

Stanford Health Care

**Consolidated Financial Statements
and Accompanying Consolidating Information
August 31, 2025 and 2024**

Stanford Health Care
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August 31, 2025 and 2024

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Report of Independent Auditors

To the Board of Directors of Stanford Health Care

Opinion

We have audited the accompanying consolidated financial statements of Stanford Health Care and its subsidiaries ("SHC"), which comprise the consolidated balance sheets as of August 31, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SHC as of August 31, 2025 and 2024, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 SHC'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SHC's ability to continue as a going concern for a reasonable period of time.

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

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying consolidating information as of and for the years ended August 31, 2025 and 2024 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, results of operations, changes in net assets and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

San Francisco, California
December 9, 2025

Stanford Health Care
Consolidated Balance Sheets
August 31, 2025 and 2024
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 406,595	\$ 446,748
Short term investments	342,382	134,761
Patient accounts receivable, net	1,413,354	1,197,687
Other receivables	128,097	158,513
Inventories	111,124	110,243
Prepaid expenses and other	129,070	97,731
Due from Lucile Salter Packard Children's Hospital at Stanford	40,299	30,392
Total current assets	<u>2,570,921</u>	<u>2,176,075</u>
Investments	2,722,615	2,673,532
Equity method investments	243,952	196,811
Investments in University managed pools	3,812,034	3,019,639
Assets limited as to use for capital projects & other long term purposes	17,992	35,378
Property and equipment, net	4,271,283	3,999,516
Right of use lease assets	333,624	381,413
Due from Stanford University - housing loans	268,271	230,063
Other assets	86,477	85,989
Total assets	<u>\$ 14,327,169</u>	<u>\$ 12,798,416</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 595,185	\$ 518,918
Accrued salaries and related benefits	565,663	521,792
Due to Stanford University	304,049	299,844
Third-party payor settlements	87,998	76,089
Current portion of long-term debt	20,315	175,330
Debt subject to remarketing arrangements	168,200	168,200
Operating lease liabilities, current	80,578	74,236
Self-insurance reserves and other	140,399	123,801
Total current liabilities	<u>1,962,387</u>	<u>1,958,210</u>
Self-insurance reserves and other, net of current portion	304,978	267,430
Swap liabilities	55,155	77,506
Operating lease liabilities, net of current portion	270,673	322,119
Due to Stanford University, net of current portion	85,956	-
Other long-term liabilities	147,559	145,455
Long-term debt, net of current portion	2,622,396	2,199,995
Total liabilities	<u>5,449,104</u>	<u>4,970,715</u>
Net assets:		
Without donor restrictions:		
Attributable to Stanford Health Care	8,674,779	7,637,457
Noncontrolling interests	69,153	52,030
Total without donor restrictions	<u>8,743,932</u>	<u>7,689,487</u>
With donor restrictions	134,133	138,214
Total net assets	<u>8,878,065</u>	<u>7,827,701</u>
Total liabilities and net assets	<u>\$ 14,327,169</u>	<u>\$ 12,798,416</u>

The accompanying notes are an integral part of these consolidated financial statements.

Stanford Health Care
Consolidated Statements of Operations and Changes in Net Assets
Years Ended August 31, 2025 and 2024
(in thousands of dollars)

	<u>2025</u>	<u>2024</u>
Operating revenues and other support:		
Net patient service revenue	\$ 9,165,371	\$ 8,681,322
Premium revenue	41,318	56,709
Grants - COVID-19 and FEMA	6,033	303
Other revenue	247,350	207,327
Net assets released from restrictions used for operations	5,432	6,763
Total operating revenues and other support	<u>9,465,504</u>	<u>8,952,424</u>
Operating expenses:		
Salaries and benefits	4,225,659	3,915,374
Professional services	38,373	74,720
Supplies	1,573,643	1,345,171
Purchased services	2,246,821	2,033,893
Depreciation and amortization	276,023	292,030
Interest	83,035	80,394
Other	549,281	667,083
Total operating expenses	<u>8,992,835</u>	<u>8,408,665</u>
Income from operations	472,669	543,759
Interest and investment income	277,890	149,495
Earnings (losses) on equity method investments	4,470	(72,159)
Change in value of University managed pools and other investments	401,778	462,058
Swap interest and change in value of swap agreements	19,653	(2,898)
Other components of net periodic benefit costs	(5,983)	(6,608)
Pension termination	-	(51,688)
Gain (loss) on extinguishment of debt (swaps)	1,022	(7,732)
Other non operating income	982	-
Excess of revenues over expenses	<u>1,172,481</u>	<u>1,014,227</u>
Other changes in net assets without donor restrictions:		
Transfers to Stanford University	(128,993)	(104,835)
Transfers from Lucile Salter Packard Children's Hospital at Stanford	-	276
Change in net unrealized gain on investments	5,465	22,639
Net assets released from restrictions used for:		
Purchase of property and equipment	15,902	6,384
Change in pension and postretirement liability	(12,410)	52,900
Noncontrolling capital contribution (distribution)	2,000	(1,010)
Increase in net assets without donor restrictions	<u>1,054,445</u>	<u>990,581</u>
Changes in net assets with donor restrictions:		
Transfers from Stanford University	10,667	301
Contributions	(838)	7,145
Investment income	1,834	1,837
Gains on University managed pools	5,590	4,149
Net assets released from restrictions used for:		
Operations	(5,432)	(6,763)
Purchase of property and equipment	(15,902)	(6,384)
(Decrease) increase in net assets with donor restrictions	<u>(4,081)</u>	<u>285</u>
Increase in net assets	<u>1,050,364</u>	<u>990,866</u>
Net assets, beginning of year	<u>7,827,701</u>	<u>6,836,835</u>
Net assets, end of year	<u>\$ 8,878,065</u>	<u>\$ 7,827,701</u>

The accompanying notes are an integral part of these consolidated financial statements.

Stanford Health Care
Consolidated Statements of Cash Flows
Years Ended August 31, 2025 and 2024
(in thousands of dollars)

	2025	2024
Cash flows from operating activities:		
Change in Stanford Health Care net assets	\$ 1,033,241	\$ 978,990
Change in noncontrolling interests	17,123	11,876
Total change in net assets	1,050,364	990,866
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Gain) loss on extinguishment of (debt) and swaps	(1,022)	7,732
Depreciation and amortization	267,908	283,488
Change in fair value of interest rate swaps	(22,351)	2,072
Increase in value of University managed pools	(364,775)	(228,699)
Realized and unrealized gains on investments	(202,327)	(258,253)
(Excess) deficiency of income on equity method investees over distributions received	(3,159)	73,347
Contributions received for long lived assets or endowment	(10,928)	(10,612)
Net equity transfers to related parties	118,326	104,258
Premiums received from bond issuance	41,218	39,460
Changes in operating assets and liabilities:		
Patient accounts receivable	(215,667)	(154,901)
Due to related parties	5,648	28,970
Other receivables, inventory, other assets, prepaid expenses and other	(13,648)	(36,080)
Accounts payable, accrued liabilities and pension liabilities	54,270	(64,004)
Accrued salaries and related benefits	43,871	54,210
Third-party payor settlements	11,909	6,965
Self-insurance reserves	54,146	44,404
Cash provided by operating activities	<u>813,783</u>	<u>883,223</u>
Cash flows from investing activities:		
Purchases of investments	(1,233,570)	(1,019,920)
Sales of investments	1,180,368	572,025
Purchases of investments at equity	(45,000)	(35,000)
Purchases of investments in University managed pools	(343,240)	(202,511)
Sales of investments in University managed pools	728	1,326
Funding of Stanford University - housing loans	(42,903)	(49,226)
Repayments received on Stanford University - housing loans	11,218	8,858
Swap settlement payments, net	(2,697)	(776)
Purchases of property and equipment	(489,076)	(499,213)
Cash used in investing activities	<u>(964,172)</u>	<u>(1,224,437)</u>
Cash flows from financing activities:		
Proceeds from issuance of debt	416,120	260,545
Costs of issuance of debt	(2,728)	(2,251)
Payment of long-term debt	(175,389)	(13,475)
Contributions received for long lived assets or endowment	10,678	11,663
Net equity transfers to related parties	(138,445)	(80,112)
Cash provided by financing activities	<u>110,236</u>	<u>176,370</u>
Net decrease in cash and cash equivalents	(40,153)	(164,844)
Cash and cash equivalents, beginning of year	446,748	611,592
Cash and cash equivalents, end of year	<u>\$ 406,595</u>	<u>\$ 446,748</u>
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	\$ 93,523	\$ 90,398
Supplemental disclosures of non cash information:		
Increase (decrease) in payables for property and equipment	\$ 26,622	\$ (59,849)
Equity transfers (to) from related parties, net	(41,595)	188
Assets and liabilities acquired under capital leases	526	-

The accompanying notes are an integral part of these consolidated financial statements.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

1. Organization

Stanford Health Care (“SHC”) operates a licensed acute care hospital (“Stanford Hospital”) and a cancer center in Palo Alto, California, along with numerous outpatient physician clinics in the San Francisco Bay Area, in community settings, and in association with regional hospitals. Stanford Hospital is a principal teaching affiliate of the Stanford University School of Medicine (“SoM”) and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, neurosciences, and orthopedics services. SHC, together with Lucile Salter Packard Children’s Hospital at Stanford (“LPCH”), operates the clinical settings through which the SoM educates medical and graduate students, trains residents and clinical fellows, supports faculty and community clinicians and conducts medical and biological sciences research.

The Board of Trustees of The Leland Stanford Junior University (the “University”) is the sole corporate member of SHC and LPCH. As part of their ongoing operations, the University, SHC, and LPCH engage in certain related party transactions as described further in Note 13.

The consolidated financial statements include University HealthCare Alliance (dba Stanford Medicine Partners) (“SMP”), Stanford Health Care Tri-Valley (“SHC Tri-Valley”), Stanford Blood Center, LLC (“SBC”), Stanford Emanuel Radiation Oncology Center, LLC (“SEROC”), CareCounsel, LLC (“CareCounsel”), SUMIT Holding International, LLC (“SHI”), Professional Exchange Assurance Company (“PEAC”), Eden Radiation Therapy Services, LLC (“ERTS”), and Oncology Solutions Venture, LLC (“OSV”).

SMP, a physician medical foundation, supports SHC’s mission of delivering quality care to the community and conducting research and education. In addition, SMP leads the development of a high-quality clinical delivery network, built on collaboration with and sponsorship of community hospitals, on behalf of the SoM, SHC, and SMP physicians. The SoM and SHC are the members of SMP and appoint directors to the governing board. The SMP bylaws afford control to SHC. SHC entered into a sponsorship agreement with SMP whereby SHC agreed to certain funding for the development and operation of SMP and continued additional funding for future or alternative clinical sites of SMP.

On April 2, 2025, Stanford Community Imaging, LLC (“SCI”) was formed as a limited liability company to develop and operate a network of imaging centers, with the goal of improving access to high-quality and financially accessible diagnostic services for the communities served by its members. SMP and the SoM are the members of SCI and appoint directors to its governing board. SMP and the SoM are expected to have a 60% and 40% ownership interest, respectively. As of August 31, 2025, no capital contributions have been made and no significant activities have occurred.

SHC Tri-Valley, a 242 licensed bed community hospital system located in the East Bay’s Tri-Valley region of Pleasanton, Livermore, and Dublin, California offers both inpatient and outpatient services. SHC is the sole corporate member of SHC Tri-Valley. SHC Tri-Valley also wholly owns Tri-Valley Ambulatory Surgery Center, LLC (“TVASC”) organized in October 2019. TVASC’s operations are targeted to commence in 2027.

SBC is a limited liability company that serves as a community blood center and provides blood products and testing services to hospitals, clinics, companies, and other clients. SHC is the sole member of SBC.

CareCounsel, a wholly owned entity of SHC, is a leading provider of employer-sponsored health advocacy and health care assistance services with a mission to help employees, retirees and their families navigate the complex health care environment through an employer-sponsored benefit that provides consumer education, advocacy and access to expert health care resources and information.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

1. Organization (continued)

The table below summarizes SHC's ownership interests in entities that are less than 100% owned. The noncontrolling interests noted below are recorded in net assets without donor restrictions on the consolidated balance sheets as of August 31, 2025 and 2024.

	2025		2024	
	SHC	Noncontrolling Interest	SHC	Noncontrolling Interest
Stanford Emanuel Radiation Oncology Center, LLC ("SEROC")	60.0%	40.0%	60.0%	40.0%
SUMIT Holding International, LLC ("SHI")	82.0%	18.0%	82.0%	18.0%
SUMIT Insurance Company, Ltd ("SUMIT")	71.0%	29.0%	78.4%	21.6%
Stanford University Network Medical Risk Authority, LLC ("TRA")	82.0%	18.0%	82.0%	18.0%
Professional Exchange Assurance Company ("PEAC")	59.2%	40.8%	58.9%	41.1%
Oncology Solutions Venture, LLC ("OSV")	60.0%	40.0%	60.0%	40.0%
Eden Raditation Therapy Services, LLC ("ERTS")	60.0%	40.0%	60.0%	40.0%

SEROC is a joint venture between SHC and the Doctors Medical Center of Modesto, Inc. ("DMC"). SEROC operates an outpatient clinic that provides radiation oncology services to patients in Turlock, California and surrounding communities. The SEROC joint venture is expected to dissolve by December 31, 2025.

SHI is the sole owner of SUMIT, a captive insurance carrier, and TRA. SHC and LPCH are the owners of SHI.

Effective September 1, 2005, SHC and LPCH entered into an agreement whereby SHC and LPCH became members of the Stanford University Medical Indemnity Trust, a not-for-profit, captive insurance company incorporated in the State of Hawaii. On February 2, 2009, Stanford University Medical Indemnity and Trust Insurance Company organized as a segregated accounts company under the laws of Bermuda as SUMIT.

TRA provides risk management services to SHI and serves as attorney-in-fact to PEAC.

PEAC, a captive insurance carrier, provides insurance coverage to SMP, Packard Children's Health Alliance and other affiliated parties.

On February 8, 2021, OSV was formed as a limited liability company to expand access to coordinated, state-of-the-art cancer care services for patients and their families in the East Bay region. SHC and Sutter Bay Hospitals ("Sutter") are the only members of OSV. SHC and Sutter each contributed \$3,000 and \$2,000 for 60% and 40% interest, respectively.

On February 23, 2022, ERTS was formed as a limited liability company to provide a stable, high quality academically integrated radiation oncology service to patients residing in the Eden area, to complement SHC's broader cancer network and the Sutter Stanford Cancer Collaborative. SHC and Sutter are the only members of ERTS. SHC and Sutter initial capital contributions were \$12,246 and \$8,164, respectively. After initial and additional contributions, SHC's and Sutter's interest in ERTS will be 60% and 40%, respectively.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of SHC and its subsidiaries, which are controlled by SHC. All significant inter-company accounts and transactions are eliminated in the consolidation.

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting. Net assets of SHC and changes therein have been classified and are reported as follows:

- **Net Assets Without Donor Restrictions** — Net assets without donor restrictions represent those resources of SHC that are not subject to donor-imposed stipulations. The only limits on net assets without donor restrictions are broad limits resulting from the nature of SHC and the purposes specified in its articles of incorporation or bylaws and limits resulting from contractual agreements, if any.
- **Net Assets With Donor Restrictions** — Net assets with donor restrictions represent contributions, which are subject to donor-imposed restrictions that can be fulfilled by actions of SHC pursuant to those stipulations or by the passage of time or are subject to donor-imposed restrictions that they be maintained permanently by SHC. Generally, the donors of these assets permit SHC to use all or part of the investment return on these assets.

Expenses are reported as decreases in net assets without donor restrictions. A restriction expires when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor restricted contributions are recorded as contributions with donor restrictions when received and when the restriction expires, the net assets are shown as released from restriction on the consolidated statements of operations and changes in net assets. Investment income on net assets with donor restrictions that is restricted by donor or law is recorded in the category of net assets with donor restrictions and when the restriction expires, the net assets are shown as released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of unrestricted demand deposits and money market mutual funds. SHC has elected the policy to treat cash equivalents held for investment purpose as investments (see Note 6); therefore, they are excluded from cash and cash equivalents on the consolidated statements of cash flows.

Inventories

Inventories, which consist primarily of hospital operating supplies and pharmaceuticals, are stated at the lower of cost or market value determined using the first-in, first-out method.

Investments

Investments held directly by SHC consist of cash and cash equivalents, U.S. government securities, debt securities, mutual funds, public and private investments, which are stated at fair value and further described in Note 6. Fair value is determined in accordance with current accounting guidance, as further described in Note 7. Investment earnings (including realized gains and losses on investments, interest, and dividends on investment securities) net of investment expenses are included in investment income unless the income or loss is restricted by donor or law. Income on investments of donor restricted funds is added to or deducted from the appropriate net asset category based on the donor's restriction. Unrealized gains and losses on available-for-sale debt securities are reported below the performance indicator, excess of revenues over expenses.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Equity Method Investments

Equity method investments consist of investments in which SHC has ownership of 50% or less but is able to exercise significant influence over the investee. These investments include Stanford-StartX Fund, LLC ("StartX Fund"), Stanford PET-CT, LLC ("PET-CT"), Pleasanton Physician Affiliates II, LLC ("PPA II"), and East Bay Real Estate Ventures ("EBREV"). All earnings from StartX Fund, PPA II, and EBREV are included in earnings (losses) on equity method investments in the consolidated statements of operations and changes in net assets. Earnings from PET-CT are included in other revenue in the consolidated statements of operations and changes in net assets.

The table below summarizes SHC's ownership interests in entities that are accounted for as equity method investments.

	<u>2025</u>	<u>2024</u>
Stanford-StartX Fund, LLC ("StartX Fund")	33.0%	33.0%
Stanford PET-CT, LLC ("PET-CT")	50.0%	50.0%
Pleasanton Physicians Affiliates II, LLC ("PPA II")	39.0%	39.0%
East Bay Real Estate Ventures ("EBREV")	50.0%	50.0%

StartX Fund is a California limited liability company created to support the continued experiential education of participants in the StartX accelerator program.

PET-CT is a California limited liability company which provides radiological services to patients of the community, including patients served by SHC and physicians affiliated with the SoM. SHC and the University each appoint one-half of the members of the governing board of PET-CT and are its only members. The PET-CT joint venture is expected to dissolve by December 31, 2025.

PPA II is a California limited liability company which owns and operates a medical office building in Pleasanton.

EBREV is a limited liability company which develops, constructs, and manages a medical office and outpatient services facility on the Alta Bates Summit Medical Center campus at 350 Hawthorne Avenue, Oakland, California. SHC and Sutter are the only members of EBREV and have each contributed \$106,016.

Investments in University Managed Pools

Investments in University managed pools consist of funds invested in the University's Merged Pool ("MP") and Expendable Funds Pool ("EFP") (collectively the "Pools"). Under the terms of SHC's agreement with the University, the University has discretion to invest the funds in the Pools. SHC may deposit funds in the Pools at its discretion. Withdrawals from the MP and EFP require advance notice to the University. The value of SHC's share of the Pools is determined by the University and is based on the fair value of the underlying assets in the Pools.

The University allocates investment earnings to SHC from the University managed pools based on SHC's share of the Pools. Earnings include interest, dividends, distributions, investment gains and losses, and change in the value of SHC's share of the Pools. All unrestricted investment gains and losses in the MP and change in the MP share value are included in the excess of revenues over expenses.

Income on investments of donor restricted funds invested in the University managed pools is added to or deducted from the appropriate net asset category based on the donor's restriction.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Financial Assets and Liquid Resources

SHC has put in place a range of policies and measures to actively manage its liquidity and make sure the organization's financial obligations can be satisfied. To ensure adequate liquidity through the full range of potential operating environments and market conditions, SHC maintains the ability to liquidate certain assets when, and if, requirements warrant.

Liquidity is managed within pools known as investment portfolios. The SHC Investment Program has established four distinct investment portfolios into which SHC may invest its cash and operating reserves. These portfolios have been established to address varying degrees of liquidity requirements, return expectations and tolerance levels for risk.

The primary sources of liquidity are the Liquidity and Short-term portfolios, which are invested in cash, U.S. Government and Agency securities and short-term debt securities. The amount of liquidity held in these portfolios is largely determined by internal liquidity projections which periodically estimate potential funding requirements. Funding requirements include:

- Working capital outflows
- Swaps collateral posting
- Repayment of all maturing debt and credit facilities
- Other large, committed payments

Operating liquidity is monitored daily and reported periodically to senior management and the Board. The primary measure used to assess SHC's liquidity is "Days Cash on Hand". This measures the number of days SHC could continue to meet its operating and interest obligations if no additional cash were received from operations or financing. Once a sufficient level of liquidity is established, excess cash is invested in the Long-term Liquidity portfolio or Long-term portfolio. The Long-term Liquidity portfolio is primarily invested in publicly-traded fixed income and equity securities, which can be liquidated on short notice, while the Long-term portfolio is primarily invested in shares of the MP. Per SHC's agreement with the Stanford Management Company ("SMC"), SHC can withdraw annually up to 10% of its investments in the MP, after providing a nine-month notice. It is not the intention of SHC to utilize the Long-term portfolio for unplanned operating commitments; however, amounts could be made available from these sources if necessary.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Financial Assets and Liquid Resources (continued)

In addition to the financial assets, SHC has an authorized short-term taxable and tax-exempt commercial paper programs and a revolving line of credit facility that can be available for unexpected liquidity needs.

Financial assets and resources available for general expenditure within one year of August 31, 2025 and 2024 consist of following:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 406,595	\$ 446,748
Patient accounts receivable, net	1,413,354	1,197,687
Short term investments	342,382	134,761
Investments	2,518,569	2,485,064
10% of long-term investments in Merged Pool	366,871	289,335
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 5,047,771</u>	<u>\$ 4,553,595</u>
Liquidity resources:		
Taxable commercial paper	150,000	150,000
Tax-exempt commercial paper	200,000	200,000
Revolving line of credit capacity	100,000	100,000
Total financial assets and liquidity resources available within one year	<u>\$ 5,497,771</u>	<u>\$ 5,003,595</u>

Property and Equipment

Property and equipment are stated at cost except for donated assets, which are recorded at fair market value at the date of donation. Depreciation and amortization of property and equipment is determined using the straight-line method over the estimated useful lives of the assets, which are as follows:

Land improvements	10 to 25 years
Buildings and leasehold improvements	7 to 50 years
Equipment	3 to 20 years

Significant replacements and improvements are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense as incurred. Leasehold improvements are amortized over the shorter of the estimated useful life or term of the lease. Upon sale or disposal of property and equipment, the cost and accumulated depreciation are removed from the respective accounts, and any gain or loss is included in the consolidated statements of operations and changes in net assets.

Equipment includes medical equipment, furniture and fixtures and computer software and hardware.

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized, net of any interest earned, as a component of the cost of acquiring those assets.

Asset Retirement Obligations

Asset retirement obligations ("ARO") are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value as other long-term liabilities and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets in property and equipment. Asset retirement costs are subsequently accreted over the useful lives of the related assets.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Leases

SHC elected the practical expedient to not separate lease and non-lease components. SHC also elected to apply the short-term lease recognition exemption which eliminates the requirement to present on the consolidated balance sheets leases with a term of twelve months or less. These two practical expedients under Accounting Standards Codification (“ASC”) Topic 842 were elected for all classes of underlying assets.

Other Assets

Other assets include prepaid cloud computing costs, intangible assets, and other long-term assets.

Contributions Receivable

Unconditional promises to give (“contributions”) are recorded at fair value at the date the promise is received. Donations for specific purposes are reported as net assets with donor restrictions. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved and applicable to the years in which the promises are received and are recorded in the category of net assets with donor restrictions. The discount rates were determined using the risk free rate adjusted for the risk of donor default. At August 31, 2025 and 2024, current contributions receivable not restricted for long term purposes are included in other receivables. At August 31, 2025 and 2024, contributions receivable that are restricted for long-term purposes are recorded in assets limited as to use for capital projects and other long-term purposes regardless of due date. Contribution revenue is included in the consolidated financial statements in the appropriate net asset category. Amortization of the discount is included in contributions and other in the consolidated statements of operations and changes in net assets. Conditional promises to give are recognized when the condition is substantially met.

Assets Limited as to Use for Capital Projects and Other Long-Term Purposes

Assets limited as to use for capital projects and other long-term purposes include contributions receivable that have been restricted by donors or otherwise designated for the purpose of acquiring or improving property, plant, and equipment or for other long-term purposes. These assets are not available for general operations and are required to be used in accordance with the donor restrictions or applicable law or regulation. The organization monitors these assets to ensure that they are being used in accordance with donor restrictions or applicable laws and regulations.

Premiums, Discounts and Deferred Financing Costs on Long-Term Debt

Premiums and discounts arising from the original issuance of long-term debt are amortized on the straight-line basis, which approximates the effective interest method, over the life of the debt. Deferred financing costs represent costs incurred in conjunction with the issuance of SHC’s long-term debt. These costs are amortized on a straight-line basis, which approximates the effective interest method, over the life of the debt. The unamortized portion of these premiums, discounts and deferred financing costs are included in long-term debt on the consolidated balance sheets.

Interest Rate Swap Agreements

SHC entered into several interest rate swap agreements to reduce the effect of interest rate fluctuation on its variable rate bonds. All swaps are recognized on the consolidated balance sheets at their fair value. Changes in the fair value of interest rate swaps are included in excess of revenues over expenses. In fiscal year 2025 and 2024, the net swap settlements (cash payments less receipts) for the interest rate swap agreements have been recorded under swap interest and change in value of swap agreements in the consolidated statements of operations and changes in net assets.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Excess of Revenues over Expenses (Performance Indicator)

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess of revenues over expenses, include transfers of assets to and from affiliates for other than goods and services, changes in unrealized gains and losses on debt securities classified as other-than-trading, contributions of long lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), changes in pension and postretirement liability and other changes related to noncontrolling interests.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which SHC expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Certain net patient service revenues received are subject to retroactive adjustments under reimbursement agreements with third-party payors. 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.

Thus, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term. Generally, SHC bills patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied. Accounts receivable deemed uncollectable due to payor credit issues are charged against the allowance for credit losses when identified.

Performance obligations are determined based on the nature of the services provided by SHC. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. SHC believes that this method provides a reasonable depiction of the transfer of services over the term of the performance obligations based on the inputs needed to satisfy the obligation. Generally, performance obligations are satisfied over time related to patients receiving inpatient acute care services.

SHC measures the performance obligations from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and SHC does not believe it is required to provide additional services to the patient.

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

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Net Patient Service Revenue (continued)

The transaction price is based on standard charges for services provided to patients, reduced by applicable contractual adjustments, discounts to under and uninsured patients, and implicit pricing concessions. The estimates of contractual adjustments and discounts are based on contractual agreements, discount policy, and historical collection experience. SHC reports accounts receivable net of estimated pricing concessions and any allowance for credit losses. The process for estimating the ultimate collectability of receivables involves historical collection experience, changes in contracts with payors, aging behaviors of receivables, and future market and economic conditions.

SHC has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying to a portfolio of contracts with similar characteristics. SHC accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analysis, SHC has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract-by-contract basis.

SHC has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for the financing component, as the period of time between the service being provided and the time that the patient pays for service is typically one year or less.

Charity Care and Community Benefits

SHC provides either full or partial charity care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as net patient service revenue. SHC also provides services to other indigent patients under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. The difference between the cost of services provided to these indigent patients and the expected reimbursement is included in the estimated cost of charity care. Such amounts are considered community benefits.

Premium Revenue

SMP has capitated agreements with various Health Maintenance Organizations (“HMOs”) to provide medical services to enrollees. Under these agreements, monthly payments are received based on the number of health plan enrollees. These receipts are recorded as premium revenue in the consolidated statements of operations and changes in net assets. Costs are accrued when services are rendered under these contracts, including cost estimates of incurred but not reported (“IBNR”) claims. The IBNR accrual, which is included in accounts payable and accrued liabilities in the consolidated balance sheets, includes an estimate of the costs of services for which SMP is responsible, including referrals to outside healthcare providers.

Income Taxes

SHC, SMP, and SHC Tri-Valley are California not-for-profit corporations and are exempt from Federal taxation under Internal Revenue Code (“IRC”) Section 501(c)(3). ERTS, PET-CT, EBREV, OSV, SBC, SEROC, CareCounsel and SHI are limited liability companies and taxable income flows through to the individual members. SUMIT, a Bermuda Limited Company, is currently exempt from Bermuda taxes until March 31, 2035. TRA is a limited liability company and has elected to be taxed as a corporation. PEAC is a taxable corporation.

SHC is subject to a 21% excise tax on executive compensation in excess of one million dollars paid to certain covered employees.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The University is currently subject to IRC Section 4968, a 1.4% excise tax on its net investment income (“NIIT”) through fiscal year 2026. In 2025, Public Law 119-21 (H.R.1), informally known as the One Big Beautiful Bill Act (“OBBBA”), was enacted, raising the excise tax rate to 8% for certain educational institutions, such as the University, effective starting in fiscal year 2027. The University’s NIIT includes the assets and net investment income of related organizations, as defined under IRC Section 4968. As such, the assets and net investment income of SHC and its related entities are included in the University’s NIIT calculation. Neither SHC nor its related entities are liable for any IRC Section 4968 taxes; however, SHC and its related entities have agreed to fund the University for any increase in the University’s NIIT resulting from assets and net investment income of SHC and its related entities. SHC and its related entities applied the 1.4% rate to any realized net investment income during fiscal year 2025, as well as any unrealized net investment income which is reasonably expected to be realized prior to fiscal year 2027. For any remaining unrealized net investment income, SHC and its related entities applied the 8% rate. As of August 31, 2025, SHC’s liability owed to the University is \$90 million, which consists of \$4 million and \$86 million recorded as due to Stanford University and due to Stanford University, net of current portion, respectively on the consolidated balance sheet. In addition, SHC has recorded \$84 million of excise tax expense within the change in value of University managed pools and other investments on the consolidated statement of operations and changes in net assets for the year ended August 31, 2025.

SHC is also subject to the computation of Unrelated Business Taxable Income (“UBTI”) separately for each unrelated trade or business. SHC and its related entities have no uncertain tax positions pertaining to UBTI.

Self-Insurance Plans

SHC, SHC Tri-Valley and SBC self-insure for professional, general, and cyber liability risks, and postretirement medical benefits, workers’ compensation and health and dental benefits. These liabilities are actuarially determined and reflected as self-insurance reserves in the consolidated balance sheets.

- **Liability** — SHC, SHC Tri-Valley and SBC are self-insured through SUMIT for professional, general, and cyber liability losses under claims-made coverage. SHC, SHC Tri-Valley and SBC also maintain professional liability reserves for unreported claims which total \$15,175, \$1,533, and \$91 as of August 31, 2025, respectively. As of August 31, 2024, this reserve balance was \$15,081, \$1,706, and \$91 for SHC, SHC Tri-Valley and SBC, respectively. In fiscal year 2025 and 2024, SUMIT has retained 100% of the risk related to the first \$15,000 per occurrence for professional and general liability losses. The next \$175,000 is transferred to various reinsurance companies. For cyber liability, SUMIT retains \$2,500 in excess of a \$2,500 per claim retention with the next \$90,000 transferred to various reinsurance companies.
- **Workers’ Compensation** — SHC, SHC Tri-Valley and SBC purchase insurance for workers’ compensation claims with a \$750 deductible per occurrence. Workers’ compensation insurance provides statutory limits for the State of California. An actuarial estimate of retained losses (or losses retained within the deductible) has been used to record a liability.

Fair Value of Financial Instruments

Due to the short-term nature of cash and cash equivalents, accounts payable and accrued liabilities, and accrued salaries and related benefits, their carrying value approximates their fair value. The fair value of the amounts payable under third-party reimbursement contracts is not readily determinable.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

Financial instruments, which potentially subject SHC to concentration of credit risk, consist principally of cash and cash equivalents, patient accounts receivable, and investments in University managed pools.

SHC's concentration of credit risk relating to patient accounts receivable is limited by the diversity and number of patients and payors. Patient accounts receivable consists of amounts due from commercial insurance companies, governmental programs, private pay patients and other third-party payors.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to patient accounts receivable, MP valuation, ARO, amounts due to third-party payors, retirement plan obligations, self-insurance reserves, and excise taxes. Actual results could differ from those estimates.

Recent Pronouncement – effective in fiscal year 2025

Periodically, the FASB issues updates to the ASC which may impact SHC's financial reporting and related disclosures. The following paragraph summarizes relevant updates.

Leases: Common Control Arrangements – In March 2023, the FASB issued Accounting Standards Update (“ASU”) 2023-01, *Leases Common Control Arrangements*. This ASU introduces new leasing guidance for entities under common control. The amendments provide a practical expedient for in-scope entities to use the written terms and conditions of a common control arrangement to determine whether it contains a lease and if so the classification of and the accounting for that lease. The amendments also require entities with common control leases to amortize the associated leasehold improvements over the useful life of those assets to the common control group, regardless of the lease term. This new guidance was adopted in fiscal year 2025 and did not materially impact the Consolidated Financial Statements.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

3. Net Patient Service Revenue

SHC has agreements with third-party payors that provide for payments at amounts different from SHC's established rates. A summary of payment arrangements with major third-party payors follows:

- **Medicare** — Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology. SHC is reimbursed for cost reimbursable items at a tentative rate with final settlement of such items determined after submission of annual cost reports and audits thereof by the Medicare administrative contractor. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net patient service revenue in the year examination is substantially completed. SHC's Medicare cost reports have been audited by the Medicare administrative contractor through August 31, 2018. Professional services are reimbursed based on a fee schedule.

- **Medicare Managed Care** — Medicare Part C, also known as Medicare Advantage, is a type of Medicare plan offered by private insurance carriers that provide members with access to both inpatient and outpatient health care services. The majority of Medicare Advantage plans include prescription drug coverage and come in the form of HMOs and Preferred Provider Organization ("PPOs"). Medicare Advantage plans typically reimburse healthcare providers at Medicare rates.
- **Medi-Cal** — Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed at a prospectively determined rate per discharge. Outpatient services are reimbursed based upon prospectively determined fee schedules. Professional services are reimbursed based on a fee schedule.
- **Medi-Cal Managed Care** — Health plans for patients who qualify for Medi-Cal are first covered under Medi-Cal Fee for Service ("FFS") before the patients choose a health plan which provides health care services through established networks of organized systems of care. Negotiated contracts with Medi-Cal managed care health plans typically reimburse 100% of Medi-Cal fee for service rates.
- **Managed Care Organizations** — SHC entered into agreements with numerous third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:
 - Commercial insurance companies, including workers' compensation plans, which reimburse SHC at negotiated charges.
 - Managed Care contracts such as those with HMOs and PPOs, which reimburse SHC at contracted case rates or per diem rates, which are usually less than full charges. PPOs give their members multiple choices in health care and health care providers.
 - Counties in the State of California, which reimburse SHC for certain indigent patients covered under county contracts.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

3. Net Patient Service Revenue (continued)

Uninsured — For uninsured patients that do not qualify for charity care, SHC recognizes revenue on the basis of its standard rates for services less an uninsured discount applied to the patient's account and an implicit pricing concession that approximates the average discount for Managed Care payors.

Patient service revenue, net of price concessions, by major payors for the years ended August 31, is as follows:

	<u>2025</u>	<u>2024</u>
Medicare	\$ 1,538,580	\$ 1,519,060
Medicare Managed Care	694,558	575,948
Medi-Cal	63,164	255,202
Medi-Cal Managed Care	612,737	500,387
Managed Care - Discounted Fee For Services	5,887,315	5,405,126
Self pay and other	318,331	376,163
Related party	50,686	49,436
Net patient service revenue	<u>\$ 9,165,371</u>	<u>\$ 8,681,322</u>

SHC recognized net patient service revenue adjustments of \$21,366 and \$144,633 as a result of prior years' favorable developments and appeals settled during the years ended August 31, 2025, and 2024 respectively.

Amounts due from payors representing 10% or more of net patient accounts receivable at August 31 are as follows:

	<u>2025</u>	<u>2024</u>
Blue Cross	18%	17%
Blue Shield	12%	19%
Medicare	11%	11%
Aetna	11%	10%
United Health	11%	7%

SHC does not believe significant credit risks exist with these payors.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

3. Net Patient Service Revenue (continued)

California Hospital Quality Assurance Fee Program

The State of California enacted Senate Bill 239 in October 2013 which established the Hospital Quality Assurance Fee (“HQAF”) for January 1, 2014 through December 31, 2016. Subsequently, California’s participation in the provider fee program, as authorized under federal regulations, has been made permanent by the passage of Proposition 52, an initiative on the November 2016 ballot. Centers for Medicare & Medicaid Services (“CMS”) has approved, and SHC has recognized as revenue on the date of approval, supplemental payments related to the following programs and periods:

- FFS programs for January 1, 2023 through December 31, 2024
- Managed Care program for January 1, 2021 through December 31, 2022

For the years ended August 31, 2025 and 2024, respectively, SHC recognized \$13,544 and \$206,672 in net patient service revenue for Medi-Cal FFS and Managed Care supplemental payments provided for under the California provider fee programs.

For the years ended August 31, 2025 and 2024, respectively, SHC recognized \$12,847 and \$117,910 in other expense for HQAF paid to the California Department of Health Care Services. Expenses were paid for the same CMS approved programs noted above.

Any potential activity under the Fee For Service program and the Managed Care program subsequent to January 1, 2025 and January 1, 2023, respectively, has not been approved by CMS; therefore, revenue has not been recognized in the consolidated financial statements.

SHC recorded \$60,665 and \$12,175 in deferred revenue as of August 31, 2025 and 2024, respectively, pending CMS approval. SHC also recorded \$44,185 and \$8,730 as prepaid expense as of August 31, 2025 and 2024, respectively, pending CMS approval of the Managed Care program as of August 31, 2025. Deferred revenue and prepaid expenses associated with unapproved HQAF will be recognized as revenue and expense respectively, upon CMS approval.

See Note 17 for Subsequent Event.

4. Charity Care, Uncompensated Costs and Community Benefits

SHC engages in numerous community benefit programs and services. These services include health research, education and training and other benefits for the larger communities that are excluded from the information below.

Uncompensated charity care is provided to vulnerable populations. Additionally, Medi-Cal and Medicare program reimbursements do not cover the estimated costs of services provided.

Information related to SHC’s charity care for the years ended August 31 are as follows:

	<u>2025</u>	<u>2024</u>
Charity care at established rates	\$ 132,989	\$ 146,068
Estimated cost of charity care, net	\$ 25,406	\$ 29,132

The estimated cost of providing charity care is based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on SHC’s total expenses divided by gross patient service charges.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

4. Charity Care, Uncompensated Costs and Community Benefits (continued)

Estimated cost of services in excess of reimbursement for the years ended August 31 are as follows:

	<u>2025</u>	<u>2024</u>
Charity care	\$ 25,406	\$ 29,132
Medi-Cal	563,171	497,443
Medicare	1,571,180	1,464,554
Total	<u>\$ 2,159,757</u>	<u>\$ 1,991,129</u>

5. Contributions Receivable

Contributions are recorded at the discounted net present value of the future cash flows, adjusted for the risk of donor default, using discount rates ranging from 1.20% to 4.72% for fiscal year August 31, 2025 and 1.05% to 4.72% for fiscal year August 31, 2024.

Contributions receivable at August 31 are expected to be realized in the following periods:

	<u>2025</u>	<u>2024</u>
In one year or less	\$ 6,328	\$ 19,734
Between one year and five years	13,499	19,573
More than five years	750	1,000
	20,577	40,307
Less: discount/allowance	<u>(2,490)</u>	<u>(4,551)</u>
Total contributions receivable, net	18,087	35,756
Less: current portion	<u>(5,514)</u>	<u>(18,101)</u>
Contributions receivable, net of current portion	<u>\$ 12,573</u>	<u>\$ 17,655</u>

Contributions receivable at August 31 are to be utilized for the following purposes:

	<u>2025</u>	<u>2024</u>
Plant replacement and expansion	\$ 19,704	\$ 39,131
Other patient and clinical services	873	1,176
Total	<u>\$ 20,577</u>	<u>\$ 40,307</u>

For the years ended August 31, 2025 and 2024, contribution receivable net of discount/allowance are recorded as follows:

<u>Classification on Consolidated Balance Sheets</u>	<u>2025</u>	<u>2024</u>
Assets limited as to use for capital projects & other long term purposes	\$ 17,992	\$ 35,378
Other receivables	95	378

There were no conditional pledges at August 31, 2025 and 2024.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

6. Investments and Investments in University Managed Pools

The composition of investments held directly by SHC at August 31 is as follows:

	Fair Value	
	2025	2024
Short term investments and Investments:		
Cash and cash equivalents	\$ 8,151	\$ 48,431
Restricted cash	52,306	48,123
Fixed income	1,659,733	1,046,482
Public equity	1,302,303	1,629,163
Other	42,504	36,094
Total	<u>\$ 3,064,997</u>	<u>\$ 2,808,293</u>

The composition of Investments in University managed pools at August 31 is as follows:

	Fair Value	
	2025	2024
Investments in University managed pools:		
Merged Pool	\$ 3,803,004	\$ 3,011,823
Expendable Funds Pool	9,030	7,816
Total	<u>\$ 3,812,034</u>	<u>\$ 3,019,639</u>

Investment Categories

- Cash and cash equivalents include money market funds.
- Restricted cash includes money market funds that are holding cash restricted by donors.
- Fixed income primarily includes investments that are actively traded fixed income government, government agency, corporate, municipal, and securitized securities or mutual funds and exchange traded funds (“ETFs”).
- Public equity investments include commingled funds, which invest in publicly traded equities.
- Other investments include private investments primarily in venture capital or growth equity and living trust donations to SHC held by other trustees.
- The MP is a unitized pool in which the fund holders purchase investments and withdraw funds based on a monthly share value. The MP is invested with the objective of maximizing long-term total return.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

6. Investments and Investments in University Managed Pools (continued)

The MP's investments at August 31 consist of the following:

	Allocation	
	2025	2024
Cash and cash equivalents	2%	2%
Fixed income	7%	7%
Public equities	18%	21%
Real estate	7%	7%
Natural resources	3%	4%
Absolute return	19%	18%
Private equities	44%	41%
Total	100%	100%

7. Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of assets and liabilities should include consideration of non-performance risk.

SHC accounts for certain assets and liabilities at fair value. A fair value hierarchy for valuation inputs has been established. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1: Quoted prices are available in active markets for identical assets or liabilities as of the measurement date.

Level 2: Pricing inputs are based on quoted market prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Financial assets and liabilities in this category generally include asset-backed securities, corporate bonds and loans, municipal bonds, and interest rate swap instruments.

Level 3: Pricing inputs are generally unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of the fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities.

Investments in University managed pools are measured at Net Asset Value ("NAV") since the managed pool assets are invested on behalf of SHC by SMC, according to the terms of an Investment Management Agreement. These assets are part of a diversified portfolio of actively managed fixed income, public and private equity, absolute return, natural resources, and real estate investments. The NAV is reported to SHC by the University in accordance with their policies.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

7. Fair Value Measurements (continued)

The following tables summarize SHC's assets and liabilities measured at fair value on a recurring basis as of August 31, based on the inputs used to value them. In the following tables, cash and cash equivalents as of August 31, 2025 and 2024, includes restricted cash of \$52,306 and \$48,123, respectively. See Note 6 for further discussion. Changes in the fair value of the Level 3 investments for the years ended August 31, 2025 and 2024 are immaterial.

	2025			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 60,457	\$ -	\$ -	\$ 60,457
Fixed income	488,780	1,170,953	-	1,659,733
Public equities	1,302,303	-	-	1,302,303
Other	-	64	42,440	42,504
Total assets in the fair value hierarchy	<u>\$ 1,851,540</u>	<u>\$ 1,171,017</u>	<u>\$ 42,440</u>	<u>\$ 3,064,997</u>
Investments measured at NAV practical expedient: Investments in University managed pools				<u>3,812,034</u>
Total assets at fair value				<u>\$ 6,877,031</u>
Liabilities				
Interest rate swap instruments	<u>\$ -</u>	<u>\$ 55,155</u>	<u>\$ -</u>	<u>\$ 55,155</u>
2024				
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	\$ 96,554	\$ -	\$ -	\$ 96,554
Fixed income	306,095	740,387	-	1,046,482
Public equities	1,629,163	-	-	1,629,163
Other	-	-	36,094	36,094
Total assets in the fair value hierarchy	<u>\$ 2,031,812</u>	<u>\$ 740,387</u>	<u>\$ 36,094</u>	<u>\$ 2,808,293</u>
Investments measured at NAV practical expedient: Investments in University managed pools				<u>3,019,639</u>
Total assets at fair value				<u>\$ 5,827,932</u>
Liabilities				
Interest rate swap instruments	<u>\$ -</u>	<u>\$ 77,506</u>	<u>\$ -</u>	<u>\$ 77,506</u>

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2025 and 2024. Most of the SHC Level 3 investments are private investments, for which observable prices are not available. For each investment category and respective valuation technique, the range of the significant unobservable input is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

Investment Categories	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range		Weighted Average	Impact to Valuation from an Increase in Input
				Min	Max		
2025							
Other	\$ 42,440	Market comparables	Recent transactions	N/A	N/A	N/A	N/A
2024							
Other	\$ 36,094	Market comparables	Recent transactions	N/A	N/A	N/A	N/A

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8. Property and Equipment

Property and equipment consist of the following as of August 31:

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 212,391	\$ 202,878
Buildings and leasehold improvements	4,584,317	4,481,863
Equipment	1,830,021	1,788,457
	<u>6,626,729</u>	<u>6,473,198</u>
Less: Accumulated depreciation	(3,031,326)	(2,900,612)
Construction-in-progress	675,880	426,930
Property and equipment, net	<u>\$ 4,271,283</u>	<u>\$ 3,999,516</u>

Depreciation expense totaled \$275,664 and \$291,505 for the years ending August 31, 2025 and 2024, respectively.

Interest expense on debt issued for construction projects and income earned on the funds held pending use are capitalized until the projects are placed in service and depreciated over the estimated useful life of the asset. SHC capitalized interest of \$3,687 and \$3,110 during the years ended August 31, 2025 and 2024.

Asset retirement costs are capitalized and recorded in buildings and leasehold improvements. SHC recorded current period accretion expense of \$2,757 and \$2,656 in the consolidated statements of operations and changes in net assets of the years ended August 31, 2025 and 2024, respectively. ARO liability of \$119,823 and \$117,066 is included in other long-term liabilities on the consolidated balance sheets as of August 31, 2025 and 2024, respectively.

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9. Debt Obligations

SHC's outstanding debt at August 31 is summarized below:

	Face Value	Fiscal Years of Maturity	Effective Interest Rates 2025 / 2024	Outstanding Principal	
				2025	2024
Fixed Rate Obligations					
<u>Tax-Exempt</u>					
2015 Series A Revenue Bonds	\$ 100,000	2052-2054	4.10%	\$ 100,000	\$ 100,000
2017 Series A Refunding Revenue Bonds	454,200	2026-2041	2.93% / 2.91%	406,350	423,965
2020 Series A Revenue Bonds	170,120	2050	2.70%	170,120	170,120
2021 Series A Revenue Bonds	157,715	2025	N/A / 0.42%	-	157,715
2023 Series A Revenue Bonds	260,545	2033	3.20%	260,545	260,545
2025 Series A Revenue Bonds	149,580	2026-2054	4.63% / N/A	149,580	-
2025 Series B Revenue Bonds	266,540	2033-2035	3.40% / N/A	266,540	-
<u>Taxable</u>					
2018 Series Bonds	500,000	2049	3.80%	500,000	500,000
2020 Series Bonds	300,000	2030	3.31%	300,000	300,000
2021 Series Bonds	365,100	2051	3.03%	365,100	365,100
Variable Rate Obligations					
<u>Tax-Exempt</u>					
2008 Series B Refunding Revenue Bonds	168,200	2042-2046	2.19% / 2.78%	168,200	168,200
Total principal amounts				\$ 2,686,435	\$ 2,445,645
Unamortized original issue premiums/discounts, net				139,727	111,718
Unamortized costs of issuance				(15,251)	(13,838)
Current portion of long-term debt				(20,315)	(175,330)
Debt subject to remarketing arrangements				(168,200)	(168,200)
Long-term portion, net of current portion				\$ 2,622,396	\$ 2,199,995

Debt Issuance Activity

SHC borrows at tax-exempt rates through the California Health Facilities Financing Authority ("CHFFA"), a conduit issuer. Although CHFFA is the issuer, these tax-exempt securities are the obligation of, and payable solely by, SHC.

As of August 31, 2025, payments of principal and interest on all SHC debt obligations (taxable and tax-exempt) are collateralized by a pledge against the gross receivables of SHC and secured under the second amended and restated master indenture of trust ("Master Indenture") between SHC and the master trustee. SHC is currently the only member of the Obligated Group. None of the related entities listed in Note 1 are members of the Obligated Group or are otherwise obligated with respect to debt obligations. The Master Indenture includes provisions that limit property liens and requires the maintenance of certain financial ratios. SHC may redeem some of its bonds, in whole or in part, prior to the stated maturities. Total debt outstanding under the Master Indenture is in the aggregate principal amounts of \$2,686,435 and \$2,445,645 as of August 31, 2025 and 2024, respectively.

In June 2025, CHFFA, on behalf of SHC, issued fixed rate 2025 Series A Revenue Bonds ("2025 Series A") in the aggregate principal amount of \$149,580 plus an original issue premium of \$7,759. Proceeds of the 2025 Series A bonds were used to current refund the 2021 Series A bonds, which had a mandatory put date of August 15, 2025.

In June 2025, CHFFA, on behalf of SHC, issued fixed rate 2025 Series B Revenue Bonds ("2025 Series B") in the aggregate principal amount of \$266,540 plus an original issue premium of \$33,460. Proceeds of the 2025 Series B bonds were used to reimburse expenditures related to the 300P Renewal and Redwood City Medical Office Building projects. Proceeds from the issuance were also used to refinance \$50,000 in aggregate principal of outstanding tax-exempt commercial paper.

Stanford Health Care
Notes to Consolidated Financial Statements
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9. Debt Obligations (continued)

Debt Issuance Activity (continued)

In September 2023, CHFFA, on behalf of SHC, issued fixed rate 2023 Series A Revenue Bonds (“2023 Series A”) in the aggregate principal amount of \$260,545 plus an original issue premium of \$39,460. Proceeds of the 2023 Series A bonds were used to reimburse expenditures related to the re-design, remodel, and renovation of SHC’s original hospital facility (300P Renewal).

SHC has a \$200,000 tax-exempt commercial paper facility for bridge financing of certain capital expenditures. No amounts were outstanding as of August 31, 2025 and 2024.

SHC has a \$150,000 taxable commercial paper facility for general corporate purposes. No amounts were outstanding as of August 31, 2025 and 2024.

SHC has a revolving line of credit facility, which has a maturity date of November 2027, for general corporate purposes. Drawdowns from the facility bear interest at the Secured Overnight Financing Rate (“SOFR”) plus an applicable spread. The size of the facility is \$150,000, of which \$50,000 is earmarked for the issuance of stand-by letters of credit. No amounts were outstanding as of August 31, 2025 or 2024.

Variable Rate Debt

The 2008 Series B bonds are supported by SHC’s self-liquidity and are classified as current liabilities. In the event SHC receives a tender notice of any of the 2008 Series B bonds, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, SHC has an obligation to purchase any remaining bonds. SHC maintains sufficient liquidity to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

Principal Payments

As of August 31, 2025, scheduled principal payments on long-term debt are summarized below:

	Scheduled Maturities	Debt subject to Remarketing	Total
2026	\$ 20,315	\$ 168,200	\$ 188,515
2027	21,255	-	21,255
2028	22,300	-	22,300
2029	23,375	-	23,375
2030	324,530	-	324,530
Thereafter	2,106,460	-	2,106,460
Total	<u>\$ 2,518,235</u>	<u>\$ 168,200</u>	<u>\$ 2,686,435</u>

The scheduled principal payments above represent the annual payments required under debt repayment schedules. The current portion of long-term debt includes payments scheduled to be made in fiscal year 2026. Debt subject to remarketing includes long-term debt obligations subject to short-term remarketing.

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Notes to Consolidated Financial Statements
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9. Debt Obligations (continued)

Interest Rate Swap Agreements

SHC originally entered into various interest rate swap agreements to manage fluctuations in cash flows resulting from variable rate debt interest risk. Under the terms of the current agreements, SHC pays a fixed interest rate, determined at inception, and receives a variable rate on the underlying notional principal amount based on a percentage of the SOFR plus an applicable 1-Month spread.

In November 2023, SHC terminated four of its nine outstanding swaps at a termination cost of approximately \$18.5 million. The terminated swaps had a notional amount of \$234.6 million and were not classified as hedging instruments.

SHC currently has five outstanding interest rate exchange agreements.

The following is a summary of the outstanding positions under these interest rate swap agreements at August 31, 2025:

<u>Description</u>	<u>Current Notional</u>	<u>Maturity Date</u>	<u>Rate Paid</u>	<u>Rate Received</u>
2008 Series A-1	\$ 63,700	11/01/2040	3.691%	70% of compounded SOFR + 0.080%
2008 Series A-2	102,775	11/15/2051	3.999%	67% of compounded SOFR + 0.077%
2012 Series A	68,350	11/15/2045	4.081%	67% of compounded SOFR + 0.077%
2012 Series B	68,375	11/15/2045	4.077%	67% of compounded SOFR + 0.077%
2012 Series C	34,175	11/15/2045	4.008%	67% of compounded SOFR + 0.077%
Total	<u>\$ 337,375</u>			

SHC designates its interest rate swaps that are used to minimize the variability in cash flows of interest-bearing liabilities or forecasted transactions as hedging instruments at the inception of each contract, with the intention of maintaining hedge accounting treatment over the term of the agreement. Over the years, the underlying hedged bonds were either refinanced or paid down and as a result, none of the outstanding swap contracts are treated as hedging instruments for accounting purposes.

The fair value of interest rate swaps is shown on the balance sheets as of August 31 as follows:

<u>Description</u>	<u>Fair Value</u>		<u>Balance Sheet Location</u>
	<u>2025</u>	<u>2024</u>	
Fixed Payment Swaps	\$ 55,155	\$ 77,506	Swap liabilities

The change in fair value of the interest rate swaps is shown on the consolidated statements of operations and changes in net assets for the years ended August 31 as follows:

<u>Description</u>	<u>Unrealized Gain (Loss)</u>		<u>Statement of Operations Location</u>
	<u>2025</u>	<u>2024</u>	
Fixed Payment Swaps	\$ 22,351	\$ (2,072)	Swap interest and change in value of swap agreements

SHC has one swap agreement which requires mutual posting of collateral by SHC and the counterparty if the termination values exceed a predetermined threshold dollar amount. There was no cash collateral posted by SHC as of August 31, 2025 and 2024.

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Notes to Consolidated Financial Statements

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9. Debt Obligations (continued)

Interest Rate Swap Agreements (continued)

Upon the occurrence of certain events of default or termination events identified in the swap contracts, either SHC or the counterparty could terminate the contracts in accordance with their terms. Termination results in the payment of a termination amount by one party that attempts to compensate the other party for its economic losses. If interest rates at the time of termination are lower than those specified in the contract, SHC will make a payment to the counterparty. Conversely, if interest rates at such time are higher, the counterparty will make a payment to SHC.

SHC records all swap net settlements in swap interest and change in value of swap agreements on the consolidated statements of operations and changes in net assets.

Bond Interest Expense

Total bond interest expense was \$83,035 and \$80,394 for the years ended August 31, 2025 and 2024, respectively.

10. Retirement Plans

SHC provides retirement benefits through defined benefit and defined contribution retirement plans covering substantially all benefit eligible employees.

Defined Contribution Retirement Plan

Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation. Employer contributions to this plan for SHC employees, excluding LPCH employees, totaling \$235,550 and \$212,784, SMP employer contributions totaling \$5,021 and \$5,129 and SHC Tri-Valley employer contributions totaling \$8,920 and \$7,893, for the years ended August 31, 2025 and 2024, respectively, are included in salaries and benefits expense in the consolidated statements of operations and changes in net assets.

Defined Benefit Pension Plan

In April 2021, the Board of Directors approved a resolution to terminate the Staff Pension Plan, which includes LPCH employees. As of January 31, 2024, the Staff Pension Plan was fully settled and all benefit obligations were released. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. As a result of the settlement, SHC was relieved of any further obligations under the Staff Pension Plan. During fiscal year 2024, pension settlement charges totaling \$51,688 were recognized. In addition to contributions of \$3,850 in fiscal year ended August 31, 2024, there were contributions of \$2,269 to settle the Staff Pension Plan.

Postretirement Medical Benefit Plan

SHC currently provides health insurance coverage for SHC employees upon retirement as early as age 55, with years of service as defined by specific criteria. The health insurance coverage for retirees who are under age 65 is the same as that provided to active employees. A Medicare supplement option is provided for retirees over age 65.

Expected Contributions

SHC expects to contribute \$6,317 to its Postretirement Medical Benefit Plan for only SHC employees during the fiscal year ending August 31, 2026.

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10. Retirement Plans (continued)

Expected Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid for the fiscal years ending August 31:

	Postretirement Medical Benefit Plan	
	Net of Medicare	Excluding Medicare
	Part D Subsidy	Part D Subsidy
2026	\$ 8,244	\$ 8,365
2027	8,283	8,330
2028	8,695	8,735
2029	9,249	9,283
2030	9,854	9,883
2031 - 2035	60,060	60,146

The following tables present information on plan assets and obligations, costs, and actuarial assumptions for the Staff Pension Plan and the Postretirement Medical Benefit Plan for the years ended August 31, 2025 and 2024.

The tables for the Postretirement Medical Benefit Plan include SHC and LPCH employees. The total postretirement medical benefit liability was \$149,025 and \$125,092 as of August 31, 2025 and 2024, respectively. SHC recorded a liability within self-insurance reserves in the consolidated balance sheets of \$110,035 and \$92,579 as of August 31, 2025 and 2024, respectively, which represents the liability for SHC employees excluding LPCH employees.

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10. Retirement Plans (continued)

The change in pension and other postretirement plan assets and the related change in benefit obligations, using a measurement date of August 31, as of and for the years ended August 31 are as follows:

	Staff Pension Plan	Postretirement Medical Benefit Plan Net of Medicare Part D Subsidy	
		2025	2024
Change in plan assets:			
Fair value of plan assets at beginning of year	\$ 151,390	\$ -	\$ -
Actual return on plan assets	6,264	-	-
Employer contributions	6,055	7,632	7,798
Participants contributions	-	1,039	1,068
Plan settlements	(156,344)	-	-
Benefits paid	(6,211)	(8,731)	(8,930)
Medicare subsidies received	-	60	64
Expenses paid	(1,154)	-	-
Fair value of plan assets at end of year	\$ -	\$ -	\$ -
Change in benefit obligation:			
Benefit obligation at beginning of year	\$ 157,554	\$ 125,092	\$ 115,588
Service cost	1,350	5,474	5,282
Interest cost	3,448	6,134	5,949
Participants contributions	-	1,039	1,068
Plan settlements	(156,344)	-	-
Benefits paid	(6,211)	(8,731)	(8,930)
Medicare subsidies received	-	60	64
Expenses paid	(1,154)	-	-
Plan amendments	-	21,154	-
Actuarial loss (gain)	1,357	(1,197)	6,071
Benefit obligation at end of year	\$ -	\$ 149,025	\$ 125,092
Amounts recognized in consolidated balance sheets:			
Plan assets minus benefit obligation	\$ -	\$ (149,025)	\$ (125,092)
Net benefit obligation recognized	\$ -	\$ (149,025)	\$ (125,092)
Amounts recognized in consolidated balance sheets:			
Current liabilities	\$ -	\$ (8,244)	\$ (7,265)
Noncurrent liabilities	-	(140,781)	(117,827)
Net benefit liability recognized	\$ -	\$ (149,025)	\$ (125,092)
Amounts recognized in net assets without donor restrictions:			
Prior service cost	\$ -	\$ (48,419)	\$ (30,626)
Net gain	-	19,065	18,949
Net assets without donor restrictions	\$ -	\$ (29,354)	\$ (11,677)

Stanford Health Care
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10. Retirement Plans (continued)

Net benefit expense related to the Staff Pension Plan and Post Retirement Medical Benefit Plan for the years ended August 31 includes the following components:

	Staff Pension Plan
	2024
Service cost:	\$ 1,350
Periodic benefit expense	1,350
Non-operating:	
Interest cost	3,448
Expected return on plan assets	(2,602)
Amortization of prior service cost	66
Amortization of net loss	132
Curtailment loss recognized	821
Settlement loss recognized	51,688
Non-operating periodic benefit cost	53,553
Total net periodic benefit cost	\$ 54,903

	Postretirement Medical Benefit Plan	
	2025	2024
Service cost:	\$ 5,474	\$ 5,282
Periodic benefit expense	5,474	5,282
Non-operating:		
Interest cost	6,134	5,949
Amortization of prior service cost	3,361	3,361
Amortization of net gain	(1,081)	(1,534)
Non-operating periodic benefit cost	8,414	7,776
Total net periodic benefit cost	\$ 13,888	\$ 13,058

Changes recognized in net assets without donor restrictions for the years ended August 31 include the following components:

	Staff Pension Plan	Postretirement Medical Benefit Plan	
	2024	2025	2024
Net (gain) loss arising during period	\$ (2,305)	\$ (1,197)	\$ 6,071
Prior service cost	-	21,154	-
Amortization			
Prior service cost	(887)	(3,361)	(3,361)
(Loss) gain	(51,820)	1,081	1,534
Total recognized in net assets without donor restrictions	\$ (55,012)	\$ 17,677	\$ 4,244
Total recognized in net periodic benefit cost and net assets without donor restrictions	\$ (109)	\$ 31,565	\$ 17,302

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Notes to Consolidated Financial Statements
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10. Retirement Plans (continued)

Actuarial Assumptions

The weighted-average assumptions used to determine benefit obligations are as follows for the years ended August 31:

	Postretirement Medical Benefit Plan	
	2025	2024
Weighted-average assumptions		
Discount rate	5.57%	5.05%
Rate of compensation increase	N/A	N/A

The discount rate, and the projected covered payroll growth rates used in determining the above net benefit expense are as follows for the years ended August 31:

	Postretirement Medical Benefit Plan	
	2025	2024
Weighted-average assumptions		
Discount rate	5.05%	5.34%
Rate of compensation increase	N/A	N/A

To determine the accumulated postretirement benefit obligation as of August 31, 2025, a 8.09% for Post-65 and a 8.02% for Pre-65 annual rate of increase in the per capita cost of covered health care were assumed for calendar year 2025, declining gradually to 4.0% for both Post-65 and Pre-65, by 2049, and remaining at this rate thereafter.

11. Net Assets Without Donor Restrictions

The changes in consolidated net assets without donor restrictions attributable to the controlling financial interest of SHC and the noncontrolling interests, for the years ended August 31, are as follows:

	Total	Controlling Interest	Noncontrolling Interests
Balance as of August 31, 2023	\$ 6,698,906	\$ 6,658,752	\$ 40,154
Excess of revenues over expenses	1,014,227	1,001,341	12,886
Noncontrolling capital distribution, net	(1,010)	-	(1,010)
Other changes in net assets without donor restrictions	(22,636)	(22,636)	-
Balance as of August 31, 2024	7,689,487	7,637,457	52,030
Excess of revenues over expenses	1,172,481	1,157,358	15,123
Noncontrolling capital contribution, net	2,000	-	2,000
Other changes in net assets without donor restrictions	(120,036)	(120,036)	-
Balance as of August 31, 2025	<u>\$ 8,743,932</u>	<u>\$ 8,674,779</u>	<u>\$ 69,153</u>

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12. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose:		
Other	\$ 48,132	\$ 44,920
Pledges receivable, net	18,087	35,756
Plant facilities	18,078	12,607
Total subject to expenditure for specified purpose	<u>84,297</u>	<u>93,283</u>
Subject to the University's spending policy:		
Accumulated appreciation	34,174	29,063
Subject to restriction in perpetuity:		
Endowment principal	15,662	15,868
Total endowment classified as net assets with donor restrictions	<u>49,836</u>	<u>44,931</u>
Total net assets with donor restrictions	<u>\$ 134,133</u>	<u>\$ 138,214</u>

Endowments

In 2009, California adopted a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). SHC has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SHC classifies as endowments (a) the original value of gifts donated, (b) the original value of subsequent gifts, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, SHC considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund.
2. The purposes of SHC and the donor restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the organization.
7. The investment policies of the organization.

The portion of endowment funds that is required to be retained either by explicit donor stipulation or by California UPMIFA, as of August 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Clinical services	\$ 8,052	\$ 7,491
Education	13,584	11,917
Indigent care and other	28,200	25,523
Total endowment classified as net assets with donor restrictions	<u>\$ 49,836</u>	<u>\$ 44,931</u>

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12. Net Assets With Donor Restrictions (continued)

Endowments (continued)

All of SHC's endowment funds, totaling \$49,836 and \$44,931 at August 31, 2025 and 2024, respectively, are invested in the MP. The original funds are held in perpetuity and invested to generate income to support operating and strategic initiatives. The aggregate amount by which fair value was below historic value was \$0 as of August 31, 2025 and 2024.

Return Objectives and Risk Parameters

The return objective for the endowment assets is to generate optimal total return while maintaining an appropriate level of risk established by the University.

Strategies Employed for Achieving Investment Objectives

SHC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gain) and current yield (interest and dividend) managed by the MP.

13. Related-Party Transactions

Transactions with the University and SoM

SHC has various transactions with the University and the SoM. SHC records expense transactions where direct and incremental economic benefits are received by SHC.

Expenses paid to the University and the SoM are reported as operating expenses in the consolidated statements of operations and changes in net assets and are management's best estimates of SHC's arms-length payments of such amounts for its market specific circumstances. To the extent that payments to the University and the SoM exceed an arms-length estimated amount relative to the benefits received by SHC, they are recorded as transfers to the University and the SoM in other changes in net assets.

SHC purchases certain services from the University and the SoM. Payment for these services is based on management's best estimate of its market specific circumstances.

Services provided by the SoM include physician services that benefit SHC, such as emergency room coverage, physicians providing medical direction to SHC, and physicians providing service to the clinical practice, which are covered by the Professional Services Agreement ("PSA"). Such expenses are reflected as purchased services in the consolidated statements of operations and changes in net assets, and total \$1,594,367 and \$1,409,093 for the years ended August 31, 2025 and 2024, respectively.

Services provided by the University and other SoM non-physician services include telecommunications, transportation, utilities, and certain administrative services, such as legal and internal audit. Total costs incurred by SHC were \$126,788 and \$132,332 for the years ended August 31, 2025 and 2024, respectively, and are reflected in various categories in the consolidated statements of operations and changes in net assets.

SHC paid service fees to the University in the amount of \$957 for both years ended August 31, 2025 and 2024. The service fees represent costs for the utilization of infrastructure owned by the University such as road improvements and parking garages and are reflected in the consolidated statements of operations and changes in net assets as other expense. The annual service fees range from approximately \$957 for the year ending August 31, 2026, to \$638 for the year ending August 31, 2033, for a total of \$7,339 over the next eight years.

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Notes to Consolidated Financial Statements

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13. Related-Party Transactions (continued)

Transactions with the University and SoM (continued)

SHC also received payments for services provided to the University including primarily building maintenance, housekeeping, security, and information technology ("IT"). Costs incurred by SHC in providing these services are reflected in the various categories in the consolidated statements of operations and changes in net assets. Reimbursement from the University totaled \$120,219 and \$114,704 for the years ended August 31, 2025 and 2024, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets.

In addition, SHC received certain grant monies for clinical trials from the University. Grant revenue totaled \$13,892 and \$11,832 for the years ended August 31, 2025 and 2024, respectively, and is reflected in the consolidated statements of operations and changes in net assets as net patient service revenue in the consolidated statements of operations and changes in net assets.

During the year ended August 31, 2004, SHC paid \$5,500 to the University. The amount represented a prepayment of a 51 year lease for property owned by the University. The short-term portion of \$108 is included in prepaid expenses and other in the consolidated balance sheets as of August 31, 2025 and 2024. The remaining amount included in other assets in the consolidated balance sheets is \$2,840 and \$2,948 as of August 31, 2025 and 2024, respectively.

For the years ended August 31, 2025 and 2024, SHC transferred \$128,993 and \$104,835, respectively, to the University, which are included in other changes in net assets without donor restrictions in the consolidated statements of operations and changes in net assets. These funds are used by the University to support the academic mission of the SoM and its initiatives as well as the general support of the academic community and physical plant.

SHC also received equity transfers of \$10,667 and \$301 during the years ended August 31, 2025 and 2024, respectively, which represented restricted gifts originally donated to the University. These gifts were subsequently re-designated by donors mostly for SHC patient care services and the New Stanford Hospital and are included in changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets.

SHC has made long term advances to the University for a housing assistance program offered to current physicians, who are employed by SoM, and to some SHC executive employees. These physicians and executives receive housing loans/assistance that is administered by the University's housing office. SHC issues funds to the University directly to fund these programs on behalf of SoM and records a receivable from the University. These loans have varying payment requirements and the latest maturity due date is 2054. The total outstanding loans were \$268,271 and \$230,063 as of August 31, 2025 and 2024, respectively, which are reflected on the consolidated balance sheets as due from Stanford University housing loans.

Transactions with LPCH

SHC and LPCH share certain departments, including facilities design and construction, materials management, Managed Care contracting, compliance and general services. Shared service costs are included in the respective categories on the consolidated statements of operations and changes in net assets and are allocated between SHC and LPCH based on negotiated rates. Reimbursement received from LPCH totaled \$66,680 and \$59,457 for the years ended August 31, 2025 and 2024, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

13. Related-Party Transactions (continued)

Transactions with LPCH (continued)

SHC provides various services to LPCH. These services include operating room, apheresis, cardiac catheterization, interventional radiology, radiation oncology and laboratory. The cost of these services is charged back to LPCH based on a percentage of charges intended to approximate cost or a cost per procedure. Costs of these purchased services are reflected in the appropriate category in the consolidated statements of operations and changes in net assets. Reimbursement of purchased services from LPCH totaled \$50,686 and \$49,436 for the years ended August 31, 2025 and 2024, respectively, and is reflected in the consolidated statements of operations and changes in net assets as net patient service revenue.

Other services provided by SHC include services provided by interns and residents, building maintenance, IT and utilities. Reimbursement of these services totaled \$66,556 and \$64,448 for the years ended August 31, 2025 and 2024, respectively, and is reflected in various categories in the consolidated statements of operations and changes in net assets. Total home infusion recoveries were \$9,378 and \$9,716 for fiscal years ended August 31, 2025 and 2024, respectively.

During the years ended August 31, 2025 and 2024, SHC received \$0 and \$276 from LPCH which represented reimbursement for capital equipment.

14. Leases

Leasing Activities-Lessee

SHC's lease portfolio primarily consists of operating and finance leases for real estate, personal property, and equipment under non-cancelable lease agreements expiring at various dates.

For the years ended August 31, 2025 and 2024, the components of SHC lease expenses and the classification of such expenses in SHC consolidated statements of operations and changes in net assets are as follows:

Components of Lease Cost	Classification on Consolidated Statements of Operations and Changes in Net Assets	2025	2024
Operating lease cost	Other	\$ 92,282	\$ 89,997
Short term lease cost	Other	7,607	7,151
Variable lease cost	Other	15,381	11,877
Finance lease cost:			
Amortization of leased assets	Depreciation and amortization	49	-
Interest on lease liabilities	Interest	11	-
Sublease income	Other revenue	(3,794)	(4,114)
Total		\$ 111,536	\$ 104,911

For the years ended August 31, 2025 and 2024, the supplemental cash flow information related to leases are as follows:

	2025	2024
Operating cash flows from operating leases	\$ 93,833	\$ 86,900
Operating cash flows from finance leases	11	-
Financing cash flows from finance leases	48	-
Total	\$ 93,892	\$ 86,900

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

14. Leases (continued)

Leasing Activities-Lessee (continued)

For the years ended August 31, 2025 and 2024, the right-of-use assets obtained in exchange for new lease obligations are as follows:

	<u>2025</u>	<u>2024</u>
Operating leases	\$ 33,344	\$ 138,450
Finance leases	\$ 526	\$ -

For the years ended August 31, 2025 and 2024, the weighted-average lease terms and discount rates for operating and finance leases are as follows:

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term:		
Operating leases	5.21 years	6.05 years
Finance leases	4.51 years	N/A
Weighted-average discount rate:		
Operating leases	4.66%	4.49%
Finance leases	4.78%	N/A

The following table includes the future maturities of lease payments for operating and finance leases for periods subsequent to August 31, 2025:

Year Ending August 31,	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 94,720	\$ 118	\$ 94,838
2027	86,016	118	86,134
2028	71,600	118	71,718
2029	53,090	118	53,208
2030	32,702	58	32,760
Thereafter	56,178	-	56,178
Total lease payments	394,306	530	394,836
Less interest	(43,533)	(52)	(43,585)
Total lease liabilities	350,773	478	351,251
Less current lease liabilities	(80,481)	(97)	(80,578)
Total lease liabilities, net of current portion	\$ 270,292	\$ 381	\$ 270,673

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

14. Leases (continued)

Leasing Activities-Lessor

SHC leases space in its medical office buildings to others under non-cancelable operating lease arrangements.

The following table includes the future maturities of lease payments for operating leases that will be received for periods subsequent to August 31, 2025:

Year Ending August 31,

2026	\$	4,565
2027		4,252
2028		3,035
2029		2,175
2030		952
Thereafter		8,056
Total	\$	<u>23,035</u>

15. Commitments and Contingencies

SHC is aware of certain asserted and unasserted legal claims. While the outcome cannot be determined at this time, management is of the opinion that the liability, if any, from these actions will not have a material effect on SHC's financial position.

SHC maintains irrevocable standby letters of credit in the amount of \$29,774, which are required as security for workers' compensation and self-insurance arrangements, alongside \$2,210 to serve as a security deposit for certain construction projects undertaken by SHC. No amounts have been drawn on these letters of credit as of August 31, 2025.

As of August 31, 2025, SHC had contractual obligations of approximately \$708,963 primarily related to hospital renovations (including 300P Renewal) and other capital projects and approximately \$880,460 to support SHC's operations, such as maintenance, food services, software subscription related services, valet services and other purchased services.

SHC has an agreement with a global technology services and outsourcing company, pursuant to which SHC will receive certain information technology services. Effective April 1, 2024, SHC extended this contract for an additional five-year term through March 31, 2029, with no limit on renewals. SHC anticipates it will spend approximately \$50,993 over the extended term of the agreement.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. SHC is subject to similar regulatory reviews, and while such reviews may result in repayments and/or civil remedies that could have a material effect on SHC's financial results of operations in a given period, management believes that such repayments and/or civil remedies would not have a material effect on SHC's financial position.

Certain provisions of the OBBBA affect Medicaid funding and related reimbursement programs for hospitals. Since SHC receives a portion of its revenue from Medicaid, changes under OBBBA could impact future reimbursement levels.

Stanford Health Care

Notes to Consolidated Financial Statements

(in thousands of dollars)

15. Commitments and Contingencies (continued)

As with many medical centers across the country, information security and privacy is a growing risk area based on developments in the law and expanding technology practices. SHC has policies, procedures, and training in place to safeguard protected information, but select incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, certain identifiable information relating to patients or research participants). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet laws may require reporting to potentially affected individuals and federal and state governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite SHC for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. The cost of such possible consequences has not been material to date to SHC, and management does not believe that any future consequences of these incidents will be material to the consolidated financial statements.

The percentage of SHC employees that are covered by collective bargaining arrangements is approximately 39%. There are currently no expired agreements.

California's Hospital Seismic Safety Act requires licensed acute care functions to be conducted only in facilities that meet specified seismic safety standards for structural performance. Facilities classified by the State of California as non-compliant in the event of an earthquake must be retrofitted, replaced or removed from acute care service by applicable deadlines between 2022 and 2030. SHC expects to be in compliance with the California Department of Health Care Access and Information ("HCAI"), formerly the Office of Statewide Health Planning and Development ("OSHPD"), seismic safety structural standards by January 1, 2030.

Certain inpatient care units are located in three existing 1959-era buildings that can be used for inpatient care until an interim deadline of January 1, 2026, and no later than a final deadline of January 1, 2030, at which time they must be removed from general acute care service. However, these three buildings have utility system configurations that have been modified to support critical infrastructure for inpatient units, until they are removed from acute care service. SHC is undertaking the additional utility work that has been required by HCAI to support the extended use of these beds. That work will remedy the remaining utility seismic infrastructure deficiencies in the electrical and chilled water services feeding these areas. Work is also in progress to construct additional inpatient beds to completely relocate all inpatients from non-compliant structures. Due to delays in construction, impacts from the pandemic, and an elevated inpatient census, work to complete the bed tower renovations will surpass the current regulatory deadline of January 1, 2026. HCAI staff is aware of SHC's anticipated delay in meeting the 2026 deadline, and SHC is coordinating closely with HCAI on its updated schedule to complete the additional upgrades.

SHC also has several 1959-era buildings that do not meet the structural seismic safety standards for 2020 compliance, but which do not contain any inpatient hospital functions. By prior agreement with the State, SHC reconfigured critical infrastructure that is required for life safety, and which would enable safe evacuation without compromising life safety for patients or staff. All critical utility infrastructure reconfiguration work has been completed in full compliance and approval by the State. While certain interim milestone deadlines in 2026 may require schedule adjustments, SHC does not expect an impact on overall regulatory compliance.

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

15. Commitments and Contingencies (continued)

In Summer 2024, renovations began for the E Pod patient care units, and groundbreaking occurred for new construction of 57 beds in extension towers. Once complete, this work will be followed by renovation of the F Pod patient care units. These improvements will enable the complete relocation of inpatient units that remain in the 1959-era portion of the hospital and fulfill the seismic safety mandate to have all inpatient beds located in compliant structures. As of August 31, 2025, \$705 million was recorded to property and equipment of which \$271 million was recorded to construction in progress and \$434 million was capitalized to property and equipment. Estimated cost of the 300P Renewal is approximately \$1.6 billion.

16. Functional Expenses

Expenses are reported in their natural classification in the functional categories. All expenses that are not determined to be management and general or fundraising are classified as patient services. Certain cost centers are purely administrative and not directly related to patient care; therefore, the expenses from these cost centers are categorized as management and general. Fundraising expenses include cost centers solely dedicated to fundraising as well as allocation of employees who are involved with fundraising activities. Certain IT costs support more than one functional category. A percentage of their expenses are allocated to management and general based on the most recent audited annual HCAI Report.

Non operating expenses include components of net periodic benefit costs, pension termination expense and interest swap.

Expenses are categorized on a functional basis for the years ended August 31 as follows:

	2025			
	Patient services	Management and general	Fundraising	Total
Salaries and benefits	\$ 3,904,839	\$ 319,258	\$ 1,562	\$ 4,225,659
Professional services	10,073	28,300	-	38,373
Supplies	1,570,298	3,345	-	1,573,643
Purchased services	2,178,401	51,983	16,437	2,246,821
Depreciation and amortization	258,453	17,570	-	276,023
Interest	83,035	-	-	83,035
Other	405,945	143,336	-	549,281
Total operating expenses	8,411,044	563,792	17,999	8,992,835
Non operating expenses	8,680	-	-	8,680
Total	<u>\$ 8,419,724</u>	<u>\$ 563,792</u>	<u>\$ 17,999</u>	<u>\$ 9,001,515</u>

	2024			
	Patient services	Management and general	Fundraising	Total
Salaries and benefits	\$ 3,616,758	\$ 297,137	\$ 1,479	\$ 3,915,374
Professional services	41,311	33,409	-	74,720
Supplies	1,336,060	9,111	-	1,345,171
Purchased services	1,945,007	72,738	16,148	2,033,893
Depreciation and amortization	272,513	19,517	-	292,030
Interest	80,394	-	-	80,394
Other	532,478	134,605	-	667,083
Total operating expenses	7,824,521	566,517	17,627	8,408,665
Non operating expenses	59,123	-	-	59,123
Total	<u>\$ 7,883,644</u>	<u>\$ 566,517</u>	<u>\$ 17,627</u>	<u>\$ 8,467,788</u>

Stanford Health Care
Notes to Consolidated Financial Statements
(in thousands of dollars)

17. Subsequent Events

SHC has evaluated subsequent events occurring between the end of the most recent fiscal year and December 9, 2025, the date the consolidated financial statements were issued. There were no such events that require adjustments or disclosure in the notes to the consolidated financial statements.

In October 2025, SHC received notice CMS approved portions of the HQAF program in September 2025 related to the managed care program for January 1, 2023 through December 31, 2023. Accordingly, SHC recognized \$97,338 of revenue and \$37,020 of expense in October 2025, of which \$55,150 and \$36,607 were recorded in deferred provider fee and prepaid expenses, respectively, as of August 31, 2025.

SUPPLEMENTAL INFORMATION

**Stanford Health Care
Consolidating Balance Sheet
August 31, 2025
(in thousands of dollars)**

	FY2025											
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	OSV	Eliminations	Consolidated
Assets												
Current assets:												
Cash and cash equivalents	\$ 212,820	\$ 40,270	\$ 379	\$ -	\$ 107,516	\$ 4,797	\$ 9,493	\$ -	\$ 26,371	\$ 4,949	\$ -	\$ 406,595
Short term investments	342,382	-	-	-	-	-	-	-	-	-	-	342,382
Patient accounts receivable, net	1,310,558	27,499	72,754	-	-	2,543	-	-	-	-	-	1,413,354
Other receivables	76,413	21,601	1,606	3,865	5,068	8,549	10,681	124	4,170	17	(3,997)	128,097
Inventories	95,020	-	13,949	2,130	-	-	-	-	25	-	-	111,124
Prepaid expenses and other	101,420	15,117	7,729	2,139	327	818	1,483	44	50	-	(57)	129,070
Due from related parties	6,107	-	-	-	48	-	-	-	-	-	(6,155)	-
Due from Stanford University	-	-	-	66	-	-	-	-	-	-	(66)	-
Due from Lucile Salter Packard Children's Hospital at Stanford	38,543	-	-	2,080	-	-	-	-	-	-	(324)	40,299
Total current assets	2,183,263	104,487	96,417	10,280	112,959	16,707	21,657	168	30,616	4,966	(10,599)	2,570,921
Investments	2,607,860	-	5,519	-	86,884	-	22,352	-	-	-	-	2,722,615
Equity method investments	236,623	-	7,329	-	-	-	-	-	-	-	-	243,952
Investments in University managed pools	3,723,034	-	-	-	89,000	-	-	-	-	-	-	3,812,034
Assets limited as to use for capital projects & other long term purposes	17,992	-	-	-	-	-	-	-	-	-	-	17,992
Property and equipment, net	3,885,534	20,594	343,880	4,731	-	5,051	-	-	10,231	1,262	-	4,271,283
Right of use lease assets	275,227	54,007	48,612	13,992	-	-	-	-	866	-	(59,080)	333,624
Due from Stanford University - housing loans	268,271	-	-	-	-	-	-	-	-	-	-	268,271
Other assets	119,766	3,819	2,398	-	-	-	433	-	-	-	(39,939)	86,477
Investments in related entities	945,513	7,199	-	-	-	-	-	-	-	-	(952,712)	-
Total assets	\$ 14,263,083	\$ 190,106	\$ 504,155	\$ 29,003	\$ 288,843	\$ 21,758	\$ 44,442	\$ 168	\$ 41,713	\$ 6,228	\$ (1,062,330)	\$ 14,327,169
Liabilities and Net Assets												
Current liabilities:												
Accounts payable and accrued liabilities	\$ 542,079	\$ 13,117	\$ 27,629	\$ 6,943	\$ 642	\$ 279	\$ 3,446	\$ 58	\$ 273	\$ 779	\$ (60)	\$ 595,185
Accrued salaries and related benefits	504,970	32,935	27,651	-	-	-	-	107	-	-	-	565,663
Due to related parties	-	-	-	-	-	245	47	-	4,870	993	(6,155)	-
Due to Stanford University	304,099	-	16	-	-	-	-	-	-	-	(66)	304,049
Due to Lucile Salter Packard Children's Hospital at Stanford	-	-	324	-	-	-	-	-	-	-	(324)	-
Third-party payor settlements	87,998	-	-	-	-	-	-	-	-	-	-	87,998
Current portion of long-term debt	20,315	-	3,994	-	-	-	-	-	-	-	(3,994)	20,315
Debt subject to remarketing arrangements	168,200	-	-	-	-	-	-	-	-	-	-	168,200
Operating lease liabilities, current	69,928	12,021	7,385	3,131	-	-	-	-	389	-	(12,276)	80,578
Self-insurance reserves and other	87,885	2,840	5,235	-	44,439	-	-	-	-	-	-	140,399
Total current liabilities	1,785,474	60,913	72,234	10,074	45,081	524	3,493	165	5,532	1,772	(22,875)	1,962,387
Self-insurance reserves and other, net of current portion	162,730	-	4,355	91	109,010	-	28,792	-	-	-	-	304,978
Swap liabilities	55,155	-	-	-	-	-	-	-	-	-	-	55,155
Operating lease liabilities, net of current portion	220,124	44,516	42,998	11,087	-	-	-	-	596	-	(48,648)	270,673
Due to Stanford University, net of current portion	85,956	-	-	-	-	-	-	-	-	-	-	85,956
Other long-term liabilities	142,434	-	43,220	-	-	-	-	-	-	-	(38,095)	147,559
Long-term debt, net of current portion	2,622,396	-	-	-	-	-	-	-	-	-	-	2,622,396
Total liabilities	5,074,269	105,429	162,807	21,252	154,091	524	32,285	165	6,128	1,772	(109,618)	5,449,104
Net assets:												
Without donor restrictions:												
Attributable to Stanford Health Care	9,060,054	84,677	335,975	7,751	95,627	12,740	7,199	3	20,792	2,673	(952,712)	8,674,779
Noncontrolling interests	-	-	-	-	39,125	8,494	4,958	-	14,793	1,783	-	69,153
Total without donor restrictions	9,060,054	84,677	335,975	7,751	134,752	21,234	12,157	3	35,585	4,456	(952,712)	8,743,932
With donor restrictions:												
Total net assets	9,188,814	84,677	341,348	7,751	134,752	21,234	12,157	3	35,585	4,456	(952,712)	8,878,065
Total liabilities and net assets	\$ 14,263,083	\$ 190,106	\$ 504,155	\$ 29,003	\$ 288,843	\$ 21,758	\$ 44,442	\$ 168	\$ 41,713	\$ 6,228	\$ (1,062,330)	\$ 14,327,169

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Balance Sheet
August 31, 2024
(in thousands of dollars)

	FY 2024										
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
Assets											
Current assets:											
Cash and cash equivalents	\$ 295,654	\$ 38,509	\$ 399	\$ -	\$ 76,702	\$ 9,756	\$ 6,792	\$ -	\$ 18,936	\$ -	\$ 446,748
Short term investments	134,761	-	-	-	-	-	-	-	-	-	134,761
Patient accounts receivable, net	1,097,905	29,151	68,228	-	-	2,403	-	-	-	-	1,197,687
Other receivables	116,914	14,008	7,015	3,622	4,819	587	10,322	269	4,954	(3,997)	158,513
Inventories	95,235	-	12,281	2,702	-	-	-	-	25	-	110,243
Prepaid expenses and other	77,493	13,452	2,760	1,716	326	557	1,365	43	68	(49)	97,731
Due from related parties	3,625	-	-	-	44	-	-	-	-	(3,669)	-
Due from Stanford University	-	-	34	185	-	-	-	-	-	(219)	-
Due from Lucile Salter Packard Children's Hospital at Stanford	29,749	-	-	967	-	-	-	-	-	(324)	30,392
Total current assets	1,851,336	95,120	90,717	9,192	81,891	13,303	18,479	312	23,983	(8,258)	2,176,075
Investments	2,564,425	-	4,856	-	82,916	-	21,335	-	-	-	2,673,532
Equity method investments	189,183	-	7,628	-	-	-	-	-	-	-	196,811
Investments in University managed pools	2,942,083	-	-	-	77,556	-	-	-	-	-	3,019,639
Assets limited as to use for capital projects & other long-term purposes	35,378	-	-	-	-	-	-	-	-	-	35,378
Property and equipment, net	3,630,726	22,415	321,618	5,466	-	6,156	-	-	13,135	-	3,999,516
Right of use lease assets	326,314	57,949	46,257	2,212	-	-	-	-	1,301	(52,620)	381,413
Due from Stanford University - housing loans	229,313	-	750	-	-	-	-	-	-	-	230,063
Other assets	124,243	3,009	2,311	-	-	-	342	17	-	(43,933)	85,989
Investments in related entities	849,655	6,192	-	-	-	-	-	-	-	(855,847)	-
Total assets	\$ 12,742,656	\$ 184,685	\$ 474,137	\$ 16,870	\$ 242,363	\$ 19,459	\$ 40,156	\$ 329	\$ 38,419	\$ (960,658)	\$ 12,798,416
Liabilities and Net Assets											
Current liabilities:											
Accounts payable and accrued liabilities	\$ 474,044	\$ 16,456	\$ 21,063	\$ 2,979	\$ 621	\$ 297	\$ 3,185	\$ 60	\$ 265	\$ (52)	\$ 518,918
Accrued salaries and related benefits	457,825	38,898	24,944	-	-	-	-	125	-	-	521,792
Due to related parties	-	-	-	-	-	341	44	-	3,284	(3,669)	-
Due to Stanford University	300,010	-	-	53	-	-	-	-	-	(219)	299,844
Due to Lucile Salter Packard Children's Hospital at Stanford	-	-	324	-	-	-	-	-	-	(324)	-
Third-party payor settlements	76,089	-	-	-	-	-	-	-	-	-	76,089
Current portion of long-term debt	175,330	-	3,994	-	-	-	-	-	-	(3,994)	175,330
Debt subject to remarketing arrangements	168,200	-	-	-	-	-	-	-	-	-	168,200
Operating lease liabilities, current	64,436	11,788	6,411	1,579	-	-	-	-	363	(10,341)	74,236
Self-insurance reserves and other	87,782	2,261	4,271	24	29,463	-	-	-	-	-	123,801
Total current liabilities	1,803,716	69,403	61,007	4,635	30,084	638	3,229	185	3,912	(18,599)	1,958,210
Self-insurance reserves and other, net of current portion	144,749	-	5,155	91	91,015	-	26,420	-	-	-	267,430
Swap liabilities	77,506	-	-	-	-	-	-	-	-	-	77,506
Operating lease liabilities, net of current portion	275,338	47,551	40,925	740	-	-	-	-	985	(43,420)	322,119
Other long-term liabilities	140,102	659	47,565	(182)	-	-	-	-	103	(42,792)	145,455
Long-term debt, net of current portion	2,199,995	-	-	-	-	-	-	-	-	-	2,199,995
Total liabilities	4,641,406	117,613	154,652	5,284	121,099	638	29,649	185	5,000	(104,811)	4,970,715
Net assets:											
Without donor restrictions:											
Attributable to Stanford Health Care	7,967,728	67,072	314,793	11,586	95,004	11,293	6,192	144	19,492	(855,847)	7,637,457
Noncontrolling interests	-	-	-	-	26,260	7,528	4,315	-	13,927	-	52,030
Total without donor restrictions	7,967,728	67,072	314,793	11,586	121,264	18,821	10,507	144	33,419	(855,847)	7,689,487
With donor restrictions	133,522	-	4,692	-	-	-	-	-	-	-	138,214
Total net assets	8,101,250	67,072	319,485	11,586	121,264	18,821	10,507	144	33,419	(855,847)	7,827,701
Total liabilities and net assets	\$ 12,742,656	\$ 184,685	\$ 474,137	\$ 16,870	\$ 242,363	\$ 19,459	\$ 40,156	\$ 329	\$ 38,419	\$ (960,658)	\$ 12,798,416

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2025
(in thousands of dollars)

	FY2025											
	SHC	SMP	SHC Tri-Valley	SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	OSV	Eliminations	Consolidated
Operating revenues and other support:												
Net patient service revenue	\$ 8,292,802	\$ 260,205	\$ 613,456	\$ -	\$ -	\$ 11,141	\$ -	\$ -	\$ -	\$ -	\$ (12,233)	\$ 9,165,371
Premium revenue	296	41,022	-	-	-	-	-	-	-	-	-	41,318
Grants - COVID-19 and FEMA	5,537	-	496	-	-	-	-	-	-	-	-	6,033
Other revenue	149,561	37,089	8,585	117,550	51,306	45	5,328	1,688	10,230	-	(134,032)	247,350
Net assets released from restrictions used for operations	5,432	-	-	-	-	-	-	-	-	-	-	5,432
Total operating revenues and other support	8,453,628	338,316	622,537	117,550	51,306	11,186	5,328	1,688	10,230	-	(146,265)	9,465,504
Operating expenses:												
Salaries and benefits	3,675,240	145,448	338,567	54,067	4,761	3,097	-	2,606	1,498	464	(89)	4,225,659
Professional services	27,669	7,127	1,839	170	959	1,337	729	76	64	18	(1,615)	38,373
Supplies	1,425,982	27,568	133,445	26,577	6	86	-	3	22	-	(40,046)	1,573,643
Purchased services	2,047,295	205,353	47,060	7,844	(132)	1,328	-	42	2,994	187	(65,150)	2,246,821
Depreciation and amortization	232,965	6,726	30,360	1,908	-	1,133	-	-	2,931	-	-	276,023
Interest	83,035	-	1,556	-	-	-	-	-	-	-	(1,556)	83,035
Other	426,953	32,781	54,194	14,456	51,539	1,983	4,287	95	1,523	1	(38,531)	549,281
Total operating expenses	7,919,139	425,003	607,021	105,022	57,133	8,964	5,016	2,822	9,032	670	(146,987)	8,992,835
Income (loss) from operations	534,489	(86,687)	15,516	12,528	(5,827)	2,222	312	(1,134)	1,198	(670)	722	472,669
Interest and investment income	267,883	1,629	48	-	7,480	191	1,121	-	968	126	(1,556)	277,890
Earnings (losses) on equity method investments	4,496	-	(26)	-	-	-	-	-	-	-	-	4,470
Change in value of University managed pools and other investments	389,819	173	-	-	11,742	-	217	-	-	-	(173)	401,778
Swap interest and change in value of swap agreements	19,653	-	-	-	-	-	-	-	-	-	-	19,653
Other components of net periodic benefit costs	(5,983)	-	-	-	-	-	-	-	-	-	-	(5,983)
Other non operating income	982	-	-	-	-	-	-	-	-	-	-	982
Gain on extinguishment of debt	1,022	-	-	-	-	-	-	-	-	-	-	1,022
Excess (deficiency) of revenues over expenses	1,212,361	(84,885)	15,538	12,528	13,395	2,413	1,650	(1,134)	2,166	(544)	(1,007)	1,172,481
Other changes in net assets without donor restrictions:												
Transfers to Stanford University	(128,993)	-	-	-	-	-	-	-	-	-	-	(128,993)
Change in net unrealized loss on investments	5,465	-	-	-	-	-	-	-	-	-	-	5,465
Net assets released from restrictions used for:												
Purchase of property and equipment	15,902	-	-	-	-	-	-	-	-	-	-	15,902
Change in postretirement liability	(12,410)	-	-	-	-	-	-	-	-	-	-	(12,410)
Noncontrolling capital contribution (distribution)	-	102,490	5,645	(16,363)	93	-	-	993	-	5,000	(95,858)	2,000
Increase (decrease) in net assets without donor restrictions	1,092,325	17,605	21,183	(3,835)	13,488	2,413	1,650	(141)	2,166	4,456	(96,865)	1,054,445
Changes in net assets with donor restrictions:												
Transfers from Stanford University	10,667	-	-	-	-	-	-	-	-	-	-	10,667
Contributions	(1,272)	-	434	-	-	-	-	-	-	-	-	(838)
Investment income	1,588	-	246	-	-	-	-	-	-	-	-	1,834
Gains on University managed pools	5,590	-	-	-	-	-	-	-	-	-	-	5,590
Net assets released from restrictions used for:												
Operations	(5,432)	-	-	-	-	-	-	-	-	-	-	(5,432)
Purchase of property and equipment	(15,902)	-	-	-	-	-	-	-	-	-	-	(15,902)
(Decrease) increase in net assets with donor restrictions	(4,761)	-	680	-	-	-	-	-	-	-	-	(4,081)
Increase (decrease) in net assets	1,087,564	17,605	21,863	(3,835)	13,488	2,413	1,650	(141)	2,166	4,456	(96,865)	1,050,364
Net assets, beginning of year	8,101,250	67,072	319,485	11,586	121,264	18,821	10,507	144	33,419	-	(855,847)	7,827,701
Net assets, end of year	\$ 9,188,814	\$ 84,677	\$ 341,348	\$ 7,751	\$ 134,752	\$ 21,234	\$ 12,157	\$ 3	\$ 35,585	\$ 4,456	\$ (952,712)	\$ 8,878,065

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Consolidating Statement of Operations and Changes in Net Assets
Year Ended August 31, 2024
(in thousands of dollars)

	FY 2024											
	SHC	SMP	SHC		SBC	SHI	SEROC	PEAC	CareCounsel	ERTS	Eliminations	Consolidated
			Tri-Valley									
Operating revenues and other support:												
Net patient service revenue	\$ 7,892,815	\$ 263,550	\$ 530,590	\$ -	\$ -	\$ 10,914	\$ -	\$ -	\$ -	\$ -	\$ (16,547)	\$ 8,681,322
Premium revenue	568	56,141	-	-	-	-	-	-	-	-	-	56,709
Grants - COVID-19 and FEMA	(562)	230	635	-	-	-	-	-	-	-	-	303
Other revenue	126,525	25,596	7,870	106,210	49,167	76	4,880	1,729	12,463	(127,189)		207,327
Net assets released from restrictions used for operations	6,741	-	84	-	-	-	-	-	-	-	(62)	6,763
Total operating revenues and other support	8,026,087	345,517	539,179	106,210	49,167	10,990	4,880	1,729	12,463	(143,798)		8,952,424
Operating expenses:												
Salaries and benefits	3,387,937	155,717	309,726	50,240	4,678	2,949	-	2,758	1,525	(156)		3,915,374
Professional services	64,881	5,992	2,075	340	910	1,153	692	76	16	(1,415)		74,720
Supplies	1,241,618	38,243	80,217	23,318	6	125	-	-	28	(38,384)		1,345,171
Purchased services	1,848,167	199,626	42,024	5,997	183	1,230	-	46	2,771	(66,151)		2,033,893
Depreciation and amortization	249,264	7,262	30,587	1,503	-	947	-	-	2,447	-		292,030
Interest	80,394	-	1,689	-	-	-	-	-	-	-	(1,689)	80,394
Other	553,608	32,306	58,891	12,228	39,492	1,514	3,851	504	1,634	(36,945)		667,083
Total operating expenses	7,425,869	439,166	525,209	93,626	45,269	7,918	4,543	3,384	8,421	(144,740)		8,408,665
Income (loss) from operations	600,218	(93,649)	13,970	12,584	3,898	3,072	337	(1,655)	4,042	942		543,759
Interest and investment income	142,883	2,185	85	-	3,892	145	1,032	-	962	(1,689)		149,495
(Losses) earnings on equity method investments	(72,434)	-	275	-	-	-	-	-	-	-		(72,159)
Change in value of University managed pools and other investments	453,119	370	-	-	8,384	-	555	-	-	(370)		462,058
Swap interest and change in value of swap agreements	-	-	-	-	-	-	-	-	-	-		(2,898)
Other components of net periodic benefit costs	(6,608)	-	-	-	-	-	-	-	-	-		(6,608)
Pension termination	(51,688)	-	-	-	-	-	-	-	-	-		(51,688)
Loss on extinguishment of swaps	(7,732)	-	-	-	-	-	-	-	-	-		(7,732)
Excess (deficiency) of revenues over expenses	1,054,860	(91,094)	14,330	12,584	16,174	3,217	1,924	(1,655)	5,004	(1,117)		1,014,227
Other changes in net assets without donor restrictions:												
Transfers to Stanford University	(104,835)	-	-	-	-	-	-	-	-	-		(104,835)
Transfers from Lucile Salter Packard Children's Hospital at Stanford	276	-	-	-	-	-	-	-	-	-		276
Change in net unrealized gain on investments	22,639	-	-	-	-	-	-	-	-	-		22,639
Net assets released from restrictions used for:												
Purchase of property and equipment	5,162	-	1,222	-	-	-	-	-	-	-		6,384
Change in pension and postretirement liability	52,900	-	-	-	-	-	-	-	-	-		52,900
Noncontrolling capital contributions (distributions)	-	90,459	26,656	(8,114)	129	(2,524)	-	1,517	-	(109,133)		(1,010)
Increase (decrease) in net assets without donor restrictions	1,031,002	(635)	42,208	4,470	16,303	693	1,924	(138)	5,004	(110,250)		990,581
Changes in net assets with donor restrictions:												
Transfers from (to) Stanford University	326	-	(25)	-	-	-	-	-	-	-		301
Contributions	6,537	-	608	-	-	-	-	-	-	-		7,145
Investment income	1,579	-	258	-	-	-	-	-	-	-		1,837
Gains on University managed pools	4,149	-	-	-	-	-	-	-	-	-		4,149
Net assets released from restrictions used for:												
Operations	(6,741)	-	(84)	-	-	-	-	-	-	-	62	(6,763)
Purchase of property and equipment	(5,162)	-	(1,222)	-	-	-	-	-	-	-	-	(6,384)
Increase (decrease) in net assets with donor restrictions	688	-	(465)	-	-	-	-	-	-	62		285
Increase (decrease) in net assets	1,031,690	(635)	41,743	4,470	16,303	693	1,924	(138)	5,004	(110,188)		990,866
Net assets, beginning of year	7,069,560	67,707	277,742	7,116	104,961	18,128	8,583	282	28,415	(745,659)		6,836,835
Net assets, end of year	\$ 8,101,250	\$ 67,072	\$ 319,485	\$ 11,586	\$ 121,264	\$ 18,821	\$ 10,507	\$ 144	\$ 33,419	\$ (855,847)		\$ 7,827,701

The accompanying note is an integral part of the accompanying consolidating information.

Stanford Health Care
Note to Accompanying Consolidating Information
August 31, 2025 and 2024
(in thousands of dollars)

Accompanying Consolidating Information

The accompanying consolidating information presents Consolidating Balance Sheets as of August 31, 2025 and 2024 and Consolidating Statements of Operations and Changes in Net Assets for the years then ended.

The consolidating balance sheets and consolidating statement of operations and changes in net assets are prepared in accordance with accounting policies described in the accompanying notes to the consolidated financial statements. These schedules are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America, as a result of the exclusion of all required disclosures. The supplemental information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position and results of the individual entities.