

CONSOLIDATED FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION, AND REPORTS ON  
FEDERAL AND STATE AWARD PROGRAMS

CHRISTUS Health  
Years Ended June 30, 2025 and 2024  
With Report of Independent Auditors



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# CHRISTUS Health

## Consolidated Financial Statements, Supplementary Information, and Reports on Federal and State Award Programs

Years Ended June 30, 2025 and 2024

### Contents

#### Part I – Financial

Report of Independent Auditors.....	1
Consolidated Financial Statements	
Consolidated Balance Sheets .....	4
Consolidated Statements of Operations and Changes in Net Assets .....	6
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	10
Supplementary Information – Federal and State Awards	
Schedule of Compensation Information .....	57
Schedule of Expenditures of Federal and State Awards.....	58
Notes to Schedule of Expenditures of Federal and State Awards . .....	62

#### Part II – Internal Control and Compliance Reports

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	64
Report of Independent Auditors on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the Texas Grant Management Standards .....	66

#### Schedule of Findings and Questioned Costs

Section I – Summary of Auditor’s Results .....	69
Section II – Financial Statement Findings.....	70
Section III – Federal Award Findings and Questioned Costs.....	70
Section IV – State Award Findings and Questioned Costs .....	70



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## Report of Independent Auditors

The Board of Directors  
CHRISTUS Health

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of CHRISTUS Health, which comprise the consolidated balance sheets as of June 30, 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 CHRISTUS Health at June 30, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 CHRISTUS 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.



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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 CHRISTUS Health's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 CHRISTUS 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 CHRISTUS Health's ability to continue as a going concern for a reasonable period of time.



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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.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to September 24, 2025. The accompanying schedule of compensation information is presented for purposes of additional analysis as required by the Louisiana Revised Statute 24:513 A.(3) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2025 on our consideration of CHRISTUS Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CHRISTUS Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CHRISTUS Health's internal control over financial reporting and compliance.

*Ernst + Young LLP*

September 24, 2025

# CHRISTUS Health

## Consolidated Balance Sheets

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	<b>\$ 1,050,490</b>	\$ 1,044,665
Short-term investments and equity in managed funds	<b>919,764</b>	1,061,446
Assets whose use is limited or restricted, required for current liabilities	<b>55,270</b>	57,188
Patient accounts receivable	<b>881,633</b>	883,351
Notes and other receivables	<b>284,156</b>	243,140
Inventories	<b>163,721</b>	159,035
Other current assets	<b>175,651</b>	276,689
Total current assets	<b>3,530,685</b>	3,725,514
Assets whose use is limited or restricted, less current portion	<b>1,068,156</b>	845,989
Property and equipment, net of accumulated depreciation	<b>4,492,884</b>	4,182,722
Other assets:		
Investments in unconsolidated organizations	<b>260,753</b>	232,941
Goodwill and intangible assets, net	<b>225,793</b>	211,809
Finance lease right-of-use assets	<b>141,425</b>	124,089
Operating lease right-of-use assets	<b>278,920</b>	198,671
Beneficial interest in supporting organizations	<b>177,794</b>	154,591
Other assets	<b>478,609</b>	446,773
Total other assets	<b>1,563,294</b>	1,368,874
Total assets	<b>\$ 10,655,019</b>	\$ 10,123,099

CHRISTUS Health

Consolidated Balance Sheets (continued)

	<b>June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,642,299	\$ 1,493,931
Accrued employee compensation and benefits	392,771	360,924
Current portion of long-term debt	89,992	92,799
Current portion of finance lease liabilities	17,252	13,889
Current portion of operating lease liabilities	46,857	39,104
Total current liabilities	<u>2,189,171</u>	<u>2,000,647</u>
Long-term debt, less current portion	2,287,436	2,369,994
Derivative financial instruments	35,661	34,730
Long-term finance lease liabilities	149,541	137,748
Long-term operating lease liabilities	265,077	186,799
Other long-term obligations – including self-funded liabilities, less current portion	390,810	379,538
Total liabilities	<u>5,317,696</u>	<u>5,109,456</u>
Net assets:		
Net assets without donor restrictions:		
Attributable to CHRISTUS Health	4,899,861	4,603,511
Attributable to noncontrolling interest	137,937	137,030
Total net assets without donor restrictions	<u>5,037,798</u>	<u>4,740,541</u>
Net assets with donor restrictions	299,525	273,102
Total net assets	<u>5,337,323</u>	<u>5,013,643</u>
Total liabilities and net assets	<u>\$ 10,655,019</u>	<u>\$ 10,123,099</u>

*See accompanying notes.*

## CHRISTUS Health

### Consolidated Statements of Operations and Changes in Net Assets

	<b>Year Ended June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Revenues:</b>		
Net patient service revenue	<b>\$ 8,222,281</b>	\$ 7,574,353
Premium revenue	<b>668,470</b>	496,275
Other revenue	<b>796,078</b>	781,061
<b>Total revenues</b>	<b>9,686,829</b>	8,851,689
<b>Expenses:</b>		
Employee compensation and benefits	<b>4,147,432</b>	3,928,982
Services and other	<b>3,279,867</b>	2,688,961
Supplies	<b>1,688,789</b>	1,523,434
Depreciation and amortization	<b>331,402</b>	335,411
Interest	<b>103,455</b>	105,884
<b>Total expenses</b>	<b>9,550,945</b>	8,582,672
<b>Operating income</b>	<b>135,884</b>	269,017
Nonoperating investment gains, net	<b>139,268</b>	137,260
Other nonoperating losses, net	<b>(13,517)</b>	(46,147)
<b>Revenues in excess of expenses</b>	<b>261,635</b>	360,130
Less revenues in excess of expenses attributable to noncontrolling interests	<b>15,183</b>	23,854
<b>Revenues in excess of expenses attributable to CHRISTUS Health</b>	<b>246,452</b>	336,276

## CHRISTUS Health

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

	<b>Year Ended June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
Net assets without donor restrictions:		
Revenues in excess of expenses attributable to		
CHRISTUS Health	\$ 246,452	\$ 336,276
Unrealized gain on other-than-trading investments	10,158	11,315
Change in pension assets	31,452	51,474
Foreign currency translation adjustment	(10,966)	(39,508)
Change in net assets from purchase of noncontrolling interest	–	(17,486)
Other activities, net, including net assets released from restrictions for capital	19,254	(9,968)
Changes attributable to CHRISTUS Health	296,350	332,103
Revenues in excess of expenses attributable to noncontrolling interests	15,183	23,854
Distributions	(14,288)	(13,504)
Acquisitions and sales of noncontrolling interests, net	1,349	(365,386)
Foreign currency translation adjustment	(1,006)	(4,953)
Other activities, net	(331)	13
Changes attributable to noncontrolling interests	907	(359,976)
Net assets with donor restrictions:		
Net change in beneficial interest in supporting organizations	23,203	15,496
Contributions	12,881	15,013
Unrealized gain on investments	421	296
Other activities, net, including net assets released from restrictions	(10,082)	(6,699)
Changes in net assets with donor restrictions	26,423	24,106
Change in net assets	323,680	(3,767)
Net assets – beginning of fiscal year	5,013,643	5,017,410
Net assets – end of fiscal year	\$ 5,337,323	\$ 5,013,643

*See accompanying notes.*

# CHRISTUS Health

## Consolidated Statements of Cash Flows

	<b>Year Ended June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Change in net assets	\$ 323,680	\$ (3,767)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in beneficial interests	(23,203)	(15,496)
Change in pension assets recognized in net assets	(31,452)	(51,474)
Contributions of net assets with donor restrictions	(12,881)	(15,013)
Inherent contribution from business combination	—	(34,078)
Distributions to, acquisitions, and sale of noncontrolling interest, net	12,939	368,818
Equity in earnings of unconsolidated organizations, net of distributions received	(21,626)	(27,100)
Unrealized investment gain	(37,258)	(88,782)
Depreciation and amortization	331,402	335,411
Amortization of premiums, discounts, and deferred financing costs, net	7,825	(3,293)
Change in derivative fair value	931	(12,423)
Loss on disposal of property, equipment, and other assets	235	1,639
Foreign currency translation adjustment, net of cash impact	13,764	74,560
Changes in operating assets and liabilities, net of acquisitions:		
Increase in net patient accounts receivable	(1,422)	(75,831)
Decrease (increase) in investments and assets whose use is limited or restricted	1,525	(65,029)
Increase in notes and other receivables	(45,183)	(96,458)
Decrease in other current assets and inventories	99,564	23,397
Increase in accounts payable, accrued expenses, deferred revenue, and accrued employee compensation and benefits	170,684	246,076
Increase in other long-term liabilities	15,070	70,649
Net cash provided by operating activities	<b>804,594</b>	<b>631,806</b>
<b>Investing activities</b>		
Purchases of property and equipment	(629,708)	(743,610)
Proceeds from sale or disposal of property and equipment	9,036	4,803
Purchases of and contributions to investments in unconsolidated organizations	(3,878)	(13,263)
(Increase) decrease in other-than-trading investments and assets limited as to use	(6,469)	142,703
Increase in other assets	(2,831)	(39,929)
Acquisitions of healthcare entities, net of cash acquired	(23,089)	(230,150)
Net cash used in investing activities	<b>(656,939)</b>	<b>(879,446)</b>

# CHRISTUS Health

## Consolidated Statements of Cash Flows (continued)

	<b>Year Ended June 30</b>	
	<b>2025</b>	<b>2024</b>
	<i>(In Thousands)</i>	
<b>Financing activities</b>		
Contributions of net assets with donor restrictions	\$ 12,881	\$ 15,013
Purchases and sales of noncontrolling interests, net	1,349	(58,368)
Proceeds from issuance of new debt	—	420,567
Payments on long-term debt	(91,021)	(387,890)
Payments on financing leases	(14,386)	(14,194)
Distributions to noncontrolling interest holders	(14,288)	(13,504)
Net cash used in financing activities	<b>(105,465)</b>	<b>(38,376)</b>
Net increase (decrease) in cash, cash equivalents, and restricted cash	42,190	(286,016)
Cash, cash equivalents, and restricted cash – beginning of fiscal year	1,138,819	1,424,835
Cash, cash equivalents, and restricted cash – end of fiscal year	<b>\$ 1,181,009</b>	<b>\$ 1,138,819</b>
<b>Reconciliation of cash, cash equivalents, and restricted cash</b>		
Cash and cash equivalents at beginning of fiscal year	\$ 1,044,665	\$ 1,151,756
Restricted cash included in assets whose use is limited or restricted at beginning of fiscal year	94,154	273,079
Cash, cash equivalents, and restricted cash at beginning of fiscal year	<b>\$ 1,138,819</b>	<b>\$ 1,424,835</b>
Cash and cash equivalents at end of fiscal year	\$ 1,050,490	\$ 1,044,665
Restricted cash included in assets whose use is limited or restricted at end of fiscal year	130,519	94,154
Cash, cash equivalents, and restricted cash at end of fiscal year	<b>\$ 1,181,009</b>	<b>\$ 1,138,819</b>
<b>Noncash financing transactions</b>		
Notes issued in exchange for noncontrolling interests in consolidated organizations	\$ —	\$ 377,073
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest (net of amount capitalized)	<b>\$ 102,613</b>	<b>\$ 106,694</b>

*See accompanying notes.*

# CHRISTUS Health

## Notes to Consolidated Financial Statements

June 30, 2025

### **1. Mission, Vision, and Organization of CHRISTUS Health**

CHRISTUS Health was incorporated as a Texas nonprofit corporation on December 15, 1998. CHRISTUS is sponsored by the Congregation of the Sisters of Charity of the Incarnate Word of Houston, Texas; the Congregation of the Sisters of Charity of the Incarnate Word of San Antonio, Texas; and the Congregation of the Sisters of the Holy Family of Nazareth. CHRISTUS Health, together with each affiliated entity for which CHRISTUS Health holds, directly or indirectly, at least a majority membership, ownership, or other controlling interest, is collectively referred to in these consolidated financial statements as CHRISTUS or the System.

The CHRISTUS mission is to extend the healing ministry of Jesus Christ. Based on the Gospel values underlying its mission statement, CHRISTUS works to respond to the healthcare needs of the economically disadvantaged and other underserved populations. The growth and development of the System is driven by the healthcare needs of the communities it serves, taking into account available resources. Responsible stewardship mandates that CHRISTUS continually look for new, effective means to deliver quality healthcare while recognizing the individual dignity of each person served.

The vision of CHRISTUS is to be a leader, a partner, and an advocate in the creation of innovative health and wellness solutions that improve the lives of individuals and communities so that all may experience God's healing presence and love.

The consolidated financial statements reflect the results of operations of CHRISTUS Health and its affiliated market-based healthcare provider organizations and other related entities and functions (all of which are, or further the work of, CHRISTUS ministries). These include, but are not limited to, hospitals, physician groups, ambulatory surgery centers, diagnostic imaging companies, urgent care centers, health plans, integrated community health networks, foundations, professional office buildings, management services organizations, a collection agency, self-insurance trusts, and an offshore captive insurance company.

CHRISTUS and its affiliates control, own, or manage various nonprofit and for-profit entities that currently operate in Texas, Louisiana, New Mexico, and Arkansas in the United States, as well as internationally in Mexico, Chile, Colombia and the Cayman Islands.

CHRISTUS Health and certain affiliated nonprofit corporations are generally exempt from federal income taxes under Section 501(a) of the Internal Revenue Code, as organizations described in Section 501(c)(3).

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **2. Community Health**

In accordance with its mission and philosophy, the System commits significant resources to improving the health of the communities it serves. In support of its mission, the System provides programs and services for entire communities, with special consideration for those who are poor and underserved.

CHRISTUS and various hospital participants have elected to provide healthcare services to the indigent population, both directly to patients as charity services and by providing financial support to one another for certain community benefit efforts provided throughout the year, with the goal being to reach a previously discussed equitable distribution of the cost of care to the low-income and needy populations in the communities they service.

#### **Programs and Services for the Poor and Underserved**

These programs and services represent the financial commitment to serve those who have inadequate resources and/or are uninsured or underinsured. Services are offered with the conviction that healthcare is a basic human right and all deserve access. The categories included as programs and services for the poor and the underserved are as follows:

*Charity Care* – in accordance with the Catholic Health Association (CHA) guidelines, charity care represents the unpaid costs of free or discounted health services provided to persons who cannot afford to pay and who meet the organization’s criteria for financial assistance. Traditional charity care is defined by the State of Texas as the unreimbursed costs of providing, funding, or otherwise financially supporting the healthcare services provided to a person classified by the hospital as financially or medically indigent. CHRISTUS generally considers anyone with income at or below 200% of the federal poverty level as qualifying for charity care. Charity care services provided to these patients are not reported as revenue on the consolidated statements of operations and changes in net assets as there is no expectation of payment. The amount of traditional charity care provided, determined on the basis of cost, estimated using the applicable cost to charge ratios of the hospital participants was \$440,262,000 and \$372,765,000 for the fiscal years ended June 30, 2025 and 2024, respectively.

*Unpaid Costs of Medicaid and Other Public Programs for the Indigent* – this category represents the cost of providing services to beneficiaries of public programs, including state Medicaid and indigent care programs, in excess of any payments received from all sources.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **2. Community Health (continued)**

*Community Services for the Poor and Underserved* – this category represents the unpaid cost of services provided for which a patient is not billed or for which a fee has been assessed that recovers only a portion of the cost of the rendered service. This category includes services for those in need through community health programs. The programs cover a broad spectrum of services, including community health centers, immunizations for children and seniors, Meals on Wheels, transportation services, home repair projects, and a variety of other social services. These programs may also seek justice for the vulnerable and work to bring about changes in political and economic systems.

*Community Services Provided for the Broader Community* – this category represents the unpaid cost of services provided for the benefit of the entire community. The majority of these expenditures are for graduate medical education programs, either through CHRISTUS-sponsored or affiliated programs. Other benefits for the broader community include health promotion and wellness programs, health screenings, newsletters, and radio or television programs intended for health education. These programs are not intended to be financially self-supporting.

*Education and Research* – this category represents the direct costs associated with medical education and other health professional educational programs in excess of governmental payments.

*Other Community Services* – this category represents leadership activities, community planning, and advocacy.

### **3. Summary of Significant Accounting Policies**

#### **Basis of Consolidation**

The consolidated financial statements include the accounts of all entities of the System (see Note 1). All significant intercompany transactions and accounts have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of the accompanying consolidated financial statements in conformity with United States generally accepted accounting principles (U.S. GAAP) requires management of the System to make assumptions, estimates, and judgments that affect the amounts of assets, liabilities, revenues, and expenses reported in the consolidated financial statements, including the notes

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

thereto, and related disclosures of commitments and contingencies, if any, at the date of the consolidated financial statements. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ materially from these estimates.

#### Cash Equivalents and Investments

Cash equivalents include short-term, highly liquid investments with original maturities of three months or less.

The System's investment portfolio is classified as trading, with unrealized gains and losses included in revenues in excess of expenses and cash flows included in operating activities. Certain investments held by the System's foundations are classified as other than trading, with unrealized gains and losses included in changes in net assets and cash flows included in investing activities. Investments in equity securities and funds with readily determinable fair values and all investments in debt securities are measured at fair value on the consolidated balance sheets. Investments also include equity investments in managed funds structured as limited liability corporations or partnerships. Equity investments in managed funds without readily determinable fair values are accounted for using net asset value (NAV) as a practical expedient if held within the System's foundations or captive insurer, or under the equity method of accounting if held by another System entity. Investment income or loss (including equity investment earnings (losses) on equity investments in managed funds; realized and unrealized gains and losses, computed on the average-cost basis of the security at the time of sale; and interest and dividends) is included in revenues in excess of expenses, unless the income or loss is restricted by donor or law.

Investment income earned on assets held by trustees under bond indenture agreements, assets held by foundations, assets deposited in trust funds for self-insurance purposes, holdings in healthcare-related investment funds, and funds held by insurance subsidiaries in accordance with industry practices are included in other revenue on the consolidated statements of operations and changes in net assets.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

#### Derivative Financial Instruments

The System utilizes interest rate swaps to mitigate interest rate exposures. Changes in the fair value of the System's interest rate swaps and the expense or income representing the net of the payments made and received under the swap agreements are recorded as a component of nonoperating investment gains (losses) on the accompanying consolidated statements of operations and changes in net assets.

#### Inventories

The System values inventories, which consist principally of medical supplies and pharmaceuticals, at the lower of cost (first-in, first-out or weighted average cost valuation method) or net realizable value.

#### Property and Equipment

Property and equipment acquisitions are recorded at historical cost or, if donated, impaired, or acquired in a business transaction, at fair value at the time of donation, impairment, or acquisition. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Routine maintenance, repairs, and minor equipment replacement costs are charged against operations.

Depreciation is calculated and recorded over the estimated useful life of each class of depreciable assets using the straight-line method. The *American Hospital Association – Estimated Useful Lives of Depreciable Hospital Assets*, historical experience and industry knowledge are used to establish appropriate depreciable lives. Amortization of financing lease right-of-use assets and impairment losses related to long-lived assets are included in depreciation expense.

#### Internal-Use Software

Costs to develop internal-use software and internal-use software obtained through a hosting arrangement are capitalized during the application development phase in accordance with Accounting Standards Codification (ASC) 350, *Intangibles – Goodwill and Other*. At June 30, 2025 and 2024, the System had capitalized costs related to internal-use software obtained through a hosting arrangement, net of amortization, of \$17,225,000 and \$20,792,000, respectively,

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

included in other assets on the consolidated balance sheets. The capitalized costs are amortized over a ten-year life. During both fiscal years ended June 30, 2025 and 2024, the System recognized amortization expense of \$3,567,000, which is included in depreciation and amortization expense on the consolidated statements of operations and changes in net assets.

#### Asset Impairment

The System periodically evaluates the carrying value of its operating long-lived assets for impairment when indicators of impairment are identified. These evaluations are primarily based on the estimated recoverability of the assets' carrying value. Impairment write-downs are recognized as a reduction in operating income for the operating long-lived assets at the time the impairment is identified. There were no impairments of operating long-lived assets recognized in fiscal years 2025 or 2024.

#### Investments in Unconsolidated Organizations

The System has investments in certain organizations for which it does not have a majority ownership interest or control and, therefore, these organizations are not consolidated. Generally, these investments are recorded using the equity method of accounting for those organizations in which the System owns greater than 20% and has significant influence over the organization. The System measures its equity investments in organizations in which the System owns 20% or less at cost less impairment, if any, because these investments do not have a readily determinable fair value.

The System has investments in unconsolidated organizations of \$260,753,000 and \$232,941,000 at June 30, 2025 and 2024, respectively. Differences between the carrying amounts of the System's investments and the underlying equity in the net assets of the investees total \$55,848,000 and \$52,035,000 at June 30, 2025 and 2024, respectively. These differences are attributed to the excess fair value over book value of intangible assets at the investee level, and are being reduced as an adjustment to equity earnings over the life of the related assets. The intangible is reviewed for impairment on an annual basis.

Equity income of \$39,319,000 and \$43,801,000 for the fiscal years ended June 30, 2025 and 2024, respectively, is reflected in other revenue on the consolidated statements of operations and changes in net assets.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

#### Noncontrolling Interests in Consolidated Subsidiaries

Noncontrolling interests are based on the contractual terms of joint ventures and the ownership percentage of the noncontrolling interests in certain of the System's consolidated subsidiaries. Noncontrolling interests are reflected as a component of net assets without donor restrictions on the consolidated balance sheets, net of distributions.

#### Goodwill and Intangible Assets

Goodwill and intangible assets recorded in connection with acquisitions completed by the System are accounted for under ASC 350. The System records goodwill as the excess of the purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. Indefinite-lived intangible assets consist entirely of acquired trade name assets. Finite-lived intangible assets consist primarily of noncompete assets generated from business combinations and minimum revenue guarantees offered to various non-employed physicians throughout the System.

The changes in the carrying amounts of goodwill and intangible assets as of June 30 are as follows (in thousands):

	<b>Goodwill</b>	<b>Indefinite- Lived Assets</b>	<b>Finite-Lived Assets</b>
Balance at June 30, 2023	\$ 147,002	\$ 46,000	\$ 9,254
Assets acquired	–	8,000	7,092
Amortization	–	–	(4,695)
Currency translation and other adjustments	(758)	–	(86)
Balance at June 30, 2024	146,244	54,000	11,565
Assets acquired	<b>10,501</b>	–	<b>11,500</b>
Amortization	–	–	<b>(5,247)</b>
Currency translation and other adjustments	<b>(931)</b>	–	<b>(1,839)</b>
Balance at June 30, 2025	<b>\$ 155,814</b>	<b>\$ 54,000</b>	<b>\$ 15,979</b>

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

Goodwill is evaluated at least annually for impairment at the reporting unit level on April 1 of each year. Impairment is the condition that exists when the carrying amount of the reporting unit exceeds its implied fair value. Additional impairment assessments may be performed on an interim basis if the System encounters events or changes in circumstances, which would indicate it is more likely than not that the carrying value has been impaired. The System has determined that its reporting units are the various geographically located affiliates.

For goodwill impairment tests, the System may elect to perform a qualitative assessment of each reporting unit to determine whether facts and circumstances support a determination that the reporting unit's fair value is greater than its carrying value. A quantitative assessment is performed for reporting units if the qualitative analysis is not conclusive or if impairment is indicated.

If a quantitative assessment is required, the System uses a fair-value-based process using a discounted cash flow income method, a guideline public company method, and a mergers and acquisitions method to estimate the fair value of the reporting unit. This analysis requires judgments and estimates about the weighted average cost of capital, risk factors, and forecasted operating margins. If the carrying amount of the reporting unit exceeds its fair value, a goodwill impairment is recognized equal to the lesser of the difference between carrying value and fair value or the amount of the goodwill under evaluation. Judgments and assumptions are inherent in the System's estimates used to determine the fair value of its reporting units and are consistent with what the System believes would be utilized by a primary market participant. The use of alternative judgments and assumptions could result in the recognition of different impairment charges in the System's consolidated financial statements.

As a result of the qualitative assessment for fiscal years 2025 and 2024, no impairment was recognized related to goodwill.

Indefinite-lived intangible assets are also evaluated annually for impairment on April 1 of each year, by comparing the fair value of the asset with its carrying amount. The System also considers facts and circumstances regarding the asset on an annual basis to determine whether an indefinite life continues to be appropriate. For indefinite-lived intangible asset impairment tests, the System also may elect to perform a qualitative assessment to determine whether facts and circumstances support a conclusion that it is more likely than not that the asset is not impaired. If the qualitative analysis is not conclusive, or if the System elects to proceed directly with quantitative testing, the fair values of the intangible assets are determined and compared with their carrying amounts. As a result of the qualitative assessments for both fiscal years ended June 30, 2025 and 2024, no impairment was recognized related to indefinite-lived intangible assets.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **3. Summary of Significant Accounting Policies (continued)**

Finite-lived intangible assets are evaluated for impairment whenever indicators of impairment are identified. An impairment loss is recognized if the intangible asset is not recoverable and its carrying amount exceeds its fair value. No impairment related to finite-lived intangible assets was recognized in fiscal years 2025 or 2024.

#### **Leases**

The System determines whether an arrangement is a lease at inception of the contract and performs an analysis to determine whether the lease is an operating lease or a financing lease. Right-of-use assets represent the System's right to use the underlying assets for the lease term and lease liabilities represent the System's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The System uses its estimated incremental borrowing rate in determining the present value of lease payments to the extent that the rate inherent in the lease is unknown. The incremental borrowing rate is calculated on a quarterly basis by a third party that estimates the rate of interest the System would have to pay over a term similar to the lease term. The System does not record leases with an initial term of 12 months or less on its consolidated balance sheets.

#### **Deferred Financing Costs**

Deferred financing costs, net of accumulated amortization, included as a reduction of long-term debt at June 30, 2025 and 2024, are \$8,730,000 and \$9,511,000, respectively, which are being amortized using the effective interest method over the terms of the indebtedness to which they relate. Amortization expense recognized for fiscal years 2025 and 2024 was \$782,000 and \$771,000, respectively.

#### **Net Assets With Donor Restrictions**

Net assets with donor restrictions reflect the portion of the System's net assets whose use is subject to donor-imposed restrictions. Donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. These include the System's beneficial interest in the net assets of affiliated and financially interrelated organizations, whose use has been limited by grant agreements and donors to a specific time period or purpose. Other donor-imposed restrictions are perpetual in nature, where the assets have been restricted by donors to be maintained by the System in perpetuity. Net assets with donor restrictions are primarily restricted for healthcare services, capital projects, community outreach, and other.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received or the condition has been met. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as other revenue in the accompanying consolidated financial statements.

#### Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the amount to which CHRISTUS expects to be entitled in exchange for providing patient care. The System has agreements with third-party payors that provide for payments to the System at amounts different from established rates. Estimated retroactive adjustments under reimbursement agreements with third-party payors are included in patient service revenue and estimated third-party payor settlements. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A complete description of the System's revenue recognition policy is included in Note 4 below.

The System grants credit without collateral to its patients, most of whom are local residents of the geographies of the various System healthcare centers and are insured under third-party payor agreements. The mix of accounts receivable, net of applicable allowances, from patients and third-party payors at June 30 was as follows:

	<u>2025</u>	<u>2024</u>
Medicare	32%	34%
Medicaid	11	9
Managed care organizations	32	34
Self-pay	6	4
International payors	12	13
Others	7	6
	<u>100%</u>	<u>100%</u>

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

#### Charity Care

The System provides care to many patients who cannot afford to pay and who meet the System's criteria for financial assistance. Charity care services provided to these patients are not reported as patient service revenue as there is no expectation of payment. CHRISTUS estimates the cost of providing charity care using the applicable cost to charge ratios of the hospital participants.

#### Premium Revenue and Associated Costs

Premium revenue largely represents revenues derived under capitated arrangements with third parties. In return for these premiums, CHRISTUS is responsible for providing essentially all healthcare services to enrolled participants. The System contracts with the Department of Defense (DOD) to treat TRICARE patients through a U.S. Family Health Plan whereby CHRISTUS earns a negotiated fee per member per month. In return for these premiums, CHRISTUS is responsible for administering covered benefits. Premium revenue recognized under the contract with the DOD was \$156,007,000 and \$143,961,000 during the years ended June 30, 2025 and 2024, respectively. Revenue under this contract is recognized on a monthly basis, subject to provisions for retrospective adjustments based primarily on the results of membership audits.

Premium revenues are also generated by the System's health maintenance organization, Medicare Advantage plans, and for individual coverage on federal and state-based health exchanges. Premium revenue for individual coverage on the federal and state-based Exchanges and Medicare Advantage programs was \$512,463,000 and \$352,314,000 for the fiscal years ended June 30, 2025 and 2024, respectively. A significant portion of these premiums is subsidized through the federal government's advance premium tax credit provisions. Revenues from the exchanges are also subject to risk-sharing provisions as outlined in federal regulations. The purpose of the risk-sharing provisions is to transfer funds from health plans with lower risk to health plans with higher risk within the same state. Risk adjustment assessments and distributions are computed based on a health plan's risk score vs. the overall market risk score. Included in net premium revenues for individual coverage on federal and state-based health exchanges are adjustments decreasing the System's premium revenues for estimated risk-sharing assessments of \$38,674,000 and \$61,852,000 as of June 30, 2025 and 2024, respectively. Ultimate settlement could differ significantly from these estimates.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

Costs for providing services through these contracts were \$558,208,000 and \$419,306,000 for the fiscal years ended June 30, 2025 and 2024, respectively, and are included as operating expenses in the accompanying consolidated financial statements. At June 30, 2025 and 2024, the System has accrued expenses for incurred but not reported claims based upon actuarial evaluations of claims experience. These estimates are continually reviewed and adjusted as necessary as experience develops or as new information becomes known; such adjustments are included in current operations. The System maintains stop-loss insurance coverage to limit exposure for certain catastrophic claims.

#### Other Revenue

Other revenue is derived from services other than providing healthcare services or coverage to patients, residents, or enrollees. This revenue typically includes investment income from all funds held by foundations, bond trustees, malpractice funds, or other miscellaneous investment activities; fees for providing management services under the terms of management agreements with certain of the System's joint ventures and related-party joint venture partners; rental of healthcare facility space; inherent contributions from business combinations when applicable; sales of medical and pharmaceutical supplies to employees, physicians, and others; proceeds from sales of cafeteria meals and guest trays to employees, medical staff, and visitors; and proceeds from sales at retail pharmacies, gift shops and other retail activities or other service facilities operated by the System.

Management and license fee contracts include variable consideration as the fees are not fixed but are based on a percentage of revenue. CHRISTUS recognizes revenue when the uncertainty is resolved, which is generally on a monthly basis as actual revenues are known or can be reasonably estimated. CHRISTUS also evaluates the collectability of each of its management and license fee contracts and applies a constraint, if necessary, to avoid future reversals of revenue. Membership revenues relate primarily to fitness centers operated by various hospitals throughout the System, and are recognized ratably over the membership period. Revenues from point-of-sale transactions are recognized as incurred.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 3. Summary of Significant Accounting Policies (continued)

#### Income Taxes

The authoritative guidance in ASC 740, *Income Taxes*, creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. Under the requirements of this guidance, tax-exempt organizations could be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. CHRISTUS has interests in various taxable entities, including investments in Mexico, Chile, and Colombia. These interests may give rise to U.S. and international tax exposures. CHRISTUS intends to utilize foreign earnings in foreign operations for an indefinite period of time in order to continue investing all earnings into the continued maintenance and expansion of these operations abroad as part of the System's mission. If these amounts were distributed to the U.S. in the form of dividends or otherwise, the System could be subject to additional U.S. income taxes. Determination of the amount of unrecognized deferred income tax liabilities on these earnings is not practicable because such liability, if any, depends on circumstances existing if and when remittance occurs. There are no material unrecorded tax liabilities as of June 30, 2025 or 2024.

At June 30, 2025 and 2024, CHRISTUS has operating loss carryforwards in its domestic operations of \$174,661,000 and \$169,616,000, which result in deferred tax assets of \$36,679,000 and \$35,619,000, respectively. CHRISTUS has provided a valuation allowance of the same amount as it is more likely than not that the deferred tax assets will not be realized. CHRISTUS also has net deferred tax assets of approximately \$69,268,000 and \$62,432,000 as of June 30, 2025 and 2024, respectively, in its international operations, which relate primarily to certain pension liabilities, provisions and allowances, and property and equipment, and which are recorded in other assets on the consolidated balance sheets.

#### Foreign Currency

Functional currency is determined for each entity within the System based on the primary currency in which the entity generates and expends cash. Each entity denominated in a functional currency other than the U.S. dollar (USD) is subjected to a remeasurement and translation process. First, transactions at these entities that are in a currency other than the functional currency are remeasured into the functional currency. Remeasurement losses recorded as a component of nonoperating income were \$6,218,000 and \$39,428,000 for the fiscal years ended June 30,

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **3. Summary of Significant Accounting Policies (continued)**

2025 and 2024, respectively. After all amounts are appropriately measured in the functional currency, the financial statements are then translated to USD and consolidated. In fiscal year 2025, the System recorded a decrease in net assets due to translation adjustments of \$12,152,000 in net assets. The cumulative translation adjustment recorded in net assets as of June 30, 2025 and 2024, was a decrease to net assets of \$93,815,000 and \$81,663,000, respectively.

#### **Business Combinations**

CHRISTUS accounts for all transactions that represent business combinations in which it obtains control of the acquired entity using the acquisition method of accounting, where the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquired entity are recognized and measured at their fair values on the date the System obtains control of the acquiree.

Such fair values that are not finalized for reporting periods following the acquisition date are estimated and recorded as provisional amounts. Adjustments to these provisional amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed, and any noncontrolling interests has been obtained, limited to one year from the acquisition date) are recorded in the period in which the final amounts are determined. Goodwill is determined as the excess of the purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed. An inherent contribution is recorded if the fair values of identifiable assets and liabilities acquired exceed the consideration conveyed.

#### **Performance Indicator**

The performance indicator is revenues in excess of expenses, which includes all changes in net assets without donor restrictions other than changes in the pension liability funded status, changes in noncontrolling interests, net assets released from restrictions for property acquisitions, unrealized gains and losses on other-than-trading investments, cumulative effect of changes in accounting principles, discontinued operations, contributions of property and equipment, foreign currency remeasurement, and other changes not required to be included within the performance indicator under U.S. GAAP.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **3. Summary of Significant Accounting Policies (continued)**

#### **Operating and Nonoperating Activities**

CHRISTUS's primary mission is to meet the healthcare needs in its market areas through a broad range of general and specialized healthcare services, including inpatient acute care, outpatient services, physician services, and other healthcare services. Activities directly associated with furthering this purpose are considered to be operating activities and reported as a component of operating income, an interim measure of operations. Earnings from the investment activities of the offshore captive, community foundations, and holdings in healthcare-specific investment funds are also classified as operating activities as such earnings support the operations of those organizations. Other activities that result in gains or losses peripheral to CHRISTUS's primary mission are considered to be nonoperating, unless required by U.S. GAAP to be included in an interim measure of operations. Nonoperating activities include all other investment earnings, foreign currency remeasurement gains and losses, gains or losses from debt extinguishment, and net settlement cost and changes in fair value of interest rate swaps.

### **4. Revenue Recognition**

#### **Patient Service Revenue**

CHRISTUS recognizes patient service revenue in the period in which performance obligations under its contracts are satisfied by transferring services to patients. The System measures the performance obligation for inpatient services from admission to the System facility to the point when it is no longer required to provide services to the patient, which is generally at the time of discharge. Performance obligations for inpatient services are satisfied over time during the patients' stay at the applicable facility. For in-house patients, revenue is recognized based on the amount of actual charges incurred as of the end of the reporting period, reduced by an estimate of contractual adjustments based on a combination of negotiated rates and historical experience for the payor class. Performance obligations for outpatient services are generally satisfied on the date of the outpatient visit. Bills to patients and third-party payors are generally sent within a few days or weeks of the inpatient discharge or outpatient visit.

Patient service revenue is reported at amounts that reflect the consideration to which CHRISTUS expects to be entitled for providing patient care. The System's patients include those covered under Medicare, Medicaid, managed care health plans, and commercial insurance companies, as well as uninsured patients. The System has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 4. Revenue Recognition (continued)

basis for payment to the System under these agreements includes prospectively determined rates per discharge, discounts from established charges, and negotiated daily rates. Inpatient acute care services and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient diagnosis-related group classification system that is based on clinical, diagnostic, and other factors. Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid under cost reimbursement methodologies, prospectively determined rates per discharge, and prospectively determined or negotiated rates.

The transaction price for each patient is based on the gross charges for services provided, reduced by contractual adjustments and discounts determined based on contractual or negotiated rates as described above. For uninsured and certain underinsured patients, the transaction price is further reduced by implicit price concessions, estimated using historical collection percentages, which reduce the amount of revenue recognized to amounts the System expects to collect.

Revenue under certain third-party payor agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party payor settlements and adjustments are estimated and recorded in the period the related services are rendered and adjusted in future periods as final settlements are determined. At June 30, 2025 and 2024, the System has estimated third-party settlements, net, of \$63,613,000 and \$62,492,000, respectively, recorded in accounts payable and accrued expenses in the consolidated financial statements. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a possibility that recorded estimates will change by a material amount in the near term. Patient service revenue includes variable consideration for these retroactive revenue adjustments resulting from the settlement of audits, reviews, and investigations using the most likely outcome method. For fiscal years 2025 and 2024, revenue increased \$9,080,000 and \$9,756,000, respectively, related to changes in estimates for cost report reopenings, appeals, and tentative and final cost report settlements on filed cost reports, of which some are still subject to audit, additional reopening, and/or appeal.

The transaction price for patient services provided depends greatly upon the System's payor mix as collections on gross charges can vary significantly, depending on a patient's insurance coverage, or lack thereof, and the extent of amounts due from patients for co-pays, coinsurance, and deductibles. Various factors affect collection trends within each major class of payors. These include general economic conditions, including unemployment rates, which may influence the

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 4. Revenue Recognition (continued)

number of uninsured and underinsured patients; regulatory changes that affect reimbursement rates from governmental programs such as Medicare and Medicaid; and ongoing contract negotiations with managed care health plans and commercial insurance providers. In addition, estimates of implicit price concessions offered to uninsured patients or related to co-pays, coinsurance, and deductibles of patients with insurance are subject to change as historical collection and write-off experience are analyzed on a monthly basis. These changes are recorded as adjustments to the transaction price in the period in which the estimates are revised. Subsequent adjustments that are determined to be the result of an adverse change in the patient's or the payor's ability to pay are recognized as bad debt expense, which is recorded as a component of other operating expenses on the accompanying consolidated statements of operations and changes in net assets.

The following table summarizes the amount of net patient service revenue recognized by payor (in thousands):

	Year Ended June 30, 2025		Year Ended June 30, 2024	
	Amount	Percentage of Total	Amount	Percentage of Total
Domestic operations:				
Medicare	\$ 2,701,836	33%	\$ 2,594,786	34%
Medicaid	1,343,357	16	1,112,626	15
Managed care	2,678,364	32	2,449,732	32
Self-pay	539,988	7	572,929	8
Other	324,818	4	185,266	2
Subtotal domestic operations	7,588,363	92	6,915,339	91
International operations:				
Mexico payors (private insurance and government payors)	584,530	7	612,691	8
Colombia payors (private insurance and government payors)	49,388	1	46,323	1
Net patient service revenue	\$ 8,222,281	100%	\$ 7,574,353	100%

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 4. Revenue Recognition (continued)

The System also receives payments through state supplemental payment programs that are separate from base Medicaid payments, which vary by state and may be in the form of state-directed payment (SDP) arrangements, payments under Section 1115 waivers, or other forms of supplemental payments for unreimbursed costs or services provided to underserved communities. The System primarily receives supplemental payments through hospital SDPs, which are intended to address the difference between Medicaid fee-for service payments and Medicare reimbursement rates; Uncompensated Care, a Section 1115 waiver program; and Medicaid Disproportional Share (DSH), which provides additional reimbursement for serving Medicaid and low-income populations.

The following table summarizes supplemental revenue from major programs, which is reported in net patient service revenue on the consolidated statements of operations and changes in net assets (in thousands):

	<u>2025</u>	<u>2024</u>
Hospital SDPs	\$ 455,000	\$ 303,200
Uncompensated Care	227,700	184,900
Medicaid DSH	95,600	105,200

The increase in hospital SDP revenue was largely a result of a new hospital SDP established in the state of New Mexico, effective on July 1, 2024.

The System recorded deferred revenues of \$68,105,000 and \$58,994,000 as of June 30, 2025 and 2024, respectively, for consideration received related to state supplemental payment programs for which the performance obligation has not yet been met. Upon satisfaction of the performance obligations in fiscal years 2025 and 2024, the System recognized \$58,994,000 and \$77,800,000, respectively, in net patient service revenue related to amounts included in deferred revenue as of June 30, 2024 and 2023, respectively.

The healthcare 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 of government healthcare programs, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has continued with respect to investigations and allegations concerning possible violations

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 4. Revenue Recognition (continued)

of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Termination of the System's participation in the Medicare or Medicaid programs could have a material impact in the consolidated financial statements.

#### 5. Cash and Investments

Total cash and investments for the System at June 30, including assets whose use is limited, are as follows (in thousands):

	2025	2024
Cash and cash equivalents	\$ 1,181,009	\$ 1,138,819
Certificates of deposit	8,958	36,754
Domestic equities	191,889	171,213
International equities	12,010	7,492
Fixed-income securities	231,274	156,557
U.S. government securities	477,953	361,884
Mutual funds and other similar investment funds:		
Domestic equity funds	120,003	144,026
International equity funds	72,553	129,901
Fixed-income funds	196,125	245,285
Risk parity, blended, and other funds	11,460	38,376
Equity investments in managed funds:		
Fixed-income funds	184,414	204,810
Hedge funds	306,290	271,002
Private equity, real estate, and other	99,742	103,169
	\$ 3,093,680	\$ 3,009,288

The System's investments are subject to various types of risks, as explained below.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### **5. Cash and Investments (continued)**

#### **Fixed Income and U.S. Government Securities**

This investment class includes investments in various fixed-income instruments that include investment-grade and high-yield domestic and international bonds, preferred stocks, mortgage pools, master limited partnership units, and bonds issued by U.S. government agencies. The fixed-income investments are exposed to various kinds and levels of risk, including interest rate risk, credit risk, foreign exchange risk, and liquidity risk.

#### **Equities**

This investment class consists primarily of common and preferred equity securities of domestic and foreign companies. These securities trade through the major public domestic and international exchanges. The equity securities investments are exposed to various risks, including market risk; individual security risk; foreign exchange risk; and, for common equity of companies with a small market capitalization, liquidity risk.

#### **Mutual Funds and Other Similar Investment Funds**

This investment class includes investments in mutual funds, exchange-traded funds, common collective trust funds, and other similar investment funds that generally hold investments in marketable debt and equity securities. Investments in mutual funds, exchange-traded funds, common collective trust funds, and similar funds in this category are exposed to various risks, including market risk and risks associated with the specific securities held within the funds. Certain funds within this category are valued based on amounts reported to the System by the fund managers, generally in the form of NAV per share or an equivalent measure.

#### **Equity Investments in Managed Funds**

Equity investments in managed funds include investments in limited liability partnerships or corporations and other alternative investments. The System's equity investments in managed funds are recorded based on the System's share of the underlying value of marketable securities and nonmarketable interests held by these funds as reported to the System by the fund managers, generally in the form of NAV or an equivalent measure. The underlying securities in managed funds could include marketable debt and equity securities, nonmarketable securities, derivative instruments, or any other investment securities determined at the discretion of the fund managers. These investments are recorded at amounts confirmed by fund managers, and there can be no assurance such reported amounts will ultimately be realized.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 5. Cash and Investments (continued)

These funds are invested with external investment managers who invest primarily in various categories, including fixed income, long and short equity positions, managed futures, emerging markets, distressed enterprises, arbitrage, risk parity, private equity, and real estate positions.

These investments are domestic and international in nature, are illiquid, and returns may not be realized for a period of several years after the investments are made. The risks associated with these investments are numerous, resulting in a greater likelihood of losing invested capital. The risks include the following:

*Non-Regulation Risk* – some of these funds are not required to register with the Securities and Exchange Commission and are not subject to regulatory controls.

*Managerial Risk* – fund managers may fail to produce the intended returns and are not subject to oversight.

*Minimal Liquidity* – many funds impose lockup periods or restrictions on timing of redemptions that prevent investors from redeeming their shares or impose penalties to redeem.

*Limited Transparency* – as unregistered investment vehicles, funds are not required to disclose the holdings in their portfolios to investors.

*Investment Strategy Risk* – the funds often employ sophisticated, risky investment strategies; are speculative; and may use leverage, which could result in volatile returns.

At June 30, 2025, the System had commitments to fund equity investments in private equity funds totaling \$7,345,000, excluding commitments to fund equity investments in private equity funds held by the CHRISTUS Health Cash Balance Plan (the Cash Balance Plan – see Note 12).

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 5. Cash and Investments (continued)

Assets whose use is limited or restricted consisted of the following at June 30 (in thousands):

	2025	2024
Assets whose use is limited or restricted, required for current bond indenture and self-insurance liabilities	\$ 55,270	\$ 57,188
Other investments, internally designated for capital expansion and other purposes	833,709	609,285
Under bond indenture agreement – held by trustee	792	2,596
Under liability retention and self-insurance funding arrangement – held by trustee	4,597	7,764
Under Emerald Assurance funding arrangements	196,437	156,270
Restricted cash and investments	32,621	70,074
Total assets whose use is limited or restricted	\$ 1,123,426	\$ 903,177

Restricted cash and investments relate primarily to investments required to be maintained in perpetuity under the System's endowments, or to cash and investments restricted by donors for the acquisition of capital assets.

Investment returns and losses for assets limited as to use, cash equivalents, and other unrestricted investments consisted of the following for the fiscal years ended June 30 (in thousands):

	2025	2024
Operating interest and dividend income	\$ 30,935	\$ 31,698
Operating gain, realized and unrealized	9,644	27,987
Equity investment gain on managed funds	7,919	2,968
Total operating investment income	48,498	62,653
Nonoperating interest and dividend income	49,802	36,295
Nonoperating gain, realized and unrealized	63,675	53,248
Equity investment gain on managed funds	27,956	34,756
Net swap agreement activity	(2,165)	12,961
Total nonoperating investment gain, net	139,268	137,260
Total investment gain, net	\$ 187,766	\$ 199,913

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 6. Fair Value Measurements

The three-level valuation hierarchy for disclosure of fair value measurements is based on the transparency of inputs to the valuation of an asset or liability as of the reporting date. The three levels are defined as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities at the reporting date.
- Level 2 – inputs to the valuation methodology other than quoted market prices included in Level 1 that are observable for the asset or liability. Level 2 pricing inputs include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

A financial instrument's categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. There were no significant transfers between levels during the fiscal years ended June 30, 2025 or 2024.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 6. Fair Value Measurements (continued)

The following tables present the financial instruments carried at fair value as of June 30 (in thousands) by the valuation hierarchy (as described above):

	2025			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,181,009	\$ —	\$ —	\$ 1,181,009
Investments:	—	—	—	—
Certificates of deposit	—	8,958	—	8,958
Domestic equities	191,889	—	—	191,889
International equities	12,010	—	—	12,010
Fixed-income securities	—	231,274	—	231,274
U.S. government securities	—	477,953	—	477,953
Mutual funds and other similar investment funds:				
Domestic equity funds	77,045	—	—	77,045
International equity funds	72,553	—	—	72,553
Fixed-income funds	64,303	—	—	64,303
Risk parity, blended, and other funds	11,460	—	—	11,460
Total investments at fair value	<u>\$ 1,610,269</u>	<u>\$ 718,185</u>	<u>\$ —</u>	<u>2,328,454</u>
Investments measured at fair value, using net asset value or equivalent:				
Equity funds				42,957
Fixed-income funds				157,904
Hedge funds				57,814
Private equity, real estate, and other funds				6,353
Total assets at fair value				<u>\$ 2,593,482</u>
<b>Liabilities</b>				
Interest rate swap agreements	\$ —	\$ 35,661	\$ —	\$ 35,661
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 35,661</u>	<u>\$ —</u>	<u>\$ 35,661</u>

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 6. Fair Value Measurements (continued)

	2024			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,138,819	\$ –	\$ –	\$ 1,138,819
Investments:				
Certificates of deposit	–	36,754	–	36,754
Domestic equities	171,213	–	–	171,213
International equities	7,492	–	–	7,492
Fixed-income securities	–	156,557	–	156,557
U.S. government securities	–	361,884	–	361,884
Mutual funds and other similar investment funds:				
Domestic equity funds	77,748	–	–	77,748
International equity funds	92,587	–	–	92,587
Fixed-income funds	145,961	–	–	145,961
Risk parity, blended, and other funds	38,376	–	–	38,376
Total investments at fair value	<u>\$ 1,672,196</u>	<u>\$ 555,195</u>	<u>\$ –</u>	<u>2,227,391</u>
Investments measured at fair value, using net asset value or equivalent:				
Equity funds				103,592
Fixed-income funds				124,434
Hedge funds				64,136
Private equity, real estate, and other funds				6,007
Total assets at fair value				<u>\$ 2,525,560</u>
<b>Liabilities</b>				
Interest rate swap agreements	\$ –	\$ 34,730	\$ –	\$ 34,730
Total liabilities at fair value	<u>\$ –</u>	<u>\$ 34,730</u>	<u>\$ –</u>	<u>\$ 34,730</u>

The tables above include equity investments in managed funds held within the System's foundations and captive insurer. Remaining equity investments in managed funds held by other System entities of \$500,198,000 and \$483,728,000 at June 30, 2025 and 2024, respectively, are not included in this table since they are accounted for using the equity method of accounting.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 6. Fair Value Measurements (continued)

The valuation methodologies used for instruments measured at fair value as presented in the tables above are as follows:

- *Investments* – investments valued at quoted prices available in an active market are classified within Level 1 of the valuation hierarchy. Investments valued based on evaluated bid prices provided by third-party pricing services, where quoted market prices are not available, are classified within Level 2 of the valuation hierarchy. Investments measured at fair value using net asset value per share or its equivalent as a practical expedient are not categorized within the fair value hierarchy. These investments consist of hedge funds, commodity funds, common collective trust funds, private equity funds, real estate funds, and some equity and fixed-income funds.
- *Interest rate swap agreements* – interest rate swap agreements are valued using third-party models that use observable market conditions as their input and are classified within Level 2 of the valuation hierarchy.

At June 30, 2025 and 2024, the System's financial instruments included cash and cash equivalents, accounts receivable, assets limited as to use, accounts payable and accrued expenses, lease right-of-use assets and obligations, and long-term debt. The carrying amounts reported on the consolidated balance sheets for these financial instruments, except for long-term debt, approximate their fair values.

### 7. Leases

The System utilizes operating and finance leases for the use of various facilities and equipment. All lease agreements generally require the System to pay maintenance, repairs, property taxes, and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the right-of-use asset or lease liability. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the consumer price index or other measures of cost inflation. Certain equipment leases include non-lease components, such as minimum purchase requirements for consumable products associated with the equipment. The System has elected the practical expedient that allows lessees to choose not to separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 7. Leases (continued)

Leases may include one or more options to renew. The exercise of lease renewal options is at the System's sole discretion. In general, the System does not consider renewal options to be reasonably likely to be exercised; therefore, renewal options are generally not recognized as part of right-of-use assets and lease liabilities. Certain leases also include options to purchase the leased asset. These options are typically to purchase the leased assets at fair market value and therefore do not create an economic incentive to exercise the purchase option. As such, the System generally does not consider purchase options to be reasonably likely to be exercised.

The components of lease cost for the fiscal years ended June 30 consisted of the following (in thousands):

	2025	2024
Operating lease cost	\$ 61,725	\$ 57,690
Finance lease cost:		
Amortization of right-of-use assets	11,694	12,459
Interest on lease liabilities	6,029	7,173
Total finance lease cost	17,723	19,632
Short-term and variable lease cost	71,719	80,813
Total lease cost	\$ 151,167	\$ 158,135

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 60,325	\$ 58,497
Operating cash flows from finance leases	6,061	7,197
Financing cash flows from finance leases	14,386	14,194
Right-of-use assets obtained in exchange for new operating leases	134,120	46,853
Right-of-use assets obtained in exchange for new financing leases	26,541	1,815

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

**7. Leases (continued)**

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term:		
Operating leases	<b>9.3 years</b>	8.7 years
Finance leases	<b>11.7 years</b>	12.8 years
Weighted average discount rate:		
Operating leases	<b>4.69%</b>	4.71%
Finance leases	<b>4.24%</b>	4.54%

Future undiscounted cash flows and maturities of lease liabilities at June 30, 2025, are presented in the following table (in thousands):

	<u>Operating Leases</u>	<u>Finance Leases</u>	<u>Total</u>
2026	\$ 55,360	\$ 23,401	\$ 78,761
2027	48,751	18,750	67,501
2028	43,315	18,187	61,502
2029	39,749	18,410	58,159
2030	32,661	17,069	49,730
Thereafter	160,483	112,497	272,980
Total minimum lease payments	380,319	208,314	588,633
Less imputed interest	(68,385)	(41,521)	(109,906)
Total lease liabilities	311,934	166,793	478,727
Less current portion	(46,857)	(17,252)	(64,109)
Long-term lease liabilities	<u>\$ 265,077</u>	<u>\$ 149,541</u>	<u>\$ 414,618</u>

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 8. Property and Equipment

Property and equipment at June 30 consisted of the following (in thousands):

	<b>2025</b>	<b>2024</b>
Land	\$ 316,163	\$ 319,838
Land improvements	123,724	114,043
Buildings and fixed equipment	4,860,131	4,603,155
Major movable equipment	2,635,764	2,404,599
Accumulated depreciation	<b>(3,868,958)</b>	<b>(3,681,263)</b>
	<b>4,066,824</b>	<b>3,760,372</b>
Construction-in-progress (estimated cost to complete is \$485,057 at June 30, 2025)	<b>426,060</b>	422,350
Total	<b>\$ 4,492,884</b>	<b>\$ 4,182,722</b>

Depreciation expense for the System for fiscal years 2025 and 2024 totaled \$311,146,000 and \$294,575,000, respectively.

#### 9. Investments in Unconsolidated Organizations

CHRISTUS owns a 50% noncontrolling interest in U.C. CHRISTUS Salud SpA (CHRISTUS Salud), which owns and operates certain hospital, clinic, and other healthcare facilities in Chile. The investment in CHRISTUS Salud is treated as an equity method investment. As of June 30, 2025 and 2024, CHRISTUS's investment in CHRISTUS Salud was \$166,544,000 and \$170,516,000, respectively. During fiscal years 2025 and 2024, CHRISTUS made additional capital contributions to CHRISTUS Salud of \$2,395,000 and \$5,394,000, respectively. The System's share of losses from the operations for the fiscal years ended June 30, 2025 and 2024, was \$8,513,000 and \$1,410,000, respectively. During fiscal years 2025 and 2024, CHRISTUS's investment in CHRISTUS Salud changed by \$2,280,000 and \$(30,780,000), respectively, due to changes in the exchange rate and the resulting translation adjustment.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### **9. Investments in Unconsolidated Organizations (continued)**

CHRISTUS has management and license fee arrangements with CHRISTUS Salud, and with certain other unconsolidated subsidiaries and joint venture partners, under which CHRISTUS provides management services and licenses its trade name and certain other intellectual property. CHRISTUS recorded other revenue related to rental income and management and license fee agreements of \$21,603,000 and \$29,233,000 during the fiscal years ended June 30, 2025 and 2024, respectively. Approximately \$1,875,000 and \$9,807,000 of the management and license fee revenue recognized in fiscal year 2025 and 2024, respectively, was related to services provided in prior fiscal years.

CHRISTUS and its affiliates hold immaterial investments in other unconsolidated subsidiaries. No other single investment balance exceeded 0.5% of total assets at June 30, 2025 or 2024.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 10. Debt

Debt at June 30 consisted of the following (in thousands):

	2025	2024
Obligations issued under the CHRISTUS Health Master Trust Indenture (CHRISTUS MTI):		
Revenue bonds, in variable-rate demand mode, with weighted average interest rates of 2.98% and 3.54% in fiscal years 2025 and 2024, respectively, due in periodic annual installments beginning July 1, 2026 through July 1, 2047 (Series 2008C and 2009B)	\$ 223,015	\$ 223,015
Revenue bonds, in fixed-rate mode, bearing interest from 4.00% to 5.00%, due in annual installments through July 1, 2053 (Series 2018A, B, D, and E; Series 2019A; Series 2022A and B; and Series 2024A and B)	1,143,590	1,164,935
Direct-placement notes due in annual installments through July 1, 2041 (Series 2016A and D)	63,825	71,625
Tax-exempt bank note due in annual installments beginning July 1, 2035 through July 1, 2039 (Series 2016E)	57,105	57,105
Taxable bonds due as a balloon payment on July 1, 2028 (Series 2018C)	339,536	339,536
Term loans	100,000	100,000
Anchorum St. Vincent note payable	335,176	377,073
Other notes	107,326	129,473
	2,369,573	2,462,762
Premiums, net, on long-term debt	16,585	9,542
Unamortized deferred financing costs	(8,730)	(9,511)
	2,377,428	2,462,793
Less current portion of long-term debt and short-term debt	(89,992)	(92,799)
Total long-term debt	\$ 2,287,436	\$ 2,369,994

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 10. Debt (continued)

According to the terms of the CHRISTUS Master Trust Indenture (MTI), CHRISTUS and the majority of its wholly owned subsidiaries are members of the CHRISTUS Health Obligated Group (Obligated Group). The obligations of CHRISTUS and the other members of the Obligated Group are secured by a pledge of gross revenues. Additionally, each member of the Obligated Group is obligated, pursuant to the CHRISTUS MTI and certain insurer and credit bank agreements, to comply with certain covenants, including the following: to ensure the payment of debt service; to ensure the payment of taxes and other claims; to deliver compliance statement(s); to preserve corporate existence; to maintain books and records subject to inspection by the Master Trustee; to maintain insurance; to conform to defined lien limitations; to establish adequate service rates; to maintain a sufficient debt service coverage; to adhere to certain defined conditions with respect to consolidation, merger, conveyance, or transfer and admission or withdrawal of Obligated Group members; to adhere to certain limitations on disposition of assets; to adhere to certain limitations on the incurrence of additional debt; to maintain compliance with certain indebtedness ratios; and to maintain certain levels of liquidity. Certain of these covenants are made only for the benefit of the bond and swap insurers and/or credit banks, and are effective only for as long as the related debt or other obligations are outstanding and only unless waived or amended by the bond and swap insurers and/or credit banks.

CHRISTUS has bank letter of credit agreements on its Series 2008C and 2009B variable-rate demand bonds. The Series 2008C-1 bonds have an outstanding amount of \$41,435,000 and are supported by a letter of credit provided by Sumitomo Mitsui Banking Corporation, acting through its New York branch, that expires on March 8, 2027. The 2008C-2 bonds have an outstanding amount of \$38,305,000 and are supported by a letter of credit provided by The Bank of New York Mellon that expires on July 3, 2027. The 2008C-3 bonds have an outstanding amount of \$41,030,000, and the 2008C-4 bonds have an outstanding amount of \$38,440,000. The 2008C-3 and 2008C-4 bonds are supported by letters of credit provided by TD Bank that expire on January 16, 2029. The 2009B-1 and 2009B-3 bonds have outstanding amounts of \$19,310,000 and \$29,050,000, respectively, and are supported by letters of credit provided by Sumitomo Mitsui Banking Corporation, acting through its New York branch, that expire on January 16, 2029. The 2009B-2 bonds have an outstanding amount of \$15,445,000 and are supported by a letter of credit provided by TD Bank that expires on January 15, 2027.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 10. Debt (continued)

On May 1, 2024, CHRISTUS issued Series 2024A-B bonds, consisting of \$308,695,000 of tax-exempt revenue and refunding bonds. The Series 2024 bonds are fixed-rate obligations, comprising both serial and term bonds carrying an interest rate of 5% and maturing in various amounts through fiscal year 2033. Proceeds of the Series 2024 bonds were used, in part, to repay \$94,328,000 of outstanding Series 2005A-3, 2005A-4, and 2005B-2 bonds and accrued interest.

In fiscal year 2025, the System amended and restated an existing line of credit with Royal Bank of Canada to increase the line of credit from \$75,000,000 to \$125,000,000. The amended and restated line of credit terminates on June 25, 2027 and carries a variable interest rate with multiple rate options, including a daily or term Simple Secured Overnight Financing Rate plus 0.55%. In fiscal year 2023, the System entered into a line of credit with Bank of America for \$75,000,000 that was scheduled to expire on July 25, 2025. This line of credit carries a variable interest rate equal to the Bloomberg Short-Term Bank Yield Index rate plus 0.65%. Subsequent to fiscal year 2025, the System amended and restated this line of credit to increase the line of credit from \$75,000,000 to \$150,000,000. The amended and restated line of credit terminates on July 23, 2027 and carries a variable interest rate equal to the daily Simple Secured Overnight Financing Rate plus 0.75%. At both June 30, 2025 and 2024, CHRISTUS had \$0 drawn against any line of credit.

On July 15, 2020, the System entered into a term loan agreement with JPMorgan Chase Bank, National Association for \$100,000,000. The term loan carries an interest rate of 2.13% and matures on July 1, 2027.

Effective September 1, 2023, the System entered into a note payable agreement for \$377,073,000 in connection with the purchase from Anchorum of the 50% noncontrolling interest in CHRISTUS St. Vincent Regional Medical Center (St. Vincent) described in Note 17. The note is due ratably in annual installments beginning August 31, 2024 through August 31, 2032, and bears no interest until September 1, 2030. Beginning September 1, 2030, the note will bear interest at a rate equal to the prime lending rate plus 1%, adjusted annually. The System recorded a discount on the note of \$75,090,000, included as a reduction of long-term debt. The discount is being accreted to interest expense over the interest-free period using the effective interest method.

Other notes were \$107,326,000 and \$129,472,000 as of June 30, 2025 and 2024, respectively, and include various notes issued primarily to purchase buildings and equipment.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 10. Debt (continued)

Principal payments for all long-term debt for the next five years and thereafter are as follows (in thousands):

2026	\$ 89,992
2027	101,431
2028	188,967
2029	426,080
2030	85,295
Thereafter	<u>1,477,808</u>
Total long-term debt	<u>\$ 2,369,573</u>

### 11. Derivative Financial Instruments

The System's derivative instruments consist primarily of interest rate swap contracts between the System and third parties (counterparties), which provide for the periodic exchange of payments between the parties based on changes in a defined index and a fixed rate. These swaps expose the System to market risk and credit risk. Credit risk is the risk that contractual obligations of the counterparties will not be fulfilled. Concentrations of credit risk relate to groups of counterparties that have similar economic or industry characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Counterparty credit risk is managed by requiring high credit standards for the System's counterparties. The counterparties to these contracts are financial institutions that carry investment-grade credit ratings.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters, which limit the types and degrees of market risk that may be undertaken. Management also mitigates risk through periodic reviews of its derivative positions in the context of its blended cost of capital. As of June 30, 2025 and 2024, CHRISTUS has interest rate swap agreements to manage interest rate risk exposure, not designated as hedging instruments, with a total notional amount of \$369,885,000 and \$381,235,000, respectively.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 11. Derivative Financial Instruments (continued)

The following table summarizes the fair value at June 30, 2025 and 2024, and the income (loss) recorded related to the System's derivative instruments as of and for the fiscal years ended June 30, 2025 and 2024 (in thousands):

Counterparty	Description	Termination Date	Agreements	Notional Amount	Fair Value		Change in Fair Value		(Paid) Received	
					June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
<b>Interest Rate Swaps</b>										
Merrill Lynch	Var. basis	2022–2023	0	\$0	\$ –	\$ –	\$ –	\$ (200)	\$ –	\$ 197
Wells Fargo	Fixed payor	2031	1	90,625/101,975	(2,259)	(1,179)	(1,080)	851	(62)	367
Citigroup*	Fixed payor	2047	2	166,100	(20,180)	(20,279)	99	6,879	(720)	(38)
Citigroup*	Fixed payor	2047	1	113,160	(13,222)	(13,272)	50	4,893	(452)	12
			4	\$369,885/381,235	\$ (35,661)	\$ (34,730)	\$ (931)	\$ 12,423	\$ (1,234)	\$ 538

\*Insured by Municipal Bond Insurance Association

CHRISTUS is required to post collateral under certain circumstances for negative valuations on each of its swaps according to the terms of (1) the swap insurance agreements, where applicable, and (2) the agreement with each counterparty. CHRISTUS has complied with this requirement. At June 30, 2025 and 2024, no collateral was posted. The System does not anticipate nonperformance by its counterparties.

The fair value of these derivative instruments was a liability of \$35,661,000 and \$34,730,000 at June 30, 2025 and 2024, respectively. The change in value of \$(931,000) and \$12,423,000 for the fiscal years ended June 30, 2025 and 2024, respectively, is combined with the net receipts (payments) made under the agreements of \$(1,234,000) and \$538,000 for the fiscal years ended June 30, 2025 and 2024, respectively. This total is included in nonoperating investment gain (loss), net, on the consolidated statements of operations and changes in net assets.

Subsequent to fiscal year 2025, the Citigroup fixed payor swaps were terminated at fair value.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 12. Employee Benefit Plans

#### Defined Benefit Plans

##### *Cash Balance Plan*

The System has established a noncontributory, defined benefit retirement plan that operates as a cash balance plan and covers substantially all CHRISTUS employees who had met age and service requirements as of December 31, 2012. On October 23, 2012, the CHRISTUS board approved the closing of the plan to new participants, effective January 1, 2013.

The plan benefits are calculated based on a cash balance formula wherein participants earn an annual accrual based on compensation, and participation account balances accrue interest at a rate that tracks ten-year treasury notes; the maximum rate is 8%. The plan was frozen as of July 1, 2019.

##### *Mother Frances Hospital Defined Benefit Pension Plan*

The System administers the Mother Frances Hospital Defined Benefit Pension Plan (TMF Plan), which covers all employees who meet the eligibility requirements. The plan was frozen as of December 31, 2009.

The measurement date for the Cash Balance Plan and the TMF Plan (collectively, the Defined Benefit Plans) is June 30. For the years ended June 30, 2025 and 2024, the net periodic benefit cost for the Cash Balance Plan was \$5,709,000 and \$13,022,000, respectively. For the years ended June 30, 2025 and 2024, the net periodic benefit (credit) for the TMF Plan was \$(3,629,000) and \$(3,822,000), respectively. The net periodic benefit cost (credit) is recorded in other nonoperating gains, net, on the accompanying consolidated statements of operations and changes in net assets. CHRISTUS uses a full yield curve “spot rate” approach that applies the specific spot rates along the yield curve to the plans’ projected cash flows in order to estimate the interest cost component of net periodic benefit credit.

The Defined Benefit Plans’ net periodic benefit credit consists primarily of amortization of expected returns, offset by interest and other costs. No settlement charges were recognized during fiscal years 2025 or 2024.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 12. Employee Benefit Plans (continued)

The following table sets forth the funded status of the Defined Benefit Plans measured as of June 30 (in thousands):

	Cash Balance Plan		TMF Plan	
	2025	2024	2025	2024
Fair value of plan assets – end of year	\$ 880,411	\$ 868,207	\$ 162,483	\$ 162,935
Projected benefit obligation – end of year	812,848	829,164	143,193	144,537
Overfunded status	\$ 67,563	\$ 39,043	\$ 19,290	\$ 18,398

As of June 30, 2025 and 2024, the Defined Benefit Plans had accumulated benefit obligations of \$956,041,000 and \$973,701,000, respectively. Assumptions used to determine benefit obligations and net periodic benefit cost (credit) for the fiscal years were as follows:

	Cash Balance Plan		TMF Plan	
	2025	2024	2025	2024
Benefit obligations:				
Discount rate	5.34%	5.33%	5.43%	5.36%
Interest crediting rate	4.34	4.33	N/A	N/A
Net periodic benefit cost (credit):				
Discount rate	5.33	4.96	5.36	4.98
Interest crediting rate	4.33	3.71	N/A	N/A
Expected long-term return on plan assets	5.75	5.50	5.50	5.50

As of June 30, 2025 and 2024, the total amount recognized in net assets without donor restrictions was \$90,540,000 and \$122,034,000, respectively. For the fiscal years ended June 30, 2025 and 2024, the change in pension plan obligations recognized in net assets without donor restrictions was \$(31,494,000) and \$(51,454,000), respectively.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 12. Employee Benefit Plans (continued)

##### Investment Policy and Asset Allocations

The investment policies and strategies for the assets of the Cash Balance Plan incorporate a well-diversified approach that is expected to generate long-term returns from capital appreciation and a growing stream of current income. This approach recognizes that assets are exposed to risk and the market value of the plan assets may fluctuate from year to year. Risk tolerance is determined based on the plan's financial stability and the ability to withstand return volatility. This balanced approach is expected to earn long-term total returns, consisting of capital appreciation and current income, which are commensurate with the expected rate of return used by the plans. The actual returns on the Cash Balance Plan assets for the years ended June 30, 2025 and 2024, were \$62,515,000 and \$74,471,000, respectively. The target allocation of Cash Balance Plan assets, by asset category, is as follows as of June 30:

	<b>Cash Balance Plan</b>	
	<b>2025</b>	<b>2024</b>
Allocation of plan assets, by asset category:		
Cash and cash equivalents	–%	–%
Equity securities and equity funds	<b>15</b>	15
Fixed-income securities and fixed-income funds	<b>30</b>	30
Equity investments in managed funds <i>(Note 5)</i>	<b>55</b>	55
Total	<b>100%</b>	100%

Due to the overfunded status of the TMF Plan, CHRISTUS has adopted an investment policy for the TMF Plan, which incorporates a liability-driven investment approach that focuses on the funded status of the plan and seeks to match the duration of the assets with that of the liabilities. As such, the investment portfolio allocation is comprised of 59% long duration fixed-income securities, 12% equity securities, 17% core fixed-income securities, and 12% alternatives. The TMF Plan's financial condition is monitored on an ongoing basis by means of regular portfolio reviews and an annual independent actuarial valuation. The actual returns on the TMF Plan assets for the years ended June 30, 2025 and 2024, were \$7,887,000 and \$6,614,000, respectively.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 12. Employee Benefit Plans (continued)

In developing the expected return on plan assets, the System evaluates the historical performance of total plan assets, the relative weighting of plan assets, interest rates, economic indicators, and industry forecasts. In line with the investment return objective and risk parameters, the mix of assets includes a diversified portfolio of equity, fixed-income, and alternative investments. Equity investments include international stocks and a blend of domestic growth and value stocks of various sizes of capitalization. The aggregate asset allocation is rebalanced as needed, but not less than on an annual basis.

The asset allocations at June 30, by asset category, are detailed below (in thousands):

	<b>Cash Balance Plan</b>		<b>TMF Plan</b>	
	<b>2025</b>	<b>2024</b>	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 69,288	\$ 18,882	\$ 6,796	\$ 5,319
Domestic equities	61,656	72,474	–	9,625
International equities	6,710	4,397	–	–
Fixed-income securities	18,411	22,165	2,900	2,719
Mutual funds and other similar investment funds:				
Domestic equity funds	–	–	7,309	92,219
International equity funds	32,157	41,411	3,871	–
Fixed-income funds	76,339	71,392	114,687	17,756
Risk parity, blended, and other funds	7	7	–	–
Equity investments in managed funds:				
Fixed-income funds	301,665	318,427	7,529	7,204
Hedge funds	155,648	154,335	19,353	28,041
Private equity, real estate, and other	158,007	164,358	–	–
Other	523	359	38	52
<b>Total</b>	<b>\$ 880,411</b>	<b>\$ 868,207</b>	<b>\$ 162,483</b>	<b>\$ 162,935</b>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

**12. Employee Benefit Plans (continued)**

The value of the plan assets measured at fair value on a recurring basis was determined using the valuation inputs described in Note 6 and categorized at June 30, as follows (in thousands):

	<b>2025</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Investments:				
Cash and cash equivalents	\$ 76,084	\$ —	\$ —	\$ 76,084
Domestic equities	61,656	—	—	61,656
International equities	6,710	—	—	6,710
Fixed-income securities	—	1,471	—	1,471
U.S. government securities	—	19,840	—	19,840
Mutual funds and other similar investment funds:				
Domestic equity funds	7,309	—	—	7,309
International equity funds	36,028	—	—	36,028
Fixed-income funds	191,026	—	—	191,026
Risk parity, blended, and other funds	7	—	—	7
Other	561	—	—	561
	<u>\$ 379,381</u>	<u>\$ 21,311</u>	<u>\$ —</u>	<u>400,692</u>
Investments measured at net asset value or equivalent:				
Fixed-income funds				309,194
Hedge funds				175,001
Private equity, real estate, and other funds				<u>158,007</u>
Total assets at fair value				<u>\$ 1,042,894</u>

CHRISTUS Health

Notes to Consolidated Financial Statements (continued)

12. Employee Benefit Plans (continued)

	2024			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Investments:				
Cash and cash equivalents	\$ 24,201	\$ –	\$ –	\$ 24,201
Domestic equities	82,099	–	–	82,099
International equities	4,397	–	–	4,397
Fixed-income securities	–	2,437	–	2,437
U.S. government securities	–	22,447	–	22,447
Mutual funds and other similar investment funds:				
Domestic equity funds	92,219	–	–	92,219
International equity funds	41,411	–	–	41,411
Fixed-income funds	89,148	–	–	89,148
Risk parity, blended, and other funds	7	–	–	7
Other	411	–	–	411
	<u>\$ 333,893</u>	<u>\$ 24,884</u>	<u>\$ –</u>	<u>358,777</u>
Investments measured at net asset value or equivalent:				
Fixed-income funds				325,631
Hedge funds				182,376
Private equity, real estate, and other funds				<u>164,358</u>
Total assets at fair value				<u>\$ 1,031,142</u>

The Cash Balance Plan has \$54,435,000 of funding commitments to purchase private equity, real estate, and other funds as of June 30, 2025. The TMF Plan has no such funding commitments.

**Contributions**

In fiscal year 2025, CHRISTUS made no contributions to the Defined Benefit Plans. In fiscal year 2026, CHRISTUS does not expect to make contributions to the Defined Benefit Plans.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 12. Employee Benefit Plans (continued)

#### Benefit Payments

Benefit payments for the Cash Balance Plan for the years ended June 30, 2025 and 2024 were \$50,310,000 and \$54,228,000, respectively. Benefit payments for the TMF Plan for the years ended June 30, 2025 and 2024 were \$8,339,000 and \$8,210,000, respectively. The following benefit payments, which reflect expected future service and expected benefit payments for services previously rendered, are expected to be paid as follows (in thousands):

	<b>Cash Balance Plan</b>	<b>TMF Plan</b>
2026	\$ 62,260	\$ 9,433
2027	63,061	9,645
2028	63,387	9,856
2029	63,348	10,044
2030	63,443	10,184
Years 2031–35	308,044	51,573

#### Defined Contribution Plans

The System has a defined contribution plan (the Matched Savings Plan) covering eligible CHRISTUS employees. Annual employee contributions are limited to 50% of compensation, up to Internal Revenue Service dollar limits. The System matches 67% of employee contributions, not to exceed 6% of annual compensation. Employer contributions vest to the employee after three years. For the fiscal years ended June 30, 2025 and 2024, expenses attributable to the Matched Savings Plan amounted to \$63,572,000 and \$61,245,000, respectively.

#### Other Defined Benefit and Defined Contribution Plans

In addition to the CHRISTUS Cash Balance Plan and the TMF Plan, CHRISTUS also participates in various defined benefit plans for executives that have been frozen or curtailed. The net benefit credit and net benefit obligation under these plans was not material to the consolidated financial statements for the fiscal years ended June 30, 2025 or 2024. These plans are unfunded. In addition to the Matched Savings Plan, CHRISTUS also participates in other defined contribution plans that are not material to the consolidated financial statements for the fiscal years ended June 30, 2025 or 2024.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 13. Self-Funded Liabilities

The System self-funds and self-insures for primary professional and general liability, workers' compensation and Texas occupational injury, directors' and officers' liability, employment practices liability, property, and employee medical benefits. A wholly owned, captive insurance company, Emerald Assurance Cayman Ltd. (Emerald), is used to insure primary lines of professional and general liability, property, directors' and officers' liability, and employment practices liability. Policies written provide coverage for professional liability with primary limits of \$10,000,000 per claim, for employment practices with liability limits of \$3,000,000 per claim, both with no aggregate for the fiscal years 2025 and 2024. For general liability, policies written provide coverage with primary limits in the amount of \$2,000,000 per claim for fiscal years 2025 and 2024. In October 2024, the CHRISTUS Provider Insurance Program commenced, which allows self-insurance for Texas employed providers via Emerald with liability limits of \$1,000,000 per claim and an aggregate of \$3,000,000 per insured. Additionally, the System internally sets aside funds for workers' compensation, the Texas occupational injury program, and employee medical benefits based on actuarial analyses.

The assets of the captive insurance company, internally designated funds, and the estimated liability for losses are reported on the consolidated balance sheets. Investment income from the assets and the provision for estimated self-funded losses and administrative costs are reported on the accompanying consolidated statements of operations and changes in net assets. The estimated self-funded losses include expected claim payments, including settlement costs for reported claims and an actuarial determination of expected losses related to claims that have been incurred but not reported.

Emerald was incorporated in the Cayman Islands on June 27, 2003, under the Companies Act of the Cayman Islands. Emerald was granted an Unrestricted Class "B" Insurer's license on June 30, 2003 (reclassified to a Class B(i) license on September 21, 2015), which it holds subject to the provisions of the Insurance Act of the Cayman Islands. As a Cayman Islands company, Emerald is exempt from local income, profits, and capital gains taxes until August 3, 2043. No such taxes are currently levied in the Cayman Islands.

### 14. Commitments and Contingencies

From time to time, the System is subject to litigation in the ordinary course of operations. Management is not aware of any pending or threatened litigation that would have a material effect on the System's consolidated financial statements.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 14. Commitments and Contingencies (continued)

Healthcare is a highly regulated industry. The System has a compliance program and various internal policies and procedures that are designed to ensure compliance with applicable federal, state, and local laws and regulations and reduce potential exposure to fines, penalties, repayment obligations, and other sanctions for violations of such laws and regulations. As a result of the System's compliance, internal audit, and other operational activities, from time to time the System identifies instances in which it has a repayment or self-disclosure obligation. In addition, the System may incur repayment obligations or be subject to penalties as a result of audits and investigations by governmental agencies and contractors or commercial payors.

Because the government's present regulatory and enforcement efforts are widespread across the healthcare industry and may vary from region to region, the impact of such activities on the System is difficult to predict with certainty. The dynamic regulatory environment, political climate, and effectiveness of the System's compliance efforts are all factors that may affect the resolution of regulatory, enforcement, and payor issues involving System entities. The System has implemented, and continually works to enhance, various policies and procedures to ensure compliance with applicable legal and regulatory requirements. However, there can be no assurance that the System's compliance program or other measures will be able to reduce or eliminate all potential exposure for alleged or actual noncompliance with applicable laws and regulations or commercial payor requirements.

#### 15. Functional Expenses

The System's primary activities involve providing general healthcare services to its patients. Expenses related to providing these services at June 30 are as follows (in thousands):

	2025			
	Healthcare Services	Physician Services	General and Administrative	Total
Employee compensation and benefits	\$ 2,843,176	\$ 673,561	\$ 630,695	\$ 4,147,432
Services and other	2,474,837	118,640	686,390	3,279,867
Supplies	1,614,222	16,241	58,326	1,688,789
Depreciation and amortization	284,842	5,310	41,250	331,402
Interest	22,835	–	80,620	103,455
Total expenses	<u>\$ 7,239,912</u>	<u>\$ 813,752</u>	<u>\$ 1,497,281</u>	<u>\$ 9,550,945</u>

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### 15. Functional Expenses (continued)

	2024			
	Healthcare Services	Physician Services	General and Administrative	Total
Employee compensation and benefits	\$ 2,711,859	\$ 610,775	\$ 606,348	\$ 3,928,982
Services and other	1,998,797	100,753	589,411	2,688,961
Supplies	1,491,588	15,540	16,306	1,523,434
Depreciation and amortization	283,177	6,395	45,839	335,411
Interest	16,094	465	89,325	105,884
Total expenses	\$ 6,501,515	\$ 733,928	\$ 1,347,229	\$ 8,582,672

#### 16. Liquidity

Financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following as of June 30 (in thousands):

	2025	2024
Cash and cash equivalents, net of cash used for subsequent business combinations	\$ 1,050,490	\$ 1,044,665
Short-term investments and equity in managed funds	919,764	1,061,446
Patient accounts receivable	881,633	883,351
Notes and other receivables	284,156	243,140
Total	\$ 3,136,043	\$ 3,232,602

CHRISTUS has the ability to structure its financial assets to be available as its general expenditures and other obligations come due. Cash in excess of daily requirements is invested in short-term investments. CHRISTUS also maintains a \$75,000,000 line of credit with Bank of America and a \$125,000,000 line of credit with Royal Bank of Canada, as discussed in Note 10. As of June 30, 2025 and 2024, \$0 was drawn against any line of credit.

# CHRISTUS Health

## Notes to Consolidated Financial Statements (continued)

### 17. Significant Events

#### Business Combinations

##### *Gerald Champion Regional Medical Center (GCRMC)*

Effective July 1, 2023, CHRISTUS closed on a transaction in which CHRISTUS paid \$240,000,000, subject to working capital and other adjustments, to purchase GCRMC. GCRMC operates a 98-bed acute care hospital and a 36-bed inpatient psychiatric unit in Alamogordo, New Mexico. The transaction was accounted for using the acquisition method of accounting.

In accordance with ASC 958-805, *Not-for-Profit Entities – Business Combinations*, CHRISTUS recognized an inherent contribution reflected in other revenue on the consolidated statement of operations and changes in net assets equal to the excess of the acquisition-date fair values of the assets acquired and liabilities assumed over the consideration transferred. The fair values assigned and consideration transferred are summarized as follows (in thousands):

Consideration transferred	\$ 240,000
Fair values of assets acquired and liabilities assumed:	
Cash, cash equivalents, and investments	121,948
Other current assets	47,486
Property and equipment, net	161,273
Other noncurrent assets, including tradename intangible asset	16,824
Current liabilities	(63,716)
Long-term liabilities	(4,701)
Noncontrolling interest	(5,035)
Total fair values of assets acquired and liabilities assumed	<u>274,079</u>
Inherent contribution	<u>\$ 34,079</u>

For the period of July 1, 2023 through June 30, 2024, total operating revenues and revenues in excess of expenses attributable to GCRMC were \$284,129,000 and \$26,880,000, respectively. For the period of July 1, 2024 through June 30, 2025, total operating revenues and revenues in excess of expenses attributable to GCRMC were \$345,716,000 and \$70,042,000, respectively.

## CHRISTUS Health

### Notes to Consolidated Financial Statements (continued)

#### **17. Significant Events (continued)**

##### **CHRISTUS St. Vincent Regional Medical Center**

Effective September 1, 2023, CHRISTUS closed on a transaction to purchase the 50% noncontrolling interest in St. Vincent from Anchorum St. Vincent for approximately \$427,000,000, subject to working capital and other adjustments. CHRISTUS paid \$50,000,000 at closing and the remaining consideration will be paid ratably over the next nine years. Subsequent to the transaction, CHRISTUS owns 100% of St. Vincent.

#### **18. Subsequent Events**

The System evaluated events and transactions occurring subsequent to June 30, 2025 through September 24, 2025, the date of issuance of the accompanying consolidated financial statements. During this period, no events occurred that warranted disclosure.

# Supplementary Information – Federal and State Awards

CHRISTUS Health

Schedule of Compensation Information

Years Ended June 30, 2025 and 2024

**Chief Executive Officer:** Ernie Sadau

None of the Chief Executive Officer's compensation was paid from public funds received by CHRISTUS Health.

# CHRISTUS Health

## Schedule of Expenditures of Federal and State Awards

Year Ended June 30, 2025

Federal Grantor/State Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number/State Contract Number	Research and Development Cluster	Other Federal/State Expenditures	Total Federal/State Expenditures	Amounts Provided to Subrecipients	Location
<b>Federal Awards</b>							
<b>U.S. Department of Agriculture</b>							
<i>Pass-through from the Texas Department of State Health Services:</i>							
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	HHS000801600001	\$ -	\$ 1,674,516	\$ 1,674,516	\$ 122,660	CHRISTUS Santa Rosa Health System
<i>Pass-through from the Texas Department of State Health Services:</i>							
Snap Cluster							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	HHS000801600001	-	7,277	7,277	-	CHRISTUS Santa Rosa Health System
<b>Total U.S. Department of Agriculture</b>			-	1,681,793	1,681,793	122,660	
<b>U.S. Department of Justice</b>							
<i>Pass-through from the New Mexico Crime Victims Reparation Commission:</i>							
Crime Victim Assistance	16.575	2024-VA-365	-	8,265	8,265	-	CHRISTUS St. Vincent Regional Medical Center
Crime Victim Assistance	16.575	2025-NM-00779	-	8,065	8,065	-	CHRISTUS St. Vincent Regional Medical Center
<i>Pass-through from the Texas Office of the Governor:</i>							
Crime Victim Assistance	16.575	3785805	-	100,847	100,847	-	CHRISTUS Health Southeast Texas
Crime Victim Assistance	16.575	3785806	-	125,246	125,246	-	CHRISTUS Health Southeast Texas
Crime Victim Assistance	16.575	3282207	-	46,444	46,444	-	CHRISTUS Santa Rosa Health System
Crime Victim Assistance	16.575	3282207	-	160,855	160,855	-	CHRISTUS Santa Rosa Health System
Total Crime Victim Assistance			-	449,722	449,722	-	
<b>Total U.S. Department of Justice</b>			-	449,722	449,722	-	

# CHRISTUS Health

## Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/State Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number/State Contract Number	Research and Development Cluster	Other Federal/State Expenditures	Total Federal/State Expenditures	Amounts Provided to Subrecipients	Location
<b>Federal Awards (continued)</b>							
<b>U.S. Department of Health and Human Services</b>							
<i>Pass-through from Texas Department of Agriculture:</i>							
Small Rural Hospital Improvement Grant Program	93.301	RSH2024027	\$ —	\$ 10,865	\$ 10,865	\$ —	CHRISTUS Jasper Memorial Hospital
Total Small Rural Hospital Improvement Grant Program			—	10,865	10,865	—	
<i>Pass-through from Fred Hutchinson Cancer Research Center:</i>							
Cancer Cause and Prevention Research	93.393	5U01CA182883-11	9,420	—	9,420	—	CHRISTUS Santa Rosa Health System
Total Cancer Cause and Prevention Research			9,420	—	9,420	—	
Congressional Directives	93.493	90XPO635-01-01	—	200,189	200,189	192,667	CHRISTUS Santa Rosa Health System
Congressional Directives	93.493	1 CE1HS52457-01	—	626,311	626,311	—	CHRISTUS Health Central Louisiana
Total Congressional Directives			—	826,500	826,500	192,667	
<i>Pass-through from the University of Michigan:</i>							
Extramural Research Programs in Neurosciences and Neurological Disorders	93.853	SUBK00023404	29,564	—	29,564	—	CHRISTUS Spohn Health System
<i>Pass-through from the Louisiana Hospital Association:</i>							
National Bioterrorism Hospital Preparedness Program	93.889	72-0408984 (Round 23)	—	17,857	17,857	—	CHRISTUS Health Central Louisiana
National Bioterrorism Hospital Preparedness Program	93.889	72-0408984	—	94,424	94,424	—	CHRISTUS Health Central Louisiana
Total National Bioterrorism Hospital Preparedness Program			—	112,281	112,281	—	
<i>Pass-through from LSU Health Science Center New Orleans:</i>							
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations	93.898	PH-23-111-002-A1	11,650	—	11,650	—	CHRISTUS Health Central Louisiana
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations	93.898	PH-23-111-002-A2	6,077	—	6,077	—	CHRISTUS Health Central Louisiana
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations	93.898	PH-23-111-009-A1	3,899	—	3,899	—	CHRISTUS Health Southwest Louisiana
Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations	93.898	PH-23-111-009-A2	21,218	—	21,218	—	CHRISTUS Health Southwest Louisiana
Total Cancer Prevention and Control Programs for State, Territorial, and Tribal Organizations			42,844	—	42,844	—	
<b>Total U.S. Department of Health and Human Services</b>			81,828	949,646	1,031,474	192,667	
<b>Corporation for National and Community Service</b>							
AmeriCorps State and National 94.006	94.006		—	360,833	360,833	—	CHRISTUS Health
<b>Total Corporation for National and Community Service</b>			—	360,833	360,833	—	

# CHRISTUS Health

## Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/State Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number/State Contract Number	Research and Development Cluster	Other Federal/State Expenditures	Total Federal/State Expenditures	Amounts Provided to Subrecipients	Location
<b>Federal Awards (continued)</b>							
<b>U.S. Department of Homeland Security</b>							
<i>Pass-through from the New Mexico Department of Homeland Security and Emergency Management:</i>							
COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR 4259 Project 697964 PW 342	\$ –	\$ 249,612	\$ 249,612	\$ –	CHRISTUS St. Vincent Regional Medical Center
Total COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters)			–	249,612	249,612	–	
<b>Total U.S. Department of Homeland Security</b>			–	249,612	249,612	–	
<b>Total Expenditures of Federal Awards</b>			\$ 81,828	\$ 3,691,606	\$ 3,773,434	\$ 315,327	
<b>State Awards</b>							
Graduate Medical Education Program:							
<b>Direct Awards (Texas Higher Education Coordinating Board):</b>							
Family Practice Residency Program:							
Family Practice Residency Program Operational Grant		THECB 01435	\$ –	\$ 259,370	\$ 259,370	\$ –	CHRISTUS Santa Rosa Health System
Family Practice Residency Program – Primary Care		THECB 01446	–	103,748	103,748	103,748	CHRISTUS Health Ark-La-Tex
Family Practice Residency Program Operational Grant		THECB 01436	–	354,472	354,472	–	CHRISTUS Spohn Health System
Total Family Practice Residency Program			–	717,590	717,590	103,748	
Graduate Medical Education Expansion Program:							
Graduate Medical Education							
Expansion Program – Family Medicine		THECB 001388	–	675,000	675,000	–	CHRISTUS Santa Rosa Health System
Graduate Medical Education		THECB 01395	–	450,000	450,000	–	CHRISTUS Spohn Health System
Total Graduate Medical Expansion Education Program			–	1,125,000	1,125,000	–	
Total Graduate Medical Education Program			–	1,842,590	1,842,590	103,748	
<b>Direct Award (Office of the Governor, Public Safety Office)</b>							
Sexual Assault Forensic Exam (SAFE)-Ready Facilities Program		4176603	–	3,847	3,847	–	CHRISTUS Santa Rosa Health System
Sexual Assault Forensic Exam (SAFE)-Ready Facilities Program		3942805	–	2,730	2,730	–	CHRISTUS Health Southeast Texas
Sexual Assault Forensic Exam (SAFE)-Ready Facilities Program		3942806	–	43,554	43,554	–	CHRISTUS Health Southeast Texas
Total Sexual Assault Forensic Exam (SAFE)-Ready Facilities Program			–	50,131	50,131	–	

## CHRISTUS Health

### Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/State Grantor/ Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number/State Contract Number	Research and Development Cluster	Other Federal/State Expenditures	Total Federal/State Expenditures	Amounts Provided to Subrecipients	Location
<b>State Awards (continued)</b>							
<b>Direct Award (Texas Department of Agriculture, State Office of Rural Health)</b>							
Rural Health Facility Capital Improvement Program – 2024		RCP2024024	\$ –	\$ 100,000	\$ 100,000	\$ –	CHRISTUS Jasper Memorial Hospital
Rural Health Facility Capital Improvement Program – 2024		RCP2024027	–	79,360	79,360	–	CHRISTUS Mother Frances Hospital – Winnsboro
Rural Health Facility Capital Improvement Program – 2024		RCP2024029	–	99,372	99,372	–	CHRISTUS Spohn Hospital – Beeville
Total Rural Health Facility Capital Improvement Program			–	278,732	278,732	–	
<b>Cancer Prevention Institute of Texas (CPRIT)</b>							
<i>Pass-through from Baylor College of Medicine:</i>							
The Adolescent and Childhood Cancer Epidemiology and Susceptibility Service (Access) for Texas		P700000065	13,367	–	13,367	–	CHRISTUS Santa Rosa Health System
<b>Total Expenditures of State Awards</b>			<u>\$ 13,367</u>	<u>\$ 2,171,453</u>	<u>\$ 2,184,820</u>	<u>\$ 103,748</u>	
<b>Total Expenditures of Federal and State Awards</b>			<u>\$ 95,195</u>	<u>\$ 5,863,059</u>	<u>\$ 5,958,254</u>	<u>\$ 419,075</u>	

See accompanying notes to schedule of expenditures of federal and state awards.

# CHRISTUS Health

## Notes to Schedule of Expenditures of Federal and State Awards

June 30, 2025

### 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of CHRISTUS Health under programs of the federal and state governments for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Texas Grant Management Standards* (TxGMS). Because the Schedule presents only a selected portion of the operations of CHRISTUS Health, it is not intended to and does not present the financial position, results of operations, changes in net assets, or cash flows of CHRISTUS Health.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, 45 CFR, PART 75 APPENDIX IX, *Principles for Determining Costs Applicable to Research and Development Under Grants and Contracts With Hospitals*, and TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

CHRISTUS Health has negotiated multiple indirect cost rates for consolidated entities that have been eligible to negotiate a federal indirect cost rate with the Department of Health and Human Services (DHHS). However, not all awards presented in the Schedule include indirect expenses. Allowable indirect costs for each award are determined by the related terms and conditions developed by the awarding agency for each program. CHRISTUS Health has not elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

### 3. Nature of Activities

CHRISTUS Health receives various grants to cover costs of specified programs. Final determination of eligibility of costs will be made by the grantors. Should any costs be found ineligible, CHRISTUS Health will be responsible for reimbursing the grantors for these amounts.

Additionally, expenditures incurred for various programs may exceed the amounts awarded from the respective pass-through entity or agency. The amounts reported on the Schedule are limited to the award amounts. Amounts in excess of this amount are paid out of non-federal and non-state sources.

## CHRISTUS Health

### Notes to Schedule of Expenditures of Federal and State Awards (continued)

#### **4. Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

In accordance with guidance from the U.S. Department of Homeland Security, the amount presented on the Schedule for Assistance Listing Number 97.036 – COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters), represents expenditures that were incurred as of the end of the fiscal year, related to project worksheets approved by the Federal Emergency Management Agency (FEMA) during the fiscal year. CHRISTUS Health reported \$249,612 in COVID-19-related funding from FEMA during the fiscal year ended June 30, 2025. Of this amount, \$249,612 in expenditures were incurred prior to the beginning of the fiscal year.



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## Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors and  
Management of CHRISTUS Health

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of CHRISTUS Health, which comprise the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of operations and changes in net assets and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated September 24, 2025.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CHRISTUS Health’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CHRISTUS Health’s internal control. Accordingly, we do not express an opinion on the effectiveness of CHRISTUS Health’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CHRISTUS Health’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Ernst + Young LLP*

September 24, 2025



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## Report of Independent Auditors on Compliance for Each Major Federal and State Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the Texas Grant Management Standards

The Board of Directors and Management  
CHRISTUS Health

### **Report of Independent Auditors on Compliance for Each Major Federal and State Program**

#### ***Opinion on Each Major Federal and State Program***

We have audited CHRISTUS Health's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of CHRISTUS Health's major federal programs and the types of compliance requirements described in the Texas Grant Management Standards (TxGMS) that could have a direct and material effect on CHRISTUS Health's major state program for the year ended June 30, 2025. CHRISTUS Health's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CHRISTUS Health complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2025.

#### ***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and TxGMS. Our responsibilities under those standards, the Uniform Guidance, and TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of CHRISTUS Health and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of CHRISTUS Health's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CHRISTUS Health's federal and state programs.



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### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CHRISTUS Health's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and TxGMS will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CHRISTUS Health's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and TxGMS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 CHRISTUS Health's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CHRISTUS Health's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of CHRISTUS Health's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and TxGMS. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and TxGMS**

We have audited the financial statements of CHRISTUS Health as of and for the year ended June 30, 2025, and have issued our report thereon dated September 24, 2025, which contained an unmodified opinion on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to September 24, 2025. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and TxGMS and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Ernst + Young LLP*

December 18, 2025

CHRISTUS Health

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP:

	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

**Federal Awards**

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported	

Type of auditor’s report issued on compliance for major federal programs:

	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	_____ <u>X</u> No	

**State Awards**

Internal control over major state program:

Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified?	_____ Yes	_____ <u>X</u> None reported	

Type of auditor’s report issued on compliance for major state program:

	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with the Texas Grant Management Standards?	_____ Yes	_____ <u>X</u> No	

CHRISTUS Health

Schedule of Findings and Questioned Costs (continued)

Section I – Summary of Auditor’s Results (continued)

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children
93.493	Congressional Directives

Dollar threshold used to distinguish between Type A and Type B federal programs: \$750,000

Auditee qualified as low-risk auditee?        Yes   X   No

Identification of major state program:

<u>Assistance Listing Number</u>	<u>Name of State Program</u>
N/A	Graduate Medical Education Program

Dollar threshold used to distinguish between Type A and Type B state programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes        No

Section II – Financial Statement Findings

No findings were noted.

Section III – Federal Award Findings and Questioned Costs

No findings were noted.

Section IV – State Award Findings and Questioned Costs

No findings were noted.

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