

CONSOLIDATED FINANCIAL STATEMENTS

Indiana University Health, Inc. and Subsidiaries
Years Ended December 31, 2025 and 2024
With Report of Independent Auditors



The better the question.
The better the answer.
The better the world works.



**Shape the future
with confidence**

Indiana University Health, Inc. and Subsidiaries

Consolidated Financial Statements

Years Ended December 31, 2025 and 2024

Contents

Report of Independent Auditors..... 1

Consolidated Financial Statements

Consolidated Balance Sheets 4

Consolidated Statements of Operations and Changes in Net Assets 6

Consolidated Statements of Cash Flows 8

Notes to Consolidated Financial Statements 9



Ernst & Young LLP
835 N College Ave
Ste 1125
Indianapolis, IN 46202-0074

Tel: +1 317 681 7000
ey.com

**Shape the future
with confidence**

Report of Independent Auditors

The Board of Directors
Indiana University Health, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Indiana University Health, Inc. and Subsidiaries (Indiana University Health), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Indiana University Health at December 31, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Indiana University Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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



**Shape the future
with confidence**

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



**Shape the future
with confidence**

Other Information

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

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

Ernst + Young LLP

February 27, 2026

Indiana University Health, Inc. and Subsidiaries

Consolidated Balance Sheets
(Thousands of Dollars)

	December 31	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 106,145	\$ 419,543
Short-term investments	24,115	73,284
Current portion of assets limited as to use, including funds held by a trustee	721,138	385,851
Patient accounts receivable	1,427,332	1,261,888
Other receivables	140,609	107,090
Prepaid expenses	133,590	103,236
Inventories	208,745	188,731
Total current assets	<u>2,761,674</u>	<u>2,539,623</u>
Assets limited as to use:		
Board-designated investment funds and other investments	7,509,270	6,593,440
Board-designated funds – community health	882,483	811,972
Board-designated funds – innovation	239,518	419,410
Donor-restricted investment funds	118,050	113,207
Total assets limited as to use, less current portion	<u>8,749,321</u>	<u>7,938,029</u>
Property and equipment:		
Cost of property and equipment in service	7,379,244	7,337,770
Less accumulated depreciation	<u>(4,161,676)</u>	<u>(4,263,165)</u>
	3,217,568	3,074,605
Construction-in-progress	<u>2,695,583</u>	<u>1,614,914</u>
Total property and equipment, net	<u>5,913,151</u>	<u>4,689,519</u>
Other assets:		
Equity interest in unconsolidated subsidiaries	21,501	13,507
Interests in net assets of foundations	14,296	13,011
Right-of-use assets	93,728	122,769
Interest rate swaps	11,628	49,124
Goodwill, intangibles, and other assets	334,999	358,162
Total other assets	<u>476,152</u>	<u>556,573</u>
Total assets	<u><u>\$ 17,900,298</u></u>	<u><u>\$ 15,723,744</u></u>

Continued on next page.

Indiana University Health, Inc. and Subsidiaries

Consolidated Balance Sheets
(Thousands of Dollars)

	December 31	
	2025	2024
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 859,213	\$ 834,072
Accrued salaries, wages, and related liabilities	606,695	542,274
Accrued health claims	42,788	39,052
Estimated third-party payer allowances	211,847	103,435
Current portion of lease liabilities	33,847	33,748
Current portion of long-term debt	255	131,342
Total current liabilities	<u>1,754,645</u>	<u>1,683,923</u>
Noncurrent liabilities:		
Long-term debt, less current portion	3,273,566	1,987,035
Interest rate swaps	-	2,619
Accrued medical malpractice claims	125,323	92,948
Lease liabilities, less current portion	67,627	99,460
Other	58,867	92,820
Total noncurrent liabilities	<u>3,525,383</u>	<u>2,274,882</u>
Total liabilities	<u>5,280,028</u>	<u>3,958,805</u>
Net assets:		
Indiana University Health	12,433,410	11,366,785
Noncontrolling interest in subsidiaries	9,280	247,120
Total without donor restrictions	<u>12,442,690</u>	<u>11,613,905</u>
With donor restrictions	177,580	151,034
Total net assets	<u>12,620,270</u>	<u>11,764,939</u>
Total liabilities and net assets	<u><u>\$ 17,900,298</u></u>	<u><u>\$ 15,723,744</u></u>

See accompanying notes to the consolidated financial statements.

Indiana University Health, Inc. and Subsidiaries

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

	Year Ended December 31	
	2025	2024
Revenues:		
Patient service revenue	\$ 9,029,544	\$ 8,528,663
Member premium revenue	-	343,362
Other revenue	459,146	351,326
Total operating revenues	<u>9,488,690</u>	<u>9,223,351</u>
Expenses:		
Salaries, wages, and benefits	5,157,223	4,987,507
Supplies, drugs, purchased services, and other	3,712,835	3,269,906
Hospital assessment fee	260,485	248,167
Health claims to providers	1,189	122,568
Depreciation and amortization	273,550	296,966
Interest	33,137	41,640
Total operating expenses	<u>9,438,419</u>	<u>8,966,754</u>
Operating income	50,271	256,597
Nonoperating income (loss):		
Investment income, net	1,156,852	900,653
Gains (losses) on interest rate swaps, net	15,454	(5,132)
Other	(1,251)	(110,649)
Total nonoperating income	<u>1,171,055</u>	<u>784,872</u>
Consolidated excess of revenues over expenses	<u>1,221,326</u>	<u>1,041,469</u>
Less amounts attributable to noncontrolling interest in subsidiaries	28,921	75,558
Excess of revenue over expenses attributable to Indiana University Health, Inc. and Subsidiaries	<u>\$ 1,192,405</u>	<u>\$ 965,911</u>

Continued on next page.

Indiana University Health, Inc. and Subsidiaries

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

	Year Ended December 31, 2025		
	Total	Controlling	Noncontrolling
Without donor restrictions:			
Consolidated excess of revenues over expenses	\$ 1,221,326	\$ 1,192,405	\$ 28,921
Distributions to noncontrolling interests	(57,610)	-	(57,610)
Purchases of noncontrolling interests	(219,011)	(137,637)	(81,374)
Sales of noncontrolling interests	(90,775)	-	(90,775)
Redemptions of noncontrolling interests	(6,748)	-	(6,748)
Change in fair value of interest rate swaps designated as hedges	7,690	7,690	-
Other	(26,087)	4,167	(30,254)
	<u>828,785</u>	<u>1,066,625</u>	<u>(237,840)</u>
With donor restrictions:			
Change in beneficial interest in net assets of foundations	1,282	1,282	-
Contributions	26,676	26,676	-
Investment return	8,040	8,040	-
Change in split interest agreements	1,776	1,776	-
Net assets released from restrictions	(9,392)	(9,392)	-
Other	(1,836)	(1,836)	-
	<u>26,546</u>	<u>26,546</u>	<u>-</u>
Increase (decrease) in net assets	855,331	1,093,171	(237,840)
Net assets at beginning of period	11,764,939	11,517,819	247,120
Net assets at end of period	<u>\$ 12,620,270</u>	<u>\$ 12,610,990</u>	<u>\$ 9,280</u>
	Year Ended December 31, 2024		
	Total	Controlling	Noncontrolling
Without donor restrictions:			
Consolidated excess of revenues over expenses	\$ 1,041,469	\$ 965,911	\$ 75,558
Distributions to noncontrolling interests	(69,102)	-	(69,102)
Redemptions of noncontrolling interests	(13,000)	-	(13,000)
Change in fair value of interest rate swaps designated as hedges	10,337	10,337	-
Other	(3,022)	(1,336)	(1,686)
	<u>966,682</u>	<u>974,912</u>	<u>(8,230)</u>
With donor restrictions:			
Change in beneficial interest in net assets of foundations	(5,255)	(5,255)	-
Contributions	12,663	12,663	-
Investment return	6,235	6,235	-
Change in split interest agreements	1,989	1,989	-
Net assets released from restrictions	(10,139)	(10,139)	-
Other	(1,512)	(1,512)	-
	<u>3,981</u>	<u>3,981</u>	<u>-</u>
Increase (decrease) in net assets	970,663	978,893	(8,230)
Net assets at beginning of period	10,794,276	10,538,926	255,350
Net assets at end of period	<u>\$ 11,764,939</u>	<u>\$ 11,517,819</u>	<u>\$ 247,120</u>

See accompanying notes to the consolidated financial statements.

Indiana University Health, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
(Thousands of Dollars)

	Year Ended December 31	
	2025	2024
Operating activities		
Increase in net assets	\$ 855,331	\$ 970,663
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Change in fair value of interest rate swaps	34,877	(9,988)
Gain in unconsolidated subsidiaries	(4,911)	(1,066)
Change in unrealized gains on investments	(688,705)	(440,951)
Gain on sale of business units	(92,173)	-
Loss on sale of business unit	-	18,242
Gain on consolidation of acquired subsidiary	(1,789)	-
Gain on exchange of equipment	(11,333)	-
Depreciation and amortization	273,550	296,966
Gain on extinguishment of debt	(11,082)	(1,760)
Contributions and investment return with donor restrictions	(37,774)	(15,632)
Distributions to noncontrolling interests	57,610	69,102
Sale of noncontrolling interests	90,775	-
Purchase of noncontrolling interests	219,011	-
Net changes in operating assets and liabilities:		
Patient accounts receivable	(180,005)	(70,076)
Other assets	(166,178)	(21,070)
Accounts payable, accrued liabilities, and other liabilities	(33,581)	163,298
Accrued salaries, wages, and related liabilities	64,421	71,509
Assets limited as to use, excluding change in unrealized gains on investments	(399,972)	115,829
Estimated third-party payer allowances	108,412	(79,027)
Net cash provided by operating activities	<u>76,484</u>	<u>1,066,039</u>
Investing activities		
Purchase of property and equipment, net of disposals	(1,420,250)	(983,647)
Proceeds from sale of business unit	51,316	52,307
Acquisition of unconsolidated subsidiary, net paid	(1,130)	-
Net cash used in investing activities	<u>(1,370,064)</u>	<u>(931,340)</u>
Financing activities		
Proceeds from notes payable under lines of credit	361,000	145,000
Repayments on notes payable under line of credit	(361,000)	(145,000)
Contributions and investment return with donor restrictions	37,774	15,632
Issuance of long-term debt, including premium and net of issuance costs	1,853,311	-
Repayments on long-term debt	(686,785)	(89,564)
Proceeds from termination of interest rate swap	61,239	-
Payment from termination of interest rate swap	-	(2,857)
Distributions to noncontrolling interests	(57,610)	(69,102)
Purchase of noncontrolling interests	(219,011)	-
Net cash provided by (used in) financing activities	<u>988,918</u>	<u>(145,891)</u>
Net (decrease) in cash and cash equivalents	(304,662)	(11,192)
Cash and cash equivalents at beginning of period	422,431	433,623
Cash and cash equivalents at end of period	<u>\$ 117,769</u>	<u>\$ 422,431</u>
Reconciliation of cash and cash equivalents to the consolidated balance sheets		
Cash and cash equivalents	\$ 106,145	\$ 419,543
Cash and cash equivalents included in assets limited as to use	11,624	2,888
Cash and cash equivalents at end of period	<u>\$ 117,769</u>	<u>\$ 422,431</u>

See accompanying notes to the consolidated financial statements.

Indiana University Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Thousands of Dollars)

December 31, 2025

Enterprise Vision:

We will lead the transformation of healthcare through quality, innovation & education, and make Indiana one of the nation's healthiest states.

Promise:

The Best Care, Designed with You.

Values:

Purpose. Excellence. Compassion. Team.

1. Organization and Nature of Operations

History and Organization

Indiana University Health, Inc. (Indiana University Health) and Subsidiaries operate as an integrated health care delivery system, which includes an academic health center affiliated with Indiana University, providing health care services in the State of Indiana. Health care services provided by Indiana University Health and its subsidiaries (hereinafter referred to as the Indiana University Health System) include acute, nonacute, tertiary, and quaternary care services on an inpatient, outpatient, and emergency basis; medical education and research; health care diagnostic and treatment services for individuals and families in physician clinics and physician-group practices; personal and home health care; and medical management services. The Indiana University Health System is also involved in philanthropic activities through affiliated foundations.

Indiana University Health was formed as an Indiana nonprofit corporation through a consolidation, as of January 1, 1997, under the terms of a Definitive Health Care Resources Consolidation Agreement, as amended (the Consolidation Agreement), and certain other related agreements by and between the Trustees of Indiana University and Methodist Health Group, Inc. (formerly known as Methodist Hospital of Indiana, Inc.). The facilities and operations of Indiana University Health University Hospital (University Hospital), Riley Hospital for Children at Indiana University Health (Riley Hospital), and Indiana University Health Methodist Hospital (Methodist Hospital) (collectively, the Downtown Indianapolis Hospitals of

Indiana University Health, Inc. and Subsidiaries

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

1. Organization and Nature of Operations (continued)

the Academic Health Center) were merged and consolidated to form a single corporate entity, which was then licensed as a single acute care hospital and operates as an academic health center. Members of the Board of Directors (the Board) of Indiana University Health are selected by its two classes of members: the Methodist Class (members of which are members of Methodist Health Group, Inc.) and the University Class (members of which are the individuals who are the Trustees of Indiana University).

The Consolidation Agreement requires Indiana University Health to fund the salaries and related employee benefit costs for medical doctor interns and residents of the Indiana University School of Medicine (the School of Medicine) who provide services at the Indiana University Health System's facilities. Management annually reviews and determines the level of support to provide to the School of Medicine for these programs and the number of internships and residencies to be supported. The Consolidation Agreement also requires Indiana University Health to provide additional support to the School of Medicine to recognize, as a result of the consolidation, the enhanced and increased level of services being provided, including services to the medically indigent through medical education and research.

Nature of Operations

The Indiana University Health System operates as an integrated health care delivery system, comprising nonprofit and for-profit entities, with coordinated activities and policies designed to meet the mission of the Indiana University Health System. The principal operating activities of the Indiana University Health System are conducted at majority-owned or controlled subsidiaries and consist of the following as of December 31, 2025:

Inpatient, Outpatient, Emergency Health Care Services, Medical Education, and Research

Metro Indiana Facilities – Consist of the Downtown Indianapolis Hospitals of the Academic Health Center and hospital facilities located in the suburbs of Indianapolis. The Downtown Indianapolis Hospitals of the Academic Health Center consist of three acute, tertiary, quaternary care, and diagnostic facilities, licensed as a single hospital. These three hospitals, Methodist Hospital, University Hospital, and Riley Hospital, are located on or near the campus of Indiana University Indianapolis and the Indiana University School of Medicine. The suburban facilities consist of three acute care hospitals and an acute care rehabilitation hospital. Principal hospital divisions include Indiana University Health North Hospital (North Hospital); Indiana University Health West Hospital (West Hospital); Indiana University Health Fishers Hospital (Fishers Hospital, formerly Saxony Hospital and included as part of the Academic Health Center license); and Rehabilitation Hospital of Indiana, Inc.

Indiana University Health, Inc. and Subsidiaries

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

1. Organization and Nature of Operations (continued)

As of December 28, 2025, North Hospital and West Hospital are also included as part of the Academic Health Center license.

West Indiana Facilities – Consist of one acute care hospital and three critical access hospitals located in Lafayette; Monticello; Frankfort; and Tipton, Indiana. Principal hospital subsidiaries include Indiana University Health Arnett, Inc.; Indiana University Health White Memorial Hospital, Inc.; Indiana University Health Frankfort, Inc.; and Indiana University Health Tipton Hospital, Inc.

East Indiana Facilities – Consist of one acute care hospital and one critical access hospital, located in Muncie and Portland, Indiana. Principal hospital subsidiaries include Indiana University Health Ball Memorial Hospital, Inc., and subsidiaries and Indiana University Health Jay, Inc.

As of January 1, 2026, the West Indiana Facilities and East Indiana Facilities were combined to form the integrated North Indiana Facilities.

South Indiana Facilities – Consist of one acute care hospital and two critical access hospitals located in Bloomington; Bedford; and Paoli, Indiana. Principal hospital subsidiaries include Indiana University Health Bloomington, Inc., and subsidiaries (Bloomington Hospital); Indiana University Health Bedford, Inc.; and Indiana University Health Paoli, Inc.

Physician Clinics and Group Practice Health Care Services

Physician Operations – Consist of physician offices and physician-group practices and clinics in and around geographical areas served by Indiana University Health's facilities. These physician groups operate as one unified medical group called Indiana University Health Medical Group.

Personal and Home Health Care Services

Ambulatory Care – Consists of personal and home health care services, occupational health services, outpatient oncology services, outpatient surgery centers, and urgent care centers that are located throughout the State of Indiana. Principal divisions or subsidiaries

Indiana University Health, Inc. and Subsidiaries

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

1. Organization and Nature of Operations (continued)

include Indiana University Health Home Care, Workplace Health Services, Indiana University Health Central Indiana Cancer Centers, Indiana University Health Blackford, Inc.; Indiana University Health Morgan, Inc.; surgery centers and urgent care centers.

Medical Management Services

Medical Risk – Consists of the medical management of health care services of members whose health care coverage is provided by the managed care networks of the Indiana University Health System and third parties. The Indiana University Health System also participates in the medical management of Medicare fee-for-service members through a direct contracting entity participant agreement. On December 31, 2024, Indiana University Health sold its insurance-related organization, including fully insured groups and Medicare Advantage products (see Note 2).

Philanthropic Activities

Foundation – The Indiana University Health Foundation, Inc. (Indiana University Health Foundation) aids in carrying out the mission of the Indiana University Health System.

2. Significant Transactions

Ambulatory Surgery Center Interest Purchases and Sale

Throughout 2025, Indiana University Health purchased and sold membership interests in certain less-than-wholly-owned subsidiaries for a net purchase price of \$176,760. These transactions resulted in a \$172,149 decrease to noncontrolling interest in subsidiaries and a \$46,321 decrease to goodwill on the consolidated balance sheet as of December 31, 2025. As a result of the sale of membership interests in certain less-than-wholly-owned subsidiaries, Indiana University Health recognized a gain of \$66,326, which is included in other operating revenue on the consolidated statement of operations and changes in net assets for the year ended December 31, 2025. As a result of the transactions, Indiana University Health has 100% ownership in five surgery centers, controlling interest in one surgery center, and sold its interest in three surgery centers.

Indiana University Health, Inc. and Subsidiaries

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

2. Significant Transactions (continued)

Home Health and Hospice

In November 2025, Indiana University Health launched Redcrest Healthcare in collaboration with Alternative Solutions Health Network (ASHN), a national leader in post-acute care. Redcrest Healthcare provides home health and hospice services to patients across Indiana. The entity is jointly owned by Indiana University Health and ASHN and is intended to expand access to these services at critical points in patients' care journeys. Indiana University Health's home health and hospice service lines were integrated into Redcrest Healthcare. As a result of the transaction, Indiana University Health deconsolidated the service lines from the consolidated financial statements but continues to hold a noncontrolling ownership interest, and Redcrest Healthcare is considered a related party. Indiana University Health recognized a gain of \$25,847, of which \$9,583 relates to the remeasurement of retained interest in Redcrest Healthcare based upon the third-party fair market valuation of the interest sold in the transaction. This gain is included in other operating revenue on the consolidated statement of operations and changes in net assets for the year ended December 31, 2025.

Indiana University Health Plans

On December 31, 2024, Indiana University Health sold the fully insured commercial group and Medicare Advantage products, collectively referred to as Indiana University Health Plans, to Elevance Health, Inc. Indiana University Health will remain in a shared savings/loss risk arrangement with Elevance Health, Inc. for three years through 2027 for the attributed members from the Medicare Advantage Plan. The transaction helps Indiana University Health focus on its commitment to be a leader in high-quality care, patient experience, provider performance, and value-based care. Indiana University Health recognized a loss of \$(18,242) related to this transaction, which is included in other nonoperating income (loss) on the consolidated statement of operations and changes in net assets for the year ended December 31, 2024, and included an accrued loss contingency for the three-year risk arrangement. In June 2025, Indiana University Health recorded an additional \$(6,147) loss included in other nonoperating operating income on the consolidated statement of operations and changes in net assets for the year ended December 31, 2025, related to a working capital true up. The total combined loss for the years ended December 31, 2025 and 2024, recognized was \$(24,389). Under transaction agreements, Indiana University Health has the potential to receive additional funds based on star rating performance for the Medicare

Indiana University Health, Inc. and Subsidiaries

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

2. Significant Transactions (continued)

Advantage Plan in future years. In October 2025, Indiana University Health Plans received a four-star rating on its Centers for Medicare and Medicaid Services (CMS) 2026 Final Notice. As a result, Indiana University Health recognized a nonoperating gain of \$30,930 in 2025.

3. Community Benefit

Indiana University Health provides surgery, emergency care, specialty care, and other services. To increase access, Indiana University Health System's universal financial assistance program offers free or discounted essential and emergency care at all affiliate hospitals for those who qualify (see Note 5). Patient financial counselors help individuals apply for health coverage programs and financial assistance. Indiana University Health also delivers non-acute services – such as health screenings, vaccines, health education, social and economic screening and referrals, and behavioral health support – to meet community health needs; improves access, experiences, and outcomes for all populations; and strengthens medical education and research through its affiliation with the Indiana University School of Medicine. Services provided to patients covered by government programs such as Medicare and Medicaid are considered part of Indiana University Health's community benefit, as reimbursement often falls below the cost of care.

Additional community benefit activities across Indiana University Health System include recruiting and retaining clinical staff in designated shortage areas; education and training for allied health professionals; clinical pastoral education; clinical and organizational ethics support for services, education, and research statewide; IU Health Serves, the employee volunteer program; chronic disease prevention and management programs such as tobacco cessation and lung and blood pressure screenings; free emergency services, education, and training through the Indiana Poison Center; Community Impact Investment Fund community transformation grants; and other medical research, including support of the Indiana University Health Values Children's Fund.

Indiana University Health, Inc. and Subsidiaries

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

3. Community Benefit (continued)

All affiliate hospitals, together with community members and organizations, identify and prioritize significant local health needs through the community health needs assessment process. These needs include access to healthcare services; aging population and senior needs; behavioral health; chronic disease prevention and management; maternal and infant health and child well-being; smoking, vaping, and tobacco use; and social determinants of health. Many of these community health needs are shared across multiple communities and align with system priority areas, supporting a system-level strategy. The Healthy Communities Department leads the implementation of several strategies to address these needs, and each affiliate hospital collaborates with the department to align and activate local resources. This coordinated approach benefits local communities and contributes to statewide improvements in health outcomes. The costs of providing these programs and services are included in total operating expenses on the accompanying consolidated statements of operations and changes in net assets.

4. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Indiana University Health and all majority-owned or controlled subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents on the consolidated balance sheet include cash and other highly liquid short-term investments with maturities of 90 days or less from the date of purchase, other than those money market funds included in assets limited as to use.

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

The Indiana University Health System routinely invests in money market funds, including treasury and agency money market funds, that are considered by management to be cash equivalents. Such instruments, as well as bank deposits, are potentially subject to concentrations of credit risk. In order to mitigate such risk, the Indiana University Health System generally places its cash and cash equivalents with institutions of high credit quality.

Patient Accounts Receivable

Patient accounts receivable are based upon the estimated amounts expected to be paid from patients and third-party payers.

Inventories

Inventories consist primarily of drugs and supplies, are stated at the lower of cost or net realizable value, and are generally valued using the average cost method.

Assets Limited as to Use

Assets limited as to use include the following: (i) cash and cash equivalents and designated investment assets, including those funds held by the consolidated foundations, set aside by the Board for future capital improvements, over which the Board retains control and may, in certain circumstances, use for other purposes; (ii) funds held by trustees; and (iii) donor-restricted investment assets, the use of which has been specified by the donor. The current portion of assets limited as to use represent highly liquid short-term investments with maturities of less than one year. Substantially all assets limited as to use are invested and managed by professional investment managers and are held in custody by financial institutions. These funds are classified as trading securities. Accordingly, changes in unrealized gains and losses in the fair value of investments are included in nonoperating income (loss) within investment income, net on the accompanying consolidated statements of operations and changes in net assets. The Indiana University Health System is a limited partner in certain funds that employ hedged investment strategies and funds that employ investment strategies that require long holding periods to create value (collectively referred to as alternative investments). These alternative investments are accounted for using the equity method of accounting, based on the fund's financial information. Management has utilized the best available information for reported alternative investment values, which, in some instances, are valuations as of an interim date (see Note 6).

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

Funds totaling an initial \$700,000 for community health have been set aside and allocated to three separate funds: (i) a contribution of \$200,000 to the community impact investment fund to help address critical health issues affecting Hoosiers over the long term; (ii) \$200,000 to the health district investment fund to support needs related to the health district, the area that will be developed in conjunction with the new Adult Academic Health Center; and (iii) \$300,000 to the health district support fund for additional needs, including one-time support for projects such as urban agriculture and revitalizing areas in the Indy Health District. These three funds are recorded as Board-designated funds – community health on the consolidated balance sheets as of December 31, 2025 and 2024. For the year ended December 31, 2025 and 2024, Indiana University Health transferred \$9,250 and \$9,750, respectively, to the Indiana University Health Foundation from the community impact investment fund. For the years ended December 31, 2025 and 2024, Indiana University Health disbursed \$33,420 and \$9,445, respectively, from the health district support fund.

In 2024, Indiana University Health committed to contribute \$55,500 primarily for the purpose of improving health outcomes and quality of life for residents of the Indy Health District and throughout Marion County. The contribution is being disbursed consistent with Indiana University Health's 2019 commitment of funds in support of improving health outcomes in the local community. The contribution was fully expensed and included as other nonoperating income (loss) on the consolidated statement of operations and changes in net assets for the year ended December 31, 2024, and is paid out evenly over 2024–2028 through the health district fund.

Additionally, funds totaling \$400,000 were designated to establish the innovation investment fund for use in future health care innovation initiatives. In December 2025, \$200,000 was undesignated and strategically redirected to leverage Indiana University Health's existing investment infrastructure. Investment performance and liquidity further provide stability amid market volatility, reimbursement pressure, and evolving legislative and regulatory environments. The remaining funds are recorded as Board-designated funds – innovation on the consolidated balance sheets as of December 31, 2025 and 2024. Indiana University Health distributed \$4,025 and \$15,280 from this fund for the years ended December 31, 2025 and 2024, respectively.

The Board retains control of the community health and innovation investment funds. The community health and innovation investment funds are subject to market fluctuations similar to other assets limited as to use.

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets.

Interest cost incurred on borrowed funds during the period of construction and other interest costs related to tax-exempt bonds are capitalized as a component of the cost of constructing the assets. Repair and maintenance costs are expensed when incurred.

The Indiana University Health System evaluates when events or changes in circumstances have occurred which would indicate that the remaining estimated useful life of long-lived assets warrants revision or that the remaining balance of such assets may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group. If undiscounted cash flows are insufficient to recover the carrying value of the long-lived asset, such asset is written down to its fair value (see Note 8).

Interest in Unconsolidated Subsidiaries

The Indiana University Health System has joint venture arrangements for healthcare-related services in which it owns 50% or less. Where applicable, these arrangements are accounted for using the equity method of accounting. Total interest in unconsolidated subsidiaries was \$21,501 and \$13,507 as of December 31, 2025 and 2024, respectively. The Indiana University Health System has recorded its interest in the income of its unconsolidated subsidiaries within other operating revenue on the consolidated statements of operations and changes in net assets.

Leases

Indiana University Health leases property and equipment under finance and operating leases. Indiana University Health determines whether an arrangement is a lease at inception. For leases with terms greater than 12 months, Indiana University Health records the related right-of-use assets and lease liabilities at the present value of lease payments over the term. Leases may include rental escalation clauses and options to extend or terminate the lease that are factored into the determination of lease payments when appropriate. Indiana University Health does not separate lease and non-lease components of contracts. For the

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

purposes of measuring the lease liabilities, Indiana University Health uses a risk-free rate from the U.S. Treasury constant maturities nominal rate based on the period comparable with that of each lease term.

Operating leases are included in right-of-use assets, current portion of lease liabilities, and lease liabilities, less current portion on the consolidated balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term and is included in supplies, drugs, purchased services, and other on the consolidated statements of operations and changes in net assets.

Finance leases are included in property and equipment, current portion of long-term debt, and long-term debt, less current portion on the consolidated balance sheets. Property and equipment under finance lease obligations are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation and amortization on the accompanying consolidated statements of operations and changes in net assets (see Note 13).

Goodwill, Intangibles, and Other Assets

In connection with business combinations, the Indiana University Health System has recorded goodwill and definite-lived intangible assets on the accompanying consolidated balance sheets. The Indiana University Health System evaluates goodwill for impairment annually or more frequently if events or changes in circumstances suggest that the carrying value of an asset may not be recoverable. The goodwill impairment analysis, performed at the reporting unit level, generally includes estimating the fair value of a reporting unit and comparing that with the carrying value. If fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to be impaired. These valuation methods require the Indiana University Health System to make estimates and assumptions regarding future operating results, cash flows, changes in working capital, capital expenditures, profitability, and the cost of capital.

The Indiana University Health System also reviews whether events or changes in circumstances suggest that impairment may have occurred related to the carrying value of the definite-lived intangible assets, which are amortized over periods of 5 to 35 years. It has been determined that there was no impairment of goodwill or definite-lived intangible assets during 2025 or 2024. Intangible assets included in goodwill, intangibles, and other assets on

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

the accompanying consolidated balance sheets as of December 31, 2025 and 2024, were \$161,985 and \$205,813, respectively, which includes goodwill of \$154,881 at December 31, 2025, and \$197,989 at December 31, 2024.

Implementation costs for cloud-based software are capitalized as other assets and amortized over the term of the hosting arrangement as other assets in line with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-15.

Unamortized Bond Issuance Costs and Bond Discount or Premium

Costs incurred in connection with the issuance of long-term debt and bond discounts or premiums are amortized or accreted using the effective interest rate method. Amortization and accretion are included in interest expense on the accompanying consolidated statements of operations and changes in net assets (see Note 9).

Derivative Financial Instruments

The Indiana University Health System entered into certain interest rate swap transactions (fixed-pay and fixed-receive). As of December 31, 2025, Indiana University Health no longer had fixed-pay swaps. The terminated trades qualified for hedge accounting and will, therefore, be accreted using the effective interest rate method and included in interest expense on the accompanying consolidated statements of operations and changes in net assets. As of December 31, 2024, the Indiana University Health System's fixed-pay swaps qualified for hedge accounting. The fixed-receive swaps did not qualify for hedge accounting as of December 31, 2025 or 2024. Changes in fair value of interest rate swaps not designated as hedges, as well as any ineffective portion of the change in fair value of interest rate swaps designated as hedges, during these years are reported in nonoperating income (loss) on the consolidated statements of operations and changes in net assets. Changes in fair value of interest rate swaps designated as hedges are included in other changes in net assets without donor restrictions on the consolidated statements of operations and changes in net assets (see Note 10). Swap assets and liabilities are not offset on the consolidated balance sheet.

Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is made. Conditional promises to give, including indications of an intention to give, are not recognized until the condition is satisfied. If the gifts are made with donor

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

stipulations that limit the use of the donated assets, the gifts are reported as donor restricted. Donor-restricted contributions for which restrictions are met in the same year as made are reported as unrestricted contributions on the accompanying consolidated financial statements.

Net Assets With Donor Restriction

Donor-restricted net assets are those assets whose use has been limited by donors to a specific time period or purpose. These net assets are generally restricted for medical education and research programs, medical supplies and equipment, and patient care services. Interests in net assets of unconsolidated foundations are included in other assets on the accompanying consolidated balance sheets (see Note 17).

Noncontrolling Interest in Subsidiaries

The Indiana University Health System recorded \$28,921 and \$75,558 for the years ended December 31, 2025 and 2024, respectively, of excess of revenues over expenses attributable to noncontrolling interest in subsidiaries based on the ownership percentage of the noncontrolling interests in certain of the Indiana University Health System's consolidated subsidiaries. These amounts primarily relate to the surgery center joint ventures. For the years ended December 31, 2025 and 2024, the surgery center joint ventures accounted for \$28,536 and \$75,198, respectively, of the excess of revenues over expenses attributable to noncontrolling interest in subsidiaries. The surgery center joint ventures realized operating revenue of \$241,518 and \$291,153 and operating income of \$62,107 and \$99,634 in 2025 and 2024, respectively. The operating revenue and operating income are reflected in total operating revenues and total operating income, respectively, on the consolidated statements of operations and changes in net assets. See Note 2 for additional information regarding the surgery center joint venture transactions.

Business Combinations

The Indiana University Health System allocates the purchase price of an acquisition to the various assets and liabilities based upon the relative fair value, which may be derived from various observable or unobservable inputs and assumptions. Also, the Indiana University Health System may use third-party valuation specialists. These components typically include buildings, land, and equipment and may also include intangibles related to noncompete agreements or other specifically identified intangible assets. The excess of the fair value of

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

assets acquired over liabilities assumed and the fair value of any noncontrolling interest are recorded as an inherent contribution within the performance indicator as defined below. No material business combinations occurred in 2025 or 2024. Goodwill is recorded to the extent that liabilities assumed and noncontrolling interests exceed the fair value of assets acquired.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, patient and other accounts receivable, assets limited as to use, accounts payable and accrued expenses, estimated third-party payer allowances, notes payable to banks, long-term debt, derivative financial instruments, and certain other current assets and liabilities. The fair values for cash and cash equivalents, patient and other accounts receivable, accounts payable, and accrued expenses, estimated third-party payer allowances, and certain other current assets and liabilities approximate the carrying amounts reported on the consolidated balance sheet and, in the opinion of management, represent highly liquid assets or short-term obligations. The fair values for assets limited as to use and derivative financial instruments are described in Notes 6, 10, and 11.

Member Premium Revenue and Health Claims

The Indiana University Health System has agreements to provide medical services to subscribing participants or members that generally provide for predefined payments (on a per member, per month basis), regardless of services actually performed. The cost to provide health care services under these agreements is accrued in the period in which the health care services are provided to a member based, in part, on estimates, including an accrual for medical services provided but not yet reported. Expenses to providers are reported as health claims to providers on the accompanying consolidated statements of operations and changes in net assets. See Note 2 for changes to health plans as of December 31, 2024.

Income Taxes

The Internal Revenue Service (IRS) has determined that Indiana University Health and certain of its affiliated entities are tax-exempt organizations as defined in Section 501(c)(3) of the Internal Revenue Code (IRC). Indiana University Health and its tax-exempt affiliates are, however, subject to federal and state income taxes on unrelated business income under the provisions of IRC Section 511.

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

Deferred income taxes which, as of December 31, 2025 and 2024, have no net carrying value, reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes. As of December 31, 2025 and 2024, the Indiana University Health System had gross deferred tax assets of \$113,630, and \$110,705, respectively, relating to net operating loss carryovers. Management determined that a full valuation allowance as of December 31, 2025 and 2024, was necessary to reduce the deferred tax assets to the amount that would more likely than not be realized. Based on the weight of the evidence, if it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance to reduce the deferred tax assets is recorded. The increase in the gross deferred tax asset and the valuation allowance for the current year is \$2,925. At December 31, 2025, Indiana University Health System has available net operating loss carryforwards of \$456,884. Net operating losses generated from 2005 through 2017 will expire between 2025 and 2037. Net operating losses generated after 2017 do not expire.

Operating and Performance Indicators

The primary purpose of Indiana University Health is to provide quality health care services to meet the needs of the State of Indiana. Since substantially all resources are derived from providing health care services, the activities directly associated with the furtherance of this purpose are considered operating activities. These activities serve as an important factor in evaluating how well management has discharged its stewardship responsibilities:

Operating Indicator (Operating Income) – Includes all unrestricted revenue, gains, donor contributions to offset operating expenses, other support, equity income or loss of unconsolidated health care subsidiaries, and expenses directly related to the recurring and ongoing health care operations during the reporting period. Any activities peripheral to Indiana University Health’s primary purpose are excluded from the operating indicator and are considered nonoperating.

Performance Indicator (Excess of Revenues Over Expenses) – Includes operating income and nonoperating income. The performance indicator excludes certain changes in the fair value of interest rate swaps designated as hedges; purchases, sales, and redemptions of noncontrolling interests; contributions for capital expenditures; distributions to noncontrolling interests; and net assets released from restricted funds for capital.

Indiana University Health, Inc. and Subsidiaries

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

4. Summary of Significant Accounting Policies (continued)

Subsequent Events

For the consolidated financial statements as of and for the year ended December 31, 2025, management has evaluated subsequent events through February 27, 2026, the date that these financial statements were made publicly available.

New Accounting Guidance Not Yet Applicable

In September 2025, the FASB issued ASU No. 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*. This ASU modernizes the guidance for the capitalization of software costs that are accounted for under Subtopic 350-40. This ASU is effective for annual and interim periods beginning after December 15, 2027. Indiana University Health does not anticipate this ASU will have a material impact on its consolidated financial statements.

Reclassifications

Certain amounts related to construction-in-progress in the 2024 consolidated financial statements have been reclassified to conform to the 2025 presentation. Such reclassifications had no effect on previously reported excess of revenues over expenses or net assets.

5. Patient Service and Other Operating Revenue

The Indiana University Health System provides health care services through inpatient, outpatient, and ambulatory care facilities. The Indiana University Health System recognizes patient service revenue at the amount that reflects the consideration to which the Indiana University Health System expects to be paid for providing patient care. Patient service revenue is recognized as performance obligations, based on the nature of the services provided by the Indiana University Health System, are satisfied. Performance obligations satisfied over time relate to patients in the Indiana University Health System hospitals who are receiving inpatient acute care services from admission to the point when services are no longer required, which is generally at the time of discharge.

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Outpatient services are performance obligations satisfied at a point in time, and revenue is recognized when goods

Indiana University Health, Inc. and Subsidiaries

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

5. Patient Service and Other Operating Revenue (continued)

or services are provided. After the outpatient goods and services are provided, Indiana University Health System does not believe it is required to provide additional goods or services to the patient.

Management believes this method provides a fair depiction of the transfer of services over the term of performance obligations, based on the inputs needed to satisfy the obligations.

Because its performance obligations relate to contracts with a duration of less than one year, the Indiana University Health System has elected to apply the optional exemption provided in FASB Accounting Standards Codification 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Indiana University Health System uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payer classes for inpatient revenue and outpatient revenue. Based on the historical collection trends and other analysis, the Indiana University Health System believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The Indiana University Health System determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payers, discounts provided to uninsured and underinsured patients in accordance with policy, and/or implicit price concessions based on the historical collection experience of patient accounts. There were no significant changes to the judgments used to determine the transaction price in prior periods.

Reported costs and/or services provided under certain arrangements are subject to retroactive audit and adjustment. For the year ended December 31, 2025 and 2024, changes in estimates due to settlements of prior fiscal years' cost reports, Medicaid settlements, and

Indiana University Health, Inc. and Subsidiaries

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

5. Patient Service and Other Operating Revenue (continued)

the disposition of other payer audits and settlements were not significant. Future changes in Medicare and Medicaid programs and reduction in funding levels could have an adverse effect on the Indiana University Health System.

The Indiana University Health System serves Medicaid patients and is subject to reimbursement under various programs. Under the Medicaid Hospital Assessment Fee program, the Office of Medicaid Policy and Planning collects a fee from eligible hospitals. The fee is used in part to increase reimbursement to eligible hospitals for services provided in both Medicaid fee-for-service and managed care programs, and as the State's share of Medicaid Disproportionate Share Hospital (DSH) payments. The State DSH program is dependent on regulatory approval by agencies of the federal and state governments and is determined by the level, extent, and cost of uncompensated care (as defined) and various other factors. Separately, the Physician Faculty Access to Care (PFAC) program was established to pay qualifying providers the difference between what Medicare would have paid and what Medicaid actually paid.

For the years ended December 31, 2025 and 2024, payments recognized related to these programs were recorded within patient service revenue on the consolidated statements of operations and changes in net assets, totaling \$743,888 and \$902,193, respectively. As of December 31, 2025 and 2024, \$150,488 and \$47,392, respectively, of payments related to these programs were reserved and recorded within estimated third-party payer allowances on the consolidated balance sheets. During the years ended December 31, 2025 and 2024, assessment fees were recorded within the hospital assessment fee line on the consolidated statements of operations and changes in net assets totaling \$260,485 and \$248,167, respectively.

These revenues are subject to retroactive adjustments due to audits, reviews, changes in program administration and rules, and outcome of litigation. These settlements are estimated based on the agreement with the payer and correspondence, which includes an assessment to ensure it is probable that a significant reversal in the amount of cumulative revenue recognition will not occur when the uncertainty associated with the retroactive adjustments is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known or as years are settled or are no longer subject to audits or reviews. Laws and regulations governing Medicare, Medicaid, and other governmental programs are complex, prone to changes, and subject to varying interpretation. The Indiana University Health System believes it is in compliance with applicable laws and regulations governing Medicare,

Indiana University Health, Inc. and Subsidiaries

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

5. Patient Service and Other Operating Revenue (continued)

Medicaid, and other governmental programs, as well as contracts that it has with commercial payers, and that adequate provisions have been recorded for any adjustments that may result from final settlements.

In support of its mission, the Indiana University Health System provides care to uninsured and underinsured patients. The Indiana University Health System provides charity care to patients who lack the financial resources to pay for their medical care. Financial assistance is available to qualifying uninsured and underinsured patients receiving care at an Indiana University Health System hospital location. Financial assistance up to the full amount of patient financial responsibility is available for uninsured and underinsured patients receiving care via the emergency department, direct admission from a physician's office, or transfer from another hospital. The Federal Poverty Level (FPL) thresholds are used when a patient applies for financial assistance due to financial hardship. In determining the level of financial assistance based on household makeup, single person households without dependents are eligible for assistance if household income is less than or equal to 200% FPL, two adults and at least one dependent are eligible if household income is less than or equal to 250% FPL, and households with one adult and at least one dependent are eligible if household income is less than or equal to 300% FPL. Qualifying individuals with medical bills totaling more than 20% of annual household income, regardless of FPL, qualify for catastrophic assistance and are eligible for a reduction in patient financial responsibility to 5% of annual household income or amounts generally billed, whichever is less. Since the Indiana University Health System does not pursue collection of these amounts, the discounted amounts are not reported as patient service revenue. The Indiana University Health System uses presumptive eligibility screening procedures for some forms of financial assistance and recognizes net patient service revenue on services provided to self-pay patients at the discounted rate at the time services are rendered. The estimated cost of charity care, using the consolidated cost to charge ratio, was \$136,783 and \$201,699 in 2025 and 2024, respectively.

In rare instances, the Indiana University Health System receives payment in advance of the services provided and considers these amounts to represent contract liabilities. There were no contract liabilities as of December 31, 2025 and 2024.

Indiana University Health, Inc. and Subsidiaries

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

5. Patient Service and Other Operating Revenue (continued)

Management has determined that the nature, amount, timing, and uncertainty of revenue and flows are affected by the payers and line of business that render services to patients. The composition of patient service revenue by payer was as follows:

	Year ended December 31	
	2025	2024
Commercial/managed care	\$ 4,689,860	\$ 4,421,382
Medicare	2,556,846	2,263,907
Medicaid	1,654,168	1,747,649
Self-pay and other	128,670	95,725
	<u>\$ 9,029,544</u>	<u>\$ 8,528,663</u>

The Indiana University Health System's practice is to assign a patient to the primary payer and not reflect other uninsured balances (for example, co-pays and deductibles) as self-pay. Therefore, the payers listed above contain patient responsibility components, such as co-pays and deductibles.

One payer represented 34% and 33% of patient service revenue for the years ended December 31, 2025 and 2024, respectively.

The Indiana University Health System does not require collateral or other security from its patients, substantially all of whom are residents of the State, for the delivery of health care services. However, consistent with industry practice, the Indiana University Health System routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, managed care payers, and commercial insurance policies). There were 32% and 31% of patient accounts receivable were collectible from government payers as of December 31, 2025 and 2024, respectively. The remaining 68% and 69% of patient accounts receivable as of December 31, 2025 and 2024, respectively, were collectible from managed care payers, commercial insurance payers, and uninsured and underinsured patients.

The increase in patient accounts receivable from managed care payers, commercial insurance payers, and uninsured and underinsured patients as of December 31, 2025, is related to payer delays in processing claims and the increase in patient service revenue. Changes in general economic conditions, payer mix, or federal or state governmental health

Indiana University Health, Inc. and Subsidiaries

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

5. Patient Service and Other Operating Revenue (continued)

care coverage could affect collection of accounts receivable, cash flows, and results of operations. Indiana University Health does not believe there are any significant concentrations of revenues from any particular payer that would be subject to significant credit risks in the collection of accounts receivable.

Other revenue is recognized at an amount that reflects the consideration to which the Indiana University Health System expects to be entitled in exchange for providing goods and services. The amounts recognized in other revenue reflect consideration due from customers, third-party payers, and others. Primary categories of other revenue include income from gains on sale of business units (see Note 2), joint ventures, risk arrangements, grant revenue, cafeteria revenue, and rent and lease revenue.

The composition of other revenue by sources is as follows:

	Year ended December 31	
	2025	2024
Shared health services revenue	\$ 209,538	\$ 202,568
Risk arrangements	39,901	42,245
Gain on sale of ambulatory surgery centers	66,326	-
Gain on sale of home health and hospice	25,847	-
Other	117,534	106,513
	<u>\$ 459,146</u>	<u>\$ 351,326</u>

6. Assets Limited as to Use

Board-designated and donor-restricted investment funds are invested in accordance with Board approved policies. The estimated fair value of the assets limited as to use is determined using market information and other appropriate valuation methodologies. The methods and assumptions used to estimate the fair value of assets limited as to use are as follows: (i) cash and cash equivalents: the carrying amounts reported on the consolidated balance sheets approximate fair value; (ii) marketable securities: the fair values are based on quoted market prices or, if quoted market prices are not available, quoted market prices of comparable

Indiana University Health, Inc. and Subsidiaries

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

6. Assets Limited as to Use (continued)

instruments and other observable inputs; and (iii) other investments, including alternative investments: accounted for using the equity method of accounting, and fair values are based upon the net asset values that are generally determined by third-party valuation firms and/or administrators of each fund in consultation with and approval of the fund investment managers.

The Indiana University Health System is a limited partner in funds that employ hedged investment strategies and private funds that employ investment strategies that require long holding periods to create value, both of which are mainly utilized to increase portfolio diversification.

In the case of hedge funds, redemptions generally may be made quarterly with written notice ranging from 30 to 90 days; however, some funds employ lockup periods that restrict redemptions or charge a redemption fee during the lockup period. Lockup periods range from one to three years, with redemption charges of up to 5% of net asset value for redemptions made on or before the anniversary date of the initial investment or additional contribution.

Upon complete redemption, many of the funds have “hold-back” provisions that allow the fund to retain up to 10% of the assets until the fund completes its audited financial statements for the redemption period. In the case of private funds, capital is returned as monetization events occur. These events are typically infrequent in nature. Generally, capital is committed to a partnership for a period of five to ten years, with the ability of the general partner to extend the life of the fund one to three additional years. During the first three to five years of a fund life, the general partner, in order to facilitate its funding of investments, will call capital from the limited partners up to the amount of their commitment. As of December 31, 2025 and 2024, there were \$1,208,869 and \$1,088,541, respectively, of unfunded commitments relating to private fund investments, which are expected to be funded over the next five years.

Alternative investments include certain other risks that may not exist with other investments that are more widely traded. These include reliance on the skill of the fund managers, who often employ complex strategies utilizing various financial instruments, including futures contracts, foreign currency contracts, structured notes, interest rate, total return, and credit default swaps.

Indiana University Health, Inc. and Subsidiaries

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

6. Assets Limited as to Use (continued)

Additionally, alternative investments may provide limited information on a fund's underlying assets and have restrictive liquidity provisions. Management believes that the Indiana University Health System, in consultation with its investment consultants, has the capacity to analyze and interpret the risks associated with alternative investments and, with this understanding, has determined that these investments represent a prudent approach for use in its portfolio management. Indiana University Health's asset allocation policy is to target a modest amount of leverage to achieve a total exposure of 110%. The utilization of this increased exposure within the policy aims to enhance both returns and risk characteristics (i.e., diversification) of the Board-designated investment funds in assets limited as to use.

Indiana University Health utilizes futures contracts to provide exposure to markets such as equity and fixed income. The notional value of futures contracts was approximately \$1,138,568 and \$1,127,156 as of December 31, 2025 and 2024, respectively. The fair value of futures contracts included in assets limited as to use on the consolidated balance sheets was \$(2,044) and \$1,032 as of December 31, 2025 and 2024. Gains attributed to these futures contracts were \$113,982 and \$45,103 for the years ended December 31, 2025 and 2024, respectively, and are included in investment income, net on the consolidated statements of operations and changes in net assets.

Indiana University Health utilizes currency forward contracts to provide foreign currency hedges. The notional value of forward contracts was approximately \$360,684 and \$320,061 as of December 31, 2025 and 2024, respectively. The fair value of forward contracts included in assets limited as to use on the consolidated balance sheets was \$(4,662) and \$5,824 as of December 31, 2025 and 2024, respectively. (Losses) gains attributed to these forward contracts were \$(13,380) and \$24,581 for the years ended December 31, 2025 and 2024, respectively, and are included in investment income, net on the consolidated statements of operations and changes in net assets.

Indiana University Health also utilizes total return swaps to provide exposure to fixed-income markets. The notional value of total return swaps was \$117,851 and \$111,286 as of December 31, 2025 and 2024, respectively. The fair value of total return swap contracts was \$(696) and \$(2,639) as of December 31, 2025 and 2024, respectively. The loss attributed to the total return swaps was \$(696) and \$(3,453) for the years ended December 31, 2025 and 2024, respectively. The losses are included in investment income, net on the consolidated statement of operations and changes in net assets.

Indiana University Health, Inc. and Subsidiaries

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

6. Assets Limited as to Use (continued)

The composition of assets limited as to use is set forth below.

	December 31	
	2025	2024
Assets limited as to use:		
Cash	\$ 11,624	\$ 2,888
Money market funds and short-term government and agency securities	690,803	348,393
Debt securities:		
Asset backed	321,566	282,771
Bank loans	356,326	466,244
Corporate debt	668,541	712,492
Government and agencies	500,634	365,623
Bond funds	195,145	204,388
Total debt securities	<u>2,042,212</u>	<u>2,031,518</u>
Equity securities:		
Domestic equities	2,112,098	1,867,523
Domestic equity funds	87,957	29,660
International equities	834,991	687,138
International equity funds	361,667	276,197
Total equity securities	<u>3,396,713</u>	<u>2,860,518</u>
Alternatives:		
Hedge funds	1,533,292	1,402,489
Private funds	1,795,815	1,671,487
Other	-	6,587
Total alternatives	<u>3,329,107</u>	<u>3,080,563</u>
Less current portion of assets limited as to use	<u>(721,138)</u>	<u>(385,851)</u>
Total assets limited as to use, less current portion	<u>\$ 8,749,321</u>	<u>\$ 7,938,029</u>

Indiana University Health, Inc. and Subsidiaries

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

6. Assets Limited as to Use (continued)

The composition and presentation of investment income (loss), net, recognized in nonoperating income (loss) on the accompanying consolidated statements of operations and changes in net assets are as follows:

	Year Ended December 31	
	2025	2024
Investment income:		
Interest and dividend income	\$ 250,797	\$ 250,828
Investment management and administrative fees	(12,596)	(10,841)
Realized gains on sale of investment, net	229,946	219,715
Change in unrealized gains on investments	535,148	262,124
Unrealized equity gains on alternative investments	153,557	178,827
	<u>\$ 1,156,852</u>	<u>\$ 900,653</u>

Indiana University Health, Inc. and Subsidiaries

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

7. Financial Assets and Liquidity Reserves

The table below represents financial assets and liquidity resources available for general expenditures within one year as of December 31, 2025 and 2024. The Indiana University Health System defines general expenditures as the normal expenditures related to operations of the Indiana University Health System, excluding capital expenditures.

	December 31	
	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 106,145	\$ 419,543
Short-term investments	24,115	73,284
Patient accounts receivable	1,427,332	1,261,888
Other receivables	140,609	107,090
Assets limited as to use	9,470,459	8,323,880
Total financial assets	<u>11,168,660</u>	<u>10,185,685</u>
Liquidity resource:		
Unused bank line of credit	750,000	500,000
Less amounts not available within one year or not designated for general expenditures:		
Alternative investments	(1,930,568)	(1,849,800)
Other	(774,334)	(315,265)
Financial assets not available for use within one year	<u>(2,704,902)</u>	<u>(2,165,065)</u>
Financial assets and liquidity resources available for general expenditures within one year	<u>\$ 9,213,758</u>	<u>\$ 8,520,620</u>

The Indiana University Health System has certain Board-designated assets limited as to use that are available for general expenditures within one year in the normal course of operations. The Indiana University Health System maintains a liquidity pool with a target range of \$150,000 to \$700,000, which comprises cash equivalents and debt securities with maturities ranging from zero to three years and is reflected in cash and cash equivalents, short-term investments, and assets limited as to use on the consolidated balance sheets. Alternative investments not available within one year consist of the private funds, as well as

Indiana University Health, Inc. and Subsidiaries

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

7. Financial Assets and Liquidity Reserves (continued)

a portion of the hedge funds due to contractual restrictions that prevent redemption of all or portions of such funds within a year. Additionally, the “Other” amounts not available within one year include Board-designated investments within the general liability captive insurance program and foundation assets not available within one year or for general expenditures.

8. Property and Equipment

The cost of property and equipment is summarized as follows:

	December 31	
	2025	2024
Land and improvements	\$ 440,118	\$ 445,100
Buildings and improvements	4,395,236	4,191,957
Equipment	2,543,890	2,700,713
	<u>\$ 7,379,244</u>	<u>\$ 7,337,770</u>

Useful lives of each category of assets are based on the estimated useful time frame that the particular assets are expected to be in service, generally in accordance with guidelines established by the American Hospital Association. Assets are depreciated on a straight-line basis beginning in the month when placed in service, with asset lives ranging as follows: 20 to 30 years for land improvements; 15 to 70 years for buildings and improvements; and 3 to 30 years for equipment, including software developed for internal use.

Depreciation expense was \$273,071 and \$296,549 for the years ended December 31, 2025 and 2024, respectively.

The Indiana University Health System has several approved capital projects within construction-in-progress. As of December 31, 2025 and 2024, the projects primarily include the consolidation of the downtown Indianapolis adult services into one medical campus and the construction of Indiana University Health Fort Wayne.

Construction-in-progress for assets currently under development was \$2,695,583 and \$1,614,914 at December 31, 2025 and 2024, respectively, and includes incurred costs for these projects and the construction, refurbishment, and replacement of other facilities and equipment. Firm commitments for future construction-in-progress spending totaled \$1,282,953 at December 31, 2025, mostly relating to the new downtown medical campus.

Indiana University Health, Inc. and Subsidiaries

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

9. Debt

Obligated Group

The Indiana University Health System operates under a single Master Trust Indenture (MTI). The MTI provides for the issuance of long-term debt and sets forth the terms pursuant to which underlying debt is issued and the security for such obligations. The MTI also sets forth the provisions governing membership for the Obligated Group, which presently consists of Indiana University Health (entity that includes such divisions as the Downtown Indianapolis Hospitals of the Academic Health Center, Fishers, North and West) as the sole member. Future members of the Obligated Group, if any, together with existing members, will be jointly and severally liable for the obligations under the MTI. Under the terms of the MTI, the Obligated Group is required to comply with certain covenants, including financial performance covenants that, among other compliance requirements, require the maintenance of debt service coverage ratios and limit its ability to encumber certain of its assets. All Obligations Outstanding under the MTI are secured by security interests in the Gross Receivables of the Obligated Group Members (capitalized terms in this sentence not otherwise defined herein have the meanings assigned to them in the MTI). As of December 31, 2025, the Indiana University Health System was in compliance with all financial covenants.

Issuance, Modification, and Extinguishment of Debt

As of December 31, 2025 and 2024, the Indiana University Health System maintained a \$750,000 and \$500,000 line of credit, respectively. On October 31, 2025, Indiana University Health amended its existing line of credit. The amended line of credit is comprised of three tranches totaling \$750,000. Tranche A is \$250,000 and has a maturity date of January 4, 2028. Tranche B is \$250,000 and has a maturity date of January 4, 2029. Tranche C is \$250,000 and has a maturity date of January 4, 2030. As of December 31, 2025 and 2024, no amount was outstanding on the line of credit.

On October 6, 2025, Indiana University Health issued \$107,550 in par value of Series 2025F tax-exempt, floating rate bonds. Proceeds of the Series 2025F Bonds were used for the defeasance of the Series 2011L and 2011M Bonds, as well as paying costs of issuance related to the 2025F Bonds.

On July 1, 2025, Indiana University Health issued \$308,220 in par value of Series 2025C tax-exempt, fixed rate bonds at a premium of \$12,318, \$925,000 in par value of Series 2025D tax-exempt, fixed rate bonds at a premium of \$69,404, and \$173,805 in par value of Series

Indiana University Health, Inc. and Subsidiaries

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

9. Debt (continued)

2025E tax-exempt, fixed rate bonds at a premium of \$14,436. Proceeds of the Series 2025CDE Bonds have been and will be used for financing capital expenditures related to the new downtown Indianapolis adult services medical campus; capital expansion projects at Indiana University Health Fishers and Indiana University Health Fort Wayne; funding capitalized interest on Series 2025CDE Bonds; refunding mandatory tenders and callable bonds, including the Series 2025AB Bonds; and paying issuance costs related to the Series 2025CDE Bonds. On January 3, 2025, Indiana University Health issued at par \$215,000 of Series 2025A and \$35,000 of Series 2025B tax-exempt, floating-rate bonds. The Series 2025AB Bonds were refunded with proceeds from the Series 2025CDE Bonds.

Long-term debt consists of the following:

	Interest Structure	Interest Rates at December 31, 2025	Mandatory Tender Date	Final Maturity Date	December 31 2025	December 31 2024
Obligated Group:						
Series 2011L	Fixed	N/A	N/A	N/A	\$ -	\$ 58,225
Series 2011M	Fixed	N/A	N/A	N/A	-	49,565
Series 2015A	Fixed	4.00%	N/A	2040	100,000	287,395
Series 2016A	Fixed	N/A	N/A	N/A	-	21,055
Series 2018A	Fixed	3.97%	N/A	2048	393,408	393,408
Series 2019A	Fixed	4.00%	N/A	2049	133,610	133,610
Series 2019B	Fixed	N/A	N/A	N/A	-	109,070
Series 2021A	Fixed	2.85%	N/A	2051	300,000	300,000
Series 2023A	Fixed	5.00%	N/A	2053	282,335	282,335
Series 2023B-1	Fixed	5.00%	2028	2062	185,685	185,685
Series 2023B-2	Fixed	5.00%	2030	2060	139,100	139,100
Series 2023B-3	Fixed	5.00%	2032	2055	86,200	86,200
Series 2025C	Fixed	5.00% to 5.25%	N/A	2047	308,220	-
Series 2025D-1	Fixed	5.00%	2029	2064	230,000	-
Series 2025D-2	Fixed	5.00%	2031	2063	230,000	-
Series 2025D-3	Fixed	5.00%	2033	2059	200,000	-
Series 2025D-4	Fixed	5.00%	2035	2057	215,000	-
Series 2025D-5	Fixed	5.00%	2037	2054	50,000	-
Series 2025E	Fixed	5.00%	N/A	2040	173,805	-
Series 2025F	Variable	4.00%	2032	2050	107,550	-
Total bonds payable					3,134,913	2,045,648
Other debt						
Finance lease obligations					1,681	1,389
Total long-term debt					3,136,594	2,047,037
Unamortized premium, net of unamortized discount					153,970	82,945
Unamortized bond issuance costs					(16,743)	(11,605)
Less current portion					(255)	(131,342)
Long-term debt, less current portion					\$ 3,273,566	\$ 1,987,035

Indiana University Health, Inc. and Subsidiaries

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

9. Debt (continued)

The scheduled maturities and mandatory redemptions of long-term debt, assuming remarketing of mandatory tender bonds, are as follows:

Year ending December 31:	Indiana University Health Obligated Group MTI Debt	Other	Total
2026	\$ -	\$ 255	\$ 255
2027	-	247	247
2028	-	220	220
2029	-	184	184
2030	-	191	191
Thereafter	3,134,913	584	3,135,497
	<u>\$ 3,134,913</u>	<u>\$ 1,681</u>	<u>\$ 3,136,594</u>

Total interest paid on long-term debt for the years ended December 31, 2025 and 2024, aggregated \$103,309 and \$87,324, respectively.

10. Derivative Financial Instruments

During June 2025, Indiana University Health terminated an interest rate swap and received \$61,239 from the settlement. This interest rate swap was designated by management as a hedge for accounting purposes. The \$61,239 change in fair value related to the interest rate swap hedge continues to be recorded in net assets without donor restrictions and amortized monthly as an offset to interest expense.

During June 2025, Indiana University Health entered into three swaps to effectively convert a portion of the Series 2025 bonds to variable rate. Indiana University Health executed the first swap in the initial notional amount of \$231,794, terminating October 1, 2035, and requiring Indiana University Health to pay the Securities Industry and Financial Markets Association Municipal Swap Index rate (SIFMA) in exchange for a payment based on a fixed rate of 3.26% by the counterparty. Indiana University Health executed the second swap in the initial notional amount of \$217,290, terminating October 1, 2033, and requiring Indiana University Health to pay 75% of the Secured Overnight Financing Rate (SOFR) in exchange for a payment based on a fixed rate of 2.80% by the counterparty, but later amended this swap to require Indiana University Health to pay SIFMA in exchange for a payment based on a fixed rate of 3.12% by

Indiana University Health, Inc. and Subsidiaries

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

10. Derivative Financial Instruments (continued)

the counterparty. Indiana University Health executed the third swap in the initial notional amount of \$150,916, terminating October 1, 2031, and requiring Indiana University Health to pay 75% of SOFR in exchange for a payment based on a fixed rate of 2.73% by the counterparty. On July 1, 2025, the third swap was amended to require Indiana University Health to pay SIFMA in exchange for a payment based on a fixed rate of 2.91% by the counterparty.

During March 2024, Indiana University Health terminated its interest rate basis swap, with a notional amount of \$309,200, and recognized a loss of \$(2,857) pursuant to the termination. The loss is recorded within gains (losses) on interest rate swaps, net on the consolidated statements of operations and changes in net assets.

Long-term interest rate swap arrangements have been entered into with the primary objective being to manage interest rate risk. In addition, long-term basis swap and fixed-receive swap arrangements were entered into for the purpose of managing the effect of interest rates on cash flows. The following swaps remain in place as of December 31, 2025:

	Notional Amount	Effective Date	Maturity Date	Swap Type	Rate Received	Rate Paid
\$	216,839	7/1/2025	10/1/2033	Fixed-receive	3.12%	SIFMA
	149,543	7/6/2023	7/1/2029	Fixed-receive	2.76%	SIFMA
	231,459	7/1/2025	10/1/2035	Fixed-receive	3.26%	SIFMA
	97,208	7/6/2023	7/1/2027	Fixed-receive	2.72%	75.0% SOFR
	150,525	7/1/2025	10/1/2031	Fixed-receive	2.91%	SIFMA

Guidance on fair value accounting stipulates that a credit valuation adjustment (CVA) be applied to the mark-to-market valuation position of interest rate swaps to more closely capture the fair value of such instruments. Collateral arrangements reduce the credit exposure and are considered in determining the CVA.

As of December 31, 2025, the fair value of interest rate swaps in liability positions was \$0, which is net of a CVA of \$0, and the fair value of interest rate swaps in asset positions was \$11,628, which is net of CVA of \$(9). As of December 31, 2024, the fair value of interest rate swaps in liability positions was \$2,619, which is net of CVA of \$(1), and the fair value of interest rate swaps in asset positions was \$49,124, which is net of CVA of \$(10,178). The fair value of swaps in liability positions is included within noncurrent liabilities on the accompanying consolidated balance sheets. The fair value of swaps in asset positions is included within other assets on the accompanying consolidated balance sheets as of December 31, 2025 and 2024.

Indiana University Health, Inc. and Subsidiaries

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

10. Derivative Financial Instruments (continued)

As of December 31, 2025, interest rate swaps had a total notional amount of \$845,574, all comprised of fixed-receive swaps. Under agreements executed with counterparties, Indiana University Health is obligated to fund collateral amounts when the aggregate market value of swaps made with a given counterparty is a liability that exceeds a threshold set forth in the related agreement. As of December 31, 2025 and 2024, all interest rate swaps were subject to credit-risk-related contingent features. No collateral was posted as of December 31, 2025 or 2024.

The Indiana University Health System recorded the following gains (losses) within nonoperating income (loss) on the accompanying consolidated statements of operations and changes in net assets related to these derivative financial instruments:

	Year ended December 31	
	2025	2024
Unrealized gains (losses) on interest rate swaps	\$ 14,247	\$ (723)
Realized loss due to terminations	-	(2,857)
Realized gains (losses) on interest rate swaps	1,207	(1,552)
	<u>\$ 15,454</u>	<u>\$ (5,132)</u>

The Indiana University Health System recorded the change in fair value of interest rate swaps designated as hedges, net of amortization of \$7,690 and \$10,337 as changes in net assets without donor restrictions on the consolidated statements of operations and changes in net assets for the years ended December 31, 2025 and 2024, respectively.

11. Fair Value Measurements

The accounting guidance for the application of fair value provides, among other matters, for the following: (i) defines fair value 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 and establishes a framework for measuring fair value, (ii) establishes a three-level hierarchy for fair value measurements based upon the observability of inputs to the valuation of an asset or liability as of the measurement date, (iii) requires consideration of nonperformance risk when valuing liabilities, and (iv) expands disclosures about instruments measured at fair value. The three-level hierarchy is based upon the nature of valuation techniques and whether such techniques are based upon observable or unobservable inputs, as defined.

Indiana University Health, Inc. and Subsidiaries

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

11. Fair Value Measurements (continued)

Observable inputs are intended to reflect market data obtained from independent sources, while unobservable inputs may reflect market assumptions made by management or measurements made by financial specialists generally associated with the financial asset or liability. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Pricing inputs other than quoted prices included in Level 1 that are either directly observable or that can be derived or supported from observable data as of the reporting date.
- Level 3 – Pricing inputs include those that are significant to the fair value of the financial asset or financial liability and are not observable from objective sources. In evaluating the significance of inputs, the Indiana University Health System generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that, individually or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the assets or liabilities. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Net Asset Value (NAV) – Indiana University Health invests in funds for which the NAV per share represents the fair value of the investment held. Risks and redemption restrictions for these investments are similar to the alternative investments (see Note 10). Management opted to use the NAV per share, or its equivalent, as a practical expedient for the fair value of the interest in certain funds. Valuations provided by the respective fund's management consider variables, such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information.

The following tables set forth by level, within the fair value hierarchy, the Indiana University Health System's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2025 and 2024. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, could be subject to change or variation, and may affect the valuation of fair value assets and liabilities and their classification within the fair value hierarchy levels.

Indiana University Health, Inc. and Subsidiaries

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

11. Fair Value Measurements (continued)

	December 31, 2025						
	Level 1	Level 2	Level 3	NAV	Fair Value	Equity Method	Carrying Value
Assets							
Cash and cash equivalents	\$ 106,145	\$ -	\$ -	\$ -	\$ 106,145	\$ -	\$ 106,145
Short-term investments:							
Debt securities:							
Asset backed	-	125	-	-	125	-	125
Corporate debt	-	23,990	-	-	23,990	-	23,990
Government and agencies	-	-	-	-	-	-	-
Assets limited as to use:							
Cash	11,624	-	-	-	11,624	-	11,624
Money market funds and short-term government and agency securities	690,803	-	-	-	690,803	-	690,803
Debt securities:							
Asset backed	-	321,566	-	-	321,566	-	321,566
Bank loans	-	355,784	542	-	356,326	-	356,326
Corporate debt	-	668,541	-	-	668,541	-	668,541
Government and agencies	498,385	2,249	-	-	500,634	-	500,634
Bond funds	121,715	-	-	73,450	195,165	-	195,165
Equity securities:							
Domestic equities	2,111,378	-	720	-	2,112,098	-	2,112,098
Domestic equity funds	87,957	-	-	-	87,957	-	87,957
International equities	834,991	-	-	-	834,991	-	834,991
International equity funds	-	-	-	361,667	361,667	-	361,667
Alternatives:							
Hedge funds	-	-	-	-	-	1,533,292	1,533,292
Private funds	-	-	-	-	-	1,795,815	1,795,815
Other	-	-	-	-	-	-	-
Other assets:							
Interest rate swaps	-	11,628	-	-	11,628	-	11,628
Beneficial interest in charitable remainder and perpetual trusts	-	23,195	-	-	23,195	-	23,195
Total assets	<u>\$4,462,998</u>	<u>\$ 1,407,078</u>	<u>\$ 1,262</u>	<u>\$ 435,117</u>	<u>\$6,306,455</u>	<u>\$3,329,107</u>	<u>\$9,635,562</u>
Liabilities							
Interest rate swaps	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Indiana University Health, Inc. and Subsidiaries

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

11. Fair Value Measurements (continued)

	December 31, 2024						
	Level 1	Level 2	Level 3	NAV	Fair Value	Equity Method	Carrying Value
Assets							
Cash and cash equivalents	\$ 419,543	\$ -	\$ -	\$ -	\$ 419,543	\$ -	\$ 419,543
Short-term investments:							
Debt securities:							
Asset backed	-	-	-	-	-	-	-
Corporate debt	-	5,727	-	-	5,727	-	5,727
Government and agencies	67,557	-	-	-	67,557	-	67,557
Assets limited as to use:							
Cash	2,888	-	-	-	2,888	-	2,888
Money market funds and short-term government and agency securities	348,393	-	-	-	348,393	-	348,393
Debt securities:							
Asset backed	-	282,771	-	-	282,771	-	282,771
Bank loans	-	464,452	1,792	-	466,244	-	466,244
Corporate debt	-	711,649	843	-	712,492	-	712,492
Government and agencies	361,026	4,597	-	-	365,623	-	365,623
Bond funds	8,216	-	-	196,172	204,388	-	204,388
Equity securities:							
Domestic equities	1,864,923	-	2,600	-	1,867,523	-	1,867,523
Domestic equity funds	29,660	-	-	-	29,660	-	29,660
International equities	687,138	-	-	-	687,138	-	687,138
International equity funds	-	-	-	276,197	276,197	-	276,197
Alternatives:							
Hedge funds	-	-	-	-	-	1,402,489	1,402,489
Private funds	-	-	-	-	-	1,671,487	1,671,487
Other	1,032	5,555	-	-	6,587	-	6,587
Other assets:							
Interest rate swaps	-	-	49,124	-	49,124	-	49,124
Beneficial interest in charitable remainder and perpetual trusts	-	21,218	-	-	21,218	-	21,218
Total assets	\$3,790,376	\$1,495,969	\$ 54,359	\$ 472,369	\$ 5,813,073	\$3,073,976	\$8,887,049
Liabilities							
Interest rate swaps	\$ -	\$ 2,619	\$ -	\$ -	\$ 2,619	\$ -	\$ 2,619
Total liabilities	\$ -	\$ 2,619	\$ -	\$ -	\$ 2,619	\$ -	\$ 2,619

Other investments in assets limited as to use include derivative contracts used in Indiana University Health's enhanced exposure strategy that do not qualify for hedge accounting and are recorded at fair value (see Note 6).

Beneficial interests in charitable remainder and perpetual trusts of \$23,195 and \$21,218 as of December 31, 2025 and 2024, respectively, are included in goodwill, intangibles, and other assets on the consolidated balance sheets.

Indiana University Health, Inc. and Subsidiaries

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

11. Fair Value Measurements (continued)

The fair values of the interest rate swap contracts are determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations reflect a CVA (see Note 10) to the discount curve in order to reflect the credit value adjustment for nonperformance risk. The Indiana University Health System credit spread adjustment for swaps in a liability position, if any, is derived from other comparably rated entities' bonds priced in the market. The credit spread adjustment for swaps in an asset position is derived from market values for bonds issued by institutions with comparable ratings to those of the relevant counterparty. Generally, swaps are transferred between Level 2 and Level 3 when the CVA exceeds 10% of the gross valuation of the swap. Transfers are recorded at the end of the reporting period. Due to the volatility of the capital markets, there is a reasonable possibility of changes in fair value and additional gains (losses) in the near term subsequent to December 31, 2025.

The following table is a rollforward of the assets and liabilities included in the consolidated balance sheets for financial instruments classified within Level 3 of the valuation hierarchy defined above:

	December 31	
	2025	2024
Fair value at January 1	\$ 49,124	\$ 38,413
Unrealized gains	1,937	11,247
Other	10,178	(536)
Swap terminations	(61,239)	-
Fair value at end of period	<u>\$ -</u>	<u>\$ 49,124</u>

There were no material transfers between Level 3 investments in 2025 and 2024.

The value of the CVA may vary depending upon the following factors:

- Whether the Indiana University Health System is required to post collateral under the swap agreements.
- To the extent that the credit rating of the Indiana University Health System or relevant counterparty increases or decreases, in which case the CVA would decrease or increase, respectively.

Indiana University Health, Inc. and Subsidiaries

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

11. Fair Value Measurements (continued)

- To the extent the spread between the interest rate curves discussed above expands or compresses.

12. Commitments and Contingencies

The Indiana University Health System is, from time-to-time, subject to various legal proceedings and claims arising in the ordinary course of business. The Indiana University Health System's management does not expect the outcome in any of its currently ongoing legal proceedings or the outcome of any other claims, individually or collectively, to have a material adverse effect on the Indiana University Health System's consolidated financial condition, results of operations, or cash flows.

13. Leases

Indiana University Health leases office space, property and equipment under finance, and operating leases. Indiana University Health determines whether an arrangement is a lease at inception. For leases with terms greater than 12 months, Indiana University Health records the related assets and lease liabilities at the present value of lease payments over the term. Leases may include rental escalation clauses and options to extend or terminate the lease that are factored into the determination of lease payments when appropriate. For the purposes of measuring the lease liabilities, Indiana University Health uses a risk-free rate from the U.S. Treasury Constant Maturities Nominal rates based on the period comparable with that of each lease term.

Operating leases are included in right-of-use assets, current portion of lease liabilities, and lease liabilities, less current portion on the consolidated balance sheets. Operating lease expense is recognized on a straight-line basis over the lease term and is included in supplies, drugs, purchased services, and other on the consolidated statements of operations and changes in net assets.

Finance leases are included in goodwill, intangibles, and other assets, current portion of long-term debt, and long-term debt, less current portion on the consolidated balance sheets. The other assets under finance lease obligations are amortized on the straight-line method over the lease term or the estimated useful life of the equipment, whichever period is shorter. Such amortization is included with depreciation on the accompanying consolidated statements of operations and changes in net assets.

Indiana University Health, Inc. and Subsidiaries

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

13. Leases (continued)

Indiana University Health has operating and finance leases for medical offices, administrative offices, and certain equipment. The leases generally have remaining lease terms of 1 year to 29 years, some of which may include options to extend.

Rent and lease expense, included in supplies, drugs, purchased services, and other expenses on the accompanying consolidated statements of operations and changes in net assets, amount to \$61,119 and \$56,192 for the years ended December 31, 2025 and 2024, respectively.

Other information related to leases was as follows:

	Year Ended December 31	
	2025	2024
Supplemental cash flow information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 36,026	\$ 38,211
Operating cash flows from finance leases	14	8
Financing cash flows from finance leases	247	496
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 10,412	\$ 38,667
Finance leases	1,495	-
Weighted average remaining lease term (in years)		
Operating leases	5.21	5.64
Finance leases	7.23	6.75
Weighted average discount rate		
Operating leases	2.87%	2.76%
Finance leases	3.57%	0.33%

Indiana University Health, Inc. and Subsidiaries

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

13. Leases (continued)

Future minimum lease payments under noncancellable leases as of December 31, 2025, were as follows:

	<u>Operating</u>	<u>Finance</u>
2026	\$ 36,381	\$ 310
2027	27,323	295
2028	13,399	261
2029	10,960	217
Thereafter	22,937	833
Total future minimum lease payments	<u>111,000</u>	<u>1,916</u>
Less imputed interest	9,526	235
Net present value of minimum lease payments	<u>\$ 101,474</u>	<u>\$ 1,681</u>

As of December 31, 2025, Indiana University Health reviewed leases that had been signed in 2025, with commencement dates in subsequent years. None of these agreements were deemed material for disclosure.

14. Medical Malpractice

The Indiana University Health System's medical malpractice coverage is provided through the IU Health Risk Retention Group, Inc. (IUHRRG), a 99%-owned subsidiary. The program of medical malpractice coverage considers the per claim limitation of liability prescribed by the Indiana Medical Malpractice Act (the Act), which limits the amount of individual claims to the following: (i) for acts of negligence prior to June 30, 2017, \$1,250 and annual aggregate claims to \$7,500, of which up to \$1,000 would be paid by the State of Indiana Patient Compensation Fund (the Fund) and \$250 by the Indiana University Health System for each occurrence of malpractice; (ii) for acts of negligence from July 1, 2017 to June 30, 2019, \$1,650 and annual aggregate claims to \$12,000, of which up to \$1,250 would be paid by the Fund and \$400 by the Indiana University Health System for each occurrence of malpractice; and (iii) for acts of negligence from July 1, 2019, and forward, \$1,800 and annual aggregate claims to \$15,000, of which up to \$1,300 would be paid by the Fund and \$500 by the Indiana University Health System for each occurrence of malpractice. The Act also requires that health care providers meet certain requirements, including making funding payments to the Fund and maintaining certain insurance levels. The Indiana University Health System has met these

Indiana University Health, Inc. and Subsidiaries

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

14. Medical Malpractice (continued)

requirements and is a qualified provider under the Act, retaining risk of \$250 per occurrence and \$7,500 in the annual aggregate for acts of negligence occurring prior to June 30, 2017; \$400 per occurrence and \$12,000 in the annual aggregate for acts of negligence occurring from July 1, 2017 to June 30, 2019; and \$500 per occurrence and \$15,000 in the annual aggregate for acts of negligence occurring from July 1, 2019 forward. Indiana University Health System's medical malpractice program includes coverage offered by IUHRRG and reinsured by IUH Assurance SPC, Ltd. (IUHAL), a wholly owned subsidiary. This reinsurance also serves as excess insurance for general liability, automobile liability, IUHAL helipad, nonowned aircraft, employer's liability, managed care errors and omissions, and professional liability. This coverage is provided on a claims-made basis (aggregating \$70,000 as of July 1, 2014 and forward, and \$100,000 prior).

Contributions for coverage provided by the captive insurance companies are expensed as incurred, and loss reserves are established for incurred but not yet reported claims. Laws in the jurisdictions in which the captive insurance companies are domiciled require, among other matters, that certain capital and funding requirements be met. The actuarially determined amount of accrued medical malpractice claims is included in noncurrent liabilities on the accompanying consolidated balance sheets.

15. Retirement Plans

Retirement benefits are provided to substantially all employees of the Indiana University Health System, primarily through defined contribution plans. Contributions to the defined contribution plans, which are included in salaries, wages, and benefits on the consolidated statements of operations and changes in net assets, are based on compensation of qualified employees and amounted to \$136,940 and \$127,776 in 2025 and 2024, respectively (net of forfeitures of \$1,007 and \$1,091 in 2025 and 2024, respectively).

Indiana University Health, Inc. and Subsidiaries

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

16. Functional Expenses

The tables below present expenses by both their nature and function for the years ended December 31, 2025 and 2024.

	Health Services	Medical Risk	General and Administrative	Total
Year ended December 31, 2025:				
Salaries, wages, and benefits	\$ 4,943,343	\$ 13,349	\$ 200,531	\$ 5,157,223
Supplies, drugs, purchased services, and other	3,521,734	4,739	186,362	3,712,835
Hospital assessment fee	260,485	-	-	260,485
Health claims to providers	-	1,189	-	1,189
Depreciation and amortization	264,039	-	9,511	273,550
Interest	33,137	-	-	33,137
	<u>\$ 9,022,738</u>	<u>\$ 19,277</u>	<u>\$ 396,404</u>	<u>\$ 9,438,419</u>

	Health Services	Medical Risk	General and Administrative	Total
Year ended December 31, 2024:				
Salaries, wages, and benefits	\$ 4,794,518	\$ 22,537	\$ 170,452	\$ 4,987,507
Supplies, drugs, purchased services, and other	3,082,347	33,602	153,957	3,269,906
Hospital assessment fee	248,167	-	-	248,167
Health claims to providers	-	122,568	-	122,568
Depreciation and amortization	282,628	-	14,338	296,966
Interest	41,640	-	-	41,640
	<u>\$ 8,449,300</u>	<u>\$ 178,707</u>	<u>\$ 338,747</u>	<u>\$ 8,966,754</u>

The consolidated financial statements report certain categories of expenses that are attributable to more than one supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, and benefits, which are allocated on a per full-time equivalent basis.

Indiana University Health, Inc. and Subsidiaries

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

17. Related Party Transactions

Indiana University School of Medicine

The Consolidation Agreement requires that Indiana University Health fund salaries, related employee benefit costs, and administrative costs for medical doctor interns and residents of the School of Medicine who provide services at the Indiana University Health System's facilities. These costs totaled \$66,861 and \$63,021 in 2025 and 2024, respectively, and have been reported within salaries, wages, and benefits expense on the accompanying consolidated statements of operations and changes in net assets.

The Indiana University Health System purchases certain services from the School of Medicine. These expenses, principally for certain physician and staff salaries, medical directors, medical care case management services, utilities, laboratory services, and other services, totaled \$64,691 and \$62,040, net of offsetting funds from the School of Medicine, for the years ended December 31, 2025 and 2024, respectively, and have been reported within salaries, wages, and benefits and supplies, drugs, purchased services, and other expenses on the accompanying consolidated statements of operations and changes in net assets.

The Indiana University Health System also provides additional support to the School of Medicine to assist with medical education and research. Indiana University Health provides funding to the School of Medicine to support operations and strategic research. Due to a large grant provided to the School of Medicine in 2021, some historical funding streams were stopped with the intention of developing new funding methods beginning in 2025. In 2025, Indiana University Health entered into a new agreement that covers calendar years 2025 through 2029. During 2025 and 2024, Indiana University Health expensed \$119,760 and \$20,913, respectively, within supplies, drugs, purchased services, and other expenses on the accompanying consolidated statements of operations and changes in net assets.

As a commitment to continued support of educational and research efforts, Indiana University Health recognized contributions of \$34,000 and \$13,590 for the years ended December 31, 2025 and 2024, respectively, to the Indiana University Medical Group Foundation. The contributions were recorded as supplies, drugs, purchased services, and other expenses on the accompanying consolidated statements of operations and changes in net assets. The contributions serve to enhance current teaching programs and, ultimately, the access to high-quality medical care.

Indiana University Health, Inc. and Subsidiaries

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

17. Related Party Transactions (continued)

Other Foundations

Tipton County Foundation is a tax-exempt organization under Section 501(c)(3) of the IRC; this foundation holds funds on behalf of Tipton Hospital. The financial statements of this foundation are not included in the consolidated financial statements. There are additional foundations that hold philanthropic funds on behalf of Indiana University Health. These foundations also hold other net assets that are subject to the direction of their respective boards of directors. The interests in net assets of other foundations, which totaled \$14,296 and \$13,011 as of December 31, 2025 and 2024, respectively, are included within interests in net assets of foundations on the accompanying consolidated balance sheets and principally represent donor-restricted funds.

18. Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure; accreditation; participation requirements; reimbursement for patient services; Medicare and Medicaid fraud and abuse; and security, privacy, and standards of health information. Government activity has continued with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and noncompliance with regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, significant repayments for patient services previously billed, and disruptions or delays in processing administrative transactions, including the adjudication of claims and payment.

In the opinion of management, there are no known regulatory inquiries that are expected to have a material adverse effect on the consolidated financial statements of the Indiana University Health System; however, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

On July 4, 2025, President Trump signed into law H.R.1, which includes significant policy change to Medicaid and the Health Insurance Marketplace programs. Most notably, the legislation includes sweeping changes to States' use of provider taxes, State Directed Payment Programs, and Medicaid enrollment. The State of Indiana recently submitted its application for a State Directed Payment Program to CMS in accordance with the new

Indiana University Health, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Thousands of Dollars)

18. Health Care Legislation and Regulation (continued)

requirements set forth in H.R.1. The State is currently awaiting the CMS's decision. Indiana University Health continues to evaluate both the immediate and long-term impacts H.R.1 will have on provider reimbursement and health insurance coverage for Hoosier Medicaid and Marketplace enrollees.

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2026 Ernst & Young LLP.

All Rights Reserved.

ey.com