University of Pennsylvania Health System

Combined Financial Statements and Combining Supplementary Data

June 30, 2025 and 2024

University of Pennsylvania Health System
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Report of Independent Auditors

To the Trustees of the University of Pennsylvania

Opinion

We have audited the accompanying combined financial statements of the University of Pennsylvania Health System (the "Health System"), which comprise the combined balance sheets as of June 30, 2025 and 2024, and the related combined statements of operations, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Health System as of June 30, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Combined Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Combined Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying combined information as of and for the years ended June 30, 2025 and 2024 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the combined financial statements. The combining information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the combined financial statements taken as a whole.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
September 25, 2025

University of Pennsylvania Health System
Combined Balance Sheets
June 30, 2025 and 2024 (thousands of dollars)

	2025	2024
Assets		
Current		
Cash and cash equivalents	$ 985,239	$ 1,133,979
Patient receivables, net	1,352,514	1,223,255
Third party payer receivables	22,001	37,398
Due from the University of Pennsylvania	6,298	-
Other current assets	581,927	494,173
Total current assets	2,947,979	2,888,805
Assets whose use is limited		
Held by trustees	233,967	194,157
RRG\Captive	226,557	198,270
Designated	4,656,777	4,143,174
Donor-restricted investments	969,503	883,041
	6,086,804	5,418,642
Investments	191,830	149,213
Property and equipment, net	5,923,950	5,947,846
Due from the University of Pennsylvania, non-current	42,669	-
Other assets	845,065	764,894
Total assets	$ 16,038,297	$ 15,169,400
Liabilities and Net Assets		
Current		
Accounts payable	$ 357,882	$ 404,888
Accrued expenses	1,294,062	1,105,008
Current portion of long-term debt	78,973	64,120
Due to the University of Pennsylvania	-	9,127
Third party payer settlements	19,603	21,201
Total current liabilities	1,750,520	1,604,344
Long-term debt, net of current portion	2,470,601	2,387,907
Third party payer settlements, net of current portion	11,156	41,244
Due to the University of Pennsylvania, non-current	-	30,000
Other liabilities	1,356,935	1,263,955
Pension and postretirement benefit liability	428,813	508,371
Total liabilities	6,018,025	5,835,821
Net assets		
Net assets without donor restriction	9,038,446	8,443,852
Net assets with donor restriction	981,826	889,727
Total net assets	10,020,272	9,333,579
Total liabilities and net assets	$ 16,038,297	$ 15,169,400

See accompanying notes to combined financial statements.

University of Pennsylvania Health System
Combined Statements of Operations
Years Ended June 30, 2025 and 2024 (thousands of dollars)

	2025	2024
Revenues and other support		
Net patient service revenue	$ 10,204,994	$ 9,476,064
Other revenue and support	1,790,620	1,423,016
Total revenues and other support	11,995,614	10,899,080
Expenses		
Salaries and wages	4,899,320	4,541,613
Employee benefits	1,294,715	1,173,127
Supplies and other expenses	4,903,589	4,205,970
Depreciation and amortization	425,570	416,553
Malpractice	141,008	194,972
Interest	84,678	88,357
Total expenses	11,748,880	10,620,592
Excess of revenue over expenses from operations	246,734	278,488
Non-operating gain (loss)		
Investment income, net	551,561	316,827
Other non-operating (loss) / income, net	(185)	8,557
Doylestown Healthcare Membership Substitution	124,952	-
Excess of revenue over expenses	923,062	603,872
Changes in unrealized gains on debt investments	1,849	3,193
Transfers to PSOM and University, net	(429,837)	(43,342)
Transfers from other external entities	-	11,854
Net assets released from restrictions for capital	7,258	8,535
Pension and other postretirement plan adjustments	92,262	(235,235)
Increase in net assets without donor restriction	$ 594,594	$ 348,877

See accompanying notes to combined financial statements.

University of Pennsylvania Health System
Combined Statements of Changes in Net Assets
Years Ended June 30, 2025 and 2024 (thousands of dollars)

	Net assets without donor restriction	Net assets with donor restriction	Total
Net assets, June 30, 2023	8,094,975	862,038	8,957,013
Excess of revenue over expenses	603,872	-	603,872
Changes in unrealized gains on investments	3,193	-	3,193
Pension and other postretirement plan adjustments	(235,235)	-	(235,235)
Contributions and investment income	-	68,285	68,285
Net assets released from restrictions for			
Operations	-	(32,837)	(32,837)
Capital	8,535	(8,535)	-
Net realized and unrealized gain on restricted funds	-	18,844	18,844
Transfer associated with PA College sale	11,854	(13,762)	(1,908)
Transfer to PSOM and University, net	(43,342)	(4,306)	(47,648)
Increase in net assets	348,877	27,689	376,566
Net assets, June 30, 2024	$ 8,443,852	$ 889,727	$ 9,333,579
Excess of revenue over expenses	923,062	-	923,062
Changes in unrealized gains on investments	1,849	-	1,849
Pension and other postretirement plan adjustments	92,262	-	92,262
Contributions and investment income	-	41,093	41,093
Net assets released from restrictions for			
Operations	-	(32,043)	(32,043)
Capital	7,258	(7,258)	-
Net realized and unrealized gain on restricted funds	-	67,549	67,549
Transfer associated with PA College sale	-	(152)	(152)
Doylestown Health membership substitution	-	26,825	26,825
Transfer to PSOM and University, net	(429,837)	(3,915)	(433,752)
Increase in net assets	594,594	92,099	686,693
Net assets, June 30, 2025	$ 9,038,446	$ 981,826	$ 10,020,272

See accompanying notes to combined financial statements.

University of Pennsylvania Health System
Combined Statements of Cash Flows
Years Ended June 30, 2025 and 2024 (thousands of dollars)

	2025	2024
Cash flows from operating activities		
Increase in net assets	$ 686,693	$ 376,566
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation and amortization	425,570	416,553
Bond premium amortization	(13,048)	(12,480)
Loss on sale of PA College	-	4,388
(Gain) / Loss on disposal of equipment	(7,067)	-
Net realized and unrealized (gains) on investments	(523,600)	(246,789)
Transfers, restricted contributions and pension adjustment	320,862	247,737
Doylestown Healthcare Membership Substitution	(151,777)	-
Increase/(decrease) from changes in		
Patient receivables	(70,070)	(195,197)
Other current assets	(66,671)	(67,884)
Other assets	56,514	20,490
Accounts payable and accrued expenses	36,376	287,203
Estimated third party payer settlements	(14,614)	14,472
Due from University of Pennsylvania	(20,425)	2,929
Other liabilities	(90,383)	19,347
Pension and postretirement benefit liability	7,255	17,966
Net cash provided by operating activities	575,615	885,301
Cash flows from investing activities		
Purchases of property and equipment	(559,317)	(467,350)
Proceeds from the sale of property and equipment	41,287	-
Proceeds from sale of PA College	-	21,972
Purchases of assets whose use is limited and investments	(262,641)	(306,300)
Sale of assets whose use is limited and investments	248,285	204,464
Cash received through acquisition of Doylestown Health	6,301	-
Net cash used in investing activities	(526,085)	(547,214)
Cash flows from financing activities		
Repayment of long-term debt and notes payable	(64,221)	(66,840)
Proceeds from restricted contributions	20,778	37,054
Transfers and other	(154,827)	(49,554)
Net cash used in financing activities	(198,270)	(79,340)
Net (decrease) / increase in cash and cash equivalents	(148,740)	258,747
Cash, cash equivalents, restricted cash and restricted cash equivalents		
Beginning of year	1,133,979	875,232
End of year	985,239	1,133,979
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	$ 88,454	$ 99,281
Purchases of property and equipment included in accounts payable	$ 29,634	$ 19,553
Operating cash flows for operating leases	$ 63,384	$ 55,919
Right-of-use assets obtained in exchange for lease liabilities	$ 123,639	$ 43,811

See accompanying notes to combined financial statements.

1. Organization

The University of Pennsylvania Health System (UPHS or Health System) includes the following operating entities: Clinical Practices of the University of Pennsylvania (CPUP), Clinical Care Associates (CCA), Hospital of the University of Pennsylvania (HUP), Penn Presbyterian Medical Center (PPMC), Pennsylvania Hospital of the University of Pennsylvania Health System (PAH-UPHS), Chester County Hospital and Health System (TCCHHS), Lancaster General Health (LGH), Princeton Healthcare System (PHCS), Penn Medicine Doylestown Health (PMDH) and Wissahickon Hospice of the University of Pennsylvania Health System ("Wissahickon Hospice / Homecare"). In addition, the activities of UPHS' risk retention program, supported and administered by Franklin Casualty Insurance Company (FCI), a wholly owned risk retention group and Quaker Insurance Company Ltd. (QIC), a wholly owned offshore captive insurance company (collectively referred to as RRG/Captive), are included in the combined financial statements.

UPHS and the University of Pennsylvania Perelman School of Medicine (PSOM) operate under the governance of Penn Medicine. The governing body, approved by the University, operates, oversees, and coordinates the academic, research, and clinical missions of Penn Medicine. Penn Medicine replaced the prior multiple governing boards of UPHS and the PSOM, all of which were dissolved, with this single governing board. The University (as to HUP and CPUP), CCA, PPMC, PAH-UPHS, TCCHHS, Lancaster General Health, Lancaster General Hospital, PHCS, PMDH and Wissahickon Hospice of the University of Pennsylvania Health System are sometimes referred to herein as the "Obligated Group." In addition, UPHS is included in the financial statements of the Trustees of the University of Pennsylvania (University), a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

2. Significant Accounting Policies

Presentation

The University of Pennsylvania Health System Combined Financial Statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Doylestown Health

On April 1, 2025, the Trustees of the University of Pennsylvania and Doylestown Health entered into an affiliation agreement with Doylestown Health Foundation (the "Foundation"), Doylestown Hospital (the "Hospital"), and Village of Improvement Associated of Doylestown d/b/a Doylestown Health Physicians ("DH Physicians" and, together with the Foundation and the Hospital, "Doylestown Health"), pursuant to which Doylestown became a clinical component of Penn Medicine through a membership substitution in which the University became the sole member of the Hospital, and the Hospital became the sole member of the Foundation and DH Physicians.

No consideration was exchanged for the net assets contributed and acquisition costs are expensed as incurred. In accordance with applicable accounting guidance on not-for-profit mergers and acquisitions (ASC 958), UPHS recorded non-operating contribution income of $124,952,000 in fiscal year 2025 reflecting the fair value of the contributed unrestricted net assets of DH on April 1, 2025. Restricted contribution income of $26,825,000 was recorded in Net Assets with donor restriction.

2. Significant Accounting Policies (continued)

Total fair value of assets, liabilities and net assets contributed by Doylestown Health and its subsidiaries through membership substitution at April 1, 2025 were as follows (in thousands):

Cash and cash equivalents	$ 6,301
Patient receivables, net	59,189
Third party payer receivables	1,675
Assets whose use is limited	98,689
Investments	28,035
Property and equipment, net	193,689
Other assets	80,228
Total assets acquired	$ 467,806
Accounts payable and accrued expenses	$ 76,041
Total Long-term debt	174,814
Other Liabilities	59,724
Pension & Post retirement Liability	5,450
Total liabilities assumed	$ 316,029
Net Assets without Donor Restrictions	124,952
Net Assets with Donor Restrictions	26,825
Total net assets	$ 151,777

A summary of the pro-forma financial results of UPHS and PMDH for the year ended June 30, 2025 and June 30, 2024, as if the affiliation had occurred on July 1, 2023, is as follows (unaudited):

	June 30,	
	2025	**2024**
Total operating revenues	$ 12,331,967	$ 11,345,910
Total operating expenses	12,112,044	11,073,302
Operating income	219,923	272,608
Nonoperating activity, net	356,397	106,145
Increase in net assets without donor restrictions	$ 576,320	$ 378,753

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the valuation of alternative

2. Significant Accounting Policies (continued)

investments, the estimated net realizable value of patient receivables and the actuarially determined pension and other postretirement benefits, malpractice and self-insurance reserves.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of demand deposits and money market mutual funds, which would be considered a Level 1 investment under the fair value hierarchy. Investments in highly liquid debt instruments with original maturities of three months or less when purchased are included in cash and cash equivalents. The carrying amount of cash and cash equivalents are at fair value based on quoted market prices. Operating cash equivalents and highly liquid investments that are reported as Assets whose use is limited or Investments, at fair value, are considered investments through policy and are therefore excluded from the Cash and cash equivalent in the Combined Statement of Cash Flows.

Investments and Investment Income
Investments and assets limited as to use include assets set aside by management for future purposes, including capital improvements and self-insurance funds. Certain investments have been restricted by donors and are designated as donor restricted. The significant portion of these assets are invested in the University's Associated Investment Fund (A.I.F.), which is described in greater detail below. The remaining assets are managed in separate investment portfolios.

Realized and unrealized gains and losses on investments, other than investments in debt securities that are not held for trading, are reported as a component of excess of revenue over expenses. The change in unrestricted unrealized gains and losses on investments in debt securities not held for trading are reported below excess of revenue over expenses. Investment income or loss, realized and unrealized gains and losses on investments of donor restricted funds are added to or deducted from the appropriate net asset category based on the donor's restriction. Debt securities not held for trading are subject to impairment considerations. The amount of the impairment is reported as a realized loss in either net assets with donor restriction or in excess of revenue over expenses, with no adjustment in the cost basis for subsequent recoveries in fair value. There were no impairment write downs reported for the years ended June 30, 2025 and June 30, 2024.

Assets Whose Use Is Limited (AWUIL)
Assets whose use is limited are comprised of cash equivalents, investments and pledges, which are reported at fair or net realizable value. These assets include assets held by trustees under indenture agreements or self-insurance trust arrangements, assets of self-insurance captives used to settle malpractice claims, assets for other retirement benefits, assets set aside by management for future purposes, over which they retain control and may subsequently use for other purposes, and donor-restricted funds (Endowments, Specific Purpose and Plant Replacement and Expansion Funds and Contributions Receivable). Contributions receivable are recognized as increases to net assets in the period received, at their fair value, net of discounts and allowances.

Fair Value
UPHS values certain financial and nonfinancial assets and liabilities by applying the FASB pronouncements on *Fair Value Measurements*. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and

2. Significant Accounting Policies (continued)

prioritizes the sources used to measure and disclose fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

between market participants at the measurement date (an exit price). The hierarchy is broken down into three levels based on inputs that market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of UPHS as follows:

Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable.

Level 3 Unobservable inputs for the asset or liability.

Inputs broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. UPHS is required by the pronouncement to maximize the use of observable inputs (Levels 1 and 2) and minimize the use of unobservable inputs (Level 3). UPHS considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to UPHS' perceived risk of that instrument. Assets and liabilities are disclosed in the Notes to Combined Financial Statements within the hierarchy based on the lowest (or least observable) input that is significant to the measurement. UPHS' assessment of the significance of an input requires judgment, which may affect the valuation and categorization within the fair value hierarchy. The fair value of assets and liabilities using Level 3 inputs are generally determined by using pricing models or discounted cash flow methods, which all require significant management judgment or estimation. As a practical expedient, UPHS is permitted under the pronouncement to estimate the fair value of an investment in an investment company at the measurement date using the reported net asset value (NAV). Adjustment is required if the Health System expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US generally accepted accounting principles (US GAAP).

2. Significant Accounting Policies (continued)

Associated Investment Fund (A.I.F.)
The A.I.F. is a diversified pooled investment vehicle available solely to the University, its affiliates and subsidiaries. The A.I.F. is invested in accordance with the investment policies set out by an Investment Board which has been appointed by the Trustees of the University. The Office of Investments is responsible for the day-to-day management of the A.I.F. including identifying, selecting and monitoring a variety of external investment managers to implement the strategic asset allocation set forth by the Investment Board. Unrestricted realized gain/(loss) and the change in unrealized gain/(loss) on investments other than debt securities that are not for trading are reported as a component of the excess of revenue over expenses. The change in unrestricted unrealized gain/(loss) from investments in debt securities that are not for trading are reported in the change in net assets, while realized gain/(loss) are reported as a component of the excess of revenue over expenses. The fair value of the A.I.F. represents UPHS' ownership in the underlying fair value of the assets as determined by the University.

Investment Allocation
The following is a summary of the investments held by UPHS by asset allocation.

Short-Term (A.I.F., Investments and Pension)
Short-term investments include money market accounts and fixed income investments with maturities of less than one year. Short-term investments are valued using observable market data and are categorized as Level 1 based on quoted market prices in active markets. The majority of these short-term investments are held in a US Treasury money market account.

Equity (A.I.F., Investments and Pension)
Equity investments consist of direct holdings of public securities in managed accounts as well as mutual funds and private funds. The securities held in managed accounts, along with mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1. Private funds are valued at NAV.

Absolute Return (A.I.F., Investments and Pension)
Absolute return investments are made up of allocations to private funds. The fund managers of these private funds invest in a variety of securities, based on the strategy of the fund, which may or may not be quoted in an active market. Private funds are valued at NAV.

Debt (A.I.F., Investments and Pension)
Debt investments consist of direct holdings of securities in managed accounts and private funds. Securities such as US Treasuries, held in managed accounts, are valued based on quoted market prices in active markets and are categorized as Level 1. Securities such as corporate bonds and sovereign bonds, also held in managed accounts, are valued based on quoted market prices or dealer or broker quotations and are categorized as Level 2 or in the cases where inputs are unobservable as Level 3. Private funds are valued at NAV.

2. Significant Accounting Policies (continued)

Private Equity (A.I.F., Investments and Pension)
Investments in private equity are in the form of close-ended private funds. The fund managers primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying private investments based on an appraised value, discounted cash flow, industry comparables or some other method. These private fund investments are valued at NAV.

Real Estate (A.I.F. and Pension)
Investments in real estate are primarily in the form of private funds. The fund managers of these private funds primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying investments based on an appraised value, discounted cash flow, industry comparables or some other method. Private funds are valued at NAV.

Natural Resources (A.I.F., Investments and Pension)
Investments in natural resources are made up of private funds and securities in managed accounts. The fund managers of these private funds primarily invest in investments for which there is no readily determinable market value. The fund manager may value the underlying investments based on an appraised value, discounted cash flow, industry comparables or some other method. Private funds are valued at NAV. The securities held in the managed accounts are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1.

Derivatives (A.I.F., Investments and Pension)
In the normal course of business, UPHS utilizes derivative financial instruments in connection with its investment activity. Derivatives utilized by the UPHS can include futures, options, swaps and forward currency contracts and are reflected at fair value following the definition of Level 1 and 2 assets and liabilities as previously described. Investments in derivative contracts are subject to foreign exchange and equity price risks that can result in a loss of all or part of an investment. In addition, UPHS is also subject to additional counterparty risk should its counterparties fail to meet the terms of their contracts.

Investment Risk (A.I.F., Investments and Pension)
The Health System’s investing activities expose it to a variety of risks, including market, credit and liquidity risks and attempts to identify, measure and monitor risk through various mechanisms including risk management strategies and credit policies.

Market risk is the potential for changes in the fair value of the UPHS’s investment portfolio. Commonly used categories of market risk include currency risk (exposure to exchange rate differences between functional currency relative to other foreign currencies), interest rate risk (changes to prevailing interest rates or changes in expectations of futures rates) and price risk

2. Significant Accounting Policies (continued)

(changes in market value other than those related to currency or interest rate risk, including the use of NAV provided).

Credit risk is the risk that one party to a financial investment will cause a financial loss for the other party by failing to discharge an obligation (counterparty risk).

Liquidity risk is the risk that UPHS will not be able to meet its obligations associated with financial liabilities.

Details on the current redemption terms and restrictions by asset class and type of investment are as follows:

Strategy	Redemption Terms	Redemption Restrictions
Short-term	Daily	None
Equity		
Managed accounts	Daily and semi-annually with varying notice periods	None
Mutual funds	Daily	None
Private funds (1)	Weekly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years and side pocket investments (2)
Debt		
Managed accounts	Daily	None
Private funds (1)	Daily	None; side pocket investments (2)
Absolute return	Range from monthly to annually and close-ended funds not available for redemption	Lock-up provisions ranging from 0 to 5 years with earlier redemptions subject to redemption fee, close-ended funds not available for redemption, and side pocket investments (2)
Real estate	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Private equity	Close-ended funds not available for redemption	Close-ended funds not available for redemption
Natural resources		
Managed accounts	Daily	None
Private funds (1)	Close-ended funds not available for redemption	Close-ended funds not available for redemption

(1) Private funds consist of close-ended and open-ended funds generally in the form of limited partnerships. Close-ended funds have varying remaining fund terms between 1 to 18 years.
(2) Side pocket investments represent investments designated by a manager that are not available for liquidity in an otherwise liquid fund vehicle.

2. Significant Accounting Policies (continued)

Property, Equipment and Depreciation

Property and equipment are stated at cost at the date of acquisition less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related assets. Useful lives range from 15 to 40 years for buildings and building improvements and 5 to 20 years for equipment. Interest cost incurred on borrowed funds during the period of construction of major capital assets is capitalized as a component of the cost of acquiring those assets.

Intangible Assets

Goodwill, representing the excess of cost over assets acquired in the 1996 statutory merger of the Presbyterian Medical Center into PPMC, was $52,850,000. The remaining balance of $24,888,000 is included in other assets in the accompanying combined balance sheets. This balance has remained consistent since UPHS adopted the FASB Statement 142 guidance to stop amortizing Goodwill and have Goodwill subject to impairment testing. UPHS performs an annual impairment test of the PPMC reporting unit during the second quarter of the fiscal year. The calculation compares the reporting unit's carrying value to its fair value that is calculated using a discounted cash flow approach, which incorporates market participant data. In addition to the annual impairment test, additional evaluations have been done if circumstances exist that may lead to impairment. There were no goodwill impairments during 2025 or 2024.

Long-Lived Assets

UPHS continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance may not be recoverable. When factors indicate that long-lived assets should be evaluated for possible impairment, UPHS uses an estimate of the related undiscounted operating income over the remaining life of the long-lived asset in measuring whether the long-lived asset is recoverable. An impairment loss on these assets is measured as the excess of the carrying amount of the asset over its fair value. Fair value is based on market prices when available, or discounted cash flows.

Deferred Financing Fees

Deferred financing fees at June 30, 2025 and 2024, totaling $10,351,000 and $10,534,000, respectively, are amortized using the effective interest method over the life of the related debt.

Self-Insurance

UPHS accrues for estimated risks arising from both asserted and unasserted medical professional and workers' compensation claims based on historical claims data utilized by an independent actuary.

Split-Interest Agreements

UPHS' split-interest agreements with donors consist primarily of irrevocable charitable perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements.

2. Significant Accounting Policies (continued)

Perpetual trust assets are initially valued at the current market value of the underlying assets using observable market inputs based on its beneficial interest in the trust. The initially contributed assets are categorized as a Level 3 measurement in the fair value hierarchy due to the fact these initial investments are held in perpetuity with no intent to spend the principal. The investments are reported as investments, at fair value on the combined balance sheets and as contribution revenue on the combined statements of operations. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to donor-restricted investments, net on the combined statements of changes in net assets.

Charitable remainder trust assets, where UPHS does not serve as the trustee, are initially valued using the current fair value of the underlying assets, using observable market inputs based on its beneficial interest in the trust, discounted to a single present value using current market rates at the date of the contribution. The initially contributed assets are categorized as Level 3, and reported as donor restricted investments, at fair value on the combined balance sheet and as a contribution on the combined statements of changes in net assets. Subsequent valuation follows this same approach with changes in fair value reported as an adjustment to donor-restricted investments, net on the combined statements of changes in net assets.

Net Assets
Net assets are classified for accounting and financial reporting purposes into two net asset categories according to donor-imposed restrictions, if any. A description of the two net asset categories is as follows:

Without donor restrictions – includes net assets that are available for the support of operations and whose use is not donor-restricted, although their use may be limited by other factors such as by contract or board designation.

With donor restrictions – includes net assets that are (i) subject to legal or donor-imposed restrictions that will be met by actions of UPHS and/or the passage of time, and (ii) the original values of donor restricted net assets, the use of which is limited to investment and can only be appropriated for expenditure by UPHS in accordance with the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act).

2. Significant Accounting Policies (continued)

Interest Rate Exchange Agreements

The Health System enters into interest rate swap agreements to synthetically modify the interest rate terms of its long-term debt. The agreements are not entered into for trading or speculative purposes. Fair value of interest rate swap agreements are obtained by quotes from Merrill Lynch, which is based on the income approach that uses observable market data to discount future net payment streams. The quote provided by Merrill Lynch also represents the amount the Health System would accept or be required to pay to transfer the agreement to Merrill Lynch, or exit price as defined by *Fair Value Measurements*. The Health System verifies the reasonableness of the quote provided by Merrill Lynch by comparing it to a similar quote from a swap adviser and the results of similar observable inputs used in a pricing model. The Health System also assesses the risk of nonperformance by reviewing bond ratings and, accordingly considers the agreements to be Level 2 measurements in the fair value hierarchy. The Health System has recognized a liability of $1,735,000 and $1,638,000 as of June 30, 2025 and June 30, 2024, respectively, which represents the fair market value of the swaps. Gains/(losses) on the interest rate swap agreements are recorded as other non-operating income/(loss) in the Combined Statements of Operations. Two interest rate swap agreement matured during the fiscal year ended June 30, 2025 with no material impact to the financial statements.

	Merrill Lynch/ Bank of America
Notional amount	$ 18,050,000
Trade date	7/28/2006
Maturity date	7/1/2041
Rate:	
Receive	70% of 1-Month credit spread adjusted SOFR
Pay	3.980%
Default optional termination at market value	Default by UPHS
Optional termination at market value	UPHS Only
Collateral threshold	AAA/Aaa = Infinite
	AA(+/-) / Aa(1,2,3) = $40M
	A(+/-) / A(1,2,3) = $20M
	A(+/-) / A(1,2,3) = $20M
	A(+/-) / A(1,2,3) = $20M
	BBB+ / Baa1 = $10M
	BBB or below = None

Participation in Partnerships

To further its mission, UPHS participates in several partnerships. If UPHS owns less than 20%, the investment is accounted for at fair value. If there is no readily determinable fair value, UPHS has elected to use the measurement alternative. If UPHS demonstrates significant influence, the investment is accounted for using the equity method. UPHS' investments within these partnerships are recorded in Other Assets on the Combined Balance Sheets. For partnerships for which UPHS has determined are central to its operations and mission, the equity share of income/(loss) is recorded in Other Revenue and Support. Those significant investments are summarized below.

2. Significant Accounting Policies (continued)

UPHS has a 49% interest in Good Shepherd Penn Partners, a venture and strategic alliance that provides post-acute medical care in eastern Pennsylvania. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Lancaster Behavior Health Hospital LLC, which provides adult and adolescent inpatient care for those suffering from severe depression, anxiety, or other mood disorders. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Lancaster Rehabilitation Hospital which serves intensive inpatient physical rehabilitation following strokes, trauma or other healthcare problems that result in severe disabilities. The investment is accounted for by utilizing the equity method.

UPHS has a 50% interest in Physicians' Surgery Center Lancaster General LLC, which is a modern outpatient surgery center located in the city of Lancaster, Pennsylvania. The investment is accounted for by utilizing the equity method.

UPHS has a 49% interest in Virtua Penn Radiation Oncology Partners LLC, a venture and strategic alliance that provides radiation and oncology physician services in southern New Jersey. The investment is accounted for by utilizing the equity method.

UPHS has a 49% interest in the Doylestown PET Associates, LLC, a for-profit business corporation. The investment is accounted by utilizing the equity method.

UPHS has a 50% interest in the Doylestown Healthcare Partnership, LLC ("DHP") which was established to own and operate a clinically and financially integrated health network. DHP consists of Doylestown Hospital and professionals of all disciplines on the Doylestown Hospital Medical Staff who have an equity interest in DHP. The investment is accounted by utilizing the equity method.

All other equity income/(loss) from partnerships are recorded as a component of Other non-operating gain (loss), net.

Excess of Revenues Over Expenses
The combined statements of operations include excess of revenue over expenses. Changes in net assets without donor restriction which are excluded from excess of revenue over expenses, consistent with generally accepted accounting principles, include the changes in unrealized gains and losses on investments in debt securities that are not held for trading, permanent transfers of assets to and from the PSOM other than for goods and services, net assets released from restrictions for capital, and pension related changes other than net periodic pension cost.

2. Significant Accounting Policies (continued)

Transfers between UPHS entities
All significant inter-entity accounts and transactions are eliminated in combination.

Net Patient Service Revenue

UPHS reports revenues generally related to contracts with patients in which our performance obligations are to provide health care services to the patients. Net patient service revenues are recorded over time during the period our obligations to provide health care services are rendered and at the estimated net realizable amounts from patients, third party payers and others in exchange for the services received.

UPHS has agreements with third party payers that provide for payments at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Estimates of contractual allowances, under managed care plans, which represent explicit price concessions under ASC 606, are based upon the payment terms specified in the related contractual agreements. A summary of the payment arrangements with major third-party payers is as follows:

- Medicare: Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

- Inpatient psychiatric services and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. UPHS is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by each hospital and audits thereof by the Medicare fiscal intermediary.

- Medicaid: Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. Additional amounts are allocated to each hospital for training residents and serving a disproportionate indigent population.

- Commercial: UPHS also has reimbursement agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 35% and 12%, respectively, of Health System's hospital Net patient service revenue for the year ended 2025, and 35% and 12%, respectively, of the Health System's Net patient service revenue, for the year ended 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Certain revenue received for third party payers is subject to audit and retrospective adjustments.

2. Significant Accounting Policies (continued)

Final adjustments resulting from settlements with third party payers are recorded in the year in which they are settled. The amount was an increase of $31,071,000 and $195,064,980 to net patient service revenue in 2025 and 2024, respectively, as a result of final settlements and the revision or removal of reserves previously estimated that were no longer necessary.

Self-Pay and Other Adjustments to Revenues

UPHS calculates implicit price concessions, or revenue adjustments, based on management's review of historic net portfolio collections, current economic conditions, historical experience, trends in health care coverage and other collection indicators. The portfolio approach combines similar classes of accounts into groups for assessment. These implicit price concessions are recorded when patient service revenues are recognized. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, UPHS follows established guidelines for placing certain past-due patient balances with collection agencies, subject to terms of certain restrictions on collection efforts as determined by UPHS. Account receivables are written off after collection efforts have been followed in accordance with UPHS' policy.

Medicaid Modernization Program

On July 3, 2010, the Pennsylvania General Assembly passed the Public Welfare Code amendment (Act 49) which was signed into law by the Governor, establishing a new program referred to as Medicaid Modernization. The program was subsequently approved by the federal Centers for Medicare and Medicaid Services. The program is designed to provide additional funding to Pennsylvania hospitals for the purpose of enhancing access to quality healthcare for qualifying Medicaid beneficiaries, helping to partially mitigate the losses incurred by hospitals resulting from low reimbursement rates. To accomplish this objective, for fiscal years 2011 through 2025, the program provides participating hospitals with improved inpatient fee-for-service, hospital payments, establishes enhanced hospital payments through Medicaid managed care organizations (MCOs) and secures additional federal matching Medicaid funds through a Quality Care Assessment, under which hospitals pay the state a percentage of their net inpatient revenue. After deducting the cost of the assessment due to the state, UPHS recognized additional revenues over expenses of $78,797,000 in fiscal year 2025 and $48,411,000 in fiscal year 2024 from the Pennsylvania Medicaid Modernization program.

Third Party Agreements

The current agreement between UPHS and Independence Blue Cross, which was previously extended through June 30, 2025, has been subsequently extended for three years from June 30, 2025 through June 30, 2028.

The current agreement between UPHS and Aetna, which was subsequently extended through June 30, 2025, with two subsequent rollover year options through June 30, 2027, consolidated all prior existing agreements across all UPHS regions and entities. Further, extensive new value-based payment models were layered on top of the existing fee-for-service framework.

Other Operating Revenue

Other Operating Revenue totaled $1,791,000,000 and $1,423,000,000 during fiscal years ended June 30, 2025 and 2024, respectively. Ambulatory Pharmacy revenue included in the Other Operating Revenue totaled $1,443,000,000 and $1,075,000,000, respectively, during those fiscal years.

2. Significant Accounting Policies (continued)

Endowments

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act (UMIFA) or the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Rather, the Pennsylvania Uniform Principal and Income Act (Pennsylvania Act) governs the investment, use and management of the UPHS' endowment funds. The Pennsylvania Act allows a non-profit to elect to spend between 2% and 7% of the endowment market value, determined at least annually and averaged over a period of three or more preceding years.

The Pennsylvania Act does not require the preservation of the fair value of a donor's original gift as of the gift date of a donor-restricted endowment fund, absent explicit donor stipulations to the contrary. However, based on its interpretation of the Pennsylvania Act and relevant accounting literature, UPHS classifies the following as net assets with donor restrictions for reporting purposes: (i) the original value of donated assets required to be invested in perpetuity; (ii) the original value of subsequent donated assets required to be invested in perpetuity; (iii) accumulations to the donated assets invested in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (iv) donated assets and accumulations that are subject to legal or donor-imposed restrictions that will be met by actions of the University and/or the passage of time.

UPHS follows the University's endowment spending policy. In accordance with the Pennsylvania Act, the University has elected to adopt and follow an investment policy seeking a total return for the investments held by the A.I.F., whether the return is derived from appreciation of capital or earnings and distributions with respect to capital or both. The endowment spending policy which the Board of Trustees has elected to govern the expenditure of funds invested in the A.I.F. is designed to manage annual spending levels and is independent of the cash yield and appreciation of investments for the year. For Fiscal Year 2025, the spending rule target payout was based on the sum of: (i) 70% of the prior fiscal year distribution adjusted by an inflation factor; and (ii) 30% of the prior fiscal year-end fair value of the A.I.F., lagged one year, multiplied by 5.0% target spending rate for all funds.

3. Assets Whose Use Is Limited

Assets whose use is limited at June 30, 2025 and 2024 are set forth in the following table (in thousands):

	2025	2024
Held by trustees		
Short term investments		
Debt service	$ 20,624	$ 7,846
Capital project fund	12,180	2,623
Other	4,446	1,884
Marketable equity securities		
Other retirement programs	196,189	180,483
Other	528	1,321
Total held by trustees	233,967	194,157
RRG/Captive		
Short term investments	226,557	198,270
Total RRG Captive	226,557	198,270
Designated		
Short term investments	53,976	43,808
Associated Investment Funds (A.I.F)	4,484,917	4,014,385
Marketable debt securities	57,562	27,455
Marketable equity securities	788	6
Private Equity	59,534	57,520
Total designated	4,656,777	4,143,174
Donor-restricted		
Short term investments	48,303	55,444
Marketable debt securities	24,321	18,737
Marketable equity securities	104,264	91,694
Associated Investment Funds (A.I.F)	701,270	641,915
Contribution receivable, net	8,298	13,024
Other	83,047	62,227
Total donor-restricted	969,503	883,041
Total assets whose use is limited	$ 6,086,804	$ 5,418,642

4. Investments

Investments at June 30, 2025 and 2024 are set forth in the following table (in thousands):

	2025	2024
US Treasury obligations	$ 138,130	$ 130,659
Marketable debt securities	15,438	-
Other	38,262	18,554
	$ 191,830	$ 149,213

5. Fair Value Measurement

Investments, derivative instruments, and assets whose use is limited, measured at fair value in accordance with the Fair Value Measurements standard as of June 30, 2025 and 2024 are as follows (in thousands):

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2025
Assets					
Short term investments	$ 487,395	$ -	$ -	$ -	$ 487,395
Equity investments					
US equities	166,273	-	-	-	166,273
Debt investments					
US Treasuries and Agencies	149,914	3,654	-	-	153,568
Corporate bonds	67,376	14,439	-	-	81,815
Split-interest agreements	-	-	135,496	-	135,496
Natural resources	68	-	-	-	68
Private equity	-	-	-	59,534	59,534
	$ 871,026	$ 18,093	$ 135,496	$ 59,534	1,084,149
Associated Investment Fund (A.I.F.)					5,186,187
Total: Assets					$ 6,270,336

5. Fair Value Measurement (continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2024
Assets					
Short term investments	$ 390,656	$ -	$ -	$ -	$ 390,656
Equity investments					
US equities	158,605	-	-	-	158,605
Debt investments					
US Treasuries and Agencies	127,708	2,951	-	-	130,659
Corporate bonds	31,636	14,487	-	-	46,123
Split-interest agreements	-	-	114,899	-	114,899
Natural resources	69	-	-	-	69
Private equity	-	-	-	57,520	57,520
	$ 708,674	$ 17,438	$ 114,899	$ 57,520	898,531
Associated Investment Fund (A.I.F.)					4,656,300
Total: Assets					$ 5,554,831

Changes to the reported amounts of split interest agreements, measured at fair value using unobservable (Level 3) inputs as of June 30, 2025 and 2024 are all recorded as net unrealized gains and losses. The primary unobservable input used in the fair value measurement of the split interest agreements is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a material change in fair value.

As noted above, UPHS participates in the Associated Investment Fund (A.I.F). At June 30, 2025 and June 30, 2024, UPHS held 21.41% and 21.38% of the total investment fund, respectively. The asset classification for the A.I.F. is as follows (in thousands):

5. Fair Value Measurement (continued)

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2025
Assets					
Short term investments	$ 856,481	$ -	$ -	$ -	$ 856,481
Equity investments	-	-	-	-	
Global equities	823,211	-	-	4,639,548	5,462,759
Debt securities					
US Treasuries	677,865	-	-	-	677,865
Sovereign bonds	-	34	-	-	34
Absolute return	-	-	-	5,288,194	5,288,194
Real assets	-	-	-	2,865,037	2,865,037
Private equity	-	-	4,585	9,641,264	9,645,849
Derivative instruments	-	11,356	-	-	11,356
Total: Assets	$ 2,357,557	$ 11,390	$ 4,585	$ 22,434,043	$ 24,807,575
Liabilities					
Total Liabilities	579,403	135	-	-	579,538
	$ 1,778,154	$ 11,255	$ 4,585	$ 22,434,043	$ 24,228,037

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments at NAV	Total 2024
Assets					
Short term investments	$ 623,525	$ -	$ -	$ -	$ 623,525
Equity investments	-	-	-	-	
Global Equities	739,495	-	-	4,383,310	5,122,805
Emerging market equities	-	-	-	-	-
Debt securities					
US Treasuries	828,739	-	-	-	828,739
Sovereign bonds	-	34	-	-	34
High yield	-	-	-	-	-
Absolute return	-	-	-	4,698,948	4,698,948
Real assets	-	-	-	2,804,981	2,804,981
Private equity	-	-	28,720	8,361,787	8,390,507
Natural resources	-	-	-	-	-
Derivative instruments	-	1,348	-	-	1,348
Total: Assets	$ 2,191,759	$ 1,382	$ 28,720	$ 20,249,026	$ 22,470,887
Liabilities					
Total Liabilities	668,420	18,088	-	-	686,508
	$ 1,523,339	$ (16,706)	$ 28,720	$ 20,249,026	$ 21,784,379

6. Other Assets

Other assets at June 30, 2025 and 2024 are set forth in the following table (in thousands):

	2025	2024
Goodwill, net	$ 24,888	$ 24,888
Certificate of need	22,000	22,000
Other receivables	168,453	151,536
Malpractice receivable	204,355	204,156
Prepaid expenses	237,264	195,647
Inventory	171,978	143,097
Interests in non-combined subsidiaries	142,561	186,386
Right-of-use assets	429,266	307,704
Other	26,227	23,653
	1,426,992	1,259,067
Less: Current portion	(581,927)	(494,173)
	$ 845,065	$ 764,894

Amortization expense associated with an agreement with another healthcare provider ended during fiscal year 2024, while $1,558,000 of amortization expense was charged to operations during 2024.

7. Property, Plant, Equipment and Accumulated Depreciation

Property, plant, equipment (PPE) and accumulated depreciation at June 30, 2025 and 2024 are set forth in the following table (in thousands):

	2025	2024
Land and improvements	$ 206,369	$ 198,146
Building and improvements	7,050,968	6,881,820
Fixed and movable equipment	3,064,157	2,913,174
	10,321,494	9,993,140
Accumulated depreciation	(4,851,008)	(4,471,480)
	5,470,486	5,521,660
Construction in progress	453,464	426,186
	$ 5,923,950	$ 5,947,846

Depreciation expense charged to operations totaled $425,570,000 and $414,995,000 in 2025 and 2024, respectively. Capitalized Interest recorded was $3,425,000 and $1,620,000 in 2025 and 2024, respectively.

8. Long-Term Debt

A summary of debt as of June 30, 2025 and 2024 are set forth as follows (in thousands):

	Final Maturity	Effective Interest Rate at June 30, 2025	2025	2024
Fixed rate debt obligations:				
Lancaster County Hospital Authority (LCHA)				
Series A of 2016 revenue bonds	August 15, 2042	2.28% - 3.52%	$ 132,745	$ 137,960
Series B of 2016 revenue bonds	August 15, 2046	2.36% - 3.58%	99,105	99,105
Pennsylvania Higher Education Facilities Authority (PHEFA)				
Series A of 2021 revenue bonds	August 15, 2044	1.61% - 2.11%	79,810	79,810
Series B of 2021 revenue bonds	August 15, 2042	1.10% - 2.70%	93,045	101,470
Series A of 2019 revenue bonds	August 15, 2049	1.67% - 3.22%	534,870	534,870
Series A of 2017 revenue bonds	August 15, 2047	2.60% - 3.68%	400,000	400,000
Series C of 2016 revenue bonds	August 15, 2041	1.70% - 3.08%	86,660	110,840
Series A of 2015 revenue bonds	August 15, 2045	2.58% - 4.00%	169,560	182,200
New Jersey Health Care Facilities Financing Authority (NJHCFFA)				
Princeton Healthcare System Series A of 2016	July 1, 2039	2.61% - 3.88%	144,590	150,985
University of Pennsylvania Health System 2017 Taxable Bond	August 15, 2047	4.01%	200,000	200,000
Doylestown Hospital Authority (DHA)				
Series 2024 revenue bonds	July 1, 2039	4.75% - 5.25%	58,125	-
Series A of 2019 revenue bonds	July 1, 2049	3.47% - 3.85%	52,880	-
Series A of 2016 revenue bonds	July 1, 2046	2.56% - 3.57%	39,690	-
Series A of 2013 revenue bonds	July 1, 2029	3.87% - 4.19%	9,970	-
Lancaster General Hospital 2015 Taxable Note	August 11, 2032	2.25%	54,794	57,650
Line of Credit, outstanding balance	April 12, 2028	4.77%	9,240	
Mortgages, Loans and other	Various	Various	80,448	85,018
Variable rate debt obligations:				
PHEFA Series A of 2008 revenue bonds	January 1, 2038	1.88%	69,995	69,995
NJHCFFA Princeton Healthcare System Series B of 2016	July 1, 2045	4.02%	65,000	65,000
NJHCFFA Princeton Healthcare System Series C of 2016	July 1, 2045	4.06%	20,000	20,000
Total outstanding bonds payable			2,400,527	2,294,903
Unamortized original issue premiums, discounts and debt costs, net			149,047	157,124
			2,549,574	2,452,027
Current portion of debt obligations			(78,973)	(64,120)
			$ 2,470,601	$ 2,387,907

8. Long-Term Debt (continued)

UPHS Series A of 2008 Bonds were issued on April 21, 2008. Interest on the bonds is reset weekly through a remarketing process. The bonds are subject to optional redemption by the University, the obligated group agent, on any scheduled interest payment date at a redemption price equal to 100% of the principal amount plus accrued interest and option tender by the Holders upon seven days' notice. The bonds are enhanced by a renewable direct pay letter of credit issued by Bank of America with an expiration date of April 15, 2028 and UPHS self-liquidity policy.

The PHEFA, LCHA, NJHCFFA and DHA Revenue Bonds are collateralized by master notes issued under the UPHS Master Trust Indenture (MTI). The MTI and related agreements contain certain restrictive covenants which limit the issuance of additional indebtedness and among other things, require UPHS to meet an annual debt service coverage requirement of "income available for debt service" (excess of revenue over expenses plus depreciation, amortization, interest expense and extraordinary items) at an amount equal to 110% of the annual debt service requirements. If the coverage requirement for a particular year is not met within six months of the close of that fiscal year, UPHS must retain the services of a consultant, to make recommendations to improve the coverage requirement. UPHS must also implement the recommendations of the consultant to the extent that they can be feasibly implemented. UPHS will not be considered to be in default of the provisions of the MTI, so long as UPHS has sufficient cash flow to pay total operating expenses and to pay debt service for the fiscal year. The debt service coverage requirement for 2025 and 2024 was met by UPHS. Additionally, UPHS has pledged its gross revenues to collateralize its obligation under the MTI.

8. Long-Term Debt (continued)

UPHS maintains a $100,000,000 revolving line-of-credit, with a maturity on April 12, 2028, to supplement liquidity and issue letters of credit to cover balances due on construction projects and reinsurance agreements. The $9,240,000 outstanding balance on the Line of Credit as of June 30, 2025 was a result of the transfer of the PMDH line of credit balance to the revolving line of credit maintained by UPHS during FY 2025. There was no outstanding balance as of June 30, 2024. Letters of credit issued under the line were $15,590,000 and $4,034,000 at June 30, 2025 and 2024, respectively, and are included in contingencies and commitments.

A summary of maturities of long-term debt payments for the next five years and thereafter is as follows (in thousands):

	PHEFA	LCHA	NJHCFFA	DHCA	Other	Total
Fiscal Year						
2026	$ 47,575	$ 5,475	$ 6,715	$ 2,490	$ 12,159	$ 74,414
2027	23,440	31,520	7,050	3,095	2,979	68,084
2028	35,680	6,050	7,405	3,675	3,041	55,851
2029	37,310	6,345	7,775	4,470	3,103	59,003
2030	39,070	6,685	8,160	4,745	3,167	61,827
Thereafter	1,250,865	175,775	192,485	142,190	239,585	2,000,900
Total principal	1,433,940	231,850	229,590	160,665	264,034	2,320,079
Unamortized original issue premiums, discounts, and debt costs	121,093	10,916	18,796	(1,858)	100	149,047
Total debt	$ 1,555,033	$ 242,766	$ 248,386	$ 158,807	$ 264,134	$ 2,469,126

	Mortgages Notes and Other
Fiscal Year	
2026	$ 4,559
2027	4,524
2028	13,347
2029	3,951
2030	4,098
Thereafter	49,969
Total mortgages, notes and other	$ 80,448

9. Transactions with the University of Pennsylvania

For the years ended June 30, 2025 and 2024, UPHS transferred net amounts of $429,836,000 and $43,342,000, respectively, to the University to further the research and educational activities of the PSOM. As part of this support to the University, UPHS transferred fixed assets totaling $279,076,000 to the University on June 30, 2025.

Certain University expenses, such as a portion of the salaries of the PSOM faculty, qualify for reimbursement by third party payers. Reimbursement for these costs is claimed by UPHS and recognized as other operating revenue by CPUP and the PSOM.

Due to/(from) the University of Pennsylvania reflects the net balance resulting from transactions conducted between UPHS and the University (primarily inter-entity billings for allocation of common costs, physician salaries and benefits, certain purchased services, and support for the PSOM). The amounts outstanding at June 30, 2025 and 2024 represented normal current inter-entity activity.

10. Net Assets

The major components of net assets at June 30, 2025 and 2024 are as follows (in thousands):

	2025		
	Without Donor Restriction	With Donor Restriction	Total
General operating	$ 4,550,748	$ 105,793	$ 4,656,541
Capital	-	35,264	35,264
Endowment			
Quasi	4,487,698	-	4,487,698
Donor restricted	-	840,769	840,769
	$ 9,038,446	$ 981,826	$ 10,020,272

	2024		
	Without Donor Restriction	With Donor Restriction	Total
General operating	$ 4,428,232	$ 101,050	$ 4,529,282
Capital	-	33,683	33,683
Endowment			
Quasi	4,015,620	-	4,015,620
Donor restricted	-	754,994	754,994
	$ 8,443,852	$ 889,727	$ 9,333,579

11. Net Assets with Donor Restriction

Net assets with donor restriction are those whose use by UPHS has been limited by donors for the following purposes (in thousands):

	2025	2024
Specific purpose (i.e., departmental room funds)	$ 141,057	$ 134,733
Endowment - held by others	135,496	114,899
Endowment - fair value adjustments	575,837	512,609
Endowment - original cost basis	129,436	127,486
	$ 981,826	$ 889,727

Changes to the reported amounts of the UPHS' endowments and split interests as of June 30, 2025 and June 30, 2024 are as follows (in thousands):

	2025		
	Without Donor Restriction	With Donor Restriction	Total
Endowments and split interests at June 30, 2024	$ 4,015,620	$ 754,994	$ 4,770,614
Investment return	472,402	88,948	561,350
New gifts	-	1,950	1,950
Allocation of AIF assets for expenditure	(240,373)	-	(240,373)
Other investment allocations	(4,602)	-	(4,602)
Transfers to create Board designated funds	204,723	15,968	220,691
Assets transferred to/from another entity	2,638	16,199	18,837
Other transfers	7,010	(7,010)	-
Released from restriction	30,280	(30,280)	-
Endowments and split interests at June 30, 2025	$ 4,487,698	$ 840,769	$ 5,328,467

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Endowments and split interests at June 30, 2023	$ 3,800,975	$ 736,766	$ 4,537,741
Investment return	259,821	53,014	312,835
New gifts	-	7,319	7,319
Allocation of AIF assets for expenditure	(228,019)	-	(228,019)
Other investment allocations	(4,223)	-	(4,223)
Transfers to create Board designated funds	193,456	7,600	201,056
Donor Imposed Income reinvestments	(83)	(13,413)	(13,496)
Other transfers	(32,972)	(9,627)	(42,599)
Released from restriction	26,665	(26,665)	-
Endowments and split interests at June 30, 2024	$ 4,015,620	$ 754,994	$ 4,770,614

At June 30, 2025 and 2024, there were no material donor-restricted endowment funds for which the fair value of assets was less than the level required by donor stipulations or law.

12. Pension and Postretirement Benefit Costs

Retirement benefits are principally provided to active employees through a combination of qualified and non-qualified defined contribution plans (DC). As part of the Affiliation Agreement between the Trustees of the University of Pennsylvania and Doylestown Health (now Penn Medicine Doylestown Health “PMDH”), as of April 1, 2025 the information presented for Pension and Postretirement Benefit Costs includes PMDH, where applicable. The UPHS policy with respect to its DC Plan contribution is up to 6.5% of eligible employee salaries and contributions amounted to $160,655,000 and $142,028,000 in 2025 and 2024, respectively.

UPHS also has several non-contributory defined benefit (DB) pension plans. Benefits under the plans generally are based on the employee’s years of service and compensation during the years preceding retirement. Contributions to the plans are made in amounts necessary to at least satisfy the minimum required contributions as specified in the Internal Revenue Service Code and related regulations. UPHS’ primary plan was closed to new entrants effective July 1, 2010; the benefit accruals for all participants of the LGH and PHCS plans, now part of the UPHS plan, were frozen effective June 30, 2013, December 31, 2011, respectively. The Doylestown plan was frozen effective December 31, 2010.

Additionally, UPHS provides a retirement bonus based on unused sick time and healthcare benefits (Other Postretirement Employee Benefits or OPEB); while LGH provides only life insurance for retirees prior to January 1, 2012. Only a limited number of employees may become eligible for such benefits if they reach retirement age while working for some UPHS entities. These and similar benefits for active and certain retired employees are provided through insurance contracts.

UPHS uses a measurement date of June 30 for their pension and postretirement liability.

12. Pension and Postretirement Benefit Costs (continued)

Change in Plan Assets/ Obligation and Funded Status

The funded status of the plans is measured as the difference between the plan assets at fair value and the Pension Benefit Obligation ("PBO") or accumulated postretirement benefit obligation (APBO) for Other Postretirement Benefits. The resulting net liability is recorded in Pension and post-retirement benefit liability on the Combined Balance Sheets. The following shows changes in the benefit obligation, plan assets and funded status (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2025	2024	2025	2024	2025	2024
Change in Benefit Obligation						
Benefit obligation at end of prior year	$ 3,003,490	$ 2,920,635	$ 109,580	$ 105,743	$ 3,113,070	$ 3,026,378
Service costs	42,095	42,294	2,001	1,921	44,096	44,215
Interest costs	163,746	155,518	5,898	5,601	169,644	161,119
Retiree drug subsidy	-	-	(103)	(30)	(103)	(30)
Plan participants' contributions	-	-	943	884	943	884
Net transfer in/(out)	48,872	-	-	-	48,872	-
Net actuarial (gain)/loss	(100,099)	8,490	2,485	6,144	(97,614)	14,634
Benefits paid	(133,029)	(123,447)	(10,588)	(10,683)	(143,617)	(134,130)
Benefit obligation at end of year	$ 3,025,075	$ 3,003,490	$ 110,216	$ 109,580	$ 3,135,291	$ 3,113,070
Change in Plan Assets						
Fair value of plan assets at beginning of year	$ 2,736,875	$ 2,881,250	$ -	$ -	$ 2,736,875	$ 2,881,250
Actual return on assets	168,048	(37,844)	-	-	168,048	(37,844)
Company contributions	33,994	16,916	9,748	9,829	43,742	26,745
Retiree drug subsidy	-	-	(103)	(30)	(103)	(30)
Plan participants' contributions	-	-	943	884	943	884
Benefits paid	(133,029)	(123,447)	(10,588)	(10,683)	(143,617)	(134,130)
Acquisitions	43,140	-	-	-	43,140	-
Fair value of plan assets at end of year	$ 2,849,028	$ 2,736,875	$ -	$ -	$ 2,849,028	$ 2,736,875
Funded Status						
Projected benefit obligation/accumulated postretirement benefit obligation	$ (3,025,075)	$ (3,003,490)	$ (110,216)	$ (109,580)	$ (3,135,291)	$ (3,113,070)
Plan assets at fair value	2,849,028	2,736,875	-	-	2,849,028	2,736,875
Funded status at end of year	$ (176,047)	$ (266,615)	$ (110,216)	$ (109,580)	$ (286,263)	$ (376,195)
Other retirement programs					(151,844)	(141,451)
Total accrued retirement benefits					(438,107)	(517,646)
Less: Current portion included in Accrued expenses					9,294	9,275
Pension and post retirement benefit liability					$ (428,813)	$ (508,371)

12. Pension and Postretirement Benefit Costs (continued)

The Accumulated Benefit Obligation for the Pension Benefits was $2,872,356,000 and $2,803,544,000 at June 30, 2025 and 2024, respectively.

For the year ended June 30, 2025, the net actuarial gain in the Pension and OPEB Benefit Obligation was primarily attributable to increases in discount rate as well as updates to plan related economic assumptions, while for the year ended June 30, 2024, the net actuarial loss in the Pension and OPEB Benefit Obligation was primarily attributable to increases in demographic changes and per capita and trend assumptions offset by increases in the discount rate.

Net Periodic Benefit Cost

The components of the net periodic benefit cost for pension benefits and other postretirement benefits are as follows (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2025	2024	2025	2024	2025	2024
Service cost	$ 42,095	$ 42,294	$ 2,001	$ 1,921	$ 44,096	$ 44,215
Interest cost	163,746	155,518	5,898	5,601	169,644	161,119
Expected return on plan assets	(171,960)	(180,896)	-	-	(171,960)	(180,896)
Settlement/Curtailment	(26)	-	-	-	(26)	-
Amortization of						
Net prior service costs	-	-	(325)	(325)	(325)	(325)
Net losses	-	-	(1,089)	(1,536)	(1,089)	(1,536)
Net periodic benefit cost	$ 33,855	$ 16,916	$ 6,485	$ 5,661	$ 40,340	$ 22,577

Net Assets Without Donor Restriction

UPHS recorded the following year-end valuation adjustments to its Pension and Other Postretirement Benefit Plans in the Pension and other postretirement plans adjustments in the Combined Statements of Operations (in thousands):

	June 30					
	Pension Benefits		Other Postretirement Benefits		Total	
	2025	2024	2025	2024	2025	2024
Net assets without donor restriction						
Net actuarial gain/(loss)	$ (85,480)	$ (181,641)	$ 20,336	$ 23,911	$ (65,144)	$ (157,730)
Net prior service costs	-	-	672	997	672	997
Accumulated net assets without donor restriction	(85,480)	(181,641)	21,008	24,908	(64,472)	(156,733)
Adjustment to net assets without donor restriction	$ (96,162)	$ 227,231	$ 3,900	$ 8,004	$ (92,262)	$ 235,235

12. Pension and Postretirement Benefit Costs (continued)

Actuarial Assumptions

The expected long-term rate of return on plan assets is management's best estimate of the average investment return expected to be received on the assets invested in the plan over the benefit period. The expected long-term rate of return on plan assets has been established by considering historical and future expected returns of the asset classes invested in by the pension trust, and the allocation strategy currently in place among those classes.

	Pension Benefits		Other Postretirement Benefits	
	2025	**2024**	**2025**	**2024**
Weighted-average assumptions used to determine benefit obligation at year end				
Discount rate	5.78% / 5.45%	5.57 %	5.54 %	5.62 %
Rate of compensation increase	2.87	3.20	3.10	3.20
Weighted-average assumptions for net periodic benefit cost				
Discount rate	5.57% / 5.45%	5.46 %	5.62%	5.53 %
Expected long-term return on plan assets	6.50 / 7.25	6.50	N/A	N/A
Rate of compensation increase	3.20	3.22	3.20	3.22
Assumed health care trend rates				
Health care cost trend rate assumed for next fiscal year (pre-65/post-65)			7.06%/ 9.15%	6.11%/5.72%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2051	2049
Medicare Part B trend rate assumed for next fiscal year			5.75%	4.95%
Ultimate trend rate			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2051	2049
Assumed prescription drug trend rates at June 30				
Health care cost trend rate assumed for next fiscal year			10.25%	6.60%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)			4.00%	4.00%
Ultimate trend rate is reached in fiscal year			2051	2049

Expected Contributions

UPHS expects to contribute $38,012,000 and $9,293,000 for pension benefits and other postretirement benefits, respectively, during the fiscal year ending June 30, 2026.

12. Pension and Postretirement Benefit Costs (continued)

Expected Benefit Payments (in thousands):

	Pension Benefits	Other Post Retirement Benefit Before Medicare Part D Subsidy	Medicare Part D Subsidy
June 30, 2026	$ 164,158	$ 9,322	$ (29)
June 30, 2027	171,210	9,419	(32)
June 30, 2028	178,963	9,507	(35)
June 30, 2029	188,224	9,611	(37)
June 30, 2030	194,980	9,600	(38)
June 30, 2030 to June 30, 2035	1,064,381	46,398	(200)

Plan Assets

The principal investment objectives for the pension plans are: to ensure the availability of funds to pay pension benefits as they become due under a broad range of future economic scenarios; to maximize long-term investment returns with an acceptable level of risk based on the pension obligations; and to invest the pension trust in a diversified manner.

UPHS uses the University Office of Investments to manage the day-to-day activities of the investments of the pension. The investments are made in accordance with policies set out by the Investment Board which has been appointed by the Trustees. The pension benefit investments are similar in nature to those investments discussed in Note 2 – Significant Accounting Policies. However, the actual allocations to specific investments within each asset class may vary due to certain restrictions imposed by investment managers and ERISA regulations.

12. Pension and Postretirement Benefit Costs (continued)

A summary of plan assets, measured at fair value, as of June 30, 2025 and 2024 is as follows (in thousands):

	Level 1	Level 2	Level 3	Investments at NAV	2025
Assets					
Short-term investments	$ 85,175	$ -	$ -	$ -	$ 85,175
Global Equities	30,258	-	-	165,064	195,322
Debt investments					
US Treasuries and Agencies	1,340,403	-	-	-	1,340,403
Corporate bonds	14,436	18,812	-	-	33,248
Absolute return	-	-	-	453,610	453,610
Real assets	1,067	-	-	159,650	160,717
Private equity	-	-	-	580,553	580,553
	$ 1,471,339	$ 18,812	$ -	$ 1,358,877	$ 2,849,028

	Level 1	Level 2	Level 3	Investments at NAV	2024
Assets					
Short-term investments	$ 68,077	$ -	$ -	$ -	$ 68,077
Global Equities	2,431			201,616	204,047
Debt investments					
US Treasuries	1,277,222	-	-	-	1,277,222
Corporate bonds	-	26,866	-	-	26,866
Absolute return	-	-	-	468,860	468,860
Real assets	729	-	-	146,070	146,799
Private equity	-	-	-	545,004	545,004
	$ 1,348,459	$ 26,866	$ -	$ 1,361,550	$ 2,736,875

12. Pension and Postretirement Benefit Costs (continued)

The master trust holding the plan assets has unfunded commitments to limited partnerships totaling $161,975,000 as of June 30, 2025, which are expected to be called over the next several years. The plan's unfunded commitments was $204,993,000 as of June 30, 2024.

Transfers between leveled assets are based on the actual date of the event which caused the transfer. As of June 30, 2025 and 2024 there were no transfers between Level 1 and 2.

Allocation of Plan Assets:

	Pension Benefits		
	Target	**2025**	**2024**
Short-term investments	0.0 %	3.0 %	2.5%
Global Equities	7.0 %	6.9 %	7.5%
Debt investments			
US Treasuries	50.0 %	47.0 %	46.7%
Corporate bonds	0.0 %	1.2 %	1.0%
Absolute return	17.0 %	15.9 %	17.1%
Real assets	5.0 %	5.6 %	5.4%
Private equity	21.0 %	20.4 %	19.8%
	100.0 %	100.0 %	100.0%

13. Net Patient Revenue by Payer

	2025	**2024**
Medicare (including Managed Medicare)	35 %	35 %
Medicaid (including Managed Medicaid)	12	12
Managed care	41	34
Blue cross	9	15
Commercial	2	3
Self pay	1	1
	100 %	100 %

14. Concentrations of Credit Risk

UPHS grants credit without collateral to its patients, most of whom are local residents and are insured under third party payer agreements. The mix of receivables from patients and third party payers at June 30, 2025 and 2024, respectively, is as follows:

	2025	2024
Medicare	14 %	14 %
Medicaid	3	3
Managed care (including Managed Medicare and Medicaid)	55	53
Blue cross	11	11
Commercial	11	13
Self pay	6	6
	100 %	100 %

15. Lease Commitments

UPHS leases real estate and equipment under operating leases expiring through April 2107. Under the adopted accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the Combined Balance Sheets, lessees are required to record Right-of-Use assets, representing the right to use the underlying assets for the lease term, and Lease Liabilities, representing the obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. UPHS has made the following elections: (1) to adopt a package of practical expedients relating to reassessment, (2) to exclude leases with a term of less than one year, and (3) to use an incremental borrowing rate for discounting leases, as applicable. Right-of-Use assets recorded in Other assets were $429,266,000 and $307,704,000 and Lease Liabilities recorded in Accrued expenses and other liabilities were $440,645,000 and $311,987,000, as of June 30, 2025 and 2024, respectively. At June 30, 2025, The weighted average remaining lease term was 11.2 and 9.5 years and the weighted average discount rate was 3.3% and 2.1% as of June 30, 2025 and 2024, respectively. Rental expense is included in Supplies and other expenses on the Combined Statements of Operations. Rental expense totaled $108,188,000 and $96,877,000, while amortization of Right-of-use assets was $54,759,000 and $50,958,000 for the year ended June 30, 2025 and 2024, respectively.

A summary of future minimum payments under operating leases at June 30, 2025, is as follows (in thousands):

2026	$	63,679
2027		59,524
2028		55,008
2029		50,566
2030		49,002
Thereafter		283,351
Total lease payments		561,130
Less: Imputed interest		(120,485)
Total future lease payments	$	440,645

16. Medical Professional Liability Claims

UPHS is insured for medical professional liability claims through the combination of the Medical Care Availability and Reduction of Error Fund (Mcare - formally the Medical Professional Liability Catastrophe Loss Fund of the Commonwealth of Pennsylvania - CAT Fund), various commercial insurance companies, and risk retention programs.

Mcare levies health care provider surcharges, as a percentage of the Pennsylvania Joint Underwriters Association (JUA) rates for basic coverage, to pay claims and pay administrative expenses of the Mcare participants. These surcharges are recognized as expenses in the period incurred. In March 2002, the Pennsylvania General Assembly approved reforming the Commonwealth's medical malpractice insurance system. Mcare operates on a pay-as-you-go basis and no provision has been made for any future Mcare assessments in the accompanying combined financial statements, as UPHS' portion of the unfunded Mcare liability cannot be estimated.

UPHS retains insurance for primary and excess coverage, in addition to the self-insured amounts. The coverage provided by the captive is done through its purchase of commercial insurance. The excess professional liability coverage is provided on a claim-made basis.

UPHS funded RRG/Captive and Lancaster General Insurance Company, Ltd. (LGI), for purposes of administering its risk retention program and covering its primary layer exposures. The assets and respective liabilities of risk retentions groups are included in the accompanying combined financial statements. Effective June 30, 2023, Lancaster General Insurance Company was merged into Risk Retention Group (Captive).

UPHS accrues for estimated retained risks arising from both asserted and unasserted medical professional liability claims. UPHS has employed independent actuaries to estimate the ultimate costs, if any, of the settlement of these claims. The estimate of the gross liability and corresponding receivable for unasserted claims arising from unreported incidents is based on analysis of historical claims data by an independent actuary, which is recorded utilizing a 2.25% discount rate at June 30, 2025 and June 30, 2024. Total liability under this program is approximately $856,770,000 and $891,479,000 with a corresponding receivable of $204,355,000 and $204,156,000 at June 30, 2025 and 2024, respectively.

17. Charity, Uncompensated and Under-Compensated Care

UPHS accepts patients in serious need of professional medical care, independent of their financial status. This definition includes those patients suffering from a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in (1) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy, or (2) serious impairment to bodily functions. Accordingly, UPHS provides services to patients, who meet certain criteria under its charity care policy, without charge or at amounts less than UPHS' established rates. Because UPHS does not pursue collections, such amounts have been excluded from net patient service revenue. UPHS estimated $63,785,000 and $47,171,000 of costs were incurred during 2025 and 2024, respectively, from providing services to charity patients. The estimated costs of providing charity services are based on data derived from a combination of the UPHS' cost accounting system and the ratio of costs to charges. UPHS also provides care to patients who do not have health insurance or meet the

17. Charity, Uncompensated and Under-Compensated Care (continued)

criteria to qualify for its charity care policy. UPHS pursues collection of these amounts, however certain amounts are deemed to be uncollectible. Implicit price concessions, which reduce net patient service revenue was $198,299,000 and $166,927,000 for years ending June 30, 2025 and 2024, respectively.

Additionally, the costs of providing services to eligible welfare recipients, who participate in the Pennsylvania Medical Assistance and local Managed Medicaid programs exceeded reimbursement by $362,057,000 and $394,399,000 in 2025 and 2024, respectively. In addition to providing direct patient charity care and in furtherance of its exempt purpose to benefit the community, UPHS operates emergency rooms open to the public 24-hours per day, 7 days per week; maintains research facilities for the study of disease and injuries; provides facilities for teaching and training various medical personnel; facilitates the advancement of medical and surgical education; and provides various community services such as screenings for the detection of breast, colorectal and skin cancer, cancer support groups, a toll free number for cancer information, free immunization shots, training programs for the City Fire and Police Departments, health education classes, speeches, and regularly provides health related information to television and radio news programs and to reporters at newspapers and magazines.

18. Contingencies and Commitments

UPHS is subject to litigation and regulatory investigations that arise in the ordinary course of its business. UPHS is involved in a legal matter whereby a jury awarded $182,738,000 to a plaintiff in a medical malpractice case against UPHS. UPHS continues to appeal the verdict. To cover claims arising out of its operations, UPHS maintains various levels of insurance coverage with deductibles that UPHS believes to be sufficient. UPHS cannot assure that professional liability insurance will cover all claims or continue to be available at reasonable costs for UPHS to maintain adequate levels of insurance. In the opinion of management, the outcome of such claims and litigation will not materially affect our combined financial position, results of operations and cash flows.

At June 30, 2025, construction contract commitments are estimated to total $139,382,000.

UPHS maintains various unused letters of credit with expirations at various dates through fiscal year 2026 and fiscal year 2027 totaling $15,590,000 and $9,313,000 at June 30, 2025 and 2024, respectively, to cover balances due on construction projects and reinsurance agreements.

19. Liquidity and Availability

As of June 30, 2025 and 2024, respectively, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt and capital construction costs not financed with debt, are as follows (in thousands):

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 985,239	$ 1,133,979
Current receivables	1,610,637	1,412,189
Pledge payment available for operations	3,262	700
Designated investments and Investments	2,427,463	2,099,424
Total financial assets available within one year	$ 5,026,601	$ 4,646,292
Liquidity resources		
Bank lines of credit	75,170	96,303
Total financial assets and liquidity resources available within one year	$ 5,101,771	$ 4,742,595

To manage liquidity, UPHS maintains a line of credit that is drawn upon as needed during the year to manage cash flows. Management has the discretion to utilize the full amount of designated investments, in Assets whose use is limited, for general expenditures.

20. Investment Returns

A summary of the investment return, which is net of external and direct internal investment expenses, for the years ended June 30, 2025 and 2024 is presented below (in thousands).

	2025	2024
Interest and dividends	$ 97,360	$ 88,175
Net realized changes on investments	110,228	173,113
Changes in unrealized gain/(loss) on investments, other than debt	343,974	55,539
Investment income/(loss), net	551,562	316,827
Changes in unrealized gain/(loss) on debt investments	1,849	3,193
Net realized and unrealized gain/(loss) on restricted funds	67,549	18,844
Total investment return, net	$ 620,960	$ 338,864

21. Subsequent Events

UPHS has evaluated subsequent events through September 25, 2025, which is the date the combined financial statements were issued.

On July 10, 2025, Series A of 2025 bonds were issued for $318,525,000, of which $77,097,000 was used to redeem a portion of the PHEFA Series A of 2015 bonds. In addition to the refunding, the bonds provided $249,657,000 of funds held by trustee in a capital project fund, of which $179,000,000 were used to reimburse UPHS for expenses already paid in relation to various projects and capital expenditure with the remaining held for future expenditures.

In order to support health system liquidity, UPHS increased the amount available under the current revolving line of credit to $200,000,000 in July, 2025 and established a second revolving line of credit totaling $100,000,000 in September, 2025. In addition, UPHS established a taxable commercial paper program in August, 2025 with a maximum authorized amount of $300,000,000.

Supplementary Combining Information

University of Pennsylvania Health System
Combining Balance Sheet
June 30, 2025 (thousands of dollars)

	CPUP	CCA	HUP	PPMC	PAH	TCCHS	LGH	PHCS	PMDH	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
Assets														
Current														
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 56,506	$ 1,870	$ 3,612	$ 4,444	$ 918,807	$ -	$ -	$ 985,239
Due from (to) UPHS central treasury	461,617	22,190	1,384,581	(40,450)	11,695	(140,014)	50,641	(19,663)	-	110,629	(1,841,296)	70	-	-
Patient receivables, net	83,471	35,489	506,974	114,235	110,922	47,065	269,855	72,519	57,348	54,658	(22)	-	-	1,352,514
Third party payer receivables	-	-	17,525	1,262	1,131	160	-	-	1,923	-	-	-	-	22,001
Due from the University of Pennsylvania	6,857	-	-	-	-	-	-	-	-	-	(559)	-	-	6,298
Other current assets	27,197	2,384	190,585	53,145	37,166	13,973	121,098	19,313	19,109	13,982	83,975	-	-	581,927
Total current assets	579,142	60,063	2,099,665	128,192	160,914	(78,816)	498,100	74,039	81,992	183,713	(839,095)	70	-	2,947,979
Assets whose use is limited														
Held by trustee	151,844	-	2,824	-	-	-	1,789	6,795	22,657	-	48,058	-	-	233,967
RRG\Captive	-	-	-	-	-	-	-	-	16,836	-	-	209,721	-	226,557
Designated	41,000	-	894,472	-	116,107	-	1,787,279	320,249	34,695	94	1,462,881	-	-	4,656,777
Donor-restricted investments	-	-	185,427	208,633	377,791	62,373	46,436	58,569	26,029	3,656	589	-	-	969,503
	192,844	-	1,082,723	208,633	493,898	62,373	1,835,504	385,613	100,217	3,750	1,511,528	209,721	-	6,086,804
Investments	-	-	-	-	141	-	-	173	29,559	-	161,957	-	-	191,830
Property and equipment, net	22,631	70,776	2,639,968	484,298	222,863	414,731	808,928	349,765	192,508	7,308	710,174	-	-	5,923,950
Due from University of Pennsylvania, non-current	-	-	-	-	-	-	-	-	-	-	42,669	-	-	42,669
Other assets	51,362	56,422	39,990	135,294	1,034	44,346	57,871	92,038	56,001	12,285	298,422	-	-	845,065
Total assets	$ 845,979	$ 187,261	$ 5,862,346	$ 956,417	$ 878,850	$ 442,634	$ 3,200,403	$ 901,628	$ 460,277	$ 207,056	$ 1,885,655	$ 209,791	$ -	$ 16,038,297
Liabilities and Net Assets														
Current														
Accounts payable	$ 81	$ -	$ (128)	$ (4)	$ 822	$ 8,277	$ 16,586	$ 10,860	$ 14,891	$ 18	$ 306,479	$ -	$ -	$ 357,882
Accrued expenses	159,053	81,811	244,083	61,219	40,769	30,936	85,919	65,143	58,935	25,494	438,522	2,178	-	1,294,062
Current portion of long-term debt	-	-	38,072	8,425	4,315	188	9,327	6,916	2,490	-	9,240	-	-	78,973
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	-	-	-	-	-
` Third party payer settlements	-	-	11,855	1,172	2,575	1,171	2,830	-	-	-	-	-	-	19,603
Total current liabilities	159,134	81,811	293,882	70,812	48,481	40,572	114,662	82,919	76,316	25,512	754,241	2,178	-	1,750,520
Long-term debt, net of current portion	(1)	-	1,111,883	59,934	74,170	358,957	306,749	231,525	172,160	-	155,224	-	-	2,470,601
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Third party payer settlements, net of current portion	1,000	-	-	-	-	-	(1,111)	1,959	-	4,001	5,307	-	-	11,156
Other liabilities	50,469	51,553	37,084	75,139	661	28,771	26,547	68,713	56,422	11,667	686,648	263,261	-	1,356,935
Pension and postretirement benefit liability	151,844	-	-	-	-	-	746	-	4,454	-	271,769	-	-	428,813
Total liabilities	362,446	133,364	1,442,849	205,885	123,312	428,300	447,593	385,116	309,352	41,180	1,873,189	265,439	-	6,018,025
Net assets														
Net assets without donor restriction	483,519	53,216	4,224,077	541,450	377,747	(49,461)	2,706,743	457,596	125,055	162,096	12,056	(55,648)	-	9,038,446
Net assets with donor restrictions	14	681	195,420	209,082	377,791	63,795	46,067	58,916	25,870	3,780	410	-	-	981,826
Total net assets	$ 483,533	$ 53,897	$ 4,419,497	$ 750,532	$ 755,538	$ 14,334	$ 2,752,810	$ 516,512	$ 150,925	$ 165,876	$ 12,466	$ (55,648)	$ -	$ 10,020,272
Total liabilities and net assets	$ 845,979	$ 187,261	$ 5,862,346	$ 956,417	$ 878,850	$ 442,634	$ 3,200,403	$ 901,628	$ 460,277	$ 207,056	$ 1,885,655	$ 209,791	$ -	$ 16,038,297

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University of Pennsylvania Health System
Combining Balance Sheet
June 30, 2024 (thousands of dollars)

	CPUP	CCA	HUP	PPMC	PAH	TCCHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
Assets													
Current													
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 87,926	$ 1,450	$ 5,788	$ 1,038,815	$ -	$ -	$ 1,133,979
Due from (to) UPHS central treasury	451,336	49,363	1,197,095	(19,959)	35,278	(141,437)	26,029	(16,311)	121,809	(1,703,203)	-	-	-
Patient receivables, net	80,984	28,796	457,648	121,554	103,321	63,199	243,937	69,155	54,633	28	-	-	1,223,255
Third party payer receivables	-	-	34,809	1,224	1,100	265	-	-	-	-	-	-	37,398
Other current assets	22,996	3,572	162,617	52,769	30,630	16,293	103,672	19,463	16,151	66,010	-	-	494,173
Total current assets	555,316	81,731	1,852,169	155,588	170,329	(61,680)	461,564	73,757	198,381	(598,350)	-	-	2,888,805
Assets whose use is limited													
Held by trustee	141,451	-	2,766	-	-	-	2,176	6,489	-	41,275	-	-	194,157
RRG\Captive	-	-	-	-	-	-	-	-	-	-	198,270	-	198,270
Designated	41,000	-	801,742	-	103,875	-	1,604,096	287,571	90	1,304,800	-	-	4,143,174
Donor-restricted investments	-	-	172,953	196,238	357,141	57,996	42,481	54,246	1,247	739	-	-	883,041
	182,451	-	977,461	196,238	461,016	57,996	1,648,753	348,306	1,337	1,346,814	198,270	-	5,418,642
Investments	-	-	-	-	141	(4)	-	169	45	148,862	-	-	149,213
Property and equipment, net	18,199	39,344	2,759,629	441,347	211,443	432,579	843,369	352,334	8,473	841,129	-	-	5,947,846
Other assets	55,646	38,026	46,228	132,370	1,627	44,669	57,552	46,521	14,615	327,640	-	-	764,894
Total assets	$ 811,612	$ 159,101	$ 5,635,487	$ 925,543	$ 844,556	$ 473,560	$ 3,011,238	$ 821,087	$ 222,851	$ 2,066,095	$ 198,270	$ -	$ 15,169,400
Liabilities and Net Assets													
Current													
Accounts payable	$ 15	$ -	$ 40	$ 8	$ 1,426	$ 15,948	$ 12,490	$ 18,234	$ 102	$ 356,625	$ -	$ -	$ 404,888
Accrued expenses	156,558	66,737	206,315	47,691	40,360	30,925	102,695	41,136	28,240	382,244	2,107	-	1,105,008
Current portion of long-term debt	-	-	36,076	8,018	4,103	188	8,971	6,764	-	-	-	-	64,120
Due to the University of Pennsylvania	2,111	-	-	-	-	-	-	-	-	7,016	-	-	9,127
` Third party payer settlements	-	-	8,814	894	4,664	1,381	3,107	2,341	-	-	-	-	21,201
Total current liabilities	158,684	66,737	251,245	56,611	50,553	48,442	127,263	68,475	28,342	745,885	2,107	-	1,604,344
Long-term debt, net of current portion	-	-	1,155,819	69,463	79,066	359,494	317,929	239,752	-	166,384	-	-	2,387,907
Due to the University of Pennsylvania	-	-	-	-	-	-	-	-	-	30,000	-	-	30,000
Third party payer settlements, net of current portion	-	-	-	-	-	-	-	-	33,984	7,260	-	-	41,244
Other liabilities	54,109	32,962	41,929	73,456	1,219	29,299	27,917	24,400	14,107	703,588	260,969	-	1,263,955
Pension and postretirement benefit liability	141,451	-	-	-	-	-	778	-	-	366,142	-	-	508,371
Total liabilities	354,244	99,699	1,448,993	199,530	130,838	437,235	473,887	332,627	76,433	2,019,259	263,076	-	5,835,821
Net assets													
Net assets without donor restriction	457,354	58,781	4,008,605	530,160	356,577	(21,667)	2,495,443	433,890	143,239	46,276	(64,806)	-	8,443,852
Net assets with donor restrictions	14	621	177,889	195,853	357,141	57,992	41,908	54,570	3,179	560	-	-	889,727
Total net assets	$ 457,368	$ 59,402	$ 4,186,494	$ 726,013	$ 713,718	$ 36,325	$ 2,537,351	$ 488,460	$ 146,418	$ 46,836	$ (64,806)	$ -	$ 9,333,579
Total liabilities and net assets	$ 811,612	$ 159,101	$ 5,635,487	$ 925,543	$ 844,556	$ 473,560	$ 3,011,238	$ 821,087	$ 222,851	$ 2,066,095	$ 198,270	$ -	$ 15,169,400

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University of Pennsylvania Health System
Combining Statement of Operations
Year Ended June 30, 2025 (thousands of dollars)

	CPUP	CCA	HUP	PPMC	PAH	TCCHS	LGH	PHCS	PMDH	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
Revenues														
Net patient service revenue	$ 806,407	$ 413,322	$ 3,777,853	$ 1,053,917	$ 841,254	$ 456,729	$ 1,776,073	$ 606,445	$ 113,859	$ 358,660	$ 475	$ -	$ -	$ 10,204,994
Other revenue and support	151,238	38,659	907,550	319,446	111,297	26,443	280,015	10,087	3,643	16,153	70,688	50,361	(194,960)	1,790,620
Total revenues	957,645	451,981	4,685,403	1,373,363	952,551	483,172	2,056,088	616,532	117,502	374,813	71,163	50,361	(194,960)	11,995,614
Expenses														
Salaries and wages	951,971	303,425	1,131,511	383,411	308,677	197,499	761,077	234,707	60,032	161,283	405,730	-	(3)	4,899,320
Employee benefits	189,412	68,041	349,721	112,269	89,938	54,709	204,346	61,527	9,323	44,592	110,837	-	-	1,294,715
Supplies and other expenses	118,983	133,983	1,948,238	607,530	364,896	159,816	754,849	209,761	43,006	132,313	434,511	849	(5,146)	4,903,589
Corporate services/inter-entity support	(419,464)	(63,930)	837,355	208,101	149,682	60,278	200,764	80,012	-	20,673	(934,021)	-	(139,450)	-
Depreciation and amortization	4,510	4,202	162,798	37,014	25,369	28,239	71,995	32,434	4,525	1,233	53,251	-	-	425,570
Malpractice	56,224	13,113	28,736	9,703	9,351	2,309	18,105	1,692	2,577	38	8	49,513	(50,361)	141,008
Interest	-	-	54,754	3,256	2,519	4,898	11,223	6,544	2,721	-	(1,237)	-	-	84,678
Total expenses	901,636	458,834	4,513,113	1,361,284	950,432	507,748	2,022,359	626,677	122,184	360,132	69,079	50,362	(194,960)	11,748,880
Excess (deficit) of revenue over expenses from operations	56,009	(6,853)	172,290	12,079	2,119	(24,576)	33,729	(10,145)	(4,682)	14,681	2,084	(1)	-	246,734
Non-operating gains (loss)														
Investment Income, net	24,036	1,962	156,514	(960)	16,786	(4,032)	181,491	33,935	2,347	4,399	125,924	9,159		551,561
Doylestown Healthcare Memberhip Substitution	-	-	-	-	-	-	-	-	124,952	-	-	-	-	124,952
Other non-operating (loss) / income, net	(14)	(673)	1,225	170	445	(700)	(5,324)	(83)	(440)	(55)	5,264	-	-	(185)
Excess (deficit) of revenue over expenses	80,031	(5,564)	330,029	11,289	19,350	(29,308)	209,896	23,707	122,177	19,025	133,272	9,158	-	923,062
Change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	-	1,849	-	-	1,849
Transfers to PSOM and University, net	(61,134)	-	(114,556)	-	(687)	-	-	-	-	(168)	(253,292)	-	-	(429,837)
Transfers to the other Health System entities	7,268	(5)	-	-	-	-	-	-	-	-	(7,263)	-	-	-
Transfers from other external entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets released from restrictions for capital	-	5	-	-	2,506	1,514	1,494	-	1,739	-	-	-	-	7,258
Pension and other postretirement plan adjustments	-	-	-	-	-	-	(90)	-	1,139	-	91,213	-	-	92,262
Increase/(decrease) in net assets without donor restriction	$ 26,165	$ (5,564)	$ 215,473	$ 11,289	$ 21,169	$ (27,794)	$ 211,300	$ 23,707	$ 125,055	$ 18,857	$ (34,221)	$ 9,158	$ -	$ 594,594

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University of Pennsylvania Health System
Combining Statement of Operations
Year Ended June 30, 2024 (thousands of dollars)

	CPUP	CCA	HUP	PPMC	TCCHS	PAH - UPHS	LGH	PHCS	Wissahickon Hospice/ Homecare	Corporate	RRG/ Captive	Eliminations	Total
Revenues													
Net patient service revenue	$ 754,551	$ 395,514	$ 3,479,684	$ 1,027,889	$ 501,140	$ 780,496	$ 1,624,381	$ 576,888	$ 335,250	$ 271	$ -	$ -	$ 9,476,064
Other revenue and support	142,109	35,984	692,475	263,915	23,804	79,496	218,068	13,144	20,767	70,793	48,424	(185,963)	1,423,016
Total revenues	896,660	431,498	4,172,159	1,291,804	524,944	859,992	1,842,449	590,032	356,017	71,064	48,424	(185,963)	10,899,080
Expenses													
Salaries and wages	885,768	293,773	1,051,243	360,026	206,465	293,105	733,575	219,417	149,314	348,927	-	-	4,541,613
Employee benefits	173,430	63,837	315,219	103,917	55,434	84,617	186,859	57,179	40,614	92,021	-	-	1,173,127
Supplies and other expenses	113,989	120,660	1,598,483	528,324	203,291	305,011	619,063	191,353	140,391	389,195	816	(4,606)	4,205,970
Corporate services/inter-entity support	(369,473)	(62,719)	792,291	198,456	68,343	145,607	141,045	99,964	19,499	(900,080)	-	(132,933)	-
Depreciation and amortization	4,382	3,431	163,113	34,371	27,321	26,598	71,542	31,193	1,528	53,074	-	-	416,553
Malpractice	41,951	10,565	21,304	7,389	1,965	6,970	14,003	1,574	36	90,031	47,608	(48,424)	194,972
Interest	-	-	56,664	3,210	4,923	2,741	12,681	9,379	-	(1,241)	-	-	88,357
Total expenses	850,047	429,547	3,998,317	1,235,693	567,742	864,649	1,778,768	610,059	351,382	71,927	48,424	(185,963)	10,620,592
Excess (deficit) of revenue over expenses from operations	46,613	1,951	173,842	56,111	(42,798)	(4,657)	63,681	(20,027)	4,635	(863)	-	-	278,488
Non-operating gains (loss)													
Investment Income, net	26,456	(60)	120,996	(497)	(2,944)	13,266	105,040	20,101	5,174	19,743	9,552	-	316,827
Other non-operating (loss)/income, net	195	(58)	12,620	4,159	(453)	4,196	(9,654)	516	124	(3,088)	-	-	8,557
Excess (deficit) of revenue over expenses	73,264	1,833	307,458	59,773	(46,195)	12,805	159,067	590	9,933	15,792	9,552	-	603,872
Change in unrealized gain (loss) on investments	-	-	-	-	-	-	-	-	-	3,193	-	-	3,193
Transfers to PSOM and University, net	(42,913)	-	(120,277)	-	-	(670)	-	-	(163)	120,681	-	-	(43,342)
Transfers to the other Health System entities	9,434	-	(5)	-	-	-	-	-	-	90,571	(100,000)	-	-
Transfers from other external entities	-	-	-	-	(311)	-	12,165	-	-	-	-	-	11,854
Net assets released from restrictions for capital	-	-	3,935	-	4,189	196	188	27	-	-	-	-	8,535
Pension and other postretirement plan adjustments	-	-	-	-	-	-	(114)	-	-	(235,121)	-	-	(235,235)
Increase/(decrease) in net assets without donor restriction	$ 39,785	$ 1,833	$ 191,111	$ 59,773	$ (42,317)	$ 12,331	$ 171,306	$ 617	$ 9,770	$ (4,884)	$ (90,448)	$ -	$ 348,877

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University of Pennsylvania Health System
Combining Balance Sheet of PHCS
June 30, 2025 (thousands of dollars)

	Princeton Medical Center & Princeton House Behavior Health	Princeton HealthCare System Foundation	Princeton HealthCare System Other	Princeton HealthCare System Elimination	Princeton HealthCare System
Assets					
Current					
CCash and cash equivalents	$ 13,692	$ 4472	$ (12,260)	$ (34)	1,870
Due from (to) UPHS central treasuryy	--	--	(19,663)	- -	(19,663)
Patient receivables, net	72,455	-	64	-	72,519
Other current assets	19,287	26	-	-	19,313
Total current assets	105,435	498	(31,859)	(34)	74,039
Assets whose use is limited					
Held by trustee	6,795	-	-	-	6,795
Designated	264,818	55,431	-	-	320,249
Donor-restricted	-	58,569	-	-	58,569
	271,613	114,000	-	-	385,613
Investments	-	173	-	-	173
Property and equipment, net	349,839	164	(272)	34	349,765
Other assets	134,195	-	395	(42,552)	92,038
Total assets	$ 861,082	$ 114,835	$ (31,736)	$ (42,552)	$ 901,628
Liabilities and Net Assets					
Current					
Accounts payable	$ 10,821	$ 39	$ -	$ -	$ 10,860
Accrued expenses	63,908	50	1,185	-	65,143
Current portion of long-term debt	6,916	-	-	-	6,916
Total current liabilities	81,645	89	1,185	-	82,919
Long-term debt, net of current portion	231,525	-	-	-	231,525
Third party payer settlements, net of current portion	1,959	-	-	-	1,959
Other liabilities	68,713	-	-	-	68,713
Total liabilities	383,842	89	1,185	-	385,116
Net assets					
Net assets without donor restriction	434,561	55,980	(32,921)	(23)	457,596
Net assets with donor restriction	42,679	58,766	-	(42,529)	58,916
Total net assets	477,240	114,746	(32,921)	(42,552)	516,512
Total liabilities and net assets	$ 861,082	$ 114,835	$ (31,736)	$ (42,552)	$ 901,628

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University of Pennsylvania Health System
Combining Balance Sheet of PHCS
June 30, 2024 (thousands of dollars)

	Princeton Medical Center & Princeton House Behavior Health	Princeton HealthCare System Foundation	Princeton HealthCare System Other	Princeton HealthCare System Elimination	Princeton HealthCare System
Assets					
Current					
Cash and cash equivalents	$ 18,977	$ 197	$ (17,691)	$ (33)	$ 1,450
Due from (to) UPHS central treasury	-	-	(16,311)	-	(16,311)
Patient receivables, net	69,155	-	-	-	69,155
Other current assets	19,282	28	153	-	19,463
Total current assets	107,414	225	(33,849)	(33)	73,757
Assets whose use is limited					
Held by trustee	6,489	-	-	-	6,489
Designated	237,008	50,563	-	-	287,571
Donor-restricted	-	54,246	-	-	54,246
	243,497	104,809	-	-	348,306
Investments	-	169	-	-	169
Property and equipment, net	352,160	189	(48)	33	352,334
Other assets	88,065	-	633	(42,177)	46,521
Total assets	$ 791,136	$ 105,392	$ (33,264)	$ (42,177)	$ 821,087
Liabilities and Net Assets					
Current					
Accounts payable	$ 18,198	$ 36	$ -	$ -	$ 18,234
Accrued Expenses	41,050	44	42	-	41,136
Current portion of long-term debt	6,764	-	-	-	6,764
Third party payer settlements	2,341				2,341
Total current liabilities	68,353	80	42	-	68,475
Long-term debt, net of current portion	239,752	-	-	-	239,752
Third party payer settlements, net of current portion	-	-	-	-	-
Other liabilities	23,870	-	530	-	24,400
Total liabilities	331,975	80	572	-	332,627
Net assets					
Net assets without donor restriction	416,856	50,893	(33,836)	(23)	433,890
Net assets with donor restriction	42,305	54,419	-	(42,154)	54,570
Total net assets	459,161	105,312	(33,836)	(42,177)	488,460
Total liabilities and net assets	$ 791,136	$ 105,392	$ (33,264)	$ (42,177)	$ 821,087

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University of Pennsylvania Health System
Combining Statement of Operations of PHCS
Year Ended June 30, 2025 (thousands of dollars)

	Princeton Medical Center	Princeton House Behavior Health	Princeton Medical Center & Princeton House Behavior Health	Princeton HealthCare System Foundation	Princeton HealthCare System Other	Princeton HealthCare System Elimination	Subtotal Princeton HealthCare System
Revenues							
Net patient service revenue	$ 512,781	$ 92,426	$ 605,207	$ -	$ 1,238	$ -	$ 606,445
Other revenue and support	8,316	808	9,124	3,902	(168)	(2,771)	10,087
Total revenues	521,097	93,234	614,331	3,902	1,070	(2,771)	616,532
Expenses							
Salaries and wages	181,830	38,190	220,020	964	13,723	-	234,707
Employee benefits	47,540	11,149	58,689	239	2,599	-	61,527
Supplies and other expenses	184,779	23,781	208,560	3,685	287	(2,771)	209,761
Corporate services/inter-entity support	76,916	19,663	96,579	-	(16,567)	-	80,012
Depreciation and amortization	30,935	1,471	32,406	24	4	-	32,434
Malpractice	1,377	206	1,583	-	109	-	1,692
Interest	6,544	-	6,544	-	-	-	6,544
Total expenses	529,921	94,460	624,381	4,912	155	(2,771)	626,677
Excess (deficit) of revenue over expenses from operations	(8,824)	(1,226)	(10,050)	(1,010)	915	-	(10,145)
Nonoperating gains (loss)							
Investment Income, net	27,838	-	27,838	6,097	-	-	33,935
Contributions, other support and other gain/(loss), net	(83)	-	(83)	-	-	-	(83)
Excess (deficit) of revenue over expenses	18,931	(1,226)	17,705	5,087	915	-	23,707
Net assets released from restrictions for capital	-	-	-	-	-	-	-
Transfers and other changes in net assets without donor restrictions	-	-	-	-	-	-	-
Increase (decrease) in net assets without donor restrictions	$ 18,931	$ (1,226)	$ 17,705	$ 5,087	$ 915	$ -	$ 23,707

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University of Pennsylvania Health System
Combining Statement of Operations of PHCS
Year Ended June 30, 2024 (thousands of dollars)

	Princeton Medical Center	Princeton House Behavior Health	Princeton Medical Center & Princeton House Behavior Health	Princeton HealthCare System Foundation	Princeton HealthCare System Other	Princeton HealthCare System Elimination	Subtotal Princeton HealthCare System
Revenues							
Net patient service revenue	$ 487,055	$ 89,833	$ 576,888	$ -	$ -	$ -	$ 576,888
Other revenue	7,939	808	8,747	3,192	3,042	(1,837)	13,144
Total revenues	494,995	90,641	585,636	3,191	3,042	(1,837)	590,032
Expenses							
Salaries and wages	178,622	38,416	217,038	956	1,423	-	219,417
Employee benefits	45,693	10,840	56,533	245	401	-	57,179
Supplies and expenses	175,743	14,058	189,801	2,981	407	(1,836)	191,353
Corporate services/inter-entity support	74,637	25,142	99,779	-	185	-	99,964
Depreciation and amortization	29,486	1,674	31,160	24	9	-	31,193
Malpractice	1,377	192	1,569	-	5	-	1,574
Interest	9,379	-	9,379	-	-	-	9,379
Total expenses	514,937	90,322	605,259	4,206	2,430	(1,836)	610,059
Excess (deficit) of revenue over expenses from operations	(19,942)	319	(19,623)	(1,015)	612	(1)	(20,027)
Nonoperating gains (loss)							
Investment Income, net	15,773	-	15,773	3,406	922	-	20,101
Contributions, other support and other gain/(loss), net	516	-	516	-	-	-	516
Excess (deficit) of revenue over expenses	(3,653)	319	(3,334)	2,391	1,534	(1)	590
Net assets released from restrictions for capital	-	-	-	(92)	-	92	-
Transfers	27	-	27	-	-	-	27
Increase in net assets without donor restriction	$ (3,626)	$ 319	$ (3,307)	$ 2,299	$ 1,534	$ 91	$ 617

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