



This document is dated November 14, 2025

UNAUDITED QUARTERLY REPORT

For the Three-Month Periods Ended
September 30, 2025 and 2024

The information in this report
has been provided by
CommonSpirit Health

COMMONSPIRIT HEALTH

TABLE OF CONTENTS

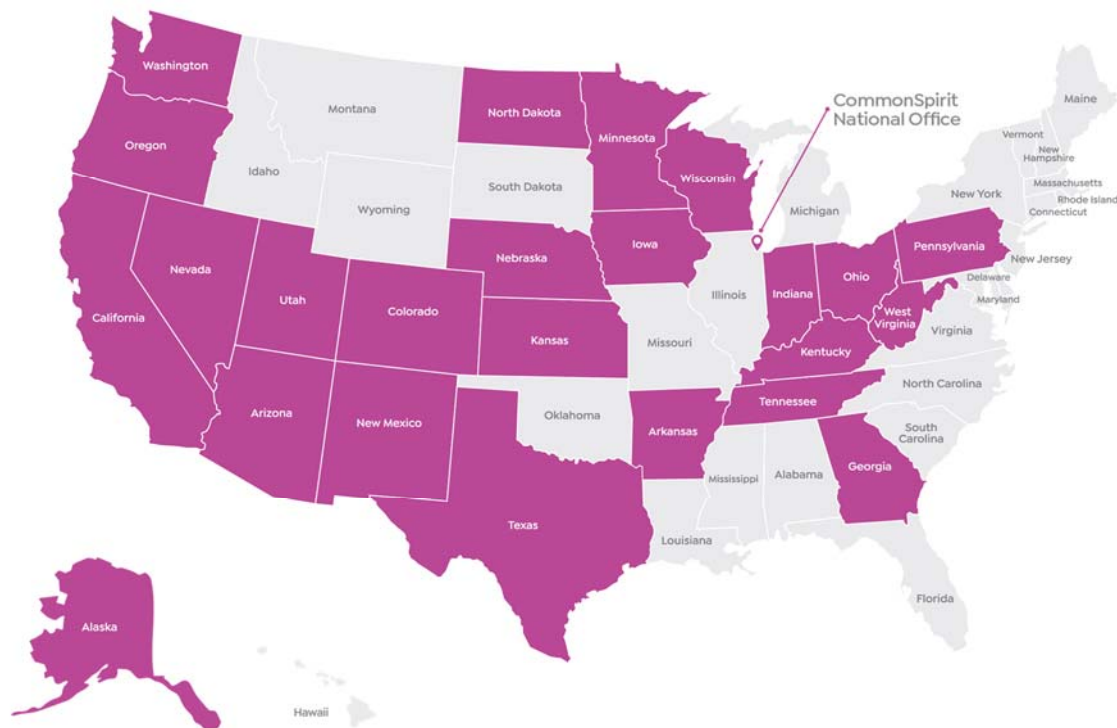
	Page
MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	1
- Overview	1
- Forward-Looking Statements	2
- Financial Highlights and Summary	2
- California Provider Fee Program	3
- Acquisitions, Affiliations and Divestitures	4
Results of Operations	4
- Operating Revenues and Volume Trends	4
- Operating Revenues by Region	7
- Operating Expenses	9
- Nonoperating Results	11
Balance Sheet Metrics	12
- Liquidity	12
- Capital Resources	13
- Debt Portfolio	14
Strategic Focus and Priorities	14
Exhibit I – Unaudited Condensed Consolidated Financial Statements for the Three-Month Periods Ended September 30, 2025 and 2024	19

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 approximately 160,000 employees and over 25,000 physicians and advanced practice clinicians, as of November 14, 2025, CommonSpirit Health is comprised of approximately 2,300 care sites, including 138 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 unaudited condensed 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 healthcare facilities in the service areas of CommonSpirit, federal and state regulation of health care providers, impact of policies including the impact of trade policies, such as changes in, or the imposition of, tariffs and/or trade barriers, staffing shortages, organized labor initiatives, and reimbursement policies of the 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 the current shutdown 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. healthcare policy, coverage and reimbursement systems. While the most substantial healthcare 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 addition to DSH cuts, a Congressional Budget Office (CBO) report warned in August 2025 of a separate, potential sequestration that could trigger an additional 4 percent reduction across all non-defense spending, including to Medicare.

CommonSpirit has presented its operating results for the three-month periods ended September 30, 2025 and 2024, 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, 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.

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 comparisons of results of ongoing business operations among current, past and future periods.

Financial Highlights and Summary

CommonSpirit’s operating loss was \$396 million during the three-month period ended September 30, 2025, compared to an operating loss of \$331 million during the same period in the prior year. Normalized for the California provider fee program, the operating loss for the three-month period ended September 30, 2025 was \$165 million, compared to \$331 million in the same period of the prior year. Current year results include net Employee Retention Credits (“ERC”) of \$86 million.

CommonSpirit’s EBITDA was \$129 million for the three-month period ended September 30, 2025, compared to \$200 million during the same period in the prior year. The EBITDA margin for the three-month period ended September

30, 2025, was 1.3%, a decrease from 2.1% in the same period of the prior year. Normalized for the California provider fee program, EBITDA for the three-month period ended September 30, 2025, was \$360 million, or an EBITDA margin of 3.5%.

CommonSpirit's EBITDA results during the three-month period ended September 30, 2025, continue to be impacted by net revenue challenges and expenses growing at a faster pace than revenue, despite strong volume, salary cost management, length-of-stay improvements, and higher productivity. Normalized revenue increases continue to be impacted by challenges with payors on denials and timely payments, and payment increases from both government and non-government payors that are less than inflation. The primary challenges the organization continues to face are broad inflationary pressures and reimbursement challenges.

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, and capacity optimization for perioperative and imaging services.
- Improved revenue realization 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, 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)	Three-Month Periods Ended September 30,			
	2025	2025*	2024	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
EBITDA	\$ 129	\$ 360	\$ 200	\$ 160
Margin %	1.3%	3.5%	2.1%	1.4%
Operating loss	\$ (396)	\$ (165)	\$ (331)	\$ 166
Margin %	(4.0%)	(1.6%)	(3.5%)	1.9%
Excess of revenues over expenses	\$ 356	\$ 587	\$ 267	\$ 320
Margin %	3.4%	5.3%	2.7%	2.6%

* Adjusted to normalize the California provider fee program net income.

** Comparing September 30, 2025, as adjusted, to the same period in the prior year.

California Provider Fee Program

In December 2024, with the culmination of the prior year provider fee program the State of California submitted an initial SPA to CMS, for approval of a new 12-month provider fee program beginning January 1, 2025. Approval of the current year 2025 program has not been received. As such, during the three-month period ended September 30, 2025, CommonSpirit did not recognize any provider fee net income, compared to \$155 million recorded in the same period of the prior year.

As a result of the CMS approval timing, EBITDA, operating revenues and expenses for the three-month periods ended September 30, 2025, has been adjusted where indicated in this report to normalize the California provider fee program revenue and expenses as though CMS approval had occurred as of January 1, 2025, commensurate with the start of the program.

Following is a summary of the impact of normalizing provider fee net income:

California Provider Fee Program			
(\$ in millions)	Three-Month Periods Ended		
	September 30,		
	2025	2024	Change
<i>California provider fee as recorded</i>			
Net patient and premium revenues	\$ -	\$ 319	\$ (319)
Operating expenses	-	164	(164)
Provider fee net income	<u>\$ -</u>	<u>\$ 155</u>	<u>\$ (155)</u>
<i>Normalized California provider fee</i>			
Net patient and premium revenues	\$ 487	\$ 319	\$ 168
Operating expenses	256	164	92
Provider fee net income	<u>\$ 231</u>	<u>\$ 155</u>	<u>\$ 76</u>
<i>Impact of Normalizing California provider fee</i>			
Net patient and premium revenues	\$ 487	\$ -	\$ 487
Operating expenses	256	-	256
Provider fee net income	<u>\$ 231</u>	<u>\$ -</u>	<u>\$ 231</u>

Acquisitions, Affiliations and Divestitures

In February 2024, CommonSpirit entered into an agreement to transfer two hospitals, along with associated clinics in San Francisco, to The University of California – San Francisco Health. The associated assets and liabilities were classified as held for sale as of June 30, 2024, within other current assets and other accrued liabilities – current, respectively, in the associated consolidated balance sheets. The transfer was finalized in August 2024 and the operations of the facilities held for sale are not material to the statement of operations and changes in net assets.

Results of Operations

Operating Revenues and Volume Trends

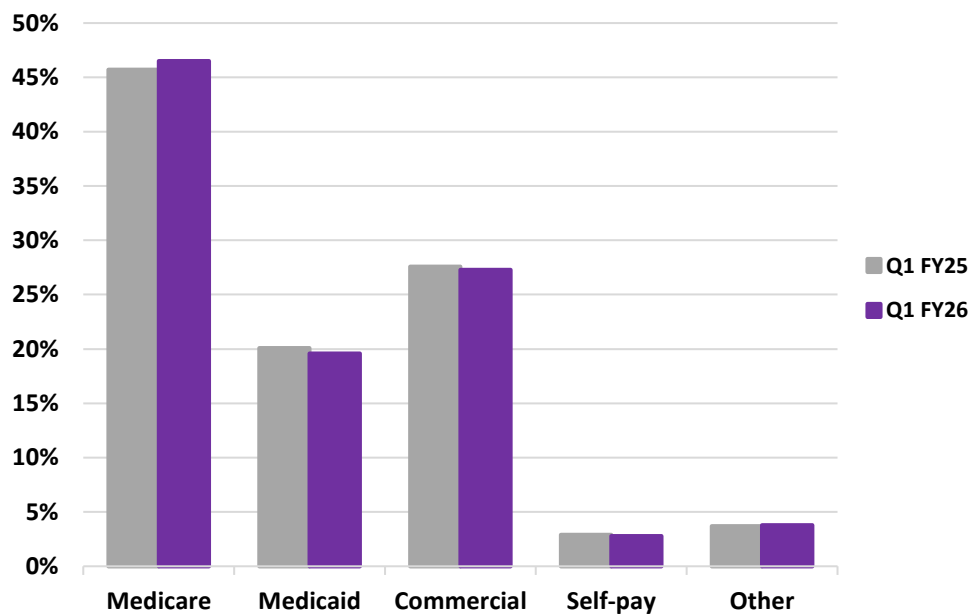
Net patient and premium revenues increased \$277 million, or 3.1%, over the prior year for the three-month period ended September 30, 2025. Normalizing for the California provider fee revenues, net patient and premium revenue increased \$764 million, or 8.6%. The increase is primarily due to higher volume levels and increased provider fee revenue. Normalized net patient and premium revenue per adjusted admission increased 2.4% from the prior year, for the three-month period ended September 30, 2025.

For the three-month period ended September 30, 2025, CommonSpirit's volumes on an adjusted admission basis were favorable to the same period in the prior year by 6.0%. The acute average length of stay ("ALOS") of 4.54 days for the three-month period ended September 30, 2025, was lower than the same period in the prior year of 4.68.

Volumes	Three-Month Periods Ended September 30,			
	2025	2024	Change	%
Acute admissions	221,067	209,494	11,573	5.5%
Adjusted admissions	465,066	438,829	26,237	6.0%
Acute inpatient days	1,004,545	980,035	24,510	2.5%
Adjusted patient days	2,201,575	2,141,266	60,309	2.8%
Acute average length of stay	4.54	4.68	(0.14)	(3.0%)
Outpatient visits	7,459,695	7,190,877	268,818	3.7%
ED visits	1,018,025	1,037,491	(19,466)	(1.9%)
Gross outpatient revenue as a % of total gross patient services revenue	52.3%	52.1%	0.2%	0.2%

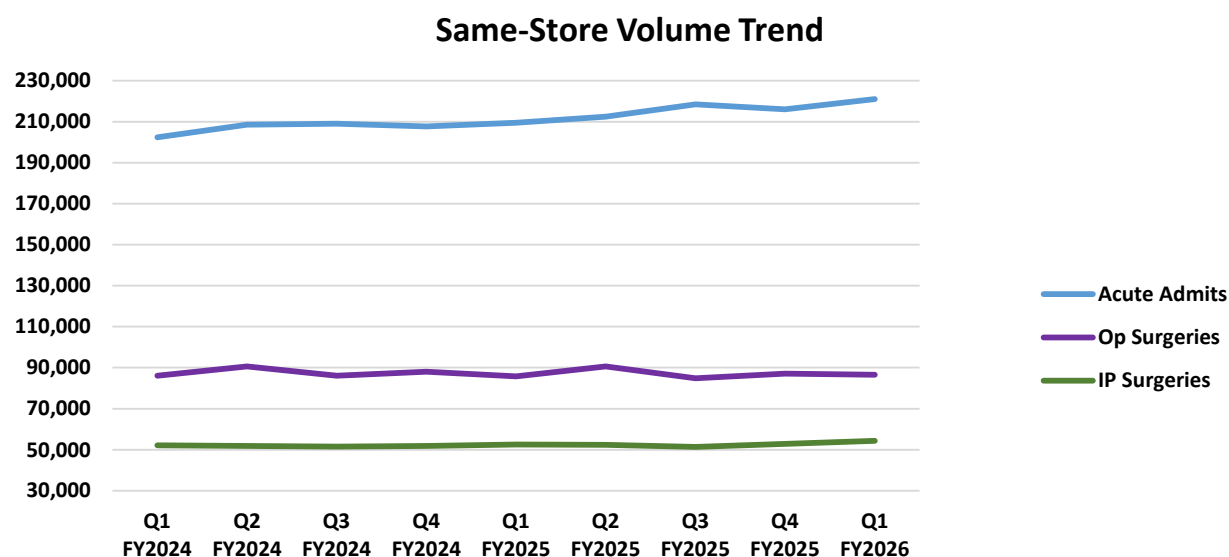
Payor mix based on gross revenues for the three-month period ended September 30, 2025 had a slight decline when compared to the same period in the prior year. The following chart represents the gross revenue payor mix for consolidated operations for the three-month periods ended September 30, 2025 and 2024:

Gross Revenue Payor Mix



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 recorded for these programs upon final approval by CMS of the applicable program by state, by year, within net patient revenue in the unaudited condensed consolidated statement of operations and changes in net assets. Net patient revenue from the supplemental Medicaid programs, normalized for the California provider fee, amounts to \$891 million, or 10%, and \$662 million, or 8%, for the three-month periods ended September 30, 2025 and 2024, respectively.

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 increased \$140 million, or 27.3%, from the prior year, for the three-month period ended September 30, 2025. The increase is primarily due to ERC grant revenue, an increase of \$30 million related to revenue from health-related activities, net, and a \$29 million increase in pharmaceutical revenue, partially offset by \$18 million in lower gain on sales of assets.

Operating Revenues				
(\$ in millions)	Three-Month Periods Ended September 30,			
	2025	2025*	2024	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
Net patient and premium revenues	\$ 9,163	\$ 9,650	\$ 8,886	\$ 764
All other operating revenues	<u>652</u>	<u>652</u>	<u>512</u>	<u>140</u>
Total operating revenues	<u>\$ 9,815</u>	<u>\$ 10,302</u>	<u>\$ 9,398</u>	<u>\$ 904</u>

* Adjusted to normalize the California provider fee program revenues.

** Comparing September 30, 2025, as adjusted, to the same period in the prior year.

Operating Revenues by Region

The following table presents operating revenues by region for the three-month periods ended September 30, 2025 and 2024:

(\$ in millions)	Three-Month Periods Ended September 30,			
	2025	2025***	2024	Change****
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
California	\$ 3,070	\$ 3,557	\$ 3,258	\$ 299
Central	2,113	2,113	1,962	152
South**	1,686	1,686	1,598	88
Northwest	1,371	1,371	1,276	95
Mountain	1,101	1,101	943	158
National Business Lines*	87	87	80	7
Others	263	263	203	55
Subtotal	9,691	10,178	9,320	854
Corporate Services	124	124	78	50
CommonSpirit Total	\$ 9,815	\$ 10,302	\$ 9,398	\$ 904

* Includes Home Care and Senior Living Business Lines.

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

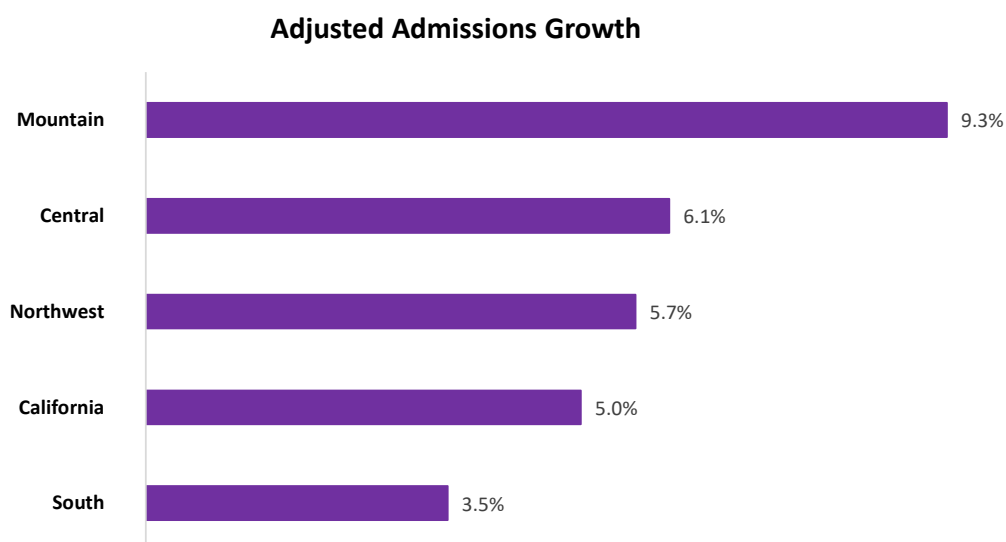
*** Adjusted to normalize the California Provider Fee Program income.

**** Comparing September 30, 2025, as adjusted to the same period in the prior year.

Following are the significant performance drivers related to operating revenues normalized for the California provider fee, for the three-month period ended September 30, 2025, compared to the same period in the prior year:

- California – normalized operating revenues increased \$299 million from the prior year, primarily due to higher normalized provider fee rates, a 5.0% increase in adjusted admissions and higher surgical volume, partially offset by continued revenue yield challenges.
- Central – operating revenues increased \$152 million from the prior year, primarily due to a 6.1% increase in adjusted admissions, and higher outpatient volumes, partially offset by an unfavorable shift in payor mix.
- South – operating revenues increased \$88 million from the prior year, primarily due to higher provider fee program revenue, and higher volumes, with adjusted admissions increasing by 3.5% over the prior year, partially offset by an unfavorable shift in payor mix and continued revenue yield challenges.
- Northwest – operating revenues increased \$95 million from the prior year, primarily due to a 5.7% increase in adjusted admissions, higher outpatient and surgical volume, partially offset by continued revenue yield challenges.
- Mountain – operating revenues increased \$158 million from the prior year, primarily due to adjusted admissions increasing by 9.3% and higher outpatient and surgical volumes, partially offset by an unfavorable shift in payor mix. The growth in volume is associated with the Kaiser contract in Denver.

The table below reflects the adjusted admissions growth reported for the three-month period ended September 30, 2025, compared to the same period in the prior year:



Uncompensated Care		Three-Month Periods Ended		
		September 30,		
(\$ in millions)	2025	2024	Change	
Uncompensated Care:				
Charity care, at customary charges	\$ 725	\$ 615	\$ 110	
Charity care, at cost, net	\$ 168	\$ 147	\$ 21	
Charity care, at cost, as a percentage of total expenses	1.6%	1.5%	0.1%	

Operating Expenses

Salaries and benefits increased \$267 million, or 5.5%, over the prior year, for the three-month period ended September 30, 2025. 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 normalized net patient revenue was 53.4% and 55.0% for the periods ended September 30, 2025 and 2024, respectively. Salaries and benefits per adjusted admission decreased by 0.5% and FTEs per adjusted admission decreased 4.3% from the prior year, for the three-month period ended September 30, 2025.

Supplies increased \$142 million, or 9.3%, during the three-month period ended September 30, 2025, compared to the prior year. Supplies per adjusted admission increased 3.1% compared to the same period in 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 \$335 million, or 12.1%, for the three-month period ended September 30, 2025, compared to the same period in the prior year, when normalizing for the California provider fee program costs. Purchased services and other per adjusted admission on a normalized basis increased 5.6%, compared to the same period in the prior year, primarily due to higher medical fees, provider fee expense, out-of-network costs, hosting fees, and repairs and maintenance costs, partially offset by lower insurance expenses.

Operating Expenses				
(\$ in millions)	Three-Month Periods Ended September 30,			
	2025	2025*	2024	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
Salaries and benefits	\$ 5,153	\$ 5,153	\$ 4,886	\$ 267
Supplies	1,677	1,677	1,535	142
Purchased services and other	2,856	3,112	2,777	335
Depreciation and amortization	337	337	346	(9)
Interest expense, net	<u>188</u>	<u>188</u>	<u>185</u>	<u>3</u>
Total operating expenses	<u>\$ 10,211</u>	<u>\$ 10,467</u>	<u>\$ 9,729</u>	<u>\$ 738</u>

* Adjusted to normalize the California provider fee program expense.

** Comparing September 30, 2025, as adjusted, to the same period in the prior year.

Expense Management and Productivity				
	Three-Month Periods Ended September 30,			
	2025	2025*	2024	Change**
	As Recorded	As Adjusted	As Recorded	As Adjusted Comparison
Expense Management:				
Supply expense as a % of net patient and premium revenue	18.3%	17.4%	17.3%	0.1%
Purchased services and other as a % of net patient and premium revenue	31.2%	32.3%	31.2%	1.1%
Capital expense as a % of net patient and premium revenue	5.7%	5.4%	6.0%	-0.6%
Non-capital cost per adjusted admission	\$ 20,828	\$ 21,379	\$ 20,960	\$ 419
Productivity:				
Salaries, wages and benefits as a % of net patient and premium revenue	56.2%	53.4%	55.0%	-1.6%
Total number of FTEs	139,113	139,113	135,889	3,224
Hospital FTEs per adjusted admission	21.4	21.4	22.4	(1.0)

*Adjusted to normalize the California provider fee program revenues and expense.

** Comparing September 30, 2025, as adjusted, to the same period in the prior year.

Nonoperating Results

CommonSpirit recorded investment income, net, of \$727 million during the three-month period ended September 30, 2025, compared to \$617 million during the same period of the prior year, due to market fluctuations.

Income tax expense was \$15 million during the three-month period ended September 30, 2025, compared to \$9 million during the same period in the prior year.

The change in market value and cash payments of interest rate swaps was an unfavorable result of \$42 million during the three-month period ended September 30, 2024.

Net periodic postretirement credits amounted to \$39 million during the three-month period ended September 30, 2025, compared to \$27 million during the same period in the prior year.

Nonoperating Results (\$ in millions)	Three-Month Periods Ended September 30,		
	2025	2024	Change
Investment income, net	\$ 727	\$ 617	\$ 110
Income tax expense	(15)	(9)	(6)
Change in fair value and cash payments of interest rate swaps	-	(42)	42
Other components of net periodic postretirement credits	39	27	12
Other	<u>1</u>	<u>5</u>	<u>(4)</u>
Total nonoperating income, net	<u>\$ 752</u>	<u>\$ 598</u>	<u>\$ 154</u>

The detail of investment earnings is as follows:

Investment income, net (\$ in millions)	Three-Month Periods Ended September 30,		
	2025	2024	Change
Net realized gains on sale of securities	\$ 355	\$ 249	\$ 106
Net unrealized gains on securities	298	289	9
Other, net of capitalized investment income	<u>74</u>	<u>79</u>	<u>(5)</u>
Total investment income, net	<u>\$ 727</u>	<u>\$ 617</u>	<u>\$ 110</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)	September 30, 2025	June 30, 2025	Change
Consolidated Balance Sheet Summary			
Total assets	\$ 57,793	\$ 57,260	\$ 533
Total liabilities	\$ 33,813	\$ 33,687	\$ 126
Total net assets	\$ 23,980	\$ 23,573	\$ 407
Financial Position Ratios			
Unrestricted cash and investments	\$ 16,923	\$ 16,755	\$ 168
Days cash on hand normalized	156	157	(1)
Total debt	\$ 20,135	\$ 19,774	\$ 361
Debt to capitalization	48.2%	48.1%	0.1%

Liquidity

Unrestricted cash and investments were \$16.9 billion at September 30, 2025, 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 related to employee retention credits, FEMA grant revenues, and provider fee receipts and payments.

Liquidity and Capital Resources			
(\$ in millions)	September 30, 2025	June 30, 2025	Change
Cash	\$ 2,042	\$ 2,010	\$ 32
Short-term investments	182	255	(73)
Long-term investments, excluding assets limited as to use	14,699	14,490	209
Total unrestricted cash and investments	<u>\$ 16,923</u>	<u>\$ 16,755</u>	<u>\$ 168</u>

Capital Resources

Cash provided by operating activities totaled \$255 million for the three-month periods ended September 30, 2025, compared to \$201 million during the same period in the prior year. Significant activity for the three-month period ended September 30, 2025, includes the following:

- Investments decreased \$696 million during the three-month period ended September 30, 2025, compared to a decrease of \$453 million during the same period in the prior year.
- Accrued salaries and benefits increased \$411 million during the three-month period ended September 30, 2025, compared to an increase of \$316 million during the same period in the prior year.
- Accounts receivable decreased \$12 million during the three-month period ended September 30, 2025, compared to an increase of \$17 million during the same period in the prior year.
- Accounts payable decreased \$277 million during the three-month period ended September 30, 2025, compared to a decrease of \$265 million during the same period in the prior year.
- Provider fee program assets over liabilities, net, decreased \$219 million during three-month period ended September 30, 2025, compared to an increase of \$192 million for the same period in the prior year.
- Prepays and other current assets decreased \$62 million during the three-month period ended September 30, 2025, compared to a decrease of \$50 million for the same period in the prior year.
- Other accrued liabilities increased \$31 million during the three-month period ended September 30, 2025, compared to a decrease of \$68 million during the same period in the prior year.

Cash used in investing activities totaled \$541 million for the three-month period ended September 30, 2025, compared to \$488 million during the same period in the prior year, primarily related to the following:

- Capital expenditures were \$592 million during the three-month period ended September 30, 2025, compared to \$566 million for the same period in 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 \$112 million during the three-month period ended September 30, 2024, primarily due to the San Francisco transaction.
- Cash distributions from health-related activities were \$39 million during the three-month period ended September 30, 2025, compared to \$20 million during the same period in the prior year.

Cash provided by financing activities totaled \$318 million for the three-month period ended September 30, 2025, compared to \$272 million for the same period in the prior year, primarily due to the following:

- Net borrowings of debt were \$343 million during the three-month period ended September 30, 2025, compared to \$310 million during the same period in the prior year.
- Distributions to noncontrolling interests were \$33 million for the three-month period ended September 30, 2025, compared to \$27 million during the same period in the prior year.

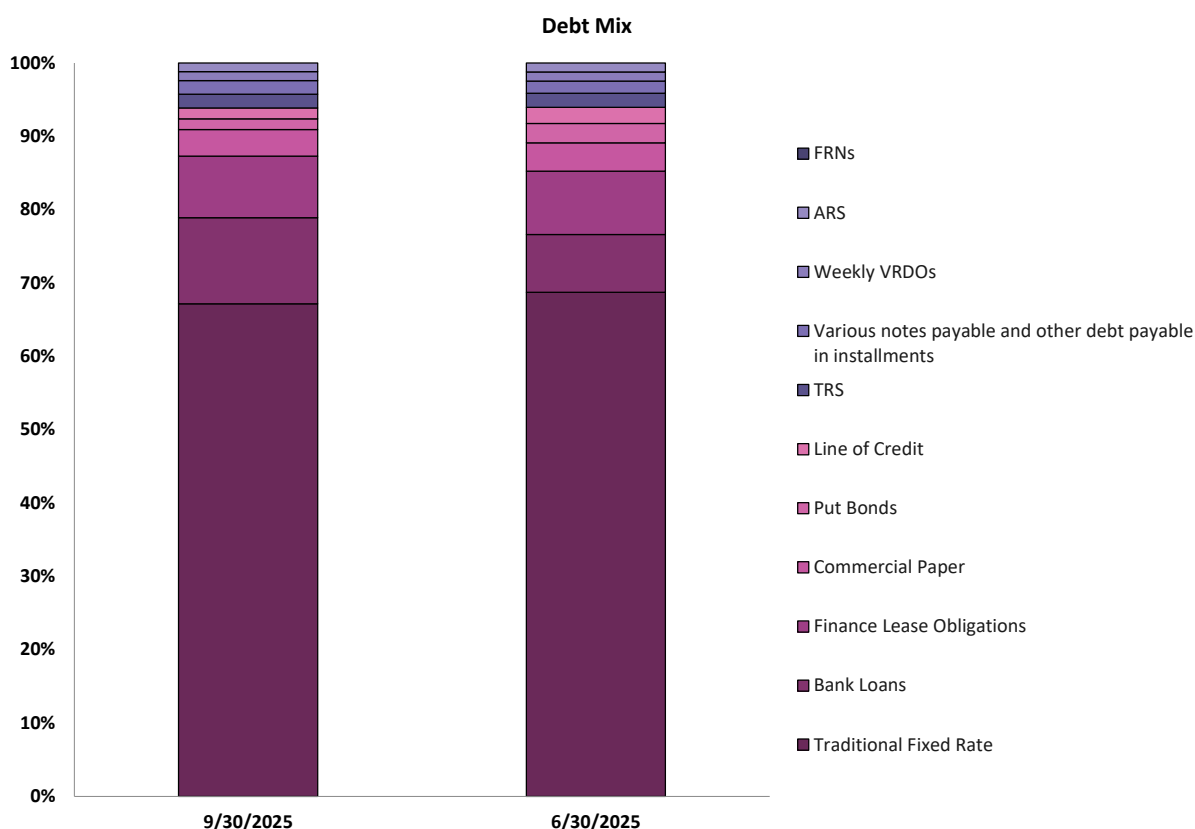
Debt Portfolio

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 transaction 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 89% of consolidated revenues of CommonSpirit as of September 30, 2025. 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 September 30, 2025, 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 are not just about change; they are about transformation, enhancing quality of care, broadening access to care, reducing the cost of care, ensuring financial viability, and propelling CommonSpirit’s mission and operations. Implementation of the following initiatives across the ministry is designed to help position CommonSpirit to create a stronger, more successful, sustainable, and more unified CommonSpirit and set the foundation for launching into a new strategic plan for CommonSpirit in fiscal year 2027:

- 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 is closing out CommonSpirit 2026 and developing a new Strategic Plan 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. Under the banner of *One CommonSpirit*, 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. CommonSpirit's patient experience also continues to improve and has an average Provider Star Rating of 4.8 and a 69.5 Net Promoter Score in fiscal year 2025.
- **Continuing to Refine the Operating Model:** With the completion of the region and market structures and leadership changes, the focus is on leveraging this model with an aim to strengthen relevance across CommonSpirit markets. In concert with this, the focus at the system level is in realizing economies of scale nationally, including coordinated supply chain, clinical equipment and infrastructure programs which were implemented in fiscal year 2025.
- **Integrated Information Technology ("IT") Platforms:** CommonSpirit's IT roadmap identified opportunities to lower costs over the long term, improve clinical and operational challenges, reduce staff and clinician burnout, and standardize clinical platforms. One major pillar of this work includes standardization to a single electronic health record ("EHR") system. The first step toward a new standard across CommonSpirit was completed in the South region in June 2025 and included 60 clinics across Tennessee and Georgia.
- **Creating and Retaining the Workforce of the Future:** CommonSpirit recognizes that its people are its most valuable asset and is 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 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 recently ranked #26 in Forbes America's Dream Employers list.

Ensure We Are Paid for the Care We Provide: One of the most critical levers is to receive the revenue and cash flow CommonSpirit is entitled to for services provided. 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, and implementing 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 will continue to participate in value-based models to support population health and prepare for future health care changes.

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 is ranked one or two in acute market share in 26 of its 35 healthcare markets and is focused on growing the continuum of its network integrity to deliver greater value. CommonSpirit continues to expand its ambulatory and virtual care points and enhance connections across the continuum of care. CommonSpirit has 70 ambulatory surgery centers ("ASC"), either in partnership or wholly-owned, and six specialty surgical hospital partnerships, as well as 156 ambulatory joint ventures involving dialysis, imaging, oncology and other services with multiple markets. CommonSpirit's ASC portfolio is a cornerstone of its strategic growth strategy. To accelerate this focus, CommonSpirit's ASC portfolio is led by a senior executive who directs the operational strategy, growth and overall performance of the ASCs. Additionally, CommonSpirit has new partnerships with LifePoint for acute behavioral and rehabilitation services with three new sites underway in Colorado, Houston and Tennessee and one additional planned site. CommonSpirit is also focused on its Home Health and Senior Living services where work is underway to better align with and support its markets' needs for the full continuum of care to best transition and serve its patients in the most appropriate care settings.
- **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 with AI; 2) scientific discovery, meeting care delivery; and 3) prevention, health improvement and quality of life. CommonSpirit emergency departments ("ED") now have data that can tell patients how long their stays will be based on the millions of patients CommonSpirit has seen, as well as to succinctly convey the steps in the ED journey and connect patients' families with real time updates on care. This technology has improved the number of patients left without being seen and patient experience scores dramatically and helped connect patients to needed follow up care. In addition, CommonSpirit is applying AI to the management of its supply chain process. CommonSpirit has identified ways to increase transparent purchasing and ensure fair payment from vendors for the numbers of procured supplies. This process is expected to save millions of dollars going forward. Finally, two of CommonSpirit's most recent investments included Skild.ai, a leading robotics company where CommonSpirit will serve as a national testing ground, and Equip Health, which focuses on addressing eating disorder recovery, a growing area of need nationally.
- **Portfolio Assessment and Management:** CommonSpirit is enhancing its portfolio analysis and investment strategy to focus on its service profile across the organization and improve market essentiality in existing markets. A primary focus in this evaluation is identifying diversified revenue opportunities that expand 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. CommonSpirit is assessing each market's current position and market potential, defining market-based strategies, and aligning and prioritizing its capital investments for maximum impact. A recent example of market-based investment is the expanded relationship with Kaiser Permanente ("Kaiser") under a new long-term agreement in Colorado. This arrangement with Kaiser will include integrating Kaiser physicians and employees into CommonSpirit hospitals to care for Kaiser members and is informing strategic investments for fiscal year 2026. In addition to growth, CommonSpirit is considering other transactions where communities may be better served by another provider. For example, the sale of CHI St. Alexius Health Devils Lake in Devils Lake, ND to Altru Health, a regional health system located in Grand Forks, ND, for which a definitive agreement has been signed, is near closing. Another example is the potential sale of Trinity Health System in Steubenville, OH to UPMC in Pittsburgh, PA. A letter of intent has been signed and due diligence has commenced. The transaction is expected to close by the end of fiscal year 2026.

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:

- CommonSpirit's 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. A new clinical operation called Advanced Care to Home provided by Care Base, (a CommonSpirit virtual hospital in Arizona that serves as a command center) ensures continuity of care is achieved through virtual nurses discharging patients from acute stays and post procedure, followed by in-home monitoring with 24 hour nursing care. 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.
- 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: Implementation of "one digital front door" to CommonSpirit's services will provide a consistent landing page with search and scheduling features across all of its regions. In addition to CommonSpirit's PCCs, which help connect patients to their providers through a single point of access, 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. Beginning in January 2025 through June 30, 2025, CommonSpirit launched its entire South Region onto the platform in a staggered approach and for the period of January through September 30, 2025, has generated over 6,500 appointment requests. As part of the overall digital consumer experience transformation, CommonSpirit launched enhanced online scheduling for its employed physicians and advanced practice providers in California, Arizona and Nevada through a new scheduling platform. Results have been impactful, generating approximately 4,670 booked appointments during the first quarter of fiscal year 2026 and nearly 27,700 booked appointments since the go-live date of June 2024 through September 30, 2025. The next phase in the digital consumer experience will focus on integrating all market-based sites onto the platform during fiscal year 2026 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. CommonSpirit is now scaling this platform across its entire footprint and has added Nebraska, Iowa, Kentucky and Utah to ZocDoc as of October 2025. During Q1 fiscal year 2026, Nebraska/Iowa added Dermatology and Kentucky added OB/GYN with Urgent Care scheduled to go live in November 2025. As of the launch date of August 2024 and through September 30, 2025, ZocDoc has driven over 7,000 scheduled appointments, of which 62% represented new patients.

The priorities for fiscal year 2026 are geared toward putting CommonSpirit on an improved trajectory to maintain and grow its financial strength and achievement of its strategic objectives. CommonSpirit continues to build on the achievements made through fiscal year 2025 to drive improved performance through revenue and cost levers by continuing to optimize large areas of opportunity in the areas of labor, revenue cycle, supply chain, contract labor, and corporate and administrative services. Updates to these initiatives and specific accomplishments will be provided during the quarterly and annual reports, as appropriate.

Project ImpACT

Given the continued industry headwinds, including inflation and payor dynamics, coupled with the potential impact of the One Big Beautiful Bill Act (“OBBA”), CommonSpirit is embarking on a whole system transformation journey with a focus on accelerating results within 12-18 months and an overall 24-30 month implementation plan. The plan, known internally as “Project ImpACT,” aims to accelerate meaningful improvement in operating and financial performance and accelerate the transition to a more sustainable cost structure and operating model. The CommonSpirit Board of Stewardship Trustees (the “Board”), the CEO and leadership team are aligned on accomplishing this work.

The Project ImpACT work has begun and is in the early stages of project scope, opportunity validation and development of implementation timelines and targets, which will be overseen by an Executive Steering Committee, with CommonSpirit’s Chief Operating Officer and Chief Administrative Officer serving as project sponsors. CommonSpirit’s CEO is the ultimate executive sponsor of this work, and updates will be provided on a regular basis to CommonSpirit’s Board. During the earlier stages of implementation, a global consulting firm will support the scoping of the workstreams and initial tracking of results.

Project ImpACT will look at every aspect of operations across the System; while preliminary, the scope of work will particularly focus on digital / IT, business and clinical operations, physician enterprise, growth, revenue optimization, capital position, and human capital management. The project is holistic and will build upon results of prior work, accelerate in-flight initiatives and identify new performance improvement opportunities. In addition, CommonSpirit has identified certain markets as specific workstreams for growth and rapid performance improvement.

Opportunities for improvement identified within the workstreams will be implemented across the System. The process will be highly structured with an Office of Performance ImpACT composed of CommonSpirit’s senior leaders, supported by the external consultant. Market, regional and national functional area leaders are accountable for specific workstreams. The goal is to have a well-developed roadmap with specific initiatives and opportunities identified by late fall 2025.

Exhibit I

Unaudited Condensed Consolidated Financial Statements
For the Three-Month Periods Ended September 30, 2025 and 2024

(Attached)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three-Month Periods Ended September 30, 2025 and 2024

COMMONSPIRIT HEALTH

TABLE OF CONTENTS

QUARTERLY FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets as of September 30, 2025 (unaudited) and June 30, 2025	2-3
Unaudited Condensed Consolidated Statements of Operations and Changes in Net Assets For the Three-Month Periods Ended September 30, 2025 and 2024	4-5
Unaudited Condensed Consolidated Statements of Cash Flows for the Three-Month Periods Ended September 30, 2025 and 2024	6-7
Notes to Unaudited Condensed Consolidated Financial Statements	8-20

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2025 AND JUNE 30, 2025 (in millions)

	As of September 30, 2025 (Unaudited)	As of June 30, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,042	\$ 2,010
Short-term investments	182	255
Patient accounts receivable	5,265	5,277
Provider fee receivable	1,349	1,251
Other current assets	4,166	4,249
Total current assets	<u>13,004</u>	<u>13,042</u>
Long-term investments	19,025	18,195
Property and equipment, net	18,116	17,928
Right-of-use operating lease assets	1,495	1,530
Ownership interests in health-related activities	3,406	3,360
Other long-term assets, net	<u>2,747</u>	<u>3,205</u>
Total assets	<u>\$ 57,793</u>	<u>\$ 57,260</u>

(Continued)

COMMONSPIRIT HEALTH

CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2025 AND JUNE 30, 2025 (in millions)

	As of September 30, 2025 (Unaudited)	As of June 30, 2025
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	\$ 3,575	\$ 2,373
Demand bonds subject to short-term liquidity arrangements	247	247
Accounts payable	1,418	1,702
Accrued salaries and benefits	2,146	1,735
Provider fee payables	402	405
Other accrued liabilities - current	4,480	4,702
Total current liabilities	<u>12,268</u>	<u>11,164</u>
Other liabilities - long-term:		
Self-insured reserves and claims	1,197	1,188
Pension and other postretirement benefit liabilities	1,943	1,902
Derivative instruments, net	79	82
Operating lease liabilities	1,434	1,465
Other accrued liabilities - long-term	579	732
Total other liabilities - long-term	<u>5,232</u>	<u>5,369</u>
Long-term debt, net of current portion	<u>16,313</u>	<u>17,154</u>
Total liabilities	<u>33,813</u>	<u>33,687</u>
Net assets:		
Without donor restrictions - attributable to CommonSpirit Health	21,669	21,363
Without donor restrictions - noncontrolling interests	1,106	1,066
With donor restrictions	1,205	1,144
Total net assets	<u>23,980</u>	<u>23,573</u>
Total liabilities and net assets	<u>\$ 57,793</u>	<u>\$ 57,260</u>

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024 (in millions)

	Three-Month Periods Ended September 30,	
	2025	2024
Operating revenues:		
Net patient revenue	\$ 8,753	\$ 8,485
Premium revenue	410	401
Revenue from health-related activities, net	67	37
Other operating revenue	574	459
Contributions	11	16
Total operating revenues	<u>9,815</u>	<u>9,398</u>
Operating expenses:		
Salaries and benefits	5,153	4,886
Supplies	1,677	1,535
Purchased services and other	2,856	2,777
Depreciation and amortization	337	346
Interest expense, net	188	185
Total operating expenses	<u>10,211</u>	<u>9,729</u>
Operating loss	<u>(396)</u>	<u>(331)</u>
Nonoperating income, net:		
Investment income, net	727	617
Income tax expense	(15)	(9)
Change in fair value and cash payments of interest rate swaps	-	(42)
Other components of net periodic postretirement credits	39	27
Other	1	5
Total nonoperating income, net	<u>752</u>	<u>598</u>
Excess of revenues over expenses	\$ 356	\$ 267
Less excess of revenues over expenses attributable to noncontrolling interests	<u>46</u>	<u>78</u>
Excess of revenues over expenses attributable to CommonSpirit Health	<u>\$ 310</u>	<u>\$ 189</u>

(Continued)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024 (in millions)

	Without Donor Restrictions		With	Total Net
	Attributable to CommonSpirit Health	Noncontrolling Interests	Donor Restrictions	Assets
Balance, June 30, 2024	\$ 20,043	\$ 1,012	\$ 1,197	\$ 22,252
Excess of revenues over expenses	189	78	-	267
Contributions	-	-	29	29
Net assets released from restrictions for capital	9	-	(9)	-
Net assets released from restrictions for operations and other	-	-	(8)	(8)
Other	74	(52)	(93)	(71)
Increase (decrease) in net assets	272	26	(81)	217
Balance, September 30, 2024	<u>\$ 20,315</u>	<u>\$ 1,038</u>	<u>\$ 1,116</u>	<u>\$ 22,469</u>
Balance, June 30, 2025	\$ 21,363	\$ 1,066	\$ 1,144	\$ 23,573
Excess of revenues over expenses	310	46	-	356
Contributions	-	-	39	39
Net assets released from restrictions for capital	8	-	(8)	-
Net assets released from restrictions for operations and other	-	-	(4)	(4)
Other	(12)	(6)	34	16
Increase in net assets	306	40	61	407
Balance, September 30, 2025	<u>\$ 21,669</u>	<u>\$ 1,106</u>	<u>\$ 1,205</u>	<u>\$ 23,980</u>

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024 (in millions)

	Three-Month Periods Ended September 30,	
	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 407	\$ 217
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	337	346
Changes in equity of health-related entities	(75)	(39)
Net gains on business combinations	-	(20)
Net gain on sales of assets and investments in unconsolidated organizations	(1)	(14)
Change in fair value of swaps	(1)	42
Noncash adjustments of pension and other postretirement benefit plans	1	41
Changes in certain assets and liabilities:		
Accounts receivable, net	12	(17)
Prepaid and other current assets	62	50
Broker receivables/payables for unsettled investment trades	(177)	198
Provider fee assets over liabilities, net	219	(192)
Accounts payable	(277)	(265)
Accrued salaries and benefits	411	316
Other accrued liabilities	31	(68)
Self-insured reserves and claims	1	(1)
Other, net	1	60
Cash provided by operating activities before net change in investments	951	654
Net decrease in investments	(696)	(453)
Cash provided by operating activities	255	201

(Continued)

COMMONSPIRIT HEALTH

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2025 AND 2024 (in millions)

	Three-Month Periods Ended September 30,	
	2025	2024
Cash flows from investing activities:		
Purchases of property and equipment	(592)	(566)
Investments in health-related activities	(26)	(28)
Business acquisitions, net of cash acquired	-	(6)
Proceeds from asset sales, net	-	112
Cash distributions from health-related activities	39	20
Other, net	38	(20)
Cash used in investing activities	<u>(541)</u>	<u>(488)</u>
Cash flows from financing activities:		
Borrowings	813	463
Repayments	(470)	(153)
Swaps cash collateral posted	(2)	(13)
Distributions to noncontrolling interests	(33)	(27)
Contribution by noncontrolling interests	10	2
Cash provided by financing activities	<u>318</u>	<u>272</u>
Net decrease in cash and cash equivalents	32	(15)
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>\$ 2,042</u>	<u>\$ 1,968</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of capitalized interest	<u>\$ 121</u>	<u>\$ 111</u>
Supplemental schedule of noncash investing and financing activities:		
Property and equipment acquired through finance lease or note payable	<u>\$ 27</u>	<u>\$ 15</u>
Investments in health-related activities	<u>\$ 26</u>	<u>\$ 26</u>
Accrued purchases of property and equipment	<u>\$ 74</u>	<u>\$ 73</u>

See notes to unaudited condensed consolidated financial statements.

COMMONSPIRIT HEALTH

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 November 14, 2025, CommonSpirit Health is comprised of approximately 2,300 care sites, consisting of 138 hospitals, including 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. CommonSpirit Health also has offshore and onshore captive insurance companies. The accompanying unaudited condensed 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 unaudited condensed 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. These unaudited condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. For further information, refer to the audited consolidated financial statements as of and for the years ended June 30, 2025 and 2024. Operating results for the three-month period ended September 30, 2025, are not necessarily indicative of the results to be expected during the year ending June 30, 2026.

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 unaudited condensed consolidated financial statements, including the following: recognition of net patient revenue, which includes 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.

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 unaudited condensed consolidated statements of operations and changes in net assets. Bad debt expense for the three-month periods ended September 30, 2025 and 2024, 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.

Subsequent Events – CommonSpirit has evaluated subsequent events occurring between the end of the most recent fiscal quarter and November 14, 2025, the date the unaudited condensed consolidated financial statements were issued. See Note 10.

3. ACQUISITIONS, AFFILIATIONS AND DIVESTITURES

In February 2024, CommonSpirit entered into an agreement to transfer two hospitals, along with associated clinics in San Francisco, to The University of California - San Francisco Health. The transfer was finalized in August 2024 and the operations of the facilities held for sale are not material to the unaudited condensed consolidated statement of operations and changes in net assets.

4. OTHER OPERATING REVENUE

CommonSpirit received funding from FEMA related to the COVID-19 pandemic. During the three-month periods ended September 30, 2025 and 2024, CommonSpirit recorded \$1 million and \$27 million, respectively. Amounts were recognized within other operating revenue in the unaudited condensed consolidated statement of operations, as obligations of funds were approved by the applicable agencies. The corresponding receivable is recorded within other current assets, in the unaudited condensed consolidated balance sheet.

Employee Retention Credits (“ERC”) of \$86 million and \$0 million, net, were recorded in the three-month periods ended September 30, 2025 and 2024, 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 REVENUE

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

	Three-Month Periods Ended	
	September 31,	
	2025	2024
Government	\$ 4,484	\$ 4,444
Contracted	3,592	3,367
Self-pay and other	677	674
	<u>\$ 8,753</u>	<u>\$ 8,485</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.

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 recorded for these programs upon final approval by the Center for Medicare & Medicaid Services, of the applicable program by state, by year, within net patient revenue in the unaudited condensed consolidated statement of operations and changes in net assets. Net patient revenue from the supplemental Medicaid programs amounts to \$404 million, or 5%, and \$662 million, or 8%, for the three-month periods ended September 30, 2025 and 2024, respectively.

6. OTHER CURRENT ASSETS

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

	As of September 30, 2025	As of June 30, 2025
Inventories	\$ 857	\$ 848
Receivables, other than patient accounts receivable	1,131	1,423
Broker receivables for unsettled investment trades	1,437	1,451
Prepaid expenses	617	421
Other	124	106
Total other current assets	<u>\$ 4,166</u>	<u>\$ 4,249</u>

7. CASH AND INVESTMENTS

CommonSpirit's cash and investments include consolidated membership interests in the CommonSpirit Health Operating Investment Pool, LLC as of September 30, 2025 and June 30, 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 (in millions):

	As of September 30, 2025	As of June 30, 2025
Cash and cash equivalents	\$ 2,042	\$ 2,010
Short-term investments	182	255
Long-term investments	<u>19,025</u>	<u>18,195</u>
Total cash and investments	<u>21,249</u>	<u>20,460</u>
Less:		
Held for self-insured claims	2,033	2,057
Under bond indenture agreements for debt service	596	61
Donor-restricted	623	591
Other	<u>1,074</u>	<u>996</u>
Total assets limited as to use	<u>4,326</u>	<u>3,705</u>
Unrestricted cash and investments	<u>\$ 16,923</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 (in millions):

	September 30, 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	\$ 2,990	\$ 111	\$ -	\$ 3,101
U.S. government securities	809	498	-	1,307
U.S. corporate bonds	134	541	-	675
U.S. equity securities	1,636	2	-	1,638
Foreign government securities	-	190	-	190
Foreign corporate bonds	3	184	-	187
Foreign equity securities	1,607	1	-	1,608
Structured debt	-	927	-	927
Private equity	-	-	274	274
Multi-strategy hedge funds	-	-	-	-
Real estate	28	1	-	29
Community Investment Program	-	-	240	240
Other investments	277	28	-	305
	<u>\$ 7,484</u>	<u>\$ 2,483</u>	<u>\$ 514</u>	10,481
Assets measured at fair value				10,768
Assets at NAV				<u>\$ 21,249</u>
Total assets				
Liabilities				
Derivative instruments	\$ -	\$ 106	\$ -	\$ 106
Other	-	-	99	99
Total liabilities	<u>\$ -</u>	<u>\$ 106</u>	<u>\$ 99</u>	<u>\$ 205</u>

June 30, 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 unaudited condensed 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 \$729 million and \$630 million as of September 30, 2025 and June 30, 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 September 30, 2025 (in millions):

		NAV Practical Expedient	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private equity	(1)	\$ 1,969	\$ 1,851	-	-
Multi-strategy hedge funds	(2)	2,795	-	Weekly, Monthly, Quarterly, Semi-annually, Annually	3 - 90 days
Real estate	(3)	958	1,470	Quarterly	45 - 90 days
Commingled funds - debt securities	(4)	1,074	43	Daily, Monthly, Quarterly	1 - 90 days
Commingled funds - equity securities	(5)	3,972	-	Daily, Weekly, Bi- Weekly, Monthly, Bi- Monthly, Quarterly	1 - 90 days
Total		<u>\$ 10,768</u>	<u>\$ 3,364</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 September 30, 2025, 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 September 30, 2025:

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				
7.4%	7.4%	Annually	60 days	up to 2 years	up to 50.0%
45.5%	0.4%	Quarterly	45 days	up to 1 year	up to 20.0%
	33.0%	Quarterly	55- 65 days	up to 1 year	up to 12.5% - 50.0%
	12.1%	Quarterly	90 days	up to 1 year	up to 12.5% - 25.0%
45.0%	7.0%	Monthly	5 days	-	up to 20.0%
	27.4%	Monthly	30 - 45 days	up to 1 year	up to 10.0 - 25.0%
	10.6%	Monthly	90 days	-	up to 20.0%
2.1%	2.1%	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 22% 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 September 30, 2025, 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 10% 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 September 30, 2025, to be over the next three 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 66% of the value of investments in this category do not have provisions for redemptions during the life of these funds.

9. OTHER LONG-TERM ASSETS, NET

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

	As of September 30, 2025	As of June 30, 2025
Notes receivable, primarily secured	\$ 57	\$ 77
Provider fee receivable, long-term	-	472
Goodwill	1,118	1,118
Intangible assets - definite-lived, net	91	94
Intangible assets - indefinite-lived	672	672
Donor-restricted assets	523	510
Other	286	262
Total other long-term assets, net	<u>\$ 2,747</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.

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.

Goodwill and 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. No impairment on goodwill or intangible assets was recorded for the three-month periods ended September 30, 2025 or 2024.

The aggregate amortization expense related to intangible assets is \$3 million for the three-month periods ended September 30, 2025 and 2024, and is recorded in depreciation and amortization in the accompanying unaudited condensed consolidated statements of operations and changes in net assets.

10. DEBT

CommonSpirit Health Master Indenture – In March 2025, the Virginia Mason Medical Center Master Trust Indenture was discharged in connection with its replacement by the CommonSpirit 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.

Debt activity for the three-month periods ended September 30, 2025 and 2024 consist of the following:

2026 Financing Activity – 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 is scheduled to mature July 2026.

In July 2025, CommonSpirit entered into a \$136 million term loan. Proceeds were used to repay outstanding balances on its syndicated line of credit. The term loan matured in October 2025.

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 \$100 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.

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 scheduled to mature 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.

11. DERIVATIVE INSTRUMENTS

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 unaudited condensed consolidated balance sheets (in millions):

	Maturity Date of Derivatives	Interest Rate	Notional Amount Outstanding	Fair Value
As of September 30, 2025				
Derivatives not designated as hedges				
Interest rate swaps	2028 - 2047	3.2% - 4.0%	\$ 1,461	\$ (106)
Total return swaps	2028 - 2030	SIFMA plus spread	383	-
Total derivative instruments			1,844	(106)
Cash collateral			-	27
Derivative instruments, net			<u>\$ 1,844</u>	<u>\$ (79)</u>
As of June 30, 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	383	(1)
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 \$15 million as of September 30, 2025. In the event the insurer is downgraded below 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 \$1.3 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 \$17 million as of September 30, 2025. The remaining uninsured swaps in the notional amount of \$1.1 billion have a negative fair value of \$74 million as of September 30, 2025.

12. LEASES

CommonSpirit enters into operating and finance leases primarily for buildings and equipment and determines if 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.

Following is supplemental unaudited condensed consolidated balance sheet information related to leases (in millions):

Lease Type	Balance Sheet Classification	As of September 30, 2025	As of June 30, 2025
Operating Leases:			
Operating lease ROU assets	Right-of-use operating lease assets	\$ 1,495	\$ 1,530
Operating lease obligations - current	Other accrued liabilities - current	244	249
Operating lease obligations - long-term	Other liabilities: Operating lease liabilities	1,434	1,465
Finance Leases:			
Finance lease ROU assets	Property and equipment, net	\$ 1,558	\$ 1,580
Current finance lease liabilities	Current portion of long-term debt	127	120
Long-term finance lease liabilities	Long-term debt, net of current portion	1,564	1,586

13. INTEREST EXPENSE, NET

The components of interest expense, net, include the following (in millions):

	Three-Month Periods Ended September 30,	
	2025	2024
Interest and fees on debt	\$ 206	\$ 196
Capitalized interest expense	(18)	(11)
Interest expense, net	<u>\$ 188</u>	<u>\$ 185</u>

14. RETIREMENT PROGRAMS

Total expense for all CommonSpirit retirement and post retirement plans includes service cost components and other nonservice net benefit credits. Service costs are recorded in salaries and benefits on the accompanying unaudited condensed consolidated statements of operations and changes in net assets. Other nonservice net periodic benefit credits are recorded in nonoperating income (loss) in the unaudited condensed consolidated statements of operations and changes in net assets.

Total retirement and post retirement plans expense includes the following (in millions):

	Three-Month Periods Ended September 30,	
	2025	2024
Service cost	\$ 193	\$ 188
Other nonservice net benefit expense (credits)	(39)	(27)
Retirement and postretirement plans expense	<u>\$ 154</u>	<u>\$ 161</u>

15. 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 unaudited condensed 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 approximately \$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 no amounts recorded in the three-month period ended September 30, 2025. The insurance recovery process will continue through fiscal year 2026. CommonSpirit is unable to predict the final amount of insurance recoveries at this time.

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