>	<u>\$ 1,275</u>

Capital Resources

Cash provided by operating activities totaled \$1.8 billion for year ended June 30, 2026, compared to \$1.3 billion during the prior year. Significant activity for the year ended June 30, 2026, includes the following:

- Investments increased \$1.2 billion during the year ended June 30, 2026, compared to \$1.1 billion during the prior year. The increase is a result of improved financial market performance.
- Accrued salaries and benefits increased \$128 million during the year ended June 30, 2026, compared to an increase of \$50 million during the prior year.
- Accounts receivable decreased \$99 million during year ended June 30, 2026, compared to a decrease of \$140 million during the prior year.
- Accounts payable increased \$119 million during the year ended June 30, 2026, compared to an increase of \$241 million during the prior year.
- Provider fee program assets over liabilities, net, increased \$347 million during the year ended June 30, 2026, compared to a net increase of \$54 million during the prior year.
- Prepaids and other current assets decreased \$83 million during the year ended June 30, 2026, compared to an increase of \$332 million during the prior year.
- Other accrued liabilities decreased \$128 million during the year ended June 30, 2026, compared to a decrease of \$249 million during the prior year.

Cash used in investing activities totaled \$1.7 billion for the year ended June 30, 2026, compared to \$2.1 billion during the prior year, primarily related to the following:

- Capital expenditures were \$2.0 billion during the year ended June 30, 2026, compared to \$2.1 billion for the prior year. Such capital expenditures primarily relate to growth in ambulatory and inpatient services, equipment additions and replacements, information technology projects, and various other capital improvements.
- Proceeds from the sale of assets were \$204 million during the year ended June 30, 2026, compared to \$124 million during the prior year.
- Cash distributions from health-related activities were \$112 million during the year ended June 30, 2026, compared to \$108 million during the prior year.

Cash provided by financing activities totaled \$193 million for the year ended June 30, 2026, compared to \$807 million for the prior year, primarily due to the following:

- Net borrowings of debt were \$290 million during the year ended June 30, 2026, compared to \$875 million during the prior year.
- Distributions to noncontrolling interests were \$189 million for the year ended June 30, 2026, compared to \$143 million during the prior year.
- Contributions by noncontrolling interests were \$92 million for the year ended June 30, 2026, compared to \$57 million during the prior year.

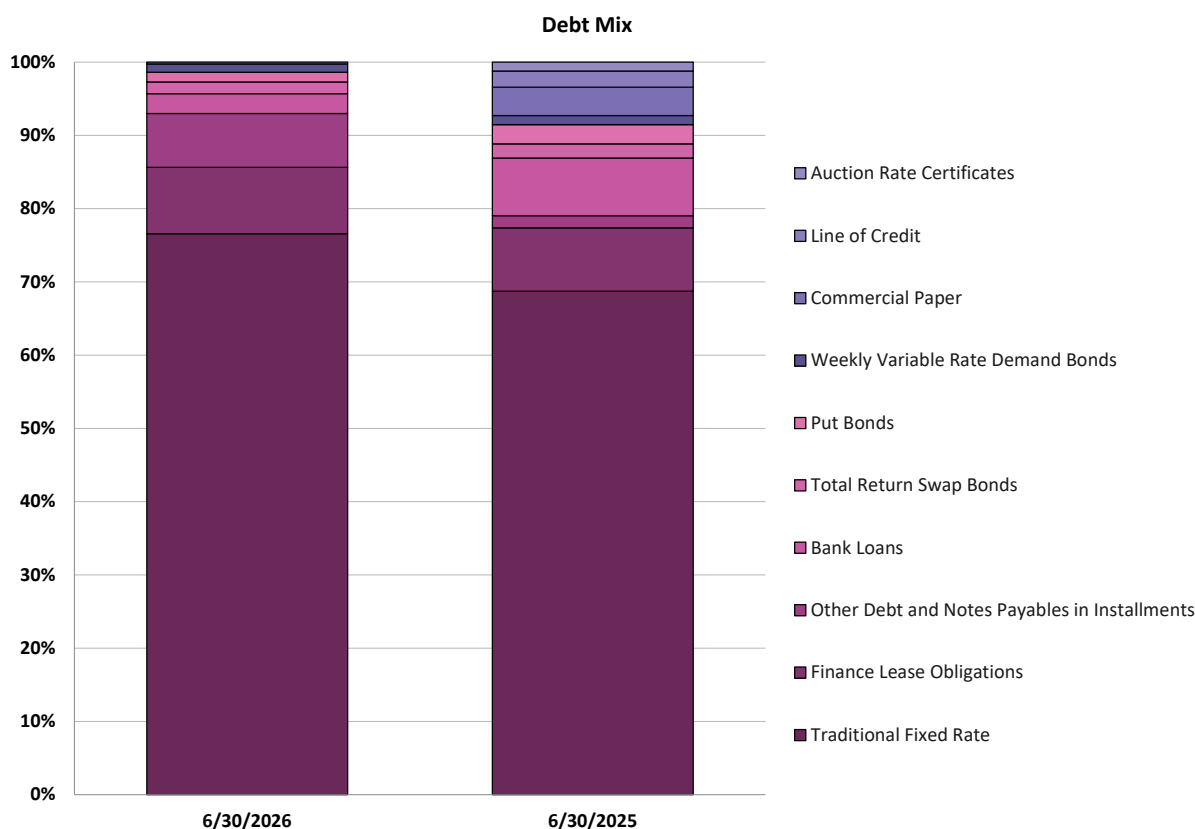
Debt Portfolio

In March 2025, the Virginia Mason Medical Center Master Trust Indenture was discharged and replaced with the CommonSpirit Health Master Indenture (collectively, the “MTI Substitution”). Concurrent with the MTI Substitution, Virginia Mason Medical Center and Virginia Mason Franciscan Health were added as members of the Obligated Group established under the CommonSpirit Health Master Indenture.

In October 2025, CommonSpirit issued a total of \$3.6 billion of taxable and tax-exempt fixed rate bonds. The transactions consisted of \$2.7 billion of taxable fixed rate bonds and \$931 million of tax-exempt fixed rate bonds.

The CommonSpirit Obligated Group represents approximately 90% of consolidated revenues of CommonSpirit as of June 30, 2026. The debt portfolio remains well diversified, with a high proportion of long-term fixed rate debt providing stability.

The chart below depicts CommonSpirit’s debt mix as of June 30, 2026, as compared to June 30, 2025:



Strategic Focus and Priorities

Under the leadership of Chief Executive Officer (“CEO”) Wright Lassiter III, the organization established a set of five critical focus areas referred to as “5 for 25” to accelerate CommonSpirit 2026, the strategic roadmap created at the time of the 2019 merger. These focus areas prioritize transformation, enhancing quality of care, broadening access to care, reducing the cost of care, ensuring financial viability, and propelling CommonSpirit’s mission and operations. The following initiatives are continuing through 2026 to help position CommonSpirit to create a stronger, more successful, sustainable, and more unified CommonSpirit and set the foundation for launching its new strategic plan:

- Achieve One CommonSpirit by defining a unified culture and operations, aligning approaches to increase efficiency and leverage scale;
- Ensure we are paid for the care we provide, through heightened work with payors and revenue cycle partners;
- Transform our portfolio through continued diversification in non-acute verticals, strategic capital deployment and other potential portfolio adjustments;
- Drive organic growth through network integrity and access with the expansion of access points as well as better care coordination to facilitate consumers’ utilization of our care networks; and
- Launch a new digital consumer experience to enable increased access to care for those we serve.

As CommonSpirit closes out CommonSpirit 2026 and completes its new Strategic Plan CommonSpirit 2030, the organization continues to make progress and build on a range of initiatives put in place to address the five areas of critical focus. A few examples of the ongoing work in the following areas of focus are described below.

Achieve One CommonSpirit: This defines CommonSpirit’s strategic imperative to rapidly complete the integration of all aspects of its ministry – clinical, operational and technological – across its entire footprint while aligning its geographic markets. It includes further work to centralize and standardize processes to ensure the delivery of a consistently superior patient experience, while maintaining exceptional clinical standards. It also includes evolving the design and operating model of CommonSpirit, as well as cultivating a consistent identity and culture. The following initiatives continued to be built upon during the year:

- **Clinical Quality and Patient Satisfaction:** CommonSpirit seeks to excel in consistent clinical excellence by rapidly scaling best practices from innovators in and outside of CommonSpirit to create a high quality, consumer-centric patient experience and continue to improve and provide excellent quality of care. 69% of CommonSpirit’s full-service acute care hospitals were recognized in the U.S. News & World Report’s 2026-2027 Best Hospitals. Other recognitions include The John M. Eisenberg Patient Safety and Quality Award in National Level Innovation in patient safety and quality and being named a finalist in the American Hospital Association’s AHA Quest for Quality Prize. 86% of eligible CommonSpirit hospitals earned an ‘A’ or ‘B’ grade in Leapfrog Group’s spring 2026 Hospital Safety Report compared to 59% of hospitals nationwide. CommonSpirit’s patient experience also continues to improve and has an average Provider Star Rating of 4.8 and a 70.5 Net Promoter Score in fiscal year 2026.
- **Integrated Information Technology Platforms:** CommonSpirit has begun a multi-year project to standardize to a single electronic health record (“EHR”) system, to lower long-term costs and improve clinical and operational outcomes. The OneEHR program is firmly on track, with two of eight EPIC waves live. 67% of the System is now on EPIC and the EHR portfolio has been reduced from 19 to 11 systems. The goal is to be on a single system by 2030. Sites that have recently moved to EPIC have charges that are greater than 105% of prior charges before converting to EPIC, primarily attributed to a more robust charge reconciliation process, with enhanced clinical engagement, ensuring accurate capture of services. Another example of aligning to an integrated system is our enterprise resource planning (“ERP”) project. CommonSpirit launched a Workday conversion to align procurement, people and financial processes which is expected to result in significant operational synergies and enhanced capabilities, eliminating 12 disparate systems and 20 different software platforms. CommonSpirit’s goal is to have this work completed in early fiscal 2028.
- **Strategic Unification: Revenue Cycle Insourcing:** CommonSpirit has made the decision to insource revenue cycle operations for facilities currently served by Conifer Revenue Cycle Solutions, LLC (“Conifer”). This decision aligns with our larger unification strategies across the system to drive greater

operational integration, efficiency and patient experience. In January 2026, CommonSpirit entered into an agreement with Conifer Health Solutions, LLC, Conifer, and Tenet Healthcare Corporation to divest its ownership in Conifer and terminate its revenue cycle management services agreement effective December 31, 2026. A comprehensive transition plan has been developed and is being implemented, minimizing disruption and supporting continuity of our revenue cycle operations. The process is expected to be completed by January 2027.

- **Creating and Retaining the Workforce of the Future:** CommonSpirit recognizes that its people are its most valuable asset and has a range of programs, initiatives and areas of focus to support its workforce. CommonSpirit's employee engagement scores continue to improve year over year, and CommonSpirit was recognized in Forbes America's Dream Employers 2025 and 2026 lists. Ongoing work includes focusing on system redesign, new care models, and technologies that align with clinicians' interests, responding to increasing patient demands and making CommonSpirit a clinician's first choice of partner. CommonSpirit is also investing in attracting and retaining leaders who find purpose in their work, and building competencies that reflect CommonSpirit's focus on well-being across a continuum of care and the enhanced importance of an agile, collaborative culture. CommonSpirit's aligned approach to team member engagement and culture has driven continued improvement in the overall new hire adjusted retention rate, overall resignation rate and overall turnover rate for RN's as well as across the entire organization through fiscal year June 30, 2026, compared to fiscal year 2025.

Ensure We Are Paid for the Care We Provide: CommonSpirit is focused on improving its commercial contracting to meet financial goals and optimize rates and settlements. CommonSpirit is ensuring that its payor agreements and rates are accurate with a strong contract modeling policy, leveraging a new system for better contract visibility to ensure proper payments. The organization is also focused on selecting the right marketplace plans to stay in-network and reduce out-of-network costs. CommonSpirit is aiming to grow commercial revenue by pursuing direct contracts with employers. On the government side, CommonSpirit is focused on improving Medicare and Medicaid rates and terms. CommonSpirit has built a system-led Population Health Services Organization, leveraging and accelerating its long-term investments in population health. Value-based agreements ("VBAs") contain reimbursement provisions linked to successfully achieving measures designed to improve quality of care, the patient experience and the cost of health care of an attributed population.

Transform Our Portfolio:

- **Enhancing the Continuum of Care and Focused Ambulatory Development:** CommonSpirit's goal is to seamlessly care for patients across all care settings, either at an individual care setting or by managing a patient's journey across multiple settings. In addition to the horizontal alignment around markets and geographies, CommonSpirit is focusing time and effort on aligning the portfolio vertically across a range of pre- and post-acute services. CommonSpirit continues to expand its ambulatory and virtual care points and enhance connections across the continuum of care. CommonSpirit has 239 ambulatory joint ventures involving dialysis, imaging, oncology and other services with multiple markets, including 80 ambulatory surgery centers ("ASC"), either in partnership or wholly-owned, and six specialty surgical hospital partnerships. To accelerate our ASC growth strategy, CommonSpirit recently appointed a senior executive who directs the operational strategy, growth and overall performance of the ASCs.
- **Innovative Partnerships Advance the Care Continuum:** CommonSpirit's strategic innovation and investment program continues to bring forward and operationalize leading technologies and services to support overall performance and aid in diversification. CommonSpirit is focused on three distinct areas of priority: 1) new technology and automation (AI, new devices and robotics); 2) scientific discovery, meeting care delivery (new care models, life sciences and pharma); and 3) prevention, health improvement and quality of life (longevity, nutrition and personalization). CommonSpirit was named one of America's Innovative Companies in 2026 by Forbes Magazine for its measurable results with its virtually integrated care ("VIC") program, improving access and patient safety through Care Base, its virtual hospital model, its robotic process automation for cancer screening and its internally developed Emergency Department ("ED") Operations Dashboard which has resulted in better patient experience and improved workflows for staff. CommonSpirit has taken a partner-first approach in advancing innovative solutions that can be scaled across the system and is aligning its investments in partnerships through CommonSpirit Ventures ("CSV") by co-investing with trusted lead investors. CSV's current fund is \$250 million with 23 portfolio companies and has successfully exited another 17 companies since CSV was created a decade ago.

- Portfolio Transformation:** Portfolio Transformation is an ongoing effort to reshape our portfolio of assets through market based and national growth initiatives, as well as disciplined discernment about non-core assets and parts of the ministry best served by partnerships with others. We demonstrate thoughtful, sustainable decisions, including divestitures and market rationalization, to strengthen financial and mission viability. In particular, CommonSpirit is working to identify diversified revenue opportunities that expands CommonSpirit from a heavier weighting in acute care, to quickly scale critical ambulatory services that support CommonSpirit's ability to reach out into each of the communities it serves to care for its patients. A number of in-flight system partnership discussions are underway at an enterprise level to advance that strategy. CommonSpirit has also stood up CommonSpirit Ambulatory Ventures to establish an ambulatory surgery center vertical from which to organize and enhance our current and future capability in the ASC space. In addition to growth, CommonSpirit is considering other transactions where communities may be better served by another provider. CommonSpirit and Altru Health have signed a non-binding letter of intent to explore a potential agreement whereby CHI St. Alexius Health Bismarck, ND, CHI St. Alexius Health Turtle Lake, ND and CHI St. Alexius Garrison, ND would join Altru Health. CommonSpirit has also signed a definitive agreement of intent with UPMC regarding Trinity Health System in Steubenville, OH and transition planning is underway. This transaction is expected to close on September 30, 2026. CommonSpirit has also entered into a definitive agreement to divest of its ownership interest in Mercy Care Plan in Phoenix, AZ. The transaction is expected to close in FY27, after regulatory approvals are obtained.

Drive Organic Growth Through Network Integrity and Access: In terms of volume growth, better utilizing the costly physical and people resources CommonSpirit already has is the most efficient way to grow. Several initiatives are in place to improve care continuity and improve organic growth, including:

- Patient Connection Centers ("PCCs") use efficient resources to improve patient access and physician productivity, and CommonSpirit's network integrity tools help improve care continuity within its network. CommonSpirit's Advanced Care to Home provided by Care Base (a virtual hospital in Arizona that serves as a command center), ensures continuity of care with patients receiving the right care, in the right setting at the right time. Case Base integrates virtual nurses and providers with AI-powered monitoring, promoting proactive interventions and seamless care transitions. This model of care has been implemented in four of CommonSpirit's five regions and is directly linked to the Patient Connection Centers through after-hours nurse triage. This care delivery ensures the patients have access to care around the clock and resources readily available to meet their needs in addition to supporting medical providers. This innovative approach to patient care has been awarded an Innovator Award for 2026 by Modern Healthcare.
- Improved Network Integrity and Growth: CommonSpirit is enhancing efforts to track care continuity and enhance practice patterns to ensure it is serving its patients in-network and implementing solutions unique to each market when necessary. These efforts are enhanced by tools that provide consistent, detailed analysis and trending of data to assess continuity of care and network integrity, PCC and digital front door enhancements, and improved use of its electronic health records to facilitate referrals and follow-up care. To date, all of CommonSpirit's markets are using a range of these tools and results are provided and tracked on a quarterly basis.
- CommonSpirit is continuing to centralize its more than nine transfer centers and bed placement operations into a few locations which allows CommonSpirit to provide a higher level of care and identify through one pane of glass where clinical services across CommonSpirit have capacity and medical providers available to provide timely access to care. These services are directly responsible for repatriation of out of network patients back to CommonSpirit's acute hospitals to ensure care continuity.

Launch a Reimagined Digital Consumer Experience: In April 2024, CommonSpirit launched the first phase of its Consumer Digital Experience at <https://www.commonspirit.org> which provides an integrated, consistent and seamless consumer experience. The reimagined digital experience features one content engine, one scheduling platform and the first ministry-wide Find a Doctor and Find a Location service, offering an intuitive way to compare and find the right provider and request an appointment with ease. CommonSpirit launched its entire South Region onto the platform during fiscal 2025. During fiscal 2026, over 12,000 appointment requests were generated. CommonSpirit also launched enhanced online scheduling for its employed physicians and advanced practice providers in California, Arizona, Nevada, and the South Region through a new scheduling platform. Results have been impactful, generating over 32,000 booked appointments in fiscal 2026, and over 54,000 booked appointments since the go-live date of June 2024 through June 30, 2026.

The next phase in the digital consumer experience will focus on integrating all market-based sites onto the platform while scaling other unique growth and experience focused opportunities like the partnership with Zocdoc. In partnership with Zocdoc, CommonSpirit launched a pilot in the Texas market. The pilot results revealed that each new patient generated through Zocdoc drove 2.5 visits within CommonSpirit. In the fourth quarter of fiscal year 2026, CommonSpirit repeated the ROI analysis and found that each new patient booking through Zocdoc generated on average 3.7 visits within CommonSpirit. CommonSpirit is now scaling this platform across its entire footprint and has added Nebraska, Iowa, Kentucky, Utah, Tennessee, Georgia, California, Arkansas, and Arizona to Zocdoc as of June 30, 2026. As of the launch date of August 2024 through June 30, 2026, Zocdoc has driven over 27,730 scheduled appointments, of which 66% represented new patients.

Project ImpACT

During fiscal year 2026, CommonSpirit continued its work to strengthen operating and financial performance in support of its mission and long-term ability to serve patients and communities.

Building on progress made in fiscal year 2025, the organization advanced efforts to improve performance across key areas, including revenue cycle, supply chain, workforce costs and corporate and administrative services, helping create greater capacity to invest in care, our people and the communities we serve.

Against continued industry headwinds, CommonSpirit launched Project ImpACT, a whole-system transformation focused on accelerating operating and financial improvement and advancing a more sustainable cost structure and operating model. The work is designed to deliver accelerated results over 12 to 18 months, with broader implementation continuing over a 24 to 30 month period. CommonSpirit's Board of Stewardship Trustees, CEO and leadership team are aligned on the priorities and actions needed to advance this work.

Implementation of Project ImpACT initiatives began in fiscal year 2026, including a Rapid Realization Plan focused on opportunities to improve near-term operating and financial performance, with broader transformation work continuing through fiscal year 2028. Project ImpACT is overseen by CommonSpirit senior leadership, with the CEO serving as executive sponsor and regular updates provided to the Board of Stewardship Trustees.

The scope of Project ImpACT currently includes 13 focus markets, seven focus areas and more than 185 approved initiatives. The work includes both enterprise-wide initiatives and targeted efforts in markets with significant opportunities for growth and performance improvement. Focus areas include digital and information technology, business and clinical operations, physician enterprise, growth, revenue optimization and capital position. Successful approaches identified through market and functional workstreams may be evaluated for broader implementation across the system.

Exhibit I

Audited Consolidated Financial Statements
For the Years Ended June 30, 2026 and 2025

(Attached)

COMMONSPIRIT HEALTH

**Consolidated Financial Statements as of
and for the Years Ended June 30, 2026 and 2025
With Report of Independent Auditors**

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COMMONSPIRIT HEALTH

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Report of Independent Auditors

The Board of Stewardship Trustees
CommonSpirit Health

Opinion

We have audited the consolidated financial statements of CommonSpirit Health (CommonSpirit), 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 CommonSpirit at June 30, 2026 and 2025, and the results of its operations, 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 CommonSpirit 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 CommonSpirit’s ability to continue as a going concern for one year after the date that the financial statements are issued.

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,



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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 CommonSpirit'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 CommonSpirit'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.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis of Financial Condition and Results of Operations 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 30, 2026

COMMONSPIRIT HEALTH

CONSOLIDATED BALANCE SHEETS JUNE 30, 2026 AND 2025 (in millions)

	2026	2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,264	\$ 2,010
Short-term investments	138	255
Patient accounts receivable	5,129	5,277
Provider fee receivable	2,344	1,251
Other current assets	4,417	4,249
Total current assets	<u>14,292</u>	<u>13,042</u>
Long-term investments	19,553	18,195
Property and equipment, net	18,765	17,928
Right-of-use operating lease assets	1,415	1,530
Ownership interests in health-related activities	2,432	3,360
Other long-term assets, net	<u>3,209</u>	<u>3,205</u>
Total assets	<u>\$ 59,666</u>	<u>\$ 57,260</u>

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2026 AND 2025 (in millions)

Liabilities and Net Assets	2026	2025
Current liabilities:		
Current portion of long-term debt	\$ 2,760	\$ 2,373
Demand bonds subject to short-term liquidity arrangements	247	247
Accounts payable	1,724	1,702
Accrued salaries and benefits	1,862	1,735
Provider fee payables	1,169	405
Other accrued liabilities - current	4,589	4,702
Total current liabilities	<u>12,351</u>	<u>11,164</u>
Other liabilities - long-term:		
Self-insured reserves and claims	1,259	1,188
Pension and other postretirement benefit liabilities	1,423	1,902
Derivative instruments, net	55	82
Operating lease liabilities	1,367	1,465
Other accrued liabilities - long-term	739	732
Total other liabilities - long-term	<u>4,843</u>	<u>5,369</u>
Long-term debt, net of current portion	<u>18,817</u>	<u>17,154</u>
Total liabilities	<u>36,011</u>	<u>33,687</u>
Net assets:		
Without donor restrictions - attributable to CommonSpirit Health	21,219	21,363
Without donor restrictions - noncontrolling interests	1,117	1,066
With donor restrictions	1,319	1,144
Total net assets	<u>23,655</u>	<u>23,573</u>
Total liabilities and net assets	<u>\$ 59,666</u>	<u>\$ 57,260</u>

See notes to consolidated financial statements.

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2026 AND 2025 (in millions)

	2026	2025
Operating revenues:		
Net patient revenue	\$ 38,080	\$ 34,575
Premium revenue	1,462	1,560
Revenue from health-related activities, net	292	221
Other operating revenue	2,530	2,688
Contributions	60	72
Total operating revenues	<u>42,424</u>	<u>39,116</u>
Operating expenses:		
Salaries and benefits	21,114	20,064
Supplies	6,695	6,341
Purchased services and other	12,692	11,267
Depreciation and amortization	1,552	1,403
Interest expense, net	801	728
Total operating expenses	<u>42,854</u>	<u>39,803</u>
Operating loss before special charges	<u>(430)</u>	<u>(687)</u>
Special charges, including contract termination, intangible asset impairment and certain restructuring costs	<u>(2,751)</u>	<u>-</u>
Operating loss	<u>(3,181)</u>	<u>(687)</u>
Nonoperating income:		
Investment income, net	2,401	1,719
Gain on early extinguishment of debt	-	13
Income tax expense	(58)	(32)
Change in fair value and cash payments of interest rate swaps	9	(29)
Other components of net periodic postretirement credits	156	128
Other	11	4
Total nonoperating income, net	<u>2,519</u>	<u>1,803</u>
Excess (deficit) of revenues over expenses	\$ (662)	\$ 1,116
Less excess of revenues over expenses attributable to noncontrolling interests	<u>148</u>	<u>172</u>
Excess (deficit) of revenues over expenses attributable to CommonSpirit Health	<u>\$ (810)</u>	<u>\$ 944</u>

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2026 AND 2025 (in millions)

	Without Donor Restrictions		With	Total Net
	Attributable to	Noncontrolling	Donor	Assets
	CommonSpirit	Interests	Restrictions	
	Health			
Balance, June 30, 2024	\$ 20,043	\$ 1,012	\$ 1,197	\$ 22,252
Excess of revenues over expenses	944	172	-	1,116
Contributions	-	-	114	114
Net assets released from restrictions for capital	77	-	(77)	-
Net assets released from restrictions for operations and other	-	-	(57)	(57)
Change in funded status of pension and other postretirement benefit plans	220	-	-	220
Other	79	(118)	(33)	(72)
Increase (decrease) in net assets	1,320	54	(53)	1,321
Balance, June 30, 2025	\$ 21,363	\$ 1,066	\$ 1,144	\$ 23,573
Excess (deficit) of revenues over expenses	(810)	148	-	(662)
Contributions	-	-	160	160
Net assets released from restrictions for capital	63	-	(63)	-
Net assets released from restrictions for operations and other	-	-	(36)	(36)
Change in funded status of pension and other postretirement benefit plans	590	-	-	590
Other	13	(97)	114	30
Increase (decrease) in net assets	(144)	51	175	82
Balance, June 30, 2026	<u>\$ 21,219</u>	<u>\$ 1,117</u>	<u>\$ 1,319</u>	<u>\$ 23,655</u>

See notes to consolidated financial statements.

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2026 AND 2025 (in millions)

	2026	2025
Cash flows from operating activities:		
Change in net assets	\$ 82	\$ 1,321
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Gain on early extinguishment of debt	-	(13)
Depreciation and amortization	1,552	1,403
Changes in equity of health-related entities	(568)	(297)
Net gain on sales of assets and investments in unconsolidated organizations	(54)	(56)
Noncash expenses related to contract termination, asset impairment and certain restructuring costs	2,543	-
Change in fair value of swaps	(31)	10
Noncash adjustments of pension and other postretirement benefit plans	(590)	(220)
Changes in certain assets and liabilities:		
Accounts receivable, net	99	140
Prepaid and other current assets	83	(332)
Broker receivables/payables for unsettled investment trades	(253)	201
Provider fee assets over liabilities, net	(347)	(54)
Accounts payable	119	241
Accrued salaries and benefits	128	50
Other accrued liabilities	(128)	(249)
Self-insured reserves and claims	18	7
Other, net	339	181
Cash provided by operating activities before net change in investments	2,992	2,333
Net increase in investments	(1,183)	(1,062)
Cash provided by operating activities	1,809	1,271

(Continued)

COMMONSPIRIT HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2026 AND 2025 (in millions)

	2026	2025
Cash flows from investing activities:		
Purchases of property and equipment	(2,011)	(2,140)
Investments in health-related activities	(43)	(162)
Business acquisitions, net of cash acquired	-	(6)
Proceeds from asset sales, net	204	124
Cash distributions from health-related activities	112	108
Other, net	(10)	25
Cash used in investing activities	<u>(1,748)</u>	<u>(2,051)</u>
Cash flows from financing activities:		
Borrowings	4,660	2,258
Repayments	(4,370)	(1,383)
Swaps cash collateral posted	4	5
Distributions to noncontrolling interests	(189)	(143)
Contributions by noncontrolling interests	92	57
Other	(4)	13
Cash provided by financing activities	<u>193</u>	<u>807</u>
Net increase in cash and cash equivalents	254	27
Cash and cash equivalents at beginning of period	<u>2,010</u>	<u>1,983</u>
Cash and cash equivalents at end of period	<u>\$ 2,264</u>	<u>\$ 2,010</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	<u>\$ 766</u>	<u>\$ 718</u>
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through finance lease		
or note payable	<u>\$ 512</u>	<u>\$ 85</u>
Investments in health-related activities	<u>\$ 184</u>	<u>\$ 149</u>
Accrued purchases of property and equipment	<u>\$ 57</u>	<u>\$ 135</u>
Note payable for contract termination costs, net of applied redemption	<u>\$ 1,246</u>	<u>\$ -</u>

See notes to consolidated financial statements.

COMMONSPIRIT HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2026 AND 2025

1. ORGANIZATION

CommonSpirit Health is a Colorado nonprofit public benefit corporation exempt from federal and state income taxes. CommonSpirit Health is a Catholic health care system sponsored by the public juridic person, Catholic Health Care Federation.

CommonSpirit Health owns and operates health care facilities in 24 states and is the sole corporate member (parent corporation) of other primarily nonprofit corporations. CommonSpirit Health and substantially all of its direct affiliates and subsidiaries have been granted exemptions from federal income tax as charitable organizations under Section 501(c)(3) of the Internal Revenue Code. As of September 30, 2026, CommonSpirit Health is comprised of approximately 2,600 care sites, consisting of 136 hospitals, including academic health centers, major teaching hospitals, critical access facilities, community health services organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care. An additional 20 hospitals are operated through unconsolidated joint ventures. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying consolidated financial statements include CommonSpirit Health and its direct affiliates and subsidiaries (together, “CommonSpirit”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying consolidated financial statements of CommonSpirit were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of all wholly owned affiliates and affiliates over which CommonSpirit exercises control or has a controlling financial interest, after elimination of intercompany transactions and balances.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. CommonSpirit considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its consolidated financial statements, including the following: recognition of net patient revenue, which includes supplemental program revenue, contractual discounts and adjustments; price concessions and charity care; other operating revenues; fair value of acquired assets and assumed liabilities in business combinations; recorded values of depreciable and amortizable assets, investments and goodwill; reserves for self-insured workers’ compensation and professional and general liabilities; contingent liabilities; and assumptions for measurement of pension and other postretirement benefit liabilities. Management bases its estimates on historical experience and various other assumptions that it believes are reasonable under the particular circumstances. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash and liquid marketable securities with an original maturity of three months or less.

Inventories – Inventories, primarily consisting of pharmacy drugs and medical and surgical supplies, are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. Inventories are recorded in other current assets in the accompanying consolidated balance sheets. See Note 6.

Broker Receivables and Payables for Unsettled Investment Trades – CommonSpirit accounts for its investments on a trade date basis. Amounts due to/from brokers for investment activity represent transactions that have been initiated prior to the consolidated balance sheet date, but are formally settled subsequent to the consolidated balance sheet date. These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

Assets and Liabilities Held for Sale – Assets and liabilities held for sale represent assets and liabilities that are expected to be sold within one year. A group of assets and liabilities expected to be sold within one year is classified as held for sale if it meets certain criteria. The assets and liabilities held for sale are measured at the lower of carrying value or fair value less cost to sell. Such valuations include estimates of fair values generally based upon firm offers, discounted cash flows and incremental direct costs to transact a sale (Level 2 and Level

3 inputs). These balances are recorded within other current assets and other accrued liabilities - current, respectively. See Notes 6 and 12.

Investments and Investment Income – Short-term investments consist of investments with an original maturity of more than three months up to one year. Long-term investments consist of investments with original maturities greater than one year.

The CommonSpirit Board of Stewardship Trustees Investment SubCommittee, as a part of the Board Finance Committee, establishes guidelines for investment decisions. Within those guidelines, CommonSpirit invests in equity and debt securities which are measured at fair value and are classified as trading securities. Accordingly, unrealized gains and losses on marketable securities are recorded within excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets, and cash flows from the purchases and sales of marketable securities are reported as a component of operating activities in the accompanying consolidated statements of cash flows.

CommonSpirit also invests in alternative investments through limited partnerships. Alternative investments are comprised of private equity, real estate, hedge fund and other investment vehicles. CommonSpirit receives a proportionate share of the investment gains and losses of the partnerships. The limited partnerships generally contract with managers who have full discretionary authority over the investment decisions, within CommonSpirit's guidelines. These alternative investment vehicles invest in equity securities, fixed income securities, currencies, real estate, private equities, hedge funds, and derivatives.

CommonSpirit accounts for its ownership interests in these alternative investments under the equity method, the value of which is based on the net asset value ("NAV") practical expedient and is determined using investment valuations provided by the external investment managers, fund managers, or general partners.

Alternative investments generally are not marketable, and many alternative investments have underlying investments that may not have quoted market values. The estimated value of such investments is subject to uncertainty and could differ had a ready market existed. Such differences could be material. CommonSpirit's risk is limited to its capital investment in each investment and capital call commitments, as discussed in Note 8.

Investment income or loss is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects during construction.

Also recorded in investments are assets limited as to use set aside by CommonSpirit for future long-term purposes, including amounts held by trustees under bond indenture agreements, funds set aside for self-insurance programs, amounts contributed by donors with stipulated restrictions, and amounts held for mission and ministry purposes.

Liquidity – Cash and cash equivalents, short-term investments, patient and other accounts receivable, broker receivables, and provider fee receivables are the financial assets available to meet expected expenditure needs within the next year. Additionally, although intended to satisfy long-term obligations, management estimates that approximately 77.7% and 79.4% of the CommonSpirit Health Operating Investment Pool, LLC ("CSH OIP"), as stated as of June 30, 2026 and 2025, respectively, could be utilized within the next year, if needed. CommonSpirit also has credit facility programs, as described in Note 13, available to meet unanticipated liquidity needs.

Deferred Financing Costs and Original Issue Discounts/Premiums on Bond Indebtedness – CommonSpirit amortizes deferred financing costs and original issue discounts/premiums on bond indebtedness over the estimated average period the related bonds will be outstanding, which approximates the effective interest method. Both deferred financing costs and original issue discounts/premiums are recorded with the related debt.

Property and Equipment – Property and equipment are stated at cost if purchased and at fair market value upon receipt if acquired through a business combination or donated, or upon the date of impairment, if impaired. Depreciation of property and equipment is recorded using the straight-line method. Amortization of finance lease assets is included in depreciation expense, over the shorter of the useful life of the asset or the lease term.

Estimated useful lives by major classification are as follows:

Land improvements	2 to 40 years
Buildings and improvements	5 to 65 years
Equipment	3 to 40 years
Software	3 to 10 years

Asset Impairment – CommonSpirit routinely evaluates the carrying value of its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds the estimated recoverability, an asset impairment charge is recognized. The impairment tests are based on financial projections prepared by management that incorporate anticipated results from programs and initiatives being implemented and market value assessments of the assets. If these projections are not met, or if negative trends occur that impact the future outlook, the value of the long-lived assets may be impaired.

Goodwill and definite-lived intangible assets are tested for impairment upon the occurrence of a triggering event. Indefinite-lived intangible assets are tested for impairment annually and when an event or a circumstance indicates the value of the reporting unit or intangible asset may be impaired. CommonSpirit uses the income and market approaches to estimate the fair value of its reporting units and uses the income approach to estimate the fair value of its indefinite-lived intangible assets. If the carrying value exceeds the fair value, an impairment charge is recognized. See Note 11.

Fair Value of Financial Instruments – The carrying amounts reported in the accompanying consolidated balance sheets for assets and liabilities, such as cash and cash equivalents, patient accounts receivable, excess insurance receivables, community investment loans, broker receivables and payables for unsettled investment trades, accounts payable, and accrued expenses, approximate fair value due to the nature of these items. The fair value of investments is disclosed in Note 8.

Derivative Instruments – CommonSpirit utilizes derivative arrangements to manage interest costs and the risk associated with changing interest rates. CommonSpirit records derivative instruments in the accompanying consolidated balance sheets as either an asset or a liability measured at its fair value. See Notes 8 and 14.

CommonSpirit does not have derivative instruments that are designated as hedges. Interest cost and changes in fair value of derivative instruments are included in change in fair value and cash payments of interest rate swaps in nonoperating income, net, in the accompanying consolidated statements of operations and changes in net assets.

Ownership Interests in Health-Related Activities – When the ownership interest in a health-related activity is more than 50% and CommonSpirit has a controlling interest with significant influence, the ownership interest is consolidated and a noncontrolling interest is recorded in net assets without donor restrictions. When the ownership interest is at least 20%, but not more than 50%, or CommonSpirit has the ability to exercise significant influence over operating and financial policies of the investee, it is accounted for under the equity method and income or loss is reflected in revenue from health-related activities, net. Ownership interests for which CommonSpirit's ownership is less than 20% or for which CommonSpirit does not have the ability to exercise significant influence, and a fair value is not readily determinable, are measured at lower of cost or market. See Note 10.

Self-Insurance Plans – The liability for self-insured reserves and claims represents the estimated ultimate net cost of all reported and unreported losses incurred through June 30, 2026 and 2025. Actuarial estimates of uninsured losses as of June 30, 2026 and 2025, have been accrued as liabilities and include an actuarial estimate for claims incurred but not reported ("IBNR"). CommonSpirit has insurance coverage in place for amounts in excess of the self-insured retention for workers' compensation and professional and general liabilities. The current and long-term portions of these liabilities are reflected accordingly in other accrued liabilities - current and self-insured reserves and claims - long-term in the accompanying consolidated balance sheets.

CommonSpirit is also self-insured for certain employee medical benefits. The liability for IBNR claims for these benefits is included in other accrued liabilities - current in the accompanying consolidated balance sheets.

Patient Accounts Receivable and Net Patient Revenue – Patient service revenue is reported at the amounts that reflect the consideration CommonSpirit expects to be paid in exchange for providing patient care. These amounts

are due from patients, third-party payors (including health insurers and government programs) and others and include consideration for retroactive revenue adjustments due to settlement of audits and reviews. Generally, performance obligations for patients receiving inpatient acute care services and outpatient services are recognized over time as services are provided. Net patient revenue is primarily comprised of hospital and physician services.

Performance obligations are generally satisfied over a period of less than one year. As such, CommonSpirit has elected to apply the optional exemption provided in Financial Accounting Standards Board Accounting Standards Codification, *Revenue from Contracts with Customers*, and is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

CommonSpirit determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with CommonSpirit's financial assistance policy, and implicit price concessions provided to uninsured and underinsured patients. CommonSpirit determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy and historical experience. CommonSpirit determines its estimate of implicit price concessions based on its historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. CommonSpirit relies on the results of detailed reviews of historical write-offs and collections in estimating the collectability of accounts receivable. Updates to the hindsight analysis are performed at least quarterly using primarily a rolling 18-month collection history and write-off data. Subsequent changes to estimates of the transaction price are generally recorded as adjustments to net patient revenue in the period of the change.

Subsequent changes that are determined to be the result of an adverse change in a third-party payor's ability to pay are recorded as bad debt expense in purchased services and other in the accompanying consolidated statements of operations and changes in net assets. Bad debt expense for 2026 and 2025 was not significant.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements included in net patient revenue follows:

Medicare: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis. Certain facilities receive cost-based reimbursement. Hospital outpatient services are generally paid based on prospectively determined rates. Physician services are paid based upon established fee schedules.

Medicaid: Payments for inpatient services are generally made on a prospectively determined rate based on clinical diagnosis or on a per case or per diem basis. Hospital outpatient services and physician services are paid based upon established fee schedules, a cost basis reimbursement methodology or discounts from established charges.

Commercial: Payments for inpatient and outpatient services provided to patients covered under commercial insurance policies are paid using a variety of payment methodologies, including per diem and case rates.

Self-Pay and Other: Payment agreements with uninsured or underinsured patients, along with other responsible entities, including institutions, other hospitals and other government payors, are based on a variety of payment methodologies.

Net patient revenue includes estimated settlements under payment agreements with third-party payors. Settlements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted in future periods as final settlements are determined. These settlements are estimated and evaluated based on the terms of the payment agreement with the payor, correspondence from the payor and historical settlement activity.

Medicaid reimbursement includes supplemental revenues under various state Medicaid programs, including, but not limited to, Disproportionate Share Hospital payments, Graduate Medical Education payments, and state provider fee programs. Amounts are recognized for these programs, if the applicable program by state and by year, is probable and reasonably estimable, and are recorded within net patient revenue in the consolidated statement of operations and changes in net assets. Amounts are estimated using historical and current program data, payment models, and other factors specified by the applicable state and CMS and are adjusted in future periods as final settlements and approvals become known.

Premium Revenue – CommonSpirit has at-risk agreements with various payors to provide medical services to enrollees. Under these agreements, CommonSpirit receives monthly payments based on the number of enrollees, regardless of services actually performed by CommonSpirit. CommonSpirit accrues costs when services are rendered under these contracts, including estimates of IBNR claims and amounts receivable/payable under risk-sharing arrangements. The IBNR accrual includes an estimate of the costs of services for which CommonSpirit is responsible, including out-of-network services, and is recorded in other accrued liabilities - current.

Financial Assistance (Charity Care) – Charity care is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit’s criteria for financial assistance. The amount of charity care provided quantified at customary charges was \$3.1 billion and \$2.7 billion for 2026 and 2025, respectively. CommonSpirit estimates the cost of charity care by calculating a ratio of cost to usual and customary charges and applying that ratio to the usual and customary uncompensated charges associated with providing care to patients who qualify for charity care. No charges related to charity care are included in net patient revenue in the accompanying consolidated statements of operations and changes in net assets. The estimated cost of charity care in 2026 and 2025 was \$676 million and \$680 million, respectively. See Note 21.

Other Operating Revenue – Other operating revenue includes grant revenues, including funds received from Federal Emergency Management Agency (“FEMA”), Employee Retention Credits (“ERC”), retail pharmacy revenues, management services revenues, rental revenues, cafeteria revenues, certain contributions released from restrictions, gains on sales of assets and joint venture interests, and other nonpatient care revenues.

Contributions and Net Assets With Donor Restrictions – Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, net assets with donor restrictions related to capital purchases are reclassified as net assets without donor restrictions and reflected as net assets released from restrictions used for the purchase of property and equipment in the accompanying consolidated statements of operations and changes in net assets, whereas net assets with donor restrictions related to other gifts are reclassified as net assets without restrictions and recorded as other operating revenue. Gifts received with no restrictions are recorded as contributions in operating revenues. Gifts of long-lived operating assets, such as property and equipment, are reported as additions to net assets without donor restrictions, unless otherwise specified by the donor.

Unconditional promises to give cash and other assets to CommonSpirit are recorded at fair value at the date the promise is received using a discount rate based on the U.S. Treasury yield rates and are generally due within five years. Conditional promises to give are recorded when the conditions have been substantially met. Donor indications of intentions to give are not recorded; such gifts are recorded at fair value only upon actual receipt of the gift or pledge. Investment income on net assets with donor restrictions is classified pursuant to the intent or requirement of the donor.

Total net assets with donor restrictions are \$1.3 billion and \$1.1 billion as of June 30, 2026 and 2025, respectively. Of these net assets with donor restrictions, endowment net assets totaled \$322 million and \$317 million in 2026 and 2025, respectively. Endowment assets, which are primarily to be used for equipment and expansion, research and education, or charity purposes, include donor-restricted funds that CommonSpirit must hold in perpetuity or for a donor-specified period. Changes in endowment net assets primarily relate to investment returns, contributions and appropriations for expenditures. CommonSpirit preserves the fair value of these gifts as of the date of donation unless otherwise stipulated by the donor. Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure. CommonSpirit considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of CommonSpirit, and (7) the investment policies of CommonSpirit.

CommonSpirit has investment and spending policies for endowment assets designed to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets.

Endowment assets are invested in a manner that is intended to produce results that achieve the respective benchmark while assuming a moderate level of investment risk. Actual returns in any given year may vary from

this amount. To satisfy its long-term rate-of-return objectives, CommonSpirit relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CommonSpirit targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Community Benefits – As part of its mission, CommonSpirit provides services to the poor and benefits for the broader community. The costs incurred to provide such services are included in excess of revenues over expenses in the accompanying consolidated statements of operations and changes in net assets. CommonSpirit prepares a summary of unsponsored community benefit expense 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*. See Note 21.

Interest Expense – Interest expense on debt issued for construction projects is capitalized until the projects are placed in service. Interest expense, net, includes interest and fees on debt, net of these capitalized amounts. See Note 17.

Income Taxes – CommonSpirit has established its status as an organization exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the laws of the states in which it operates, and as such, is generally not subject to federal or state income taxes. However, CommonSpirit’s exempt organizations are subject to income taxes on net income derived from a trade or business regularly carried on, which does not further CommonSpirit’s exempt purposes. No significant income tax provision has been recorded in the accompanying consolidated financial statements for net income derived from an unrelated trade or business.

CommonSpirit’s for-profit subsidiaries account for income taxes related to its operations. The for-profit subsidiaries recognize deferred tax assets and liabilities for temporary differences between the financial reporting basis and the tax basis of their assets and liabilities, along with net operating loss and tax credit carryovers, for tax positions that meet the more-likely-than-not recognition criteria. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

CommonSpirit’s taxable entities did not have any material unrecognized income tax expense as of June 30, 2026 or 2025. CommonSpirit reviews its tax positions quarterly and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

Performance Indicator – Management considers excess of revenues over expenses to be CommonSpirit’s performance indicator. Excess of revenues over expenses includes all changes in net assets without donor restrictions except for the effect of contributions from business combinations, changes in accounting principles, net assets released from restrictions used for purchase of capital and operations, changes in the funded status of pension and other postretirement benefit plans, gains and losses from discontinued operations, and other changes, including the change in ownership interests held by controlled subsidiaries.

Operating and Nonoperating Activities – CommonSpirit’s primary purpose is to provide a variety of health care-related activities, education and other benefits to the communities in which it operates. Activities directly related to the furtherance of this purpose are recorded as operating activities. Other activities outside of this mission are reported as nonoperating activities. Such activities include net investment income, gain on early extinguishment of debt, income tax expense, changes in fair value and cash payments of interest rate swaps, other components of net periodic postretirement costs, and the nonoperating component of Joint Operating Agreement (“JOA”) income share adjustments.

Special Charges, including Contract Termination, Intangible Asset Impairment and Certain Restructuring Costs (“Special Charges”) – Includes certain non-routine costs that are unusual in nature. These costs relate to certain contract termination costs, impairment of long-lived assets included in the brand unification initiative, and consulting and severance costs related to a significant certain restructuring project. See Note 16.

Related Parties – CommonSpirit includes institutions that participate in student financial assistance programs authorized by Title IV of the Higher Education Act of 1965 (“Title IV, HEA Program”). In order to participate in Title IV, HEA Program, the institutions must comply with standards outlined in 34 C.F.R. 668 Subpart B. As required under this standard, the institutions participating in this program have policies in place regarding the identification and disclosure of any transactions with related parties and do not have any material related-party transactions for the years ended June 30, 2026 or 2025.

Recently Adopted Accounting Pronouncements – The Financial Accounting Standards Board issued goodwill accounting alternatives that allow not-for-profits to simplify the subsequent accounting for goodwill acquired. Subsequent clarification was provided to clarify the not-for-profit application for conduit bond holders. Not-for profits that elect the goodwill accounting alternative must amortize goodwill over a period not greater than 10 years. Additionally, goodwill is only required to be tested for impairment when a triggering event occurs.

In order to simplify the accounting for goodwill, CommonSpirit elected the accounting alternative effective in fiscal year 2026 for all previously existing goodwill and for all new goodwill generated in future acquisitions. Goodwill is amortized on a straight-line basis over a 10-year period. The goodwill amortization expense is included in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets.

Subsequent Events – CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal year and September 30, 2026, the date the consolidated financial statements were issued. See Notes 13, 14 and 15.

3. SIGNIFICANT TRANSACTIONS

Vendor Termination – In January 2026, CommonSpirit entered into an agreement with a revenue cycle solutions vendor to terminate services effective December 31, 2026. Terms of the agreement included a January 2026 redemption of the equity interest that CommonSpirit held in the same vendor for \$540 million. As part of the agreement, CommonSpirit will pay an aggregate amount of \$1.9 billion, of which \$540 million was applied in the year ended June 30, 2026, through the redemption of the equity interest, with the remaining balance payable in equal installments over the next three years. The termination of services agreement and loss on sale of the equity interest total a charge of \$2.2 billion, and are included in Special Charges in the consolidated statements of operations and changes in net assets. As of June 30, 2026, \$453 million and \$765 million is recorded to the current portion of long-term debt and long-term debt, respectively, in the consolidated balance sheets.

4. OTHER OPERATING REVENUE

CommonSpirit received funding from FEMA related to the COVID-19 pandemic. During the years ended June 30, 2026 and 2025, CommonSpirit recorded \$402 million and \$645 million, respectively, within other operating revenue in the consolidated statements of operations and changes in net assets, as obligations of funds were approved by the applicable agencies. The corresponding receivable is recorded within other current assets in the consolidated balance sheets.

ERC of \$133 million and \$240 million, net, were recorded in the years ended June 30, 2026 and 2025, respectively. These payroll tax credits relate to qualified wages paid from March 13, 2020 through September 30, 2021.

All grants and tax credits recorded are subject to subsequent audits by the applicable regulatory agencies providing the funds.

5. NET PATIENT AND PREMIUM REVENUE

The percentage of inpatient and outpatient services, calculated on the basis of usual and customary charges, is as follows for the years ended June 30:

	2026	2025
Inpatient services	48%	48%
Outpatient services	52%	52%

Patient revenue, net of contractual discounts and adjustments and implicit price concessions, is comprised of the following for the years ended June 30 (in millions):

	2026	2025
Government	\$ 20,641	\$ 18,378
Contracted	14,860	13,676
Self-pay and other	2,579	2,521
Total net patient revenue	<u>\$ 38,080</u>	<u>\$ 34,575</u>

Government payor type includes Medicare fee for service, Medicare capitated, Medicare managed care fee for service, Medicaid fee for service, Medicaid capitated and Medicaid managed care fee for service patient accounts. Contracted payor type includes contracted rate payors and commercial capitated patient accounts.

Total net patient and premium revenues by service line are as follows for the years ended June 30 (in millions):

	2026	2025
Hospitals	\$ 35,314	\$ 31,981
Physician organizations	3,469	3,317
Long-term care and home care	277	259
Other	482	578
Total net patient and premium revenue	<u>\$ 39,542</u>	<u>\$ 36,135</u>

Net patient revenue from the supplemental Medicaid programs amounts to \$4.5 billion, or 12%, and \$2.5 billion, or 7%, for the years ended June 30, 2026 and 2025, respectively.

6. OTHER CURRENT ASSETS

Other current assets consist of the following as of June 30 (in millions):

	2026	2025
Inventories	\$ 930	\$ 848
Receivables, other than patient accounts receivable	1,179	1,423
Broker receivables for unsettled investment trades	1,517	1,451
Assets held for sale	218	-
Prepaid expenses	460	421
Other	113	106
Total other current assets	<u>\$ 4,417</u>	<u>\$ 4,249</u>

7. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CSH OIP as of June 30, 2026 and 2025. Short-term and long-term investments also include assets limited as to use set aside by CommonSpirit for future long-term purposes as outlined below as of June 30 (in millions):

	2026	2025
Cash and cash equivalents	\$ 2,264	\$ 2,010
Short-term investments	138	255
Long-term investments	<u>19,553</u>	<u>18,195</u>
Total cash and investments	<u>21,955</u>	<u>20,460</u>
Less:		
Held for self-insured claims	2,089	2,057
Under bond indenture agreements for debt service	145	61
Donor-restricted	600	591
Other	<u>1,091</u>	<u>996</u>
Total assets limited as to use	<u>3,925</u>	<u>3,705</u>
Unrestricted cash and investments	<u>\$ 18,030</u>	<u>\$ 16,755</u>

8. FAIR VALUE MEASUREMENTS

CommonSpirit accounts for certain assets and liabilities at fair value or on a basis that approximates fair value. A fair value hierarchy for valuation inputs categorizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and is determined by the lowest level of input that is significant to the fair value measurement in its entirety. These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. Financial assets in this category include money market funds, U.S. Treasury securities and listed equities.

Level 2: Pricing inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds and derivative instruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The following represents assets and liabilities measured at fair value or at the NAV practical expedient on a recurring basis as of June 30 (in millions):

	2026			
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	\$ 2,508	\$ 175	\$ -	\$ 2,683
U.S. government securities	891	479	-	1,370
U.S. corporate bonds	131	588	-	719
U.S. equity securities	1,238	1	-	1,239
Foreign government securities	-	244	-	244
Foreign corporate bonds	4	212	-	216
Foreign equity securities	1,248	1	-	1,249
Structured debt	-	866	-	866
Private equity	-	-	284	284
Real estate	33	16	-	49
Community Investment Program	-	-	246	246
Other investments	330	12	-	342
Assets measured at fair value	<u>\$ 6,383</u>	<u>\$ 2,594</u>	<u>\$ 530</u>	<u>9,507</u>
Assets at NAV				<u>12,448</u>
Total assets				<u>\$ 21,955</u>
Liabilities				
Derivative instruments	\$ -	\$ 76	\$ -	\$ 76
Other	-	-	91	91
Total liabilities	<u>\$ -</u>	<u>\$ 76</u>	<u>\$ 91</u>	<u>\$ 167</u>

2025				
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets				
Cash and short-term investments	\$ 2,249	\$ 183	\$ -	\$ 2,432
U.S. government securities	770	494	-	1,264
U.S. corporate bonds	126	539	-	665
U.S. equity securities	1,524	1	-	1,525
Foreign government securities	-	151	-	151
Foreign corporate bonds	3	185	-	188
Foreign equity securities	1,715	1	-	1,716
Structured debt	-	1,007	-	1,007
Private equity	-	-	249	249
Multi-strategy hedge funds	30	-	-	30
Real estate	39	1	-	40
Community Investment Program	-	-	238	238
Other investments	260	28	-	288
Assets measured at fair value	<u>\$ 6,716</u>	<u>\$ 2,590</u>	<u>\$ 487</u>	9,793
Assets at NAV				<u>10,667</u>
Total assets				<u>\$ 20,460</u>
Liabilities				
Derivative instruments	\$ -	\$ 107	\$ -	\$ 107
Other	<u>2</u>	<u>-</u>	<u>92</u>	<u>94</u>
Total liabilities	<u>\$ 2</u>	<u>\$ 107</u>	<u>\$ 92</u>	<u>\$ 201</u>

Assets and liabilities measured at fair value on a recurring basis reflected in the table above are reported in short-term investments, long-term investments, current liabilities and other liabilities – long-term in the accompanying consolidated balance sheets.

The Level 2 and 3 instruments listed in the fair value hierarchy tables above use the following valuation techniques and inputs:

For marketable securities, such as U.S. and foreign government securities, U.S. and foreign corporate bonds, U.S. and foreign equity securities, mortgage and asset-backed securities, and structured debt, in the instances where identical quoted market prices are not readily available, fair value is determined using quoted market prices and/or other market data for comparable instruments and transactions in establishing prices, discounted cash flow models and other pricing models. These inputs to fair value are included in industry-standard valuation techniques, such as the income or market approach. CommonSpirit classifies all such investments as Level 2.

For private equity investments where no fair value is readily available, the fair value is determined using models that take into account relevant information considered material. Due to the significant unobservable inputs present in these valuations, CommonSpirit classifies all such investments as Level 3.

The fair value of collateral held under securities lending program is classified as Level 2. The collateral held under this program is placed in commingled funds whose underlying investments are valued using techniques similar to those used for the marketable securities noted above. Amounts reported do not include noncash collateral of \$708 million and \$630 million as of June 30, 2026 and 2025, respectively.

The fair value of assets and liabilities for derivative instruments, such as interest rate swaps classified as Level 2, is determined using an industry standard valuation model, which is based on a market approach. A credit risk spread (in basis points) is added as a flat spread to the discount curve used in the valuation model. Each leg is discounted and the difference between the present value of each leg's cash flows equals the fair value of the swap.

Related to investments valued using the NAV per share practical expedient, management also performs, on a regular basis when information is available, various validations and testing of NAV provided and determines that the investment managers' valuation techniques are compliant with fair value measurement accounting standards.

The following table and explanations identify attributes relating to the nature and risk of investments for which fair value is determined using a calculated NAV as of June 30, 2026 (in millions):

		NAV Practical Expedient	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	(1)	\$ 2,281	\$ 2,107	-	-
Multi-strategy hedge funds	(2)	2,666	-	Weekly, Monthly, Quarterly, Semi-Annually, Annually	3 - 90 days
Real estate	(3)	962	1,594	Quarterly	45 - 90 days
Commingled funds - debt securities	(4)	1,130	79	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	5,409	-	Daily, Weekly, Bi- Weekly, Monthly, Quarterly	1 - 90 days
Total		<u>\$ 12,448</u>	<u>\$ 3,780</u>		

- (1) This category includes private equity funds that specialize in providing capital to a variety of investment groups, including, but not limited to, venture capital, leveraged buyout, mezzanine debt, distressed debt and other situations. There are no provisions for redemptions during the life of these funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated, estimated as of June 30, 2026, to be over the next 12 years.
- (2) This category includes investments in hedge funds that pursue diversification of both domestic and foreign fixed income and equity securities through multiple investment strategies. The primary objective for these funds is to seek attractive long-term, risk-adjusted absolute returns. Under certain circumstances, an otherwise redeemable investment or portion thereof could become restricted.

The following table reflects the various redemption frequencies, notice periods and any applicable lock-up periods or gates to redemption as of June 30, 2026:

Percentage of the Value of Category (2)		Redemption Frequency	Redemption Notice Period	Redemption Locked Up Until (if applicable)	Redemption Gate % of Account (if applicable)
Total	Subtotal				
7.7%	7.7%	Annually	60 days	up to 2 years	up to 50.0%
5.1%	5.1%	Semi-Annually	60 days	-	up to 25.0%
39.6%	0.4%	Quarterly	45 days	up to 2 years	up to 20.0%
	26.6%	Quarterly	55 - 65 days	up to 1 year	up to 10.0% - 25.0%
	12.6%	Quarterly	90 days	-	up to 12.5% - 25.0%
46.2%	6.9%	Monthly	5 days	-	up to 20.0%
	28.6%	Monthly	15 - 50 days	-	up to 16.7% - 20.0%
	10.7%	Monthly	90 days	-	up to 20.0%
1.4%	1.4%	Weekly	3 days	-	-

- (3) This category includes investments in real estate funds that invest primarily in institutional-quality commercial and residential real estate assets within the U.S. and investments in publicly traded real estate investment trusts. Investments representing 35% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated as of June 30, 2026, to be over the next 12 years.
- (4) This category includes investments in commingled funds that invest primarily in domestic and foreign debt and fixed income securities, the majority of which are traded in over-the-counter markets. Also included in this category are commingled fixed income funds that provide capital in a variety of mezzanine debt, distressed debt and other special debt securities situations. Investments representing approximately 2% of the value of investments in this category do not have provisions for redemptions during the life of these funds. Distributions will be received as the underlying investments of the funds are liquidated, estimated as of June 30, 2026, to be over the next four years.
- (5) This category includes investments in commingled funds that invest primarily in domestic or foreign equity securities with multiple investment strategies. A majority of the funds attempt to match or exceed the returns of specific equity indices. Investments representing approximately 75% of the value of investments in this category do not have provisions for redemptions during the life of these funds.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30 (in millions):

	2026	2025
Land and improvements	\$ 2,126	\$ 2,113
Buildings	17,699	16,438
Equipment	<u>12,308</u>	<u>11,757</u>
Total	32,133	30,308
Construction in progress	3,295	3,237
Accumulated depreciation	<u>(16,663)</u>	<u>(15,617)</u>
Property and equipment, net	<u>\$ 18,765</u>	<u>\$ 17,928</u>

10. OWNERSHIP INTERESTS IN HEALTH-RELATED ACTIVITIES

Joint Operating Agreements – CommonSpirit participates in a JOA with hospital-based organizations in one separate market. The agreements generally provide for, among other things, joint management of the combined operations of the local facilities included in the JOA through Joint Operating Companies (“JOC”). CommonSpirit retains ownership of the assets, liabilities, equity, revenues and expenses of the CommonSpirit facilities that participate in the JOA. The financial statements of CommonSpirit’s facilities managed under the JOA are included in the accompanying consolidated financial statements. Transfers of assets from facilities owned by the JOA participants generally are restricted under the terms of the agreements.

As of June 30, 2026 and 2025, CommonSpirit has an investment interest of 50% in a JOC based in Ohio. CommonSpirit’s interest in the JOC is included in ownership interests in health-related activities in the accompanying consolidated balance sheets and totaled \$311 million and \$268 million as of June 30, 2026 and 2025, respectively. CommonSpirit recognizes its investment in all JOCs under the equity method of accounting. The JOC provides varying levels of services to the related JOA sponsors, and operating expenses of the JOC are allocated to each sponsoring organization.

Other Ownership Interests in Health-Related Activities – In addition to the JOC above, CommonSpirit has significant ownership interests that are accounted for under the equity method and reflected in the accompanying consolidated balance sheets in ownership interests in health-related activities. CommonSpirit’s significant ownership interests are as follows:

- CommonSpirit’s ownership interest in Conifer Health Solutions (“Conifer”) was 0% and 23.8% as of June 30, 2026 and 2025, respectively. Conifer provides revenue cycle services and health information management solutions for a portion of CommonSpirit’s acute care operations. Refer to Note 3.
- CommonSpirit’s ownership interest in Premier Health was 22% as of June 30, 2026 and 2025.
- CommonSpirit’s ownership interest in Phoenix Children’s Hospital was 20% as of June 30, 2026 and 2025.
- CommonSpirit’s ownership interest in Mercy Care was 49.75% as of June 30, 2026 and 2025.

The following table summarizes the financial position and results of operations for the significant health-related activities discussed above, unless otherwise specified, which are accounted for under the equity method, as of and for the 12 months ended June 30, or a portion of the periods thereof while held by CommonSpirit (in millions):

	2026			
	Hospitals	JOC	Other	Total
Total assets	\$ 6,620	\$ 3,290	\$ 1,242	\$ 11,152
Total liabilities	2,693	1,203	545	4,441
Total net assets	3,927	2,087	697	6,711
Total operating revenues, net	4,851	3,139	5,680	13,670
Excess of revenues over expenses	652	61	322	1,035
Investment at June 30 recorded in ownership interests in health-related activities	795	311	353	1,459
Income (loss) recorded in revenue from health-related activities, net	143	(134)	104	113

	2025			
	Hospitals	JOC	Other	Total
Total assets	\$ 5,894	\$ 795	\$ 4,542	\$ 11,231
Total liabilities	2,682	259	670	3,611
Total net assets	3,212	536	3,872	7,620
Total operating revenues, net	4,263	565	6,216	11,044
Excess (deficit) of revenues over expenses	194	(232)	452	414
Investment at June 30 recorded in ownership interests in health-related activities	644	268	1,431	2,343
Income (loss) recorded in revenue from health-related activities, net	28	(116)	117	29

Other than the investments described above, ownership interests totaling \$973 million and \$1.0 billion as of June 30, 2026 and 2025, respectively, are not material individually to the consolidated financial statements.

11. OTHER LONG-TERM ASSETS, NET

Other long-term assets, net, consist of the following as of June 30 (in millions):

	2026	2025
Notes receivable, primarily secured	\$ 56	\$ 77
Provider fee receivable, long-term	675	472
Goodwill	1,000	1,118
Intangible assets - definite-lived, net	230	94
Intangible assets - indefinite-lived	282	672
Donor-restricted assets	622	510
Other	344	262
Total other long-term assets, net	<u>\$ 3,209</u>	<u>\$ 3,205</u>

Goodwill is measured as of the effective date of a business combination as the excess of the aggregate of the fair value of consideration transferred over the fair value of the tangible and intangible assets acquired and liabilities assumed. Goodwill is amortized over a 10 year period. See Note 2.

Intangible assets consist primarily of trademarks, trademark agreements, noncompete agreements, certificates of need, and other contracts, and are recorded at fair value using various methods based on the nature of the asset. Definite-lived intangible assets are amortized using the straight-line method over the estimated useful lives of the assets.

Intangible assets whose lives are indefinite are not amortized and are evaluated for impairment at least annually or when circumstances indicate a possible impairment may exist. In January 2026, CommonSpirit performed a non-recurring fair value measurement of a tradename intangible asset using the income approach. The fair value of the asset was determined to be \$145 million as of the measurement date. Fair value was determined using unobservable inputs (Level 3) under ASC 820. Key assumptions included revenue growth, discount rate, and royalty rate. The change in fair value was a result of the change of a tradename intangible asset from an indefinite life to a definite life, due to a change in CommonSpirit's planned usage. In the year ended June 30, 2026, an impairment charge of \$245 million was recorded in the consolidated statements of operations, recorded to special charges. This intangible asset is reflected within intangible assets - definite-lived, net, and will be amortized over its remaining useful life.

The aggregate amortization expense related to intangible and goodwill assets is \$133 million and \$10 million for the years ended June 30, 2026 and 2025, respectively, and is recorded in depreciation and amortization in the accompanying consolidated statements of operations and changes in net assets. Life to date goodwill amortization expense under the accounting alternative is \$109 million. Estimated amortization expense related to definite-lived intangible assets and goodwill is \$155 million in 2027 through 2030, \$123 million in 2031 and \$487 million thereafter.

12. OTHER ACCRUED LIABILITIES – CURRENT

Other accrued liabilities – current consists of the following as of June 30 (in millions):

	2026	2025
Construction retention and contracts payable	\$ 36	\$ 83
Liabilities held for sale	54	-
Liabilities due to medical groups and physicians	83	72
Capitation claims	143	101
Due to government agencies	132	114
Accrued interest expense	204	162
Operating lease liabilities	232	249
Self-insured reserves and claims	495	489
Broker payables for unsettled investments trades	1,854	2,041
Contract labor accrual	27	59
Medical fee accrual	97	139
Capital maintenance	76	167
Other	<u>1,156</u>	<u>1,026</u>
Total other accrued liabilities – current	<u>\$ 4,589</u>	<u>\$ 4,702</u>

13. DEBT

The CommonSpirit Health Master Trust Indenture (“CommonSpirit MTI”) has an Obligated Group (“CommonSpirit Obligated Group”). The CommonSpirit Obligated Group represents approximately 90% of consolidated revenues of CommonSpirit as of June 30, 2026 and 2025.

Debt, net of unamortized debt issuance costs, discounts and premiums consists of the following as of June 30 (in millions):

	2026	2025
Under the CommonSpirit MTI:		
Fixed rate debt:		
Fixed rate revenue bonds payable in installments through 2056; interest at 3.00% to 7.00%	\$ 6,255	\$ 6,026
Fixed rate taxable bonds payable in installments through 2065; interest at 2.78% to 6.46%	11,097	8,473
Total fixed rate debt	<u>17,352</u>	<u>14,499</u>
Variable rate debt:		
Direct purchase bonds payable in installments through 2046; interest set at prevailing market rates (4.04% at June 30, 2026)	90	130
Variable rate demand bonds payable in installments through 2047; interest set at prevailing market rates (2.25% to 2.87% at June 30, 2026)	247	247
Auction rate certificates	-	239
Variable rate term loans payable through 2028; interest set at prevailing market rates (4.42% to 4.52% at June 30, 2026)	500	1,425
Bank line of credit	-	436
Commercial paper notes with maturities ranging from 86 to 90 days at June 30, 2026; interest set at prevailing market rates (3.95% to 4.17% at June 30, 2026)	54	767
Total variable rate debt	<u>891</u>	<u>3,244</u>
Total debt under CommonSpirit MTI	<u>18,243</u>	<u>17,743</u>
Other:		
Various notes payable and other debt payable in installments	1,601	325
Finance lease obligations	1,980	1,706
Total debt	<u>21,824</u>	<u>19,774</u>
Less amounts classified as current	(2,760)	(2,373)
Less demand bonds subject to short-term liquidity arrangements	(247)	(247)
Total long-term debt	<u>\$ 18,817</u>	<u>\$ 17,154</u>

Scheduled principal debt payments, net of discounts and premiums, and considering obligations subject to short-term liquidity arrangements as due according to their long-term amortization schedule, for the next five years and thereafter, are as follows (in millions):

	Long-Term Debt Other Than Demand Bonds	Demand Bonds Subject to Short- Term Liquidity Arrangements	Total Debt
2027	\$ 1,198	\$ 97	\$ 1,295
2028	916	-	916
2029	228	-	228
2030	1,430	-	1,430
2031	1,416	-	1,416
Thereafter	13,981	150	14,131
Subtotal	19,169	247	19,416
Finance lease obligations	1,980	-	1,980
Premium and issuance cost, net	428	-	428
Total	\$ 21,577	\$ 247	\$ 21,824

Debt Arrangements

Fixed Rate Revenue Bonds – CommonSpirit has fixed rate revenue bonds outstanding, substantially all of which may be redeemed, in whole or in part, prior to the stated maturities without a premium.

Fixed Rate Taxable Bonds – CommonSpirit has taxable fixed rate bonds that are due in September 2030, 2035, 2045, and 2055; October 2029, 2030, 2049 and 2050; November 2027, 2040, 2041, 2042, 2052 and 2064; and December 2031, 2034 and 2054 as of June 30, 2026. Early redemption of the debt, in whole or in part, may require a premium depending on market rates.

Taxable Commercial Paper – CommonSpirit has a commercial paper program that permits the issuance of up to \$1.2 billion in aggregate principal amount outstanding, with maturities limited to 270-day periods. The commercial paper program is backed by CommonSpirit’s self-liquidity program, which is comprised of CommonSpirit’s cash management and operating investment programs and a dedicated bank line of credit, to ensure the availability of funds to purchase any commercial paper that the remarketing agent is unable to remarket.

Variable Rate Direct Purchase Bonds – CommonSpirit has one variable rate direct purchase bond placed with holders that bear interest at variable rates determined monthly based upon a percentage of the Secured Overnight Financing Rate (“SOFR”), plus a spread. This bond is subject to mandatory tender on predetermined dates.

Variable Rate Demand Bonds – CommonSpirit has four variable rate demand bonds (“VRDBs”) that are remarketed weekly and may be put at the option of the holders. Two of the four series of VRDBs, totaling \$150 million, are backed by bank letters of credit, while the remaining two series of VRDBs, totaling \$97 million, are supported through CommonSpirit’s self-liquidity program (as discussed above). The bank letters of credit and the self-liquidity program ensure the availability of funds to purchase any bonds tendered that the remarketing agent is unable to remarket. The letters of credit supporting the VRDBs expire in March 2027.

Variable Rate Taxable Term Loans – CommonSpirit has two variable rate taxable term loans that bear interest at variable rates based on SOFR, plus a spread. The two variable rate taxable term loans are due in March 2027 and March 2028.

Auction Rate Certificates – CommonSpirit has auction rate certificates (“ARCs”) that were remarketed weekly.

Notes Payable to Banks Under Credit Agreements – CommonSpirit maintains a \$900 million syndicated line of credit facility for working capital, letters of credit, capital expenditures and other general corporate purposes. At June 30, 2026, there were no outstanding balances drawn under the syndicated credit facility. This credit facility expires in March 2028.

CommonSpirit maintains a \$65 million of dedicated line of credit to support the organization's self-liquidity program, to be used to fund tenders of VRDBs and maturing principal of commercial paper due to a failed remarketing. The line of credit expires in June 2028. No amounts have been drawn.

CommonSpirit maintains a \$35 million single bank line of credit facility to be used for the issuance of standby letters of credit. The credit facility expires in March 2028. No amounts have been drawn.

2027 Financing Activity – In July 2026, CommonSpirit entered into a \$293 million term loan to redeem in full, the Colorado Health Facilities Authority Revenue Bonds, Series 2019B-2 and the Washington Health Care Facilities Authority Revenue Bonds, Series 2019B-3. The term loan is scheduled to mature in March 2028.

In August 2026, CommonSpirit issued \$1.3 billion of tax-exempt fixed rate bonds in a private placement. Proceeds were used to pay and reimburse a portion of the capital costs of previously leased assets. The bonds mature in August 2056.

In August 2026, CommonSpirit entered into a \$137 million term taxable loan to pay and reimburse a portion of the capital costs of previously leased assets. The term loan is scheduled to mature in August 2029.

In August 2026, CommonSpirit drew \$400 million on its syndicated line of credit for working capital purposes.

In September 2026, CommonSpirit drew \$150 million on its syndicated line of credit for working capital purposes.

2026 Financing Activity – In July 2025, CommonSpirit entered into a \$136 million term loan to repay outstanding balances on the syndicated line of credit. The term loan matured in October 2025.

In July 2025, CommonSpirit entered into a \$225 million term loan to redeem in full, the Colorado Health Facilities Authority Revenue Bonds, Series 2019B-1 and the Washington Health Care Facilities Authority Revenue Bonds, Series 2019B-2. The term loan matured in July 2026.

In September 2025, CommonSpirit entered into \$450 million of bridge loans with three banks to refund \$450 million of taxable fixed rate bonds.

In October 2025, CommonSpirit issued \$2.7 billion of taxable fixed rate bonds at par, with repayments of \$740 million, \$640 million (\$300 million insured), \$375 million and \$642 million to be made in September 2030, 2035, 2035 (insured), 2045 and 2055. Proceeds were used to refund \$1.0 billion of short-term taxable term loans, \$566 million of commercial paper notes, \$450 million of bridge loans entered into in September 2025 (as noted above), to redeem in full, \$239 million of the California Statewide Communities Development Authority 2007 Series D, E and F tax-exempt auction rate securities, and provide \$400 million for general working capital purposes.

In October 2025, CommonSpirit issued \$480 million of tax-exempt fixed rate bonds at a premium. Proceeds were used to refund \$386 million of short-term taxable term loans and \$125 million to reimburse prior capital expenditures and fund future capital expenditures. The bonds mature in September 2055.

In October 2025, CommonSpirit issued \$451 million of tax-exempt fixed rate bonds at a premium. Proceeds were used to refund \$124 million of short-term taxable term loans, \$110 million of commercial paper notes, \$40 million of tax-exempt variable rated bonds in a private placement, and \$224 million to reimburse prior capital expenditures and fund future capital expenditures. The bonds mature in September 2035.

In November 2025, CommonSpirit increased the commitment amount on a term loan from \$53 million to \$353 million, of which \$300 million was drawn and the proceeds were used to repay outstanding balances on its syndicated line of credit. The term loan maturity was extended to March 2028.

In December 2025, CommonSpirit issued \$53 million of tax-exempt fixed rate bonds in a private placement. Proceeds were used to repay \$53 million of commitments on a term loan. The bonds mature in February 2046.

In January 2026, CommonSpirit entered into a termination agreement with a vendor that included a note payable totaling \$1.36 billion. See Note 3.

In June 2026, CommonSpirit renewed a \$65 million line of credit used to support its self-liquidity program scheduled to mature in June 2026, to June 2028.

2025 Financing Activity – In July 2024, CommonSpirit entered into a \$103 million term loan to redeem the Series 2019B-1 Washington Health Care Facilities Authority Revenue Bonds in full. The term loan is matured in July 2026.

In July 2024, CommonSpirit issued \$160 million of taxable commercial paper notes. Proceeds were used to finance the purchase of certain previously leased real estate.

In August 2024, CommonSpirit drew \$200 million on its syndicated line of credit for working capital purposes.

In October 2024, CommonSpirit drew \$300 million on its syndicated line of credit for working capital purposes.

In October 2024, \$28 million of outstanding bond obligations were legally defeased due to the transferred ownership and control of associated clinics in San Francisco to the University of California San Francisco Health.

In November 2024, CommonSpirit drew \$175 million on its syndicated line of credit for working capital purposes.

In December 2024, CommonSpirit issued \$300 million of taxable commercial paper notes. Proceeds were used to repay outstanding balances on its syndicated line of credit.

In December 2024, CommonSpirit amended the term loan agreement entered into in July 2024 to increase the total commitment amount to \$630 million. CommonSpirit made two borrowings on the amended term loan totaling \$300 million. Of which, \$200 million was borrowed to repay outstanding balances on its syndicated line of credit and \$100 million was used to redeem in full the Washington Health Care Facilities Authority Bonds Series 2013B-2.

In January 2025, CommonSpirit borrowed on the amended term loan, discussed above, \$175 million to repay outstanding balances on its syndicated line of credit.

In January 2025, CommonSpirit borrowed \$53 million from the amended term loan, discussed above, to redeem in full the Kentucky Economic Development Financing Authority Bonds Series 2011B-3.

In February 2025, CommonSpirit issued \$40 million of tax-exempt variable rate bonds in a private placement. Proceeds were used to reimburse for capital expenditures. The bonds mature in February 2065.

In March 2025, CommonSpirit drew \$300 million on its syndicated line of credit for working capital purposes.

In March 2025, CommonSpirit provided for the redemption in full of \$136 million of the Virginia Mason Medical Center Taxable Bonds, Series 2013 from a draw on its syndicated line of credit.

In April 2025, CommonSpirit refinanced a \$250 million fixed rate term loan, scheduled to mature in April 2025, into a variable rate term loan that matured in April 2026.

14. DERIVATIVE INSTRUMENTS

CommonSpirit's derivative instruments include 23 floating-to-fixed rate interest rate swaps and one basis swap as of June 30, 2026. CommonSpirit uses interest rate swaps to manage interest rate risk associated with outstanding variable rate debt. Under the floating-to-fixed rate swaps, CommonSpirit receives a percentage of SOFR, plus a spread, and pays a fixed rate. The basis swap allows CommonSpirit Health to receive a percentage of SOFR, plus a spread, and pay a percentage of the Securities Industry and Financial Markets Association ("SIFMA") index.

CommonSpirit's derivative instruments also include eight total return swaps as of June 30, 2026. CommonSpirit receives a fixed rate and pays a variable rate percentage of SIFMA, plus a spread. CommonSpirit uses these total return swaps to reduce interest expense associated with the underlying fixed rate debt.

The following table shows the outstanding notional amount of derivative instruments measured at fair value, net of credit value adjustments, as reported in the accompanying consolidated balance sheets as of June 30, 2026 and 2025 (in millions):

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
2026				
Derivatives not designated as hedges				
Interest rate swaps	2028 - 2047	3.2% - 4.0%	\$ 1,409	\$ (77)
Total return swaps	2028 - 2031	SIFMA plus spread	<u>350</u>	<u>1</u>
Total derivative instruments			1,759	(76)
Cash collateral			-	21
Derivative instruments, net			<u>\$ 1,759</u>	<u>\$ (55)</u>
2025				
Derivatives not designated as hedges				
Interest rate swaps	2026 - 2047	3.2% - 4.0%	\$ 1,573	\$ (106)
Total return swaps	2028 - 2030	SIFMA plus spread	<u>383</u>	<u>(1)</u>
Total derivative instruments			1,956	(107)
Cash collateral			-	25
Derivative instruments, net			<u>\$ 1,956</u>	<u>\$ (82)</u>

CommonSpirit's interest rate swaps mature between 2028 and 2047. CommonSpirit has the right to terminate the swaps prior to maturity for any reason. The termination value would be the fair value or the replacement cost of the swaps, depending on circumstances. The derivative agreements have certain early termination triggers caused by an event of default or a termination event. The events of default include failure to make payment when due, failure to give notice of a termination event, cash on hand dropping below a specified number of days and defaults under other agreements (cross-default provision). Termination events can include credit ratings dropping below a defined minimum credit rating threshold by either party.

CommonSpirit has \$160 million notional of interest rate swaps that are insured and have a negative fair value of \$12 million as of June 30, 2026. In the event the insurer is downgraded below a specified minimum credit rating, the counterparties have the right terminate the swaps if CommonSpirit Health does not provide alternative credit support acceptable to them within 30 days of being notified of the downgrade. If both the insurer and CommonSpirit Health are downgraded below a specified minimum credit rating, the counterparties have the right to terminate the swaps.

CommonSpirit has \$1.2 billion notional amount of interest rate swaps that are not insured, of which the counterparties have various rights to terminate \$233 million notional. These include the outstanding notional amounts of \$100 million and \$73 million at each five-year anniversary date commencing in March 2028 and September 2028, respectively. Swaps in the outstanding notional amounts of \$60 million have a mandatory put in March 2028. The termination value would be the fair value or the replacement cost of the swaps, depending on the circumstances. These interest rate swaps with the optional and mandatory put options have a negative fair value of \$12 million as of June 30, 2026. The remaining uninsured swaps in the notional amount of \$1.0 billion have a negative fair value of \$53 million as of June 30, 2026.

In December 2025, CommonSpirit entered into a total return swap in the notional amount of \$53 million to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA, plus a spread. CommonSpirit has the right to terminate the total return swap for any reason after December 2026, prior to its expiration in December 2030.

In August 2026, CommonSpirit entered into three total return swaps in the notional amount of \$1.3 billion to reduce interest expense associated with fixed rate debt. CommonSpirit receives a fixed rate and pays a variable rate of SIFMA, plus a spread. CommonSpirit has the right to terminate the total return swap for any reason after February 2027, prior to its expiration in August 2029.

15. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines whether an arrangement is a lease at inception of the contract. For leases with terms greater than 12 months, CommonSpirit records the related right-of-use (“ROU”) asset and lease liability at the present value of lease payments over the contract term using a risk-free interest rate, subject to certain adjustments. CommonSpirit does not separate contract lease and non-lease components except for a class of underlying assets related to supply agreements, which include associated equipment. Certain building lease agreements require CommonSpirit to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Lease costs also include escalating rent payments that are not fixed at commencement but are based on the Consumer Price Index or other measure of cost inflation. Future changes in the indices are included within variable lease costs. Certain leases include one or more options to renew the lease at the end of the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at CommonSpirit’s discretion and are evaluated at the commencement of the lease, with only those that are reasonably certain of exercise included in determining the appropriate lease term and lease type.

In August 2026, CommonSpirit completed the purchase of previously leased assets. These are recorded as finance leases as of June 30, 2026, and subsequently recorded as owned assets within property and equipment, net in the consolidated balance sheet.

The components of lease cost, net for the year ended June 30 are as follows (in millions):

	2026	2025
Operating lease cost	\$ 311	\$ 281
Variable lease cost	196	213
Short-term rent expense	21	20
Amortization of right-of-use assets	157	131
Interest on finance lease liabilities	67	63
Sublease income	(9)	(14)
Total lease cost, net	<u>\$ 743</u>	<u>\$ 694</u>

Following is supplemental consolidated balance sheet information related to leases as of June 30 (in millions):

Lease Type	Balance Sheet Classification	2026	2025
Operating Leases:			
Operating lease ROU assets	Right-of-use operating lease assets	\$ 1,415	\$ 1,530
Operating lease obligations - current	Other accrued liabilities - current	232	249
Operating lease obligations - long-term	Other liabilities: Operating lease liabilities	1,367	1,465
Finance Leases:			
Finance lease ROU assets	Property and equipment, net	\$ 1,826	\$ 1,580
Current finance lease liabilities	Current portion of long-term debt	1,562	120
Long-term finance lease liabilities	Long-term debt, net of current portion	418	1,586

Supplemental cash flow and other information related to leases for the years ended June 30 are as follows (in millions):

	2026	2025
ROU assets obtained in exchange for new operating lease liabilities	\$ 286	\$ 498
ROU assets obtained in exchange for new finance lease liabilities	469	109
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	318	281
Operating cash flows from finance leases	66	62
Financing cash flows from finance leases	123	87
Weighted-average remaining lease term:		
Operating leases	8 years	9 years
Finance leases	2 years	13 years
Weighted-average discount rate:		
Operating leases	3.8%	3.6%
Finance leases	4.0%	4.0%

Commitments related to operating and finance leases for each of the next five years and thereafter as of June 30, 2026, are as follows (in millions):

	Operating	Finance	Total
2027	\$ 278	\$ 1,584	\$ 1,862
2028	266	82	348
2029	234	68	302
2030	209	52	261
2031	175	40	215
Thereafter	683	277	960
Total minimum future lease payments	1,845	2,103	3,948
Less: Imputed interest	(240)	(122)	(362)
Total lease liabilities	1,605	1,981	3,586
Less: held for sale liabilities	(6)	(1)	(7)
Less: current lease liabilities	(232)	(1,562)	(1,794)
Total long-term lease liabilities	\$ 1,367	\$ 418	\$ 1,785

16. SPECIAL CHARGES

The components of special charges include the following for the year ended June 30, 2026 (in millions):

Revenue cycle vendor termination and associated costs	\$ 2,337
Intangible asset impairment	245
Consulting and severance related to certain restructuring	108
Fixed asset impairment	<u>61</u>
Total special charges	<u>\$ 2,751</u>

Charges related to vendor termination primarily include the vendor termination of services effective December 31, 2026. Refer to Note 3. Intangible asset impairment primarily relates to tradename intangible asset fair value change. Refer to Note 11. Restructuring costs incurred to implement reorganization efforts within specific operations, consist of consulting and severance costs.

17. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions) for the years ended June 30:

	2026	2025
Interest and fees on debt	\$ 864	\$ 780
Capitalized interest expense	<u>(63)</u>	<u>(52)</u>
Interest expense, net	<u>\$ 801</u>	<u>\$ 728</u>

18. RETIREMENT PROGRAMS

CommonSpirit maintains defined benefit pension plans and other postretirement benefit plans that cover most CommonSpirit employees. Benefits for both types of plans are generally based on age, years of service and employee compensation.

Certain plans were frozen in previous years, and benefits earned by employees through that time period remain in the retirement plans where employees continue to receive interest credits and vesting credits, if applicable.

Actuarial valuations are performed for all of the plans. These valuations are dependent on various assumptions. These assumptions include the discount rate and the expected rate of return on plan assets (for pension), which are important elements of expense and liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. CommonSpirit evaluates all assumptions in conjunction with the valuation updates and modifies them as appropriate.

Pension costs and other postretirement benefit costs are allocated over the service period of the employees in the plans. The principle underlying this accounting is that employees render service ratably over the period, and therefore, the effects in the accompanying consolidated statements of operations and changes in net assets follow the same pattern. Net actuarial gains and losses are amortized to expense on a plan-by-plan basis when they exceed the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required and is equal to 10% of the greater of the plan assets or benefit obligations. Gains or losses outside of the corridor are subject to amortization over the average employee future service period.

Contributions to the defined benefit pension plans are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. CommonSpirit's management believes the majority of its plans qualify under a church plan exemption, and as such, are not subject to Employee Retirement Income Security Act funding requirements. CommonSpirit's funding policy requires that, at a minimum, contributions equal the unfunded normal cost using long-term expected return assumptions for fully funded plans on a long-term basis. This calculation yields no additional required funding for fiscal year 2027.

The accumulated benefit obligation exceeds plan assets for the defined benefit plans and postretirement benefit plans in the aggregate for the years ended June 30, 2026 and 2025.

The following summarizes the benefit obligations and funded status for the defined benefit pension and postretirement benefit plans (in millions):

	2026	2025
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 11,111	\$ 10,866
Service cost	280	278
Interest cost	550	572
Plan changes/amendments	13	4
Actuarial loss	89	33
Settlements	(2)	(12)
Benefits paid	(643)	(630)
Benefit obligation at end of year	<u>\$ 11,398</u>	<u>\$ 11,111</u>
Accumulated benefit obligation	<u>\$ 10,980</u>	<u>\$ 10,539</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 9,811	\$ 9,430
Actual return on plan assets	1,407	948
Settlements	-	(10)
Employer contributions	122	87
Benefits paid	(643)	(630)
Acquisitions and other	(9)	(14)
Fair value of plan assets at end of year, net	<u>\$ 10,688</u>	<u>\$ 9,811</u>
Funded status	<u>\$ (710)</u>	<u>\$ (1,300)</u>

The change in net actuarial gain of \$590 million is included in the accompanying consolidated statement of operations and changes in net assets for the year ended June 30, 2026. The amounts recognized in unrestricted net assets as the actuarial gains were \$986 million and \$396 million as of June 30, 2026 and 2025, respectively.

The settlement component of net periodic benefit cost is recognized in the accompanying consolidated statements of operations and changes in net assets within nonoperating income.

The following table summarizes the assumptions used to determine benefit obligations as of and for the years ended June 30:

	2026	2025
To determine benefit obligations:		
Discount rate	5.3% - 5.7%	5.3% - 5.7%
Rate of compensation increase	5.3%	4.0%
Weighted-average interest credit rate for cash balance plans and other applicable plans	5.3%	5.3%
To determine net periodic benefit cost:		
Discount rate	5.3% - 5.7%	5.6% - 5.9%
Expected return on plan assets	4.3% - 7.5%	4.3% - 7.4%
Rate of compensation increase	4.0%	4.0%
Weighted-average interest credit rate for cash balance plans and other applicable plans	5.0% - 5.6%	5.0% - 6.2%

The following table summarizes the components of net periodic benefit cost recognized in the accompanying consolidated statements of operations and changes in net assets for the years ended June 30 (in millions):

	2026	2025
Service cost	\$ 280	\$ 278
Interest cost	550	572
Expected return on plan assets	(696)	(677)
Settlements	2	1
Net prior service loss amortization	1	1
Net actuarial gain amortization	<u>(13)</u>	<u>(25)</u>
Net periodic benefit cost	<u>\$ 124</u>	<u>\$ 150</u>

The service cost amount above is recorded in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets. All other costs of net periodic benefit cost above are reflected in nonoperating income in the consolidated statements of operations and changes in net assets.

The following represents the fair value of plan assets, net, measured on a recurring basis as of June 30 (in millions). See Note 8 for the definition of Levels 1 and 2 in the fair value hierarchy and investments valued using the NAV practical expedient and discussion regarding fair value measurement. Amounts reported do not include noncash collateral of \$526 million and \$461 million as of June 30, 2026 and 2025, respectively.

	2026		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Cash and short-term investments	\$ 347	\$ 12	\$ 359
U.S. government securities	1,067	29	1,096
U.S. corporate bonds	140	581	721
U.S. equity securities	608	-	608
Foreign government securities	-	57	57
Foreign corporate bonds	-	90	90
Foreign equity securities	818	8	826
Structured debt	-	50	50
Real estate	22	-	22
Other	-	5	5
Assets measured at fair value	3,002	832	3,834
Assets at NAV:			
Commingled funds - debt securities			616
Commingled funds - equity securities			3,609
Private equity			1,835
Hedge funds			586
Real estate			479
Total assets			<u>\$ 10,959</u>
Other plan assets (liabilities)			
Due from brokers for unsettled investment trades			85
Due to brokers for unsettled investment trades			<u>(356)</u>
Fair value of plan assets, net			<u>\$ 10,688</u>

	2025		
	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Assets			
Cash and short-term investments	\$ 205	\$ 14	\$ 219
U.S. government securities	1,036	36	1,072
U.S. corporate bonds	142	518	660
U.S. equity securities	745	-	745
Foreign government securities	-	56	56
Foreign corporate bonds	-	83	83
Foreign equity securities	1,155	3	1,158
Structured debt	-	52	52
Multi-strategy hedge funds	25	-	25
Real estate	27	-	27
Other	-	1	1
Assets measured at fair value	3,335	763	4,098
Assets at NAV:			
Commingled funds - equity securities			2,678
Commingled funds - debt securities			596
Private equity			1,618
Hedge funds			647
Real estate			465
Total assets			<u>\$ 10,102</u>
Other plan assets (liabilities)			
Due from brokers for unsettled investment trades			31
Due to brokers for unsettled investment trades			(322)
Fair value of plan assets, net			<u>\$ 9,811</u>

The following table summarizes the weighted-average asset allocations by asset category for the pension plans as of June 30:

	2026	2025
Cash and cash equivalents	3%	2%
Commingled funds - debt securities	23%	24%
Commingled funds - equity securities	47%	46%
Private equity	17%	16%
Hedge fund	5%	6%
Real estate	5%	5%
Other	0%	1%
Total	<u>100%</u>	<u>100%</u>

The asset allocation policy for the pension plans for 2026 is as follows: public equity, 47%; fixed income, 23%; private equity, 17%; hedge funds, 6%; real assets, 5%; and cash and opportunistic, 2%.

The asset allocation policy for the pension plans for 2025 is as follows: public equity, 48%; fixed income, 23%; private equity, 16%; hedge funds, 6%; real assets, 5%; and cash and opportunistic, 2%.

CommonSpirit's investment strategy for the assets of the pension plans is designed to achieve returns to meet obligations and grow the assets of the portfolios longer term, consistent with a prudent level of risk. The strategy balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future obligations. The target asset allocation is diversified across traditional and non-traditional asset classes. Diversification is also achieved through participation in U.S. and non-U.S. markets, market capitalization, and investment manager style and philosophy. The complementary investment styles and approaches used by both traditional and alternative investment managers are aimed at reducing volatility while capturing the equity premium from the capital markets over the long term. Risk tolerance is established through consideration of plan liabilities, plan funded status and corporate financial condition. Consistent with CommonSpirit's fiduciary responsibilities, the fixed income allocation generally provides for security of principal to meet near-term expenses and obligations. Periodic reviews of the market values and corresponding asset allocation percentages are performed to determine whether a rebalancing of the portfolio is necessary.

CommonSpirit's pension plan portfolio return assumptions for 2026 and 2025 were based on the long-term weighted-average returns of comparative market indices for the asset classes represented in the portfolio and expectations about future returns.

The following benefit payments, which reflect expected future service, are expected to be paid during the years ended June 30 (in millions):

	2026
2027	\$ 812
2028	862
2029	909
2030	780
2031	792
2032 - 2036	<u>4,270</u>
Total	<u>\$ 8,425</u>

CommonSpirit maintains defined contribution retirement plans for most employees. Employer contributions to those plans of \$518 million and \$455 million for 2026 and 2025, respectively, included in salaries and benefits in the accompanying consolidated statements of operations and changes in net assets, are primarily based on a percentage of a participant's contribution.

19. COMMITMENTS, CONTINGENT LIABILITIES, GUARANTEES AND OTHER

The following summary encompasses matters related to litigation, regulatory and compliance matters, and developments thereto.

General – The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not necessarily limited to, the rules governing licensure, accreditation, controlled substances, privacy, government program participation, government reimbursement, antitrust, anti-kickback, prohibited referrals by physicians, false claims, and in the case of tax-exempt organizations, the requirements of tax exemption. Management believes CommonSpirit is materially in compliance with all applicable laws and regulations of the Medicare and Medicaid programs. Compliance with such laws and regulations is complex and can be subject to future governmental interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. Certain CommonSpirit entities have been contacted by governmental agencies regarding alleged violations of Medicare practices for certain services. Additionally, certain CommonSpirit entities have identified and self-disclosed potential instances of noncompliance with applicable regulations. In the opinion of management after consultation with legal counsel, the ultimate outcome of these matters will not have a material adverse effect on CommonSpirit's consolidated financial statements.

In recent years, government activity has increased with respect to investigations and allegations of wrongdoing. In addition, during the course of business, CommonSpirit becomes involved in civil litigation. Management assesses the probable outcome of unresolved litigation and investigations and records contingent liabilities reflecting estimated liability exposure. Following is a discussion of matters of note.

Cybersecurity Incident – On October 2, 2022, CommonSpirit experienced a ransomware attack ("the Cybersecurity Incident") that impacted certain of its systems. Upon discovering the attack, CommonSpirit took immediate steps to protect its IT systems, contain the incident, begin an investigation, and maintain continuity of care. CommonSpirit engaged leading cybersecurity specialists to support its investigation and notified law enforcement and the United States Department of Health and Human Services. In April 2023, CommonSpirit completed notifications to individuals whose data was potentially impacted by the Cybersecurity Incident.

The Cybersecurity Incident has had an estimated adverse financial impact of over \$160 million to date, which includes lost revenues from the associated business interruption, the costs incurred to remediate the issues and other related business expenses and is exclusive of any potential insurance related recoveries. CommonSpirit's cyber insurers were immediately notified and CommonSpirit recorded insurance recoveries within unrestricted revenue of \$75 million through fiscal years 2025 and \$42 million recorded for the year ended June 30, 2026. CommonSpirit is unable to predict the final amount of insurance recoveries at this time.

Seismic Standards – The State of California issued seismic safety standards in 1994, with the final seismic upgrade requirements to be in place by 2030, of which the timelines have been amended on several occasions. The regulations called for a specific reclassification of structural building upgrades to be in place by January 2013. Buildings retrofitted or built to the new seismic standards may remain in an acute care service beyond 2030.

Each of the acute care service buildings at CommonSpirit's California facilities either: (1) already meets the standards in effect until 2030, (2) is not subject to these standards, (3) will not be used for acute care services beyond the extended deadline, or (4) is scheduled to undergo remediation before applicable deadline dates. The amount of capital required for meeting the 2030 standards, both structural and/or non-structural, is not yet determined, but is anticipated to be material.

In addition to the foregoing, in late 2014, the State of California’s Department of Health Care Access and Information (formerly known as Office of Statewide Health Planning and Development) created a new seismic performance category allowing buildings that were previously required to be upgraded to meet the 2030 standards or decommissioned by 2030 to remain in use indefinitely if they could be retrofitted to meet certain new standards. CommonSpirit is undertaking the necessary evaluation of its buildings, to be completed by the end of fiscal year 2027, and has commenced the design of several hospital upgrades to meet the 2030 seismic standards.

Long-term Contracts – CommonSpirit is contracted through certain Master Services Agreements (“MSAs”) for the purchase of revenue cycle management services that terminate in fiscal years 2027 and 2033. The agreements are amended from time to time and are subject to annual adjustments for inflation and achievement of certain performance levels, which reflect market terms. These amounts are recorded in purchased services and other in the accompanying statements of operations and changes in net assets. The MSAs are subject to significant penalties for cancellation without cause.

Purchase Commitments – CommonSpirit has entered into various agreements that require certain minimum purchases of goods and services, including management services agreements for information and clinical technology and sponsorship agreements, at levels consistent with normal business requirements. Excluding the long-term contracts noted above, outstanding unconditional purchase commitments were approximately \$1.4 billion as of June 30, 2026, and outstanding capital commitments are \$486 million as of June 30, 2026.

20. FUNCTIONAL EXPENSES

CommonSpirit provides health care services, including inpatient, outpatient, ambulatory, long-term care and community-based services to individuals within the various geographic areas supported by its facilities. Expenses for these program services represent costs that are controllable by operational leadership. Support services include administration, financial services and purchasing, financial planning and budgeting, information technology, risk management, public relations, human resources, cash, debt and investment management, legal, mission services, and other functions that are supported centrally for all of CommonSpirit and are driven by CommonSpirit leadership. Program and support services expense amounts for the year ended June 30, 2025 have been updated to reflect allocation methodology changes applicable for the year ended June 30, 2026. The comparable amounts are reflected below.

Following is a summary of the program and support services provided for the years ended June 30, 2026 and 2025 (in millions):

	2026			
	Program	Support Services -	Support	
	Services -	Management and	Services -	
	Health care	Administrative	Fundraising	Total Expenses
Salaries and benefits	\$ 17,238	\$ 3,849	\$ 27	\$ 21,114
Supplies	6,322	373	-	6,695
Purchased services and other	6,859	5,796	37	12,692
Depreciation and amortization	1,286	266	-	1,552
Interest expense	305	496	-	801
Total operating expenses	<u>\$ 32,010</u>	<u>\$ 10,780</u>	<u>\$ 64</u>	<u>\$ 42,854</u>

	2025			
	Program Services - Health care	Support Services - Management and Administrative	Support Services - Fundraising	Total Expenses
Salaries and benefits	\$ 16,491	\$ 3,546	\$ 27	\$ 20,064
Supplies	6,031	310	-	6,341
Purchased services and other	6,341	4,860	66	11,267
Depreciation and amortization	1,279	124	-	1,403
Interest expense	266	462	-	728
Total operating expenses	<u>\$ 30,408</u>	<u>\$ 9,302</u>	<u>\$ 93</u>	<u>\$ 39,803</u>

21. UNSPONSORED COMMUNITY BENEFIT EXPENSE (UNAUDITED)

Un-sponsored community benefits are programs or activities that provide treatment and/or promote health and healing as a response to identified community needs. These benefits (a) generate a low or negative margin, (b) respond to the needs of special populations, such as persons living in poverty and other disenfranchised persons, (c) supply services or programs that would likely be discontinued, or would need to be provided by another nonprofit or government provider, if the decision was made on a purely financial basis, (d) respond to public health needs, and/or (e) involve education or research that improves overall community health.

The unpaid costs of Medicaid include \$2.1 billion and \$1.2 billion in direct benefit expense related to state provider fee programs in 2026 and 2025, respectively, and direct offsetting revenue related to these programs of \$4.0 billion and \$2.0 billion for 2026 and 2025, respectively.

Benefits for the Poor include services provided to persons who are low-income or medically indigent and cannot afford to pay for health care services because they have insufficient resources and/or are uninsured or underinsured. Serving these populations helps to achieve health equity.

Benefits for the Broader Community refer to programs in the general communities that CommonSpirit serves, including but beyond those for low-income and vulnerable persons. Most services for the broader community are aimed at improving the health and welfare of the overall community. CommonSpirit provides services to nonprofit organizations that promote the total health of their local communities, including the development of and connection to health and social services, support for affordable housing and healthy food, increasing opportunities for jobs and job training, and expanding access to health care for uninsured and underinsured persons.

Financial Assistance (Charity Care) is free or discounted health services provided to persons who cannot afford to pay and who meet CommonSpirit's criteria for financial assistance.

Net Community Benefit, excluding the unpaid cost of Medicare, is the total cost incurred after deducting direct offsetting revenue from government programs, patients, and other sources of payment or reimbursement for services provided to program patients. Restricted revenue from grants, fees and other sources of payment or reimbursement for services provided to patients, program participants and the community also are included in direct offsetting revenue.

Following is a summary of CommonSpirit's community benefits for 2026 for all operations, in terms of services to the poor and benefits for the broader community, which has been prepared in accordance with Internal Revenue Service Form 990, Schedule H and the CHA publication, *A Guide for Planning and Reporting Community Benefit* (dollars in millions):

	Unaudited			
	Total Benefit Expense	Direct Offsetting Revenue	Net Community Benefit	% of Total Expenses
Benefits for the poor:				
Traditional charity care	\$ 676	\$ -	\$ 676	1.6%
Unpaid costs of Medicaid / Medi-Cal	9,408	(8,435)	973	2.3%
Other means-tested programs	1	(1)	-	0.0%
Community services:				
Community health services	73	(21)	52	0.1%
Subsidized health services	70	(44)	26	0.1%
Cash and in-kind contributions	50	(1)	49	0.1%
Community building activities	4	-	4	0.0%
Community benefit operations	8	-	8	0.1%
Total community services for the poor	205	(66)	139	0.4%
Total benefits for the poor	10,290	(8,502)	1,788	4.3%
Benefits for the broader community:				
Community services:				
Community health services	82	(29)	53	0.0%
Health professions education	504	(127)	377	0.9%
Subsidized health services	431	(302)	129	0.3%
Research	68	(63)	5	0.0%
Cash and in-kind contributions	11	-	11	0.0%
Community building activities	6	(1)	5	0.0%
Community benefit operations	4	-	4	0.0%
Total benefits for the broader community	1,106	(522)	584	1.2%
Total community benefits	\$ 11,396	\$ (9,024)	\$ 2,372	5.5%
Unpaid costs of Medicare	9,683	(7,417)	2,266	5.3%
Total community benefits, including unpaid costs of Medicare	\$ 21,079	\$ (16,441)	\$ 4,638	10.8%

The comparable amount of net community benefit was \$3 billion for 2025, or \$5 billion including the unpaid cost of Medicare.

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