

**Lucile Salter Packard  
Children's Hospital at Stanford**  
Consolidated Financial Statements and  
Accompanying Consolidating Information  
August 31, 2025 and 2024

**Lucile Salter Packard Children’s Hospital at Stanford**  
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**August 31, 2025 and 2024**

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## **Report of Independent Auditors**

To the Board of Directors of Lucile Salter Packard Children's Hospital

### ***Opinion***

We have audited the accompanying consolidated financial statements of Lucile Salter Packard Children's Hospital and its subsidiaries ("LPCH"), 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 LPCH 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 LPCH 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 LPCH'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 LPCH'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 LPCH'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

**Lucile Salter Packard Children's Hospital at Stanford**  
**Consolidated Balance Sheets**  
**August 31, 2025 and 2024**

<i>(in thousands of dollars)</i>	<b>2025</b>	<b>2024</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 439,748	\$ 402,185
Patient accounts receivable	782,060	711,310
Contributions receivable	44,081	36,325
Other receivables	16,231	66,340
Prepaid expenses, inventory and other	81,721	47,177
Total current assets	<u>1,363,841</u>	<u>1,263,337</u>
Investments	103,097	97,577
Investments in University managed pools	1,256,703	1,122,216
Board designated funds in university managed pools and other	176,883	163,951
Assets limited as to use for capital projects and other long-term purposes	78,558	94,338
Property and equipment, net	1,854,926	1,822,027
Beneficial interest and investments held in trusts, net	32,329	32,235
Contributions receivable, net of current portion	32,869	21,897
Due from related parties - housing loans	111,398	92,885
Right of use lease assets	186,697	192,383
Equity method investments and other assets	114,373	81,954
Total assets	<u>\$ 5,311,674</u>	<u>\$ 4,984,800</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable, accrued liabilities, and deferred provider fee	\$ 251,851	\$ 194,555
Accrued salaries and related benefits	177,417	153,250
Due to related parties	112,904	86,276
Third-party payor settlements	64,473	58,497
Current portion of long-term debt	10,085	9,605
Current portion of long-term right of use lease liability	36,941	35,843
Self-insurance reserves and other liabilities	22,454	19,013
Total current liabilities	<u>676,125</u>	<u>557,039</u>
Due to related parties, long term	29,405	-
Self-insurance reserves and other liabilities, net of current portion	70,751	62,605
Long-term right of use lease liability, net of current portion	164,341	171,244
Long-term debt, net of current portion	770,043	783,941
Total liabilities	<u>1,710,665</u>	<u>1,574,829</u>
Net assets		
Without donor restrictions	2,670,675	2,538,369
With donor restrictions	930,334	871,602
Total net assets	<u>3,601,009</u>	<u>3,409,971</u>
Total liabilities and net assets	<u>\$ 5,311,674</u>	<u>\$ 4,984,800</u>

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

**Lucile Salter Packard Children's Hospital at Stanford**  
**Consolidated Statements of Operations and Changes in Net Assets**  
**Years Ended August 31, 2025 and 2024**

(in thousands of dollars)

	2025	2024
<b>Operating revenues and other support</b>		
Net patient service revenue	\$ 2,832,552	\$ 2,537,166
Children's hospital supplemental payments	9,824	-
Provider fee revenue	18,091	205,008
Other revenue	122,456	110,368
Net assets released from restrictions used for operations	24,477	25,589
Total operating revenues and other support	3,007,400	2,878,131
<b>Operating expenses</b>		
Salaries and benefits	1,457,688	1,382,031
Professional services	29,668	24,416
Supplies	315,563	284,226
Purchased services	839,105	764,971
Provider fee expense	7,055	68,491
Other	180,345	169,090
Interest	30,324	30,830
Depreciation and amortization	86,067	82,864
Total operating expenses	2,945,815	2,806,919
Income from operations	61,585	71,212
Interest income	13,092	16,250
Income and gains from University managed pools and other	98,631	74,098
Gain on extinguishment of debt	-	4,368
Other components of net periodic postretirement cost and settlement loss	(2,431)	(2,210)
Excess of revenues over expenses	170,877	163,718
<b>Changes in net assets without donor restrictions</b>		
Net assets released from restrictions used for purchases of property and equipment	15,480	1,324
Adjustment for minimum pension liability	(5,267)	(2,132)
Transfers to University and other	(48,831)	(51,100)
Contributions released to transfer to University	68,876	63,709
Contributions transferred to University	(68,876)	(63,709)
Adjustment for beneficial interest in trusts	47	-
Increase in net assets without donor restrictions	132,306	111,810
<b>Changes in net assets with donor restrictions</b>		
Contributions and other	121,053	73,509
Income and gains from University managed pools	57,856	41,104
Change in value of beneficial interest in remainder trusts	392	2,869
Net assets released from restrictions for operations	(24,477)	(25,589)
Net assets released from restrictions used for purchases of property and equipment	(15,480)	(1,324)
Contributions released to transfer to University	(68,876)	(63,709)
Transfers to University and other	(11,736)	(9,735)
Increase in net assets with donor restrictions	58,732	17,125
Increase in net assets	191,038	128,935
<b>Net assets</b>		
Beginning of year	3,409,971	3,281,036
End of year	\$ 3,601,009	\$ 3,409,971

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

# Lucile Salter Packard Children's Hospital at Stanford

## Consolidated Statements of Cash Flows

### Years Ended August 31, 2025 and 2024

<i>(in thousands of dollars)</i>	<b>2025</b>	<b>2024</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 191,038	\$ 128,935
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	82,253	80,316
Loss on disposal of property and equipment	564	739
Gain on extinguishment of debt	-	(4,368)
Gains from University managed pools	(72,822)	(49,290)
Gains from investments	(19,835)	(17,986)
Contributions and investment income restricted by donors	(72,257)	(31,167)
Change in value of beneficial interest in trusts	(996)	(4,888)
Earnings (in excess of) less than distributions in equity method investees	(19,071)	8,740
Changes in operating assets and liabilities		
Patient accounts receivable	(70,750)	(28,962)
Beneficial interest in trusts	902	1,253
Contributions receivable	4,208	(10,126)
Due to related parties	87,568	101,533
Other receivables, inventory, other assets, prepaid expenses and other	1,370	(74,382)
Accounts payable, accrued liabilities, and deferred provider fee	56,203	5,866
Accrued salaries and related benefits	24,142	10,680
Self-insurance and other liabilities	17,563	11,375
Cash provided by operating activities	<u>210,080</u>	<u>128,268</u>
<b>Cash flows from investing activities</b>		
Purchases of investments in University managed pools and other	(21,445)	(31,182)
Sales of investments in University managed pools and other	20,924	24,104
Payments to University - housing loans for physicians and executives	(23,627)	(17,410)
Receipts from University - repayments on housing loans	4,630	6,275
Purchases of property and equipment	(117,682)	(150,051)
Cash used in investing activities	<u>(137,200)</u>	<u>(168,264)</u>
<b>Cash flows from financing activities</b>		
Payment of long term debt	(9,605)	(209,570)
Cost of issuance related to debt issuance	-	(1,257)
Additions to long-term debt	-	201,086
Contributions received for long lived assets or endowment	44,598	56,526
Transfers to related parties	(60,567)	(60,838)
Payments made under split-interest agreements	(762)	(715)
Cash used in financing activities	<u>(26,336)</u>	<u>(14,768)</u>
Net increase (decrease) in cash and cash equivalents	46,544	(54,764)
<b>Cash and cash equivalents</b>		
Beginning of year	420,039	474,803
End of year	<u>\$ 466,583</u>	<u>\$ 420,039</u>
<b>Reconciliation of cash and cash equivalents and restricted cash and cash equivalents</b>		
Cash and cash equivalents	\$ 439,748	\$ 402,185
Assets limited as to use for capital projects and other long-term purposes	17,028	8,292
Board designated funds in University managed pools and other	9,807	9,562
	<u>\$ 466,583</u>	<u>\$ 420,039</u>
<b>Supplemental disclosures of cash flow information</b>		
Interest paid, net of amounts capitalized	\$ 33,568	\$ 33,740
<b>Noncash activities</b>		
Increase in accounts payable related to purchases of property and equipment	\$ 967	\$ 5,183
Donated securities received	8,158	4,330

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

# Lucile Salter Packard Children's Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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*(in thousands of dollars)*

#### 1. Organization

Lucile Salter Packard Children's Hospital at Stanford ("LPCH") operates a licensed acute care pediatric and obstetric hospital on The Leland Stanford Junior University ("University") campus in Palo Alto, California and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings.

The Board of Trustees of University is the sole corporate member of LPCH and Stanford Health Care ("SHC"). LPCH has 6,285 full time and part time employees as of August 31, 2025.

LPCH and SHC are the primary clinical affiliates of the Stanford University School of Medicine (the "Stanford School of Medicine") for internship and residency programs, clinical research and other programs that support the Stanford School of Medicine's academic mission. Within the Stanford School of Medicine, the Pediatric and Obstetrics Faculty Practice Organization ("FPO") exists to advance the missions of the Stanford School of Medicine and LPCH where they intersect in the delivery of professional medical services.

The related party transactions between LPCH, SHC, University and the Stanford School of Medicine are described further in Note 13.

In 2011, LPCH, together with the Stanford School of Medicine, formed Packard Children's Health Alliance ("PCHA"), a nonprofit medical foundation corporation, which is affiliated with Packard Medical Group, Inc. ("PMG"), a physician-owned for-profit California professional corporation. The Stanford School of Medicine and LPCH are the members of PCHA and appoint directors to the governing board. The bylaws of PCHA afford control of PCHA to LPCH and therefore, the activities of PCHA have been included in the consolidated financial statements of LPCH. There is a professional services agreement between PCHA and PMG. Physicians who provide services through PCHA are all and must be employees of the PMG, and PCHA assumes responsibility for all aspects of the physicians' practice, including employee practice staff.

PCHA has been organized to operate community based pediatric specialty and subspecialty and obstetrics practices throughout the San Francisco Bay Area. The objectives of PCHA are to support the overall network by building a presence in growing service areas, expanding education and clinical research programs, and enhancing the quality and coordination of care across different care settings. As of August 31, 2025, PCHA includes approximately 192 physicians and other providers at 25 practices in 43 locations around the San Francisco Bay Area. PCHA also operates nine specialty services centers in Brentwood, Capitola, Emeryville, Fremont, Monterey, Walnut Creek, Livermore, Novato, and Santa Rosa. LPCH has entered into a sponsorship agreement with PCHA, wherein LPCH has agreed to provide funding for the development and the operation of PCHA's physician practices.

LPCH, together with PCHA, PMG and the FPO, comprise and are known in the marketplace as "Stanford Medicine Children's Health".

Effective September 1, 2016, LPCH became the sole corporate member of Lucile Packard Foundation for Children's Health ("LPFCH"), a public charity, founded in 1996, whose mission is to elevate the priority of children's health and increase the quality and accessibility of children's healthcare through leadership and direct investment. LPFCH pursues its mission through two

# Lucile Salter Packard Children's Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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*(in thousands of dollars)*

distinct yet complementary programs: (1) fundraising (development) for LPCH and the pediatric and obstetric programs at the Stanford School of Medicine and (2) programmatic work, including grantmaking, to create a more equitable and efficient healthcare system for children and youth with special healthcare needs. The bylaws of LPFCH afford control of LPFCH to LPCH and therefore, the activities of LPFCH are included in the consolidated financial statements and footnotes of LPCH.

Effective September 1, 2002, LPCH and SHC entered into an agreement whereby LPCH became a member 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 Insurance Company Ltd ("SUMIT").

SUMIT Holding International, LLC ("SHI") is the sole owner of SUMIT and Stanford University Medical Network Risk Authority, LLC (dba The Risk Authority) ("TRA"). SHC and LPCH are the owners of SHI.

LPCH's share of SUMIT net assets through SHI was approximately 29.0% and 21.6% for the years ended August 31, 2025 and 2024, respectively. LPCH's ownership in SUMIT through SHI is accounted for using the equity method. As of August 31, 2025 and 2024, LPCH had an investment of \$39,156 and \$25,465 in SUMIT, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

TRA was formed on September 19, 2012 and began operations on December 1, 2012. TRA provides risk management services to SHI, the owners of SHI, and other affiliated and unaffiliated parties and serves as attorney-in-fact to Professional Exchange Insurance Company ("PEAC"). LPCH's ownership interest in TRA through SHI was 18.0% for the years ended August 31, 2025 and 2024. LPCH's ownership in TRA through SHI is accounted for using the equity method. LPCH's investment in TRA was \$(15) and \$(23) for the years ended August 31, 2025 and 2024, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

Professional Exchange Insurance Company ("PEAC"), a captive insurance carrier that entered into business with TRA on October 18, 2012, provides professional liability insurance coverage for physicians and other licensed healthcare practitioners of PCHA, University Healthcare Alliance (a subsidiary of SHC), and other affiliated parties. PCHA and University Healthcare Alliance are the owners of PEAC. PCHA's share of the net assets in PEAC was 40.8% and 41.1% for the years ended August 31, 2025 and 2024, respectively. PCHA's ownership in PEAC is accounted for using the equity method. PCHA had an investment in PEAC of \$4,958 and \$4,315 for the years ended August 31, 2025 and 2024, respectively, which is reflected on the Consolidated Balance Sheets in equity method investments and other assets.

On September 1, 2006, LPCH and University entered into a Professional Services Agreement ("PSA") pursuant to which University assigned to LPCH the right to bill and collect all revenue related to pediatric and obstetric practices on behalf of the Stanford School of Medicine. The latest amendment was adopted as of September 1, 2022, and it is in effect for six years through August 31, 2028.

# Lucile Salter Packard Children's Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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(in thousands of dollars)

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting.

Net assets of LPCH and subsidiaries 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 LPCH and subsidiaries 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 LPCH and subsidiaries 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 restricted to transfer to University, and contributions which are a) subject to donor-imposed restrictions that can be fulfilled by actions of LPCH pursuant to those stipulations or by the passage of time or b) subject to donor-imposed restrictions that they be maintained by LPCH in perpetuity. For contributions to LPCH, generally, the donors of these assets permit LPCH to use all or part of the investment return on these assets.

Expenses are reported as decreases in net assets without donor restrictions. Donor-imposed restrictions expire when the stipulated time period has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted contributions are recorded as net assets with donor restrictions when received. When the restriction expires, the net assets are shown as released from restriction in the Consolidated Statements of Operations and Changes in Net Assets. Income earned on net assets with donor restrictions for which that income is restricted for a stipulated purpose is recorded in net assets with donor restrictions. When income is made available for release and when the restriction is deemed to have been met, those amounts are included in net assets released from restrictions in the Consolidated Statements of Operations and Changes in Net Assets.

### Contributions Received on Behalf of and Transferred to University

Contributions received on behalf of University are recognized as net assets with donor restrictions in the Consolidated Balance Sheets, and as contributions in the Consolidated Statements of Operations and Changes in Net Assets. Contributions that LPCH transferred to or obligated itself to transfer to University are recorded as contributions released from restriction and then transferred to University in the Consolidated Statements of Operations and Changes in Net Assets.

### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits and money market mutual funds with an original maturity of three months or less when purchased. These amounts are carried at cost which approximates fair value. The Federal Deposit Insurance Corporation, or FDIC, insures a corporation's funds deposited in a bank up to a maximum of \$250 in the event of a bank failure. As of August 31, 2025, cash and cash equivalents held in bank deposits exceeded the FDIC insured amount. LPCH has not experienced any losses in relation to cash and cash equivalents in excess of FDIC insurance limits.

# Lucile Salter Packard Children's Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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*(in thousands of dollars)*

Cash associated with net assets restricted by donors to investment in land, buildings, and equipment, and restricted by donors for other long-term purposes are not included within cash and cash equivalents. Rather, those items are reported as assets limited as to use for capital projects and other long-term purposes.

#### **Contributions Receivable**

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 and are included as restricted contributions. 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 recorded in their respective net asset category. The discount rates used during the years ended August 31, 2025 and 2024 were determined using the corporate AAA bond rate as of the contribution's date. Amortization of the discount is included in contribution revenue in the Consolidated Statements of Operations and Changes in Net Assets. Conditional promises to give are recognized when the condition is substantially met.

Contributions receivable restricted by donors to investment in land, buildings, and equipment, and restricted by donors for other long-term purposes are not included within contributions receivable. Rather, those items are reported as assets limited as to use for capital projects and other long-term purposes.

#### **Other Receivables**

Other receivables are comprised of nonpatient related receivables for medical services provided, provider fee receivables, and other miscellaneous receivables.

#### **Investments**

Investments held directly by LPCH and its subsidiaries consist primarily of mutual funds that are stated at fair value. Investment earnings (including unrealized gains and losses on investments, realized gains and losses, interest, and dividends on investment securities) are included in income and gains (losses) from University managed pools and other in the Consolidated Statements of Operations and Changes in Net Assets unless the income or loss is restricted by donor or law. Income on investments of donor restricted funds is added to or deducted from net assets with donor restrictions.

#### **Investments in University Managed Pools**

Investments in University managed pools consist of funds invested in University's Merged Pool ("MP"). The value of LPCH and LPFCH's share of the MP is determined by University and is based upon the fair value of the underlying assets held in the MP. Earnings include distributions and increases or decreases in the value of LPCH and LPFCH's share of the pool. LPCH and LPFCH may deposit funds in the MP at their discretion; however, withdrawals require advance notice. All investment gains and losses and the increases or decreases in the share value are treated as unrealized and included in the excess of revenues over expenses in the Consolidated Statements of Operations and Changes in Net Assets, unless the income is restricted by donor or law.

# Lucile Salter Packard Children’s Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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(in thousands of dollars)

#### Board Designated Funds

As of August 31, 2025 and 2024, LPCH has \$176,883 and \$163,951 of Board Designated Funds. The funds are approved by either LPCH’s board of directors for future investments in facilities, programs, and services, or by LPCH’s or LPFCH’s board of directors as board designated funds functioning as an endowment to fund general expenditures. For LPFCH, such long-term investment is intended to provide an inflation adjusted total return, net of investment management fees, over time at least equal to the contemplated spending rate of 5.0% per year.

#### Beneficial Interest and Investments Held in Trusts

Investments held in trusts represent charitable remainder trusts in which LPCH or LPFCH is the trustee. The trusts specify a beneficiary or beneficiaries who sustain a lifetime interest in a portion of the principal and trust income. The related liabilities are based on estimated future payments to beneficiaries discounted at 4.8% and 5.2% for the years ended August 31, 2025 and 2024, respectively. The discount rate used was determined using the Charitable Federal Midterm Rate for fiscal years 2025 and 2024.

Additionally, LPCH is the sole beneficiary of a perpetual trust that is carried at the fair value of the trust. Income from the trust (interest, net of fees) is distributed to LPCH and included in interest income.

#### Liquidity

LPCH actively manages its liquidity, to ensure its financial obligations can be satisfied. Operating liquidity is monitored daily and reported periodically to senior management and the Board. Liquidity is inclusive of cash and cash equivalents, operating current assets expected to be liquidated for general expenditure needs within one year or less, and investments held. Investments have varying liquidation requirements, depending on the investments and trustee.

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

	2025	2024
<b>Financial assets</b>		
Cash and cash equivalents	\$ 439,748	\$ 402,185
Patient accounts receivable	782,060	711,310
Contributions receivable available for operations	38,221	28,084
Other receivables	16,231	66,340
Investments available for current use	839,195	744,382
Board designated funds functioning as endowment used for operations	<u>94,412</u>	<u>84,862</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,209,867</u>	<u>\$ 2,037,163</u>

Contributions receivable available for operations include \$20,262 and \$21,918 receivable on behalf of the Stanford University School of Medicine (the “SoM”) as of August 31, 2025 and 2024, respectively.

# Lucile Salter Packard Children’s Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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*(in thousands of dollars)*

Board designated funds functioning as an endowment used for operations as of August 31, 2025 and 2024 exclude the investments that are not redeemable within one year. The liquid balance remaining represents board designated funds functioning as an endowment that are redeemable within one year and available for operations.

As of August 31, 2025 and 2024, in addition to the above resources, LPCH has \$200,000 available credit in a revolving credit agreement with Bank of America. Drawdowns from the facility bear interest at the SOFR plus an applicable margin based on credit rating. No amount was drawn from the line of credit as of August 31, 2025 and 2024.

#### **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 cash and cash equivalents and contributions receivable that have been designated by donors or otherwise externally restricted 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-imposed restrictions or applicable law or regulation. The organization monitors these assets to ensure that they are being used in accordance with donor-imposed restrictions or applicable laws and regulation.

#### **Property and Equipment**

Property and equipment are stated at cost except for donated assets, which are recorded at fair value at the date of donation. LPCH and its subsidiaries capitalize certain internal costs of computer software developed or obtained for internal use. Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives, which are as follows:

Land improvements	5 to 25 years
Buildings and improvements	3 to 50 years
Equipment	3 to 20 years
Land agreements	40 to 57 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. 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 as part of other revenue in the Consolidated Statements of Operations and Changes in Net Assets.

LPCH and its subsidiaries hold several land agreements, also classified as property and equipment. These land agreements are amortized on a straight-line basis over the term of the agreements and are reflected as depreciation and amortization in the Consolidated Statements of Operations and Changes in Net Assets.

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 the asset.

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#### **Leases**

LPCH's lease portfolio primarily consists of operating leases for real estate and equipment. LPCH determines if an arrangement is or contains a lease at the lease inception date by evaluating whether the arrangement conveys the right to use an identified asset and whether LPCH obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. Leases with initial term of twelve months or less are not recorded on the consolidated balance sheets. LPCH recognizes operating expense for leases on a straight-line basis over the lease term.

LPCH uses its incremental borrowing ("IBR") rate to determine the present value of lease payments. The IBR is calculated by utilizing the daily treasury yield curve rates, as published by the U.S. Department of the Treasury, adjusted with a risk base spread. LPCH updates the rate quarterly and utilizes the treasury rate yields as of the first business day of each quarter for all new leases entered during that quarter. Rates are in 1 year increments up to 10 years. All leases in excess of 10 years utilize the 10-year rate.

In addition, LPCH's real estate leases generally require payment of real estate taxes, common area maintenance and insurance, which are generally variable and based on actual costs incurred by the lessor. These variable payments are expensed as incurred as variable lease costs. LPCH's lease agreements do not contain any material residual value guarantees or material restrictive financial covenants. LPCH has elected the practical expedient to not separate lease and non-lease components.

#### **Impairment and Disposition of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

#### **Equity Method Investments and Other Assets**

Equity method investments and other assets include ownership interests in SUMIT, TRA, PEAC, and other investments in hospital related joint ventures, deposits with vendors, and goodwill. Investments in hospital related joint ventures where LPCH owns between 20 and 50 percent, or where LPCH has a significant influence, are accounted for under the equity method as LPCH has the ability to exercise significant influence over operating and financial policies of the joint venture, but does not have the controlling financial interest. Equity method investments comprise \$73,223 and \$53,542 of equity method investments and other assets on the Consolidated Balance Sheets as of August 31, 2025 and 2024, respectively. Earnings from equity method investments were \$26,085 and \$18,858 and are included in other revenue in the Consolidated Statements of Operations and Changes in Net Assets in the periods ended August 31, 2025 and 2024.

#### **Compensated Absences**

In accordance with U.S. Generally Accepted Accounting Principles ("GAAP") and formal policies concerning vacation and other compensated absences, accruals of \$95,353 and \$89,709 were recorded as of August 31, 2025 and 2024, respectively, and are included in accrued salaries and related benefits.

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#### **Long-Term Debt**

Premiums arising from the original issuance of long-term debt are amortized on the effective interest method, over the life of the debt. The unamortized portion of these premiums is included in long-term debt.

Deferred debt issuance costs represent costs incurred in conjunction with the issuance of LPCH's long-term debt. These costs are amortized on the effective interest method, over the life of the debt.

#### **Excess of Revenues over Expenses**

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 permanent transfers of assets to and from affiliates for other than goods and services, 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), and adjustment for minimum pension liability.

#### **Net Patient Service Revenue**

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors including Medi-Cal and others for services rendered. The contractual commitments and laws and regulations governing the payment for services for government (Medi-Cal and Medicare) and commercial payors are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Generally, LPCH bills the patients and third-party payors shortly after discharge or when the service is performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided to patients. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. The performance obligation is measured 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 rendered to the patient and LPCH does not believe it is required to provide additional services to the patient.

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 price concessions. The estimates of contractual adjustments and discounts are based on contractual agreements, discount policy, and historical collection experience. LPCH 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.

#### **Charity Care and Community Benefits**

LPCH provides 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. LPCH also provides services to patients

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under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Such amounts are considered community benefits.

#### **Self-Insurance Reserves and Other Liabilities**

LPCH self-insures for professional, general, and cyber liability risks, postretirement medical benefits, health, dental and vision benefits, and workers' compensation. These liabilities are reflected as self-insurance reserves on the Consolidated Balance Sheets.

- **Liability** – LPCH is self-insured through SUMIT for professional, general, and cyber liability losses under claims-made coverage. LPCH also maintains liability reserves for unreported claims which totals \$4,849 and \$4,693 for the years ended August 31, 2025 and 2024, respectively. For policy year September 1, 2024 to September 1, 2025, SUMIT retains 100% of professional liability risk related to the first \$15,000 per occurrence and the first \$10,000 for general liability.

For fiscal years 2024 and 2025, SUMIT retains \$2,500 of cyber liability risk in excess of a \$2,500 per claim entity retention with the next \$90,000 transferred to various reinsurance companies rated "A" or better by AM Best rating agency.

- **Postretirement Medical Benefits** – Liabilities for post-retirement medical claims for current and retired employees are actuarially determined by SHC and allocated to LPCH.
- **Health, Dental and Vision** – Liabilities for health, dental and vision claims for current employees are actuarially determined.
- **Workers' Compensation** – LPCH purchases 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 receivable, accounts payable and accrued liabilities, and accrued salaries and related benefits, their carrying value approximates their fair value.

#### **Transactions with University**

LPCH enters into various transactions with University. LPCH records expense transactions where direct and incremental economic benefits are received by LPCH. Certain expenses are allocated from University to LPCH. Allocated expenses reported as operating expenses in the Consolidated Statements of Operations and Changes in Net Assets are management's best estimates of LPCH's arms-length payment of such amounts for its market specific circumstances. To the extent that payments to University exceed an arms-length estimated amount relative to the benefit received by LPCH, they are recorded as transfers to University.

#### **Concentration of Credit Risk**

Financial instruments, which potentially subject LPCH and its subsidiaries to concentrations of credit risk, consist principally of cash and cash equivalents, patient accounts receivable, and investments in University managed pools and other (Note 7).

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LPCH and its subsidiaries invest its cash and cash equivalents in highly rated financial instruments including insured deposits. As of August 31, 2025, LPCH and its subsidiaries have invested its cash and cash equivalents with a financial institution in excess of federal depository insurance limits.

The concentration of credit risk relating to patient accounts receivable for LPCH and its subsidiaries is limited by the diversity and number of the patients and payers. Patient accounts receivable consist of amounts due from governmental programs, commercial insurance companies, private pay patients, and other group insurance programs.

#### **California Proposition 4 Funds**

California Proposition 4, the Children's Hospital Bonds Initiative, authorized funds to children's hospitals for construction, expansion, renovation, and equipment projects. LPCH received and recognized \$7,705 and \$0 in contributions and other, and net assets released from restrictions for purchases of property and equipment in the Consolidated Statements of Operations and Changes in Net Assets for the years ended August 31, 2025 and 2024, respectively.

#### **Use of Estimates**

The preparation of consolidated 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 and self-insurance reserves. Actual results may differ from those estimates.

#### **Taxes**

LPCH, PCHA, and LPFCH are exempt from federal and state income taxes to the extent provided by Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates, compensation excise tax, and investment income excise tax.

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

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, including LPCH and LPFCH. As such, the assets and net investment income of LPCH and LPFCH are included in the University's NIIT calculation. Neither LPCH and LPFCH are liable for any IRC Section 4968 taxes; however, LPCH and LPFCH have agreed to fund the University for any increase in the University's NIIT resulting from assets and net investment income of LPCH and LPFCH. LPCH and LPFCH 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, LPCH and LPFCH applied the 8% rate. As of August 31, 2025, LPCH and LPFCH have recorded an estimated payable of \$29,989 to the University, which consists of \$585 and \$29,404 recorded as due to related parties and due to related parties, long term respectively

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on the Consolidated Balance Sheets. In addition, the current and deferred investment income excise tax is recorded as a reduction to interest income, income and gains from University managed pools and other, and income and gains from University managed pools in the Consolidated Statements of Operations and Changes in Net Assets for the period ended August 31, 2025.

#### Accounting Pronouncements

LPCH and its subsidiaries adopt new standards on a consolidated basis.

The FASB Accounting Standards Codification (“ASC”) is the sole source of authoritative nongovernmental U.S. generally accepted accounting principles.

#### Recently Adopted Accounting Pronouncements

- **Current expected credit losses**

ASU 2016-13 and 2020-02, FASB Issue Date: June 2016 and February 2020, Effective Date: Fiscal Year 2024

This ASU, along with related amendments, revised the credit-loss measurement for receivables measured at amortized cost from an incurred-loss to an expected-loss approach and requires that credit losses be presented as an allowance rather than as a write-down. This new guidance was adopted in fiscal year 2024 and did not materially impact the Consolidated Financial Statements.

- **Lease: Common Control Arrangements**

Accounting Standards Update (ASU) 2023-01, FASB Issue Date: March 2023, Effective Date: Fiscal Year 2025

ASU 2023-01 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. The accounting requirements of these updates were adopted in fiscal year 2025 and did not materially impact the Consolidated Financial Statements.

### 3. Net Patient Service Revenue

LPCH and PCHA have agreements with third-party payors that provide for payments at amounts different from established rates. A summary of payment arrangements with major third-party payors are as follows:

- **Medi-Cal** – Since July 1, 2013, inpatient services rendered to State and Managed Medi-Cal program beneficiaries are reimbursed using an All Patient Refined-Diagnosis Related Group (APR-DRG) methodology. Outpatient services are reimbursed based upon prospectively determined fee schedules.

In addition, Disproportionate Share (“DSH”) is another Medi-Cal program that provides for supplemental funding when a hospital is considered by the State to have relatively more

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Medi-Cal utilization than the norm. LPCH must re-qualify for DSH annually. LPCH did not qualify for DSH in 2025 nor 2024.

- CCS** – The California Children’s Services (“CCS”) Program is a partnership between state and counties that provides medical case management for children in California diagnosed with serious chronic diseases. Currently, approximately 70 percent of CCS-eligible children are also Medi-Cal eligible. The Medi-Cal program reimburses their care. The cost of care for the other 30 percent of children is split equally between CCS Only and CCS Healthy Families. Reimbursement from these programs to providers is through APR-DRG methodology for inpatient services. Outpatient services are reimbursed based upon prospectively determined fee schedules. A portion of the CCS-Only children also have other forms of coverage, such as commercial insurance. For these children, CCS is secondary to the commercial insurance or other form of coverage and is intended to limit the financial burden on families and children with chronic conditions.
- HMO/PPO and Other** – Managed care contracts such as those with HMOs and PPOs reimburse LPCH at per diem rates or a percent of charges basis, which are less than full charges.

Net patient service revenue (which for Medi-Cal includes Medi-Cal Fee-For-Service, Medi-Cal Managed Care payments, CCS, provider fee revenue, and children’s hospital supplemental payments) for the years ended August 31 is as follows:

	2025	2024
Medi-Cal	\$ 500,009	\$ 651,888
HMO/PPO	2,105,249	1,881,501
Other	255,209	208,785
	<u>\$ 2,860,467</u>	<u>\$ 2,742,174</u>

Amounts due from Blue Cross and the State of California’s Medi-Cal program represent the following of net patient accounts receivable as of August 31:

	2025	2024
Blue Cross	26 %	34 %
Medi-Cal	14	14

Excluding these payors, no one payor represents more than 10% of LPCH’s patient receivables or net patient service revenue. LPCH and PCHA do not believe significant credit risks exist with these payors.

#### Hospital Quality Assurance Fee Program

The State of California enacted SB 239 in October 2013 which established the Hospital Quality Assurance Fee (“QAF”) and Hospital Fee programs for January 1, 2014 through December 31, 2016. Subsequently, California’s participation in the provider fee programs, as authorized under federal regulations, has been made permanent by the passage of Proposition 52.

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CMS has approved, and LPCH has recognized as revenue supplemental payments related to the following programs and periods:

- Managed care programs for January 1, 2021 through December 31, 2022.
- Fee-for-service programs for January 1, 2023 through December 31, 2024.

For the years ended August 31, 2025 and 2024, respectively, LPCH recognized \$18,091 and \$205,008 in operating revenue for Medi-Cal Fee-For-Service ("FFS") and Managed Care program and supplemental payments provided for under the California provider fee programs.

For the years ended August 31, 2025 and 2024, respectively, LPCH recognized \$7,055 and \$68,491, in operating expense for QAF paid to California Department of Health Care Services ("DHCS").

Portions of the Managed Care programs for January 1, 2023 through December 31, 2023 are awaiting CMS approval as of fiscal year end, August 31, 2025, and therefore have not been recognized as revenue. The revenue from these and future managed care programs are bifurcated between pass through payments, based on modeled amounts using historical data, and directed payments, based on patient encounters during the period of the program.

As of August 31, 2025 and 2024, respectively, LPCH recognized \$63,293 and \$22,806, in accrued liabilities related to deferred revenue received, and \$26,206 and \$5,357 in prepaid expenses related to fees paid under the unapproved provider fee programs to date.

#### **Children's Hospital Supplemental Payment Program**

The Medi-Cal Children's Hospital Supplemental Payment Program ("CHSP") is a two-year program in California. It is designed to enhance Medi-Cal payments to eligible private hospitals to support services for Medi-Cal and uninsured children. LPCH recognized \$9,824 and \$0 in the Consolidated Statements of Operations and Changes in Net Assets for the years ended August 31, 2025, and 2024, respectively.

#### **4. Charity Care and Community Benefits**

LPCH and its subsidiaries are committed to advocacy, outreach, education, and research to improve the health status of children and pregnant women. LPCH and its subsidiaries continually reaffirm its commitment to its community by developing innovative programs to enhance the hospital's and community's capacity to care for children and pregnant women. These programs include:

Care-a-Van for Kids	Financial Support to Federally Qualified
Center for Youth Mental Wellness	Health Centers
Child Safety Programs	Health Professions Education
Community Health Education	Injury Prevention Programs
Community Investment Grants Program	Mobile Adolescent Health Services
Family and Children Health Advocacy	Project Safety Net & HEARD Alliance
Graduate Medical Education	

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For the years ended August 31, 2025 and 2024, respectively, charity care at established rates were \$9,054 and \$12,438, respectively.

LPCH and its subsidiaries direct charity care and uncompensated costs of medical services to government-covered patients for the years ended August 31 is as follows:

	<b>2025</b>	<b>2024</b>
Estimated cost of charity care	\$ 1,822	\$ 2,716
Estimated cost of medical services provided to government-covered patients (not including Medicare)	343,605	365,695
	<u>\$ 345,427</u>	<u>\$ 368,411</u>

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 LPCH’s total expenses divided by gross patient service charges.

The estimated uncompensated cost of Medi-Cal services provided to government covered patients does not include offset of funds from the QAF program. Additionally, LPCH invests in improving the health of children of San Mateo and Santa Clara counties primarily by providing health professional education and community health services.

**5. Contributions Receivable**

Contributions receivable and contribution revenue are included in the financial statements in the appropriate net asset category. Contributions are recorded at the discounted net present value of the future cash flows, using discount rates ranging from 1.6% to 5.4% for 2025 and 2024.

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

	<b>2025</b>	<b>2024</b>
In one year or less	\$ 80,191	\$ 73,300
Between one year and five years	65,416	54,172
More than five years	8	25,011
	<u>145,615</u>	<u>152,483</u>
Less: Discount	(2,877)	(6,623)
Less: Reserves for uncollectible pledges	<u>(4,258)</u>	<u>(1,592)</u>
Total contributions receivable, net	<u>\$ 138,480</u>	<u>\$ 144,268</u>

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

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	<b>2025</b>	<b>2024</b>
Plant replacement and expansion	\$ 61,439	\$ 82,780
Clinical services	26,779	15,152
Education	1,024	1,162
Research	39,065	44,854
Indigent care and other	10,173	320
	<u>\$ 138,480</u>	<u>\$ 144,268</u>

Conditional pledges that depend on the occurrence of a specified future or uncertain event are recognized when the conditions are substantially met. Conditional pledge balances as of August 31, 2025 and 2024 were \$5,240 and \$5,380, respectively.

As of August 31, 2025 and 2024, \$61,530 and \$86,046 of the total contributions receivable above, respectively, are reported as assets limited to use for capital projects and other long-term purposes on the Consolidated Balance Sheets, as they are restricted for long-term purposes; therefore, the related amounts due within one year are classified as noncurrent assets.

**6. Investments and Investments in University Managed Pools**

The composition of investments held by LPCH and its subsidiaries at August 31 is as follows:

	<b>Fair Value</b>	
	<b>2025</b>	<b>2024</b>
Board designated funds in other investments	\$ 138,048	\$ 134,511
Board designated funds in University managed pools	<u>29,028</u>	<u>19,878</u>
Board designated funds - subtotal	167,076	154,389
Mutual funds and other	103,097	97,577
Beneficial interest in investments in University managed pools	<u>1,256,703</u>	<u>1,122,216</u>
Investments and investments in University managed pools and other	<u>\$ 1,526,876</u>	<u>\$ 1,374,182</u>

LPFCH has board designated funds functioning as an endowment approved by LPFCH’s board of directors for long term investments. As of August 31, 2025 and 2024, the balance of LPFCH board designated funds functioning as an endowment was \$138,048 and \$134,511, respectively.

LPCH board designated funds, board designated funds functioning as an endowment, short-term investments and other noncurrent investment funds are invested in University Merged Pool (“MP”). MP holds a variety of investments, which consist of cash and cash equivalents, government and corporate debt securities, equity securities and mutual funds, real estate, investment in partnerships, and other.

Gains of \$75,564 and \$49,290 on beneficial interest in investments in University Merged Pool for the years ended August 31, 2025 and 2024, respectively, represent the change in the fair value of LPCH’s share of the MP.

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The MP is the primary investment pool in which funds are invested. The MP is invested with the objective of maximizing long-term total return. It is a unitized pool in which the fund holders purchase investments and withdraw funds based on a monthly share value. The composition of investments in MP as of August 31, 2025 and 2024 consist of the following:

	2025	2024
<b>Assets</b>		
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
	100 %	100 %

**7. Fair Value Measurements**

U.S. Generally Accepted Accounting Principles (GAAP) defines fair value as the price received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants and establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity’s assumptions about how market participants would value the financial instrument. Valuation techniques used under U.S. GAAP must maximize the use of observable inputs to the extent available.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

- Level 1      Quoted prices in active markets for identical assets or liabilities, at the reporting date, without adjustment. Market price data is generally obtained from relevant exchange or dealer markets.
  
- Level 2      Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
  
- Level 3      Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 investments also include investments with third parties as the trustees and thus not redeemable in net asset value per share.

A financial instrument’s categorization within this hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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For alternative investments, which are principally interests in limited partnerships or similar investments in fixed income, private equities, real estate, natural resources, public equities and absolute return funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments, which is adopted as a practical expedient. The NAV is reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for any investment-related transactions such as capital calls or distributions and significant known valuation changes of its related portfolio through August 31, 2025 and 2024, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The following table summarizes LPCH and its subsidiaries' assets measured at fair value as of August 31, 2025, based on the inputs used to value them.

	NAV	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 4,669	\$ -	\$ -	\$ 4,669
Public equities	42,638	15,183	4,624	-	62,445
Fixed income	7,429	101,133	4,332	-	112,894
Real estate	6,271	-	-	-	6,271
Natural resources	6,349	-	-	-	6,349
Private equities	40,247	-	-	-	40,247
Absolute return	20,692	-	-	-	20,692
Assets held by other trustees	-	-	-	19,907	19,907
Investments in University's Merged Pool	1,285,731	-	-	-	1,285,731
Assets subject to fair value leveling	\$ 1,409,357	\$ 120,985	\$ 8,956	\$ 19,907	\$ 1,559,205

The following table presents the 2025 activities of financial instruments of which fair value measurement is using Level 3 inputs:

<b>Balance at September 1, 2024</b>	\$ 19,183
Realized losses	(467)
Unrealized gains	996
Change in value of charitable trusts	195
<b>Balance at August 31, 2025</b>	<u>\$ 19,907</u>

The following table summarizes LPCH and its subsidiaries' assets measured at fair value as of August 31, 2024, based on the inputs used to value them.

	NAV	Level 1	Level 2	Level 3	Total
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 5,823	\$ -	\$ -	\$ 5,823
Public equities	39,397	14,676	4,909	-	58,982
Fixed income	6,010	97,171	5,147	-	108,328
Real estate	6,499	-	-	-	6,499
Natural resources	6,929	-	-	-	6,929
Private equities	36,660	-	-	-	36,660
Absolute return	21,919	-	-	-	21,919
Assets held by other trustees	-	-	-	19,183	19,183
Investments in University's Merged Pool	1,142,094	-	-	-	1,142,094
Assets subject to fair value leveling	\$ 1,259,508	\$ 117,670	\$ 10,056	\$ 19,183	\$ 1,406,417

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The following table presents the 2024 activities of financial instruments of which fair value measurement is using Level 3 inputs:

<b>Balance at September 1, 2023</b>	\$ 17,153
Realized losses	(470)
Unrealized gains	2,499
Change in value of charitable trusts	1
<b>Balance at August 31, 2024</b>	<u>\$ 19,183</u>

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2025 and 2024. For each investment category and respective valuation technique, the range of significant unobservable inputs is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

Investment Categories	Total Fair Value	Investments Using Significant Unobservable Inputs	Valuation Technique	Significant Unobservable Inputs	Range		Weighted Average	Impact to Valuation From an Increase in Input
					Min	Max		
<b>2025</b>								
Assets held by other trustees	\$ 19,907	\$ 1,179	Net present value	Discount rate	4.80 %	4.80 %	4.80 %	Decrease
Total amount with significant unobservable inputs	<u>\$ 19,907</u>	<u>\$ 1,179</u>						
<b>2024</b>								
Assets held by other trustees	\$ 19,183	\$ 1,286	Net present value	Discount rate	5.20 %	5.20 %	5.20 %	Decrease
Total amount with significant unobservable inputs	<u>\$ 19,183</u>	<u>\$ 1,286</u>						

The following table identifies attributes relating to the nature and risk of investments (excluding investments in University's Merged Pool) for which fair value is determined using a calculated NAV as of August 31, 2025:

	Fair Value	Unfunded Commitment	Redemption Terms
Public equities	\$ 42,638	\$ -	Redeemable \$42,638: redemptions are from 1 to 12 months with 2 to 90 days prior notification
Fixed income	7,429		Redeemable semi-monthly with 5 days notification
Real estate	6,271	909	Redeemable \$4,864 with 8 to 15 days prior notification; Not eligible for redemption \$1,407
Natural resources	6,349	173	Redeemable \$4,367 with 8 to 30 days prior notification; Not eligible for redemption \$1,982
Private equities	40,247	13,231	Not eligible for redemption
Absolute return	20,692		Redeemable \$20,692: redemptions are from 1 to 12 months with 45 to 65 days prior notification
	<u>\$ 123,626</u>	<u>\$ 14,313</u>	

#### 8. 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 donor-restricted cash and cash equivalents, as well as contributions receivable that have been restricted for the

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purpose of acquiring or improving property, plant, and equipment or for other long-term purposes. The balance of this line consists of the following at August 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents		
Capital projects	\$ 4,317	\$ 7,213
Other long-term purposes	12,711	1,079
Contributions receivable		
Capital projects	57,009	78,344
Other long-term purposes	4,521	7,702
Total assets limited as to use	<u>\$ 78,558</u>	<u>\$ 94,338</u>

**9. Property and Equipment**

Property and equipment consist of the following as of August 31, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Land and improvements	\$ 32,083	\$ 32,083
Buildings and improvements	2,210,680	1,992,567
Equipment	534,476	524,636
Land agreements	88,522	88,522
	<u>2,865,761</u>	<u>2,637,808</u>
Less: Accumulated depreciation	(1,082,424)	(1,019,329)
Construction-in-progress	71,589	203,548
Property and equipment, net	<u>\$ 1,854,926</u>	<u>\$ 1,822,027</u>

Land agreements accumulated amortization totals \$26,106 and \$24,339 for the years ended August 31, 2025 and 2024, respectively.

Total depreciation and amortization expense related to property and equipment for the years ended August 31, 2025 and 2024, is \$85,221 and \$81,995, respectively.

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**10. Long-Term Debt**

LPCH’s outstanding debt at August 31 is summarized below:

	Fiscal Years of Maturity	Effective Interest 2025/2024	Outstanding Principal	
			2025	2024
<b>California Health Facilities Financing Authority</b>				
Fixed rate bonds				
Series 2024A	2024-2043	3.55%/3.55%	88,175	91,035
Series 2024A Premium			8,645	9,521
Series 2024B	2034	3.50%/3.50%	89,280	89,280
Series 2024B Premium			10,227	11,381
Series 2022A	2023-2051	2.60%/2.55%	191,070	197,620
Series 2022A Premium			20,957	21,851
Series 2017A	2019-2057	3.17%/3.17%	184,550	184,745
Series 2017A Premium			24,768	25,355
Series 2016A	2016-2033	2.60%/2.57%	50,505	50,505
Series 2016A Premium			5,189	6,111
Series 2016B	2052-2055	3.34%/3.34%	100,000	100,000
Series 2016B Premium			12,665	12,890
			786,031	800,294
Less: Current portion of long term debt			(10,085)	(9,605)
Less: Debt issuance cost			(5,903)	(6,748)
			\$ 770,043	\$ 783,941

In 2003, LPCH entered into a master indenture of trust (the “LPCH Master Indenture”) as the sole initial member of an obligated group (“LPCH Obligated Group”), the purpose of which is to provide for issuance of obligations (“Obligations”) to secure indebtedness of the members of the LPCH Obligated Group on a joint and several basis.

Obligations issued under the LPCH Master Indenture are collateralized by a lien on the gross revenues of LPCH. The LPCH Master Indenture also includes various financial covenants, the most restrictive of which include maintenance of a minimum annual debt service coverage ratio, limitations on additional indebtedness, restrictions on the disposition or transfer of assets, mergers and entry into and withdrawal from the LPCH Obligated Group. During the year ended August 31, 2025, LPCH was in compliance with its financial covenants.

In March 2016, CHFFA issued, on behalf of LPCH, two series of revenue bonds in the aggregate par amount of \$176,975 (collectively, the “2016 Bonds”). The 2016 bonds were comprised of Series A and B revenue bonds. Proceeds of the 2016 Series A were used for the legal defeasance and redemption of the 2008 Series A, B and C revenue bonds. Proceeds of the 2016 Series B were used to finance a portion of the ongoing construction, and expansion of the hospital, and to pay for the cost of issuance.

In August 2017, CHFFA issued, on behalf of LPCH, a series of revenue bonds in the aggregate par amount of \$200,000, with a premium of \$29,069 (collectively, the “2017 Bonds”). The 2017 bonds were comprised of Series A revenue bonds. Proceeds of the 2017 Series A were used to finance a portion of the ongoing construction, equipment purchases, and improvement of the hospital, and to pay for the cost of issuance. In addition, the proceeds of the bonds were used to finance costs of

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routine capital and the acquisition of the long-term ground lease interest in land and improvements of a parcel located adjacent to the existing facility.

In May 2022, CHFFA issued, on behalf of LPCH, forward delivery refunding bonds in the aggregate par amount of \$206,670, with a premium of \$23,924 (collectively, the “2022 Bonds”). Proceeds of the 2022 Bonds were used for the legal defeasance and redemption of the 2012 Series A bonds, partial refund of the 2012 Series B bonds, and payments of costs of issuance. The coupon interest rates for the Series 2022 Bonds range from 4-5% over the life of the bonds.

In June 2024, CHFFA issued, on behalf of LPCH, two series refunding revenue bonds in the aggregate par amount of \$180,315, with a premium of \$20,771 (collectively, the “2024 Bonds”). Proceeds of the 2024 Bonds were used for the legal defeasance and redemption of the 2014 bonds and payments of costs of issuance. The coupon interest rates for the Series 2024 Bonds is 5% over the life of the bonds. The defeasance of 2014 Bonds resulted in an accounting gain of \$4,368 recognized as gain on extinguishment of debt included in the Consolidated Statements of Operations and Changes in Net Assets. The 2024 Series B bonds include a bullet maturity feature, resulting in a required refinancing in 2034, which may necessitate strategic planning for future financing options.

All the bonds issued by CHFFA on behalf of LPCH are a limited obligation of the CHFFA and are payable solely from payments made by LPCH and secured by an Obligation issued pursuant to the LPCH Master Indenture.

In June 2025, LPCH extended its \$200,000 revolving credit agreement with Bank of America until June 2026. Drawdowns from the facility bear interest at the SOFR plus an applicable margin based on credit rating. No amount was drawn from the line of credit as of August 31, 2025 and 2024.

Scheduled principal payments on outstanding debt are summarized below:

	<b>Scheduled Principal Maturities</b>
<b>Year Ending August 31,</b>	
2026	\$ 10,085
2027	10,615
2028	11,655
2029	12,245
2030	12,860
Thereafter	646,120
	<u>\$ 703,580</u>

#### 11. Retirement Plans

LPCH and its subsidiaries provide retirement benefits through defined benefit and defined contribution retirement plans covering substantially all benefit eligible employees and previously leased employees.

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#### **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 which are vested immediately to participants totaling \$90,201 and \$81,057 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.

LPFCH participates in a defined contribution retirement plan covering substantially all LPFCH employees. Participants are fully vested in LPFCH's contributions after five years. LPFCH contributions for the years ended August 31, 2025 and 2024 are \$2,203 and \$1,863, respectively. This is included in salaries and benefits expense in the Consolidated Statements of Operations and Changes in Net Assets.

#### **Postretirement Medical Benefit Plan**

LPCH currently offers health insurance coverage for certain of its employees, through the SHC plan, upon retirement as early as age 55, with years of service as defined by specific criteria. The health insurance medical plans offered for retirees who are under age 65 are the same as that provided to active employees but with different premiums varying for certain groups. Medicare-eligible medical plan options are offered for retirees over age 65. Certain legacy groups are eligible for subsidized premiums while newer hires are only eligible for an HRA lump sum benefit. Some legacy groups may choose at retirement between either subsidized premiums or an HRA lump sum.

For purposes of the August 31, 2025 and 2024 retiree medical benefit plan liability valuation, LPCH has assumed future mortality according to the Pri-2012 separate employee and retiree table(s) with contingent survivor adjustments for existing survivors and white collar adjustments applied with future improvements using the MSS-2024 projection scale.

LPCH has recorded a liability totaling \$38,990 and \$32,513 for the years ended August 31, 2025 and 2024, respectively, included in self-insurance reserves and other liabilities on the Consolidated Balance Sheets. LPCH reimburses SHC for costs related to this plan on a periodic basis, and has recorded expense of \$1,210 and \$130 (equal to net periodic benefit cost less employer contributions paid), and a decrease of \$5,267 and \$2,132 to net assets to adjust the minimum benefit liability in 2025 and 2024, respectively.

#### **Defined Benefit Pension Plans**

Certain LPCH employees and previously leased employees were covered by a noncontributory defined benefit pension plan held by SHC (Staff Pension Plan). SHC's defined benefit pension plan benefits were based on years of service and the employee's compensation. Contributions to the Staff Pension Plan were based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

SHC and LPCH had an arrangement whereby SHC assumed the pension liability of the LPCH employees and previously leased employees. LPCH was required to reimburse SHC for the annual expense incurred for these employees and previously leased employees.

In April 2021, SHC's Board of Directors approved a resolution to terminate the Staff Pension Plan. As of January 31, 2024, the Staff Pension Plan was fully settled, and all benefit obligations 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

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obligations under the pension plan. LPCH paid \$230 to SHC as part of pension charges for LPCH's portion of a benefit enhancement.

#### **12. Endowment and Donor Restricted Net Assets**

The endowment is intended to generate investment income that can be used to support LPCH and LPFCH's current operating and strategic initiatives. LPCH invests the majority of the endowments in University's managed pool, and LPFCH invests the endowments in University's managed pool and other long-term investments.

LPCH's Board of Directors has adopted University's investment and spending policies for its donor-restricted and board designated funds functioning as an endowment that provide for annual amounts (payout) to be distributed to appropriate restricted funds supporting operating and strategic activities of LPCH. Through the combination of investment strategy and payout policy, LPCH is striving to provide a reasonably consistent payout from the endowment to support operations, while preserving the purchasing power of the endowment adjusted for inflation. Consistent with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), when determining the appropriate payout, the Board considers the purposes of the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of investments, and investment policy.

The current University Board of Trustees approved targeted spending rate for fiscal year 2025 was 5.25%, which was adopted by LPCH. The payout amount is determined by applying a smoothing rule designed to mitigate the impact of short-term market volatility on the flow of funds to support operations. The Board has the authority to override the smoothing rule and set the payout rate directly. The sources of payout are earned income on endowment assets (interest, dividends, rents and royalties), and realized capital gains, as needed and as available.

In addition, LPFCH has a policy of appropriating for distribution each year an amount determined annually based on budget needs. The annual distribution is expected to average no more than 5% of the endowment fund's fair value. For individual years, it is expected to fall within a target range of 4.75% to 5.25% of the endowment fund's average fair value over the prior 12 quarters. Unspent program budget may be spent in future years subject to certain limits. LPFCH board of directors may also appropriate an amount outside this target range. Accordingly, depending on anticipated activity and timing of the grant opportunities, actual spending may fall outside of the range. In establishing this policy, LPFCH considered the long term expected return on its endowment. Over the long term, LPFCH expects the current spending policy to allow its endowment to grow at a rate of expected inflation. This is consistent with LPFCH's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

LPCH classifies as donor restricted net assets (a) the original value of gifts donated to the restricted endowment, (b) the original value of subsequent gifts to the restricted endowment, and (c) accumulations to the restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Net unrealized losses on donor-restricted and board designated funds functioning as an endowment are classified as a reduction to net assets with donor restrictions or board designated

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funds functioning as an endowment until such time as the fair value equals or exceeds historic value. The aggregate amount by which fair value was below historic value was \$0 as of August 31, 2025 and 2024.

Changes in LPCH’s endowment with donor restrictions for the years ended August 31, 2025 and 2024 are as follows:

	2025	2024
<b>Endowment with donor restrictions, beginning of year</b>	\$ 509,638	\$ 482,181
Investment returns	56,328	41,588
Amounts distributed for operations	(13,236)	(13,183)
Contributions received from donors	3,977	9,498
Transfers to University	(11,181)	(10,088)
Other	(450)	(358)
Net increase in endowment	<u>35,438</u>	<u>27,457</u>
<b>Endowment with donor restrictions, end of year</b>	<u>\$ 545,076</u>	<u>\$ 509,638</u>

Changes in LPCH’s endowment without donor restrictions for the years ended August 31, 2025 and 2024 are as follows:

	2025	2024
<b>Board designated funds functioning as an endowment, beginning of year</b>	\$ 152,740	\$ 145,276
Investment returns	16,547	13,290
Endowment assets appropriated for expenditure	(3,911)	(5,826)
Net increase in endowment	<u>12,636</u>	<u>7,464</u>
<b>Board designated funds functioning as an endowment, end of year</b>	<u>\$ 165,376</u>	<u>\$ 152,740</u>

#### Return Objectives and Risk Parameters

LPCH has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets is to generate optimal total return while maintaining an appropriate level of risk for LPCH.

#### Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, LPCH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). LPCH targets a diversified asset allocation that places greater emphasis on types of investments as described in Note 7 to achieve its long-term objectives within prudent risk constraints. Portfolio asset allocation targets as well as expected risk, return and correlation amongst the asset classes are reevaluated annually by the asset manager and reported to the Board of Directors.

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**Donor Restricted Net Assets**

Net assets with donor restrictions consist of investments held and invested to generate income to support the following purposes at August 31:

	2025	2024
<b>With donor restrictions</b>		
Education	\$ 63,138	\$ 58,428
Plant replacement and equipment	262,341	258,637
Clinical services	463,015	425,648
Research	43,664	47,706
Indigent care and other	98,176	81,183
	<u>\$ 930,334</u>	<u>\$ 871,602</u>

**13. Related-Party Transactions**

**Transactions with SHC**

LPCH and SHC share certain departments, including facilities design and construction, materials management, Managed Care contracting, compliance and general services. The costs for these shared services, which are included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets, are allocated between SHC and LPCH based on management’s best estimates. LPCH’s total cost for shared services was \$66,680 and \$59,457 for the years ended August 31, 2025 and 2024, respectively.

LPCH also purchases various services from SHC. These services include operating room, apheresis, cardiac catheterization, interventional radiology, radiation oncology and laboratory. The cost of these services, which is included in purchased services in the Consolidated Statements of Operations and Changes in Net Assets, is charged back to LPCH based on a percentage of charges intended to approximate costs or a cost per procedure. LPCH’s total cost for services purchased from SHC was \$50,686 and \$49,436 for the years ended August 31, 2025 and 2024, respectively.

In addition to the services described above, LPCH purchases services from SHC that include services provided by interns and residents, building maintenance, IT and utilities. These services totaled \$66,556 and \$64,448 for the years ended August 31, 2025 and 2024, respectively, and are included in purchased services and other expenses in the Consolidated Statements of Operations and Changes in Net Assets or in property and equipment, net, in the Consolidated Balance Sheets. The total home infusion recoveries from SHC were \$9,378 and \$9,716 for the fiscal years ended August 31, 2025 and 2024, respectively.

**Transactions with University**

LPCH records operating expense or equity transfers to account for transactions with University. LPCH purchases services from University including telecommunications, transportation, certain utilities, rent, legal, compliance, and internal audit. Costs incurred by LPCH for these services purchased from University were approximately \$24,516 and \$25,333 for the fiscal years ended August 31, 2025 and 2024, respectively, and are recorded as professional services, purchased services, and other expenses in the Consolidated Statements of Operations and Changes in Net Assets for those fiscal years or as property and equipment, net, in the Consolidated Balance

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Sheets. The total recoveries from University, including rent and certain salary and benefits, were \$8,129 and \$6,617 as of August 31, 2025 and 2024, respectively.

For the years ended August 31, 2025 and 2024, LPCH transferred \$48,831 and \$51,100, respectively, to University, which are included in transfers to University and other changes in net assets without donor restrictions in the Consolidated Statements of Operations and Changes in Net Assets. These funds are used by 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.

For the years ended August 31, 2025 and 2024, LPCH transferred \$11,736 and \$9,735, respectively, to University, which are included in transfers to University and other changes in net assets with donor restrictions in the Consolidated Statements of Operations and Changes in Net Assets. The funds support SoM Pediatric Directorships, program initiatives, and education, training, and research activities as per donor restrictions.

Additionally, LPCH has an arrangement with University for a housing mortgage assistance program (MAP) offered to certain executives. Executives receive mortgage assistance that is administered by University’s housing office. LPCH issues funds to University directly to fund these programs, and records a “due from” receivable from University for repayments of the funding once the loans are repaid. These loans have varying payment requirements from 10 years to 30 years. The total receivable balances were \$4,662 and \$4,431 as of August 31, 2025 and 2024, respectively, which are reflected on the Consolidated Balance Sheets as due from related parties – housing loans.

#### **Transactions with Stanford School of Medicine (SoM)**

Services purchased from University and specifically, the Stanford School of Medicine, include clinical services that benefit LPCH, including hospital-based physicians, medical direction, and medical library services. Payment for these services is based on management’s best estimate of market value. On September 1, 2006, LPCH and University entered into a Professional Services Agreement (“PSA”) which assigned to LPCH the right to bill and collect all revenue related to pediatric and obstetric clinical services on behalf of the Stanford School of Medicine. In return, LPCH reimburses University for the services provided by the physician faculty. The PSA is revised periodically, most recently as of September 1, 2022, and it is in effect for six years through August 31, 2028. The expense recorded related to payments and accruals for all of these services amounted to approximately \$511,858 and \$448,979 for the fiscal years ended August 31, 2025 and 2024, respectively. The collections received from external parties by LPCH as agent on behalf of SoM was recorded in other revenue and purchased services. The amounts were \$11,194 and \$12,901 for the years ended August 31, 2025 and 2024, respectively.

Additionally, LPCH has an arrangement with SoM and University for the housing assistance program offered to current physicians. All physicians are directly employed by SoM. Physicians receive faculty housing loans/assistance that is administered by University’s housing office. LPCH issues funds to University directly to fund these programs on behalf of SoM, and records a “due from” receivable from University for repayments of the funding once the loans on the house are repaid. These loans have varying payment requirements from 10 years to 30 years. The total outstanding receivable balances were \$106,736 and \$88,454 as of August 31, 2025 and 2024, respectively, which are reflected on the Consolidated Balance Sheets as due from related parties – housing loans.

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#### Transactions with LPFCH

The activities of LPFCH are included in the LPCH consolidated financial statements and LPFCH also serves as a fundraising agent for SoM. LPFCH has received a total of \$21,000 and \$19,250 development fees from SoM as of August 31, 2025 and 2024, respectively.

#### 14. Leases

LPCH's lease portfolio primarily consists of operating leases for real estate and equipment under noncancellable lease agreements expiring at various dates. The amounts in the tables below do not reflect payments for leases that have not yet commenced.

The following table discloses the supplemental cash flow information related to leases for the years ended August 31:

	2025	2024
Operating cash flows from operating leases	\$ 41,680	\$ 38,613

#### Leasing Activities - Lessee

The following table presents the components of LPCH's lease expense and the classification of such expenses in our Consolidated Statements of Operations and Changes in Net Assets for the years ended August 31:

	2025	2024
Operating lease cost	\$ 41,580	\$ 38,872
Variable lease cost	6,971	8,876
Short-term lease cost	1,165	334
Sublease income	<u>(4,040)</u>	<u>(2,565)</u>
Total lease cost	<u>\$ 45,676</u>	<u>\$ 45,517</u>

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

	2025	2024
Operating leases	\$ 29,933	\$ 19,513

The following table includes the weighted-average lease terms and discount rates for operating leases as of August 31:

	2025	2024
Weighted-average remaining lease term-operating leases (years)	5.47	6.11
Weighted-average discount rate-operating leases	3.20 %	2.94 %

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

	<b>Operating Leases</b>
<b>Year Ending August 31,</b>	
2026	\$ 42,638
2027	40,352
2028	39,861
2029	36,893
2030	32,164
Thereafter	<u>26,450</u>
Total lease payments	218,358
Less: Imputed interest	<u>(17,076)</u>
Present value of lease liabilities	201,282
Less: Current lease liabilities	<u>(36,941)</u>
Total long-term lease liabilities	<u>\$ 164,341</u>

**Leasing Activities - Lessor**

LPCH leases space in its medical office buildings to others under noncancelable 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:

<b>Year Ending August 31,</b>	
2026	\$ 938
2027	747
2028	393
2029	322
2030	<u>27</u>
	<u>\$ 2,427</u>

**15. Commitments and Contingencies**

LPCH 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 LPCH’s financial position.

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. LPCH 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). 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

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further information about an incident or safeguards, to cite LPCH 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 LPCH, and LPCH management does not believe that any future consequences of these incidents will be material to its consolidated financial statements.

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. LPCH 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 LPCH'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 LPCH's financial position.

Recent regulatory changes introduced by the OBBBA may affect LPCH's Medicaid reimbursement levels. As OBBBA aims to restructure healthcare funding, there could be reductions in Medicaid allocations that might adversely impact LPCH's net patient service revenue in the future. The full extent of these changes is currently under review, and LPCH is actively monitoring legislative developments to assess their potential effect on LPCH's financial performance.

LPCH has signed several information technology contracts with commitments. As of August 31, 2025, total remaining commitments for these information technology contracts was approximately \$54,573 through fiscal year 2033.

California's Hospital Seismic Safety Act requires licensed acute care functions to be conducted only in facilities that meet specified seismic safety standards. Facilities classified by the State of California as noncompliant in the event of an earthquake must be retrofitted, replaced or removed from acute-care service by applicable deadlines prior to 2030. There are separate and distinct seismic safety standards for structural frame performance and for nonstructural element performance. LPCH complies with the structural frame requirements for the existing hospital building allowing its use indefinitely past 2030, provided potable water and wastewater holding is added no later than January 1, 2030.

LPCH relies upon services located in the SHC hospital facility. Through the construction of the New Stanford Hospital that opened in 2019, as well as planned retrofits of the existing SHC facility, SHC buildings that support LPCH services are planned to be compliant with the California Department of Health Care Access and Information ("HCAI"), seismic safety structural standards by January 1, 2030. Work underway in the SHC buildings occupied by LPCH includes non-structural bracing upgrades and structural retrofit testing and inspections to confirm seismic compliance.

LPCH continues to invest in facilities and systems required to continue to provide the highest quality children's services to the community it serves, including upgrading hospital rooms and equipment. The total external purchase commitment related to these upgrades is approximately \$29,181 as of August 31, 2025.

# Lucile Salter Packard Children’s Hospital at Stanford

## Notes to Consolidated Financial Statements

### August 31, 2025 and 2024

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(in thousands of dollars)

LPCH is directly liable under irrevocable letters of credit totaling \$13,517 at August 31, 2025, including \$12,095 required as security for the workers’ compensation deductible plan as described in Note 2, and \$1,422 for security for construction, operation and maintenance of certain utility facilities. No amounts have been drawn on these letters of credit as of August 31, 2025. LPCH also serves as guarantor for \$2,000 loan of South County Community Health Center in East Palo Alto.

Approximately 47% of LPCH employees are covered by collective bargaining arrangements. These employees are members of two unions; approximately 12% are covered by an agreement which expires on September 6, 2026; the other 35% are covered by a collective bargaining agreement with the Committee for Recognition of Nursing Achievement (“CRONA”) that will expire on March 31, 2028.

#### 16. Functional Expenses

Expenses are included in the table below, by functional and natural classification type based on the nature and purpose of the expense incurred. Expenses for patient services includes inpatient, outpatient, and community-based services to patients. Management and general includes administration, financial services, legal, and other functions that support the organization. Fundraising includes expenses incurred for the purpose of our fundraising organization and related activities. Expenses attributable to more than one functional expense category are allocated. Allocated expenses include depreciation, facility operations such as engineering, housekeeping, and utilities, and shared services such as supply chain. These expenses are allocated to the functional categories based on relative proportion of patient services and administrative expenses directly attributable to those categories.

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	\$ 1,312,288	\$ 117,835	\$ 27,565	\$ 1,457,688
Professional services	5,279	20,690	3,699	29,668
Supplies	314,929	593	41	315,563
Purchased services	789,733	48,936	436	839,105
Provider fee	7,055	-	-	7,055
Other	126,569	45,155	8,621	180,345
Interest	2	30,322	-	30,324
Depreciation and amortization	81,112	4,262	693	86,067
Total functional expense	<u>\$ 2,636,967</u>	<u>\$ 267,793</u>	<u>\$ 41,055</u>	<u>\$ 2,945,815</u>

**Lucile Salter Packard Children’s Hospital at Stanford**  
**Notes to Consolidated Financial Statements**  
**August 31, 2025 and 2024**

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*(in thousands of dollars)*

	<b>2024</b>			
	<b>Patient Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and benefits	\$ 1,245,448	\$ 106,488	\$ 30,095	\$ 1,382,031
Professional services	8,813	10,946	4,657	24,416
Supplies	282,565	1,537	124	284,226
Purchased services	720,041	43,288	1,642	764,971
Provider fee	68,491	-	-	68,491
Other	123,006	35,228	10,856	169,090
Interest	-	30,830	-	30,830
Depreciation and amortization	77,745	3,688	1,431	82,864
Total functional expense	<u>\$ 2,526,109</u>	<u>\$ 232,005</u>	<u>\$ 48,805</u>	<u>\$ 2,806,919</u>

**17. Subsequent Events**

LPCH 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.

In October 2025, LPCH received notice that CMS had approved portions of the Hospital Quality Assurance Fee program in September 2025 related to the managed care program for January 1, 2023 through December 31, 2023. Accordingly, LPCH recognized \$65,832 of revenue and \$22,168 of expense in October 2025, of which \$44,336 and \$21,823 were recorded in deferred provider fee and prepaid expenses, respectively, as of August 31, 2025.

SUPPLEMENTAL INFORMATION

**Lucile Salter Packard Children's Hospital at Stanford**  
**Consolidating Balance Sheet**  
**August 31, 2025**

<i>(in thousands of dollars)</i>	2025				
	LPCH	PCHA	LPFCH	Elimination/ Consolidation	Consolidated
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 423,699	\$ 3,191	\$ 13,760	\$ (902)	\$ 439,748
Patient accounts receivable	767,491	14,569	-	-	782,060
Interest in net assets of Foundation	18,088	-	-	(18,088)	-
Contributions receivable	592	-	77,236	(33,747)	44,081
Other receivables	15,375	845	11	-	16,231
Prepaid expenses, inventory and other	84,325	877	1,116	(4,597)	81,721
Total current assets	1,309,570	19,482	92,123	(57,334)	1,363,841
Investments	91,200	-	11,897	-	103,097
Investments in University managed pools	1,256,703	-	-	-	1,256,703
Board designated funds in University managed pools and other	21,177	-	155,706	-	176,883
Assets limited as to use for capital projects and other long-term purposes	16,125	-	-	62,433	78,558
Property and equipment, net	1,844,846	6,015	4,065	-	1,854,926
Beneficial interest and investment held in trusts, net	19,907	-	12,422	-	32,329
Contributions receivable, net of current portion	-	-	60,653	(27,784)	32,869
Due from related parties - housing loans	111,398	-	-	-	111,398
Interest in net assets of Foundation, net of current portion	75,810	-	-	(75,810)	-
Right of use lease assets	164,215	13,761	8,721	-	186,697
Equity method investments and other assets	(36,203)	8,168	104	142,304	114,373
Total assets	\$ 4,874,748	\$ 47,426	\$ 345,691	\$ 43,809	\$ 5,311,674
<b>Liabilities and Net Assets</b>					
<b>Current liabilities</b>					
Accounts payable, accrued liabilities, and deferred provider fee	\$ 229,839	\$ 6,927	\$ 19,683	\$ (4,598)	\$ 251,851
Accrued salaries and related benefits	169,196	2,449	5,772	-	177,417
Due to related parties	100,847	7,917	4,847	(707)	112,904
Third-party payor settlements	64,473	-	-	-	64,473
Current portion of long-term debt and borrowing on revolving credit facility	10,085	-	-	-	10,085
Current portion of long-term right of use lease liability	30,700	4,772	1,469	-	36,941
Self-insurance reserves and other liabilities	21,338	1,116	-	-	22,454
Total current liabilities	626,478	23,181	31,771	(5,305)	676,125
Due to related parties, long term	26,729	-	2,676	-	29,405
Self-insurance reserves and other liabilities, net of current portion	70,756	(5)	-	-	70,751
Long-term right of use lease liability, net of current portion	146,828	9,511	8,002	-	164,341
Long-term debt, net of current portion	770,043	-	-	-	770,043
Total liabilities	1,640,834	32,687	42,449	(5,305)	1,710,665
<b>Net assets</b>					
Without donor restrictions	2,356,353	14,738	152,882	146,702	2,670,675
With donor restrictions	877,561	1	150,360	(97,588)	930,334
Total net assets	3,233,914	14,739	303,242	49,114	3,601,009
Total liabilities and net assets	\$ 4,874,748	\$ 47,426	\$ 345,691	\$ 43,809	\$ 5,311,674

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

**Lucile Salter Packard Children's Hospital at Stanford**  
**Consolidating Balance Sheet**  
**August 31, 2024**

	2024				Consolidated
	LPCH	PCHA	LPFCH	Elimination/ Consolidation	
<i>(in thousands of dollars)</i>					
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 386,654	\$ (687)	\$ 16,505	\$ (287)	\$ 402,185
Patient accounts receivable	696,615	14,695	-	-	711,310
Interest in net assets of Foundation	9,668	-	-	(9,668)	-
Contributions receivable	614	-	69,887	(34,176)	36,325
Other receivables	65,304	961	75	-	66,340
Prepaid expenses, inventory and other	48,673	923	1,118	(3,537)	47,177
Total current assets	1,207,528	15,892	87,585	(47,668)	1,263,337
Investments					
Investments in University managed pools	86,499	-	11,078	-	97,577
Investments in University managed pools	1,122,216	-	-	-	1,122,216
Board designated funds in University managed pools and other	20,881	-	143,070	-	163,951
Assets limited as to use for capital projects and other long-term purposes	9,716	-	-	84,622	94,338
Property and equipment, net	1,811,231	5,946	4,850	-	1,822,027
Beneficial interest and investment held in trusts, net	19,183	-	13,052	-	32,235
Contributions receivable, net of current portion	300	-	71,756	(50,159)	21,897
Due from related parties - housing loans	92,885	-	-	-	92,885
Interest in net assets of Foundation, net of current portion	84,334	-	-	(84,334)	-
Right of use lease assets	165,740	16,489	10,154	-	192,383
Equity method investments and other assets	(72,926)	8,368	99	146,413	81,954
Total assets	\$ 4,547,587	\$ 46,695	\$ 341,644	\$ 48,874	\$ 4,984,800
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable, accrued liabilities, and deferred provider fee	\$ 175,734	\$ 4,364	\$ 17,993	\$ (3,536)	\$ 194,555
Accrued salaries and related benefits	144,641	3,798	4,811	-	153,250
Due to related parties	72,073	9,953	4,647	(397)	86,276
Third-party payor settlements	58,497	-	-	-	58,497
Current portion of long-term debt and borrowing on revolving credit facility	9,605	-	-	-	9,605
Current portion of long-term right of use lease liability	29,990	4,454	1,399	-	35,843
Self-insurance reserves and other liabilities	17,999	1,014	-	-	19,013
Total current liabilities	508,539	23,583	28,850	(3,933)	557,039
Due to related parties, long term	-	-	-	-	-
Self-insurance reserves and other liabilities, net of current portion	62,605	-	-	-	62,605
Long-term right of use lease liability, net of current portion	149,289	12,484	9,471	-	171,244
Long-term debt, net of current portion	783,941	-	-	-	783,941
Total liabilities	1,504,374	36,067	38,321	(3,933)	1,574,829
Net assets					
Without donor restrictions	2,230,118	10,627	146,813	150,811	2,538,369
With donor restrictions	813,095	1	156,510	(98,004)	871,602
Total net assets	3,043,213	10,628	303,323	52,807	3,409,971
Total liabilities and net assets	\$ 4,547,587	\$ 46,695	\$ 341,644	\$ 48,874	\$ 4,984,800

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

# Lucile Salter Packard Children's Hospital at Stanford

## Consolidating Statements of Operations and Changes in Net Assets

### Year Ended August 31, 2025

<i>(in thousands of dollars)</i>	2025				
	LPCH	PCHA	LPFCH	Elimination/ Consolidation	Consolidated
<b>Operating revenues</b>					
Net patient service revenue	\$ 2,674,441	\$ 158,111	\$ -	\$ -	\$ 2,832,552
Children's hospital supplemental payments	9,824	-	-	-	9,824
Provider fee revenue	18,091	-	-	-	18,091
Other revenue	97,733	8,821	39,951	(24,049)	122,456
Net assets released from restrictions used for operations	24,477	-	-	-	24,477
Total operating revenues and other support	2,824,566	166,932	39,951	(24,049)	3,007,400
<b>Operating expenses</b>					
Salaries and benefits	1,377,288	48,600	31,800	-	1,457,688
Professional services	24,737	468	4,463	-	29,668
Supplies	295,970	19,543	50	-	315,563
Purchased services	775,114	83,408	523	(19,940)	839,105
Provider fee expense	7,055	-	-	-	7,055
Other	160,885	9,057	10,403	-	180,345
Interest	30,324	-	-	-	30,324
Depreciation and amortization	83,486	1,745	836	-	86,067
Total operating expenses	2,754,859	162,821	48,075	(19,940)	2,945,815
Income (loss) from operations	69,707	4,111	(8,124)	(4,109)	61,585
Interest income	11,891	-	1,201	-	13,092
Income and gains from University managed pools and other	85,639	-	12,992	-	98,631
Extinguishment of long term debt	-	-	-	-	-
Other components of net periodic postretirement cost and settlement loss	(2,431)	-	-	-	(2,431)
Excess (deficiency) of revenues over expenses	164,806	4,111	6,069	(4,109)	170,877
<b>Changes in net assets without donor restrictions</b>					
Net assets released from restrictions used for purchases of property and equipment	15,480	-	-	-	15,480
Adjustment for minimum pension liability	(5,267)	-	-	-	(5,267)
Transfers (to) from University and other	(48,831)	-	-	-	(48,831)
Contributions released to transfer to University	-	-	127,300	(58,424)	68,876
Contributions transferred to University	-	-	(127,300)	58,424	(68,876)
Board Designated Investment Gain/Loss	51	-	-	-	51
Adjustment for beneficial interest and investment held in trusts	47	-	-	-	47
Other	(51)	-	-	-	(51)
Increase in net assets without donor restrictions	126,235	4,111	6,069	(4,109)	132,306
<b>Changes in net assets with donor restrictions</b>					
Contributions and other	57,383	-	120,375	(56,705)	121,053
Decrease in interests in net assets of LPFCH	581	-	-	(581)	-
Income and gains from University managed pools	57,856	-	-	-	57,856
Change in value of beneficial interest in remainder trusts	339	-	775	(722)	392
Net assets released from restrictions for operations	(24,477)	-	-	-	(24,477)
Net assets released from restrictions used for purchases of property and equipment	(15,480)	-	-	-	(15,480)
Contributions released to transfer to University	-	-	(127,300)	58,424	(68,876)
Transfers to University and other	(11,736)	-	-	-	(11,736)
Increase (decrease) in net assets with donor restrictions	64,466	-	(6,150)	416	58,732
Net Increase (decrease) in net assets	190,701	4,111	(81)	(3,693)	191,038
<b>Net assets</b>					
Beginning of year	3,043,213	10,628	303,323	52,807	3,409,971
End of year	\$ 3,233,914	\$ 14,739	\$ 303,242	\$ 49,114	\$ 3,601,009

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

# Lucile Salter Packard Children's Hospital at Stanford

## Consolidating Statements of Operations and Changes in Net Assets

### Year Ended August 31, 2024

<i>(in thousands of dollars)</i>	2024				
	LPCH	PCHA	LPFCH	Elimination/ Consolidation	Consolidated
<b>Operating revenues</b>					
Net patient service revenue	\$ 2,399,245	\$ 137,921	\$ -	\$ -	\$ 2,537,166
Children's hospital supplemental payments	-	-	-	-	-
Provider fee revenue	205,008	-	-	-	205,008
Other revenue	70,996	9,739	36,848	(7,215)	110,368
Net assets released from restrictions used for operations	25,589	-	-	-	25,589
Total operating revenues and other support	2,700,838	147,660	36,848	(7,215)	2,878,131
<b>Operating expenses</b>					
Salaries and benefits	1,306,113	47,696	28,222	-	1,382,031
Professional services	19,192	653	4,571	-	24,416
Supplies	264,976	19,189	61	-	284,226
Purchased services	701,848	80,591	434	(17,902)	764,971
Provider fee expense	68,491	-	-	-	68,491
Other	151,468	8,350	9,272	-	169,090
Interest	30,830	-	-	-	30,830
Depreciation and amortization	80,251	1,869	744	-	82,864
Total operating expenses	2,623,169	158,348	43,304	(17,902)	2,806,919
Income (loss) from operations	77,669	(10,688)	(6,456)	10,687	71,212
Interest income	14,775	-	1,475	-	16,250
Income and gains from University managed pools and other	61,441	-	12,657	-	74,098
Extinguishment of long term debt	4,368	-	-	-	4,368
Other components of net periodic postretirement cost and settlement loss	(2,210)	-	-	-	(2,210)
Excess (deficiency) of revenues over expenses	156,043	(10,688)	7,676	10,687	163,718
<b>Changes in net assets without donor restrictions</b>					
Net assets released from restrictions used for purchases of property and equipment	1,324	-	-	-	1,324
Adjustment for minimum pension liability	(2,132)	-	-	-	(2,132)
Transfers (to) from University and other	(63,100)	12,000	-	-	(51,100)
Contributions released to transfer to University	-	-	118,468	(54,759)	63,709
Contributions transferred to University	-	-	(118,468)	54,759	(63,709)
Board Designated Investment Gain/Loss	-	-	-	-	-
Adjustment for beneficial interest and investment held in trusts	-	-	-	-	-
Other	-	-	-	-	-
Increase in net assets without donor restrictions	92,135	1,312	7,676	10,687	111,810
<b>Changes in net assets with donor restrictions</b>					
Contributions and other	51,999	-	76,428	(54,918)	73,509
Decrease in interests in net assets of LPFCH	(18,732)	-	-	18,732	-
Income and gains from University managed pools	41,501	-	(397)	-	41,104
Change in value of beneficial interest in remainder trusts	2,814	-	680	(625)	2,869
Net assets released from restrictions for operations	(25,589)	-	-	-	(25,589)
Net assets released from restrictions used for purchases of property and equipment	(1,324)	-	-	-	(1,324)
Contributions released to transfer to University	-	-	(118,468)	54,759	(63,709)
Transfers to University and other	(9,735)	-	-	-	(9,735)
Increase (decrease) in net assets with donor restrictions	40,934	-	(41,757)	17,948	17,125
Net Increase (decrease) in net assets	133,069	1,312	(34,081)	28,635	128,935
<b>Net assets</b>					
Beginning of year	2,910,144	9,316	337,404	24,172	3,281,036
End of year	\$ 3,043,213	\$ 10,628	\$ 303,323	\$ 52,807	\$ 3,409,971

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

# Lucile Salter Packard Children's Hospital at Stanford

## Note to Accompanying Consolidating Information

### August 31, 2025 and 2024

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*(in thousands of dollars)*

#### **1. 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 sheet 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.