

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Virginia Commonwealth University Health System Authority
(A Component Unit of Virginia Commonwealth University)
June 30, 2026 and 2025
With Report of Independent Auditors



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VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Table of Contents

	Page(s)
Report of Independent Auditors	1–3
Management’s Discussion and Analysis (Unaudited)	4–14
Basic Financial Statements:	
Statements of Net Position	15–16
Statements of Revenues, Expenses and Changes in Net Position	17
Statements of Cash Flows	18–19
Notes to Basic Financial Statements	20–75
Required Supplementary Information	
Schedule 1 – Schedule of Employer Contributions (Unaudited)	76
Schedule 2 – Schedule of Authority’s Share of Net Pension Liability (Unaudited)	77
Schedule 3 – Schedule of Authority’s Share of Net OPEB Liability Health Insurance Credit Program (HIC) (Unaudited)	78
Schedule 4 – Schedule of Authority’s Share of Net OPEB Liability Pre-Medicare Retiree Healthcare (Retiree Healthcare Plan) (Unaudited)	79
Supplementary Information as of and for the year ended June 30, 2026	
Schedule 5 – Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position	80–82
Schedule 6 – Combining Schedule of Revenues, Expenses and Changes in Net Position	83



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Report of Independent Auditors

Management and the Board of Directors
Virginia Commonwealth University Health System Authority

Opinion

We have audited the financial statements of Virginia Commonwealth University Health System Authority (the Authority), a component unit of Virginia Commonwealth University as of June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2026 and 2025, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Employer Contributions, the Schedule of Authority's Share of Net Pension Liability, the Schedule of Authority's Share of Net OPEB Liability Health Insurance Credit Program, and the Schedule of Authority's Share of Net OPEB Liability Pre-Medicare Retiree Healthcare be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position and the Combining Schedule of Revenues, Expenses and Changes in Net Position, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ernst & Young LLP

October 9, 2026

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Financial Statement Overview

This section of Virginia Commonwealth University Health System Authority's (VCUHSA or the Authority) annual financial report provides management's overview of VCUHSA's financial activities for the fiscal years ended June 30, 2026, 2025 and 2024. Please read it in conjunction with the Authority's basic financial statements, which begin on page 15. As discussed in Note 2(v) to the basic financial statements, the Authority adopted GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ended June 30, 2026. GASB 103 is intended to enhance the usefulness of governmental financial reporting by refining several components of the financial reporting model, including Management's Discussion and Analysis, classification and presentation of unusual or infrequent items, and budgetary reporting requirements.

Adoption of the Statement did not result in changes to beginning net position or fund balance and had no effect on the Authority's financial results. The primary effect of implementation was the modification of certain financial statement presentations and disclosures to align with current GASB guidance.

The financial statements herein are composed of the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors or enabling legislation.

The Authority, consisting of Medical College of Virginia Hospitals (VCUMC), is a component unit of Virginia Commonwealth University (VCU), a component unit of the Commonwealth of Virginia. VCU incorporates the Authority's financial statements for the years ended June 30, 2026 and 2025, into its financial statements for the years then ended. The Authority's reporting entity includes VCUMC, MCV Associated Physicians (MCVAP), Community Memorial Hospital, Inc. and subsidiaries (CMH), VCU Health Tappahannock Hospital (TAPP), VCU Health Children's Services at Brook Road (Children's), Virginia Children's Care Network, LLC (VCCN), VCU Health Ambulatory Surgical Center, LLC (ASC), University Health Services, Inc. and subsidiaries (UHS), and Aries Insurance Services, Ltd. (ARIES).

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Financial Summary (In thousands)

	Year Ended June 30		
	2026	2025	2024
Current assets	\$ 919,522	\$ 1,243,649	\$ 1,089,208
Capital assets, net	1,880,824	1,791,192	1,765,954
Other noncurrent assets	2,692,216	2,012,267	1,753,606
Total assets	<u>\$ 5,492,562</u>	<u>\$ 5,047,108</u>	<u>\$ 4,608,768</u>
Current liabilities	\$ 409,033	\$ 391,113	\$ 398,926
Long-term liabilities	784,644	819,058	816,978
Total liabilities	<u>\$ 1,193,677</u>	<u>\$ 1,210,171</u>	<u>\$ 1,215,904</u>
Net investment in capital assets	\$ 1,302,161	\$ 1,189,282	\$ 1,169,350
Restricted net position:			
Expendable	5,325	5,005	4,856
Nonexpendable permanent	28,477	25,588	24,299
Unrestricted net position	2,937,922	2,596,812	2,168,850
Total net position	<u>\$ 4,273,885</u>	<u>\$ 3,816,687</u>	<u>\$ 3,367,355</u>
Deferred outflows of resources	\$ 17,097	\$ 21,622	\$ 22,836
Deferred inflows of resources	\$ 42,097	\$ 41,872	\$ 48,345
Net patient service revenue	\$ 3,997,255	\$ 3,682,472	\$ 3,497,494
All other revenue	50,561	35,794	45,809
Total revenues	<u>\$ 4,047,816</u>	<u>\$ 3,718,266</u>	<u>\$ 3,543,303</u>
Investment (expense) income	\$ 394,495	\$ 232,715	\$ 213,764
Cares Act and other COVID19 revenue	25,863	106,437	2,607
Other nonoperating expenses	(25,435)	(20,424)	(72,050)
Total nonoperating expenses	<u>\$ 394,923</u>	<u>\$ 318,728</u>	<u>\$ 144,321</u>
Beginning net position	\$ 3,816,687	\$ 3,367,355	\$ 2,979,428
Change in net position	457,198	449,332	387,927
Ending net position	<u>\$ 4,273,885</u>	<u>\$ 3,816,687</u>	<u>\$ 3,367,355</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Detailed Analyses (In thousands)

June 30, 2026 Compared to June 30, 2025

Financial Position

- The Authority's net position increased by \$457,198 or 12.0%, over prior year primarily as a result of this year's results of operations.
- In fiscal year 2026, total assets increased by \$445,454, or 8.8%, due to an increase of Total Other Assets of \$679,949, supported by strong returns in the existing long-term portfolio, but offset by a decrease in Cash and Cash Equivalents of \$329,876 (78.5%) mainly from the reallocation of a money market fund into new short-term and capital reserve tiers. The short-term and capital reserve tiers contain investments with maturities greater than three months and are classified as Assets Whose Use is Designated under Other Assets.
- Total current liabilities increased by \$17,920 or 4.6% primarily due to an increase in accrued salaries, wages and employee benefits of \$15,952 and an increase in settlements due to third-party payors of \$8,667.

Results of Operations

- Patient service revenue comprises the majority of the Authority's revenues. Gross patient service revenue increased \$1,344,526, or 10.9%, over prior year, with net patient service revenue increasing by \$314,783, or 8.5%, from prior year reflecting strong volumes, throughput and acuity for the fiscal year, driven by an average 3.5% charge increase, inpatient surgical cases favorable to prior year by 3.9%, volume increases of 5.2% in discharges, and a 6.8% increase in ambulatory clinic visits compared to prior year.
- The Authority reported operating income for the year ended June 30, 2026 of \$98,136, a \$56,104 decrease from operating income of \$154,240 for the year ended June 30, 2025, primarily driven by unfavorable expenses in labor. An increase in clinical salaries and wages of \$121,332, or 7.7%, resulted due to annual merit increases, market adjustments, incentive pay, and changes to physician compensation plans. Specialty pharmacy expense continues to grow through higher volume and complex orders.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

- The Authority saw an increase in outside service expenses of \$25,609, or 17% over prior year, impacted primarily by an increase in environmental services expense due to volume and vendor cost increases, an increase in patient transportation due to aviation expense, and an increase in food & cafeteria expenses due to vendor cost increases.
- The Authority reported an increase in Pharmaceuticals of \$101,436, or 20% over prior year, driven mainly by increased costs due to changes in 340b pricing and volume increases in infusion and specialty services and complex specialty pharmacy orders.
- The major capital expenditures for the Authority in 2026 are related to pediatric inpatient unit renovations, and development of new Medical Office Buildings. Additional details are provided below.
- As a result of COVID-19 impacts, the Authority recognized revenue of \$25,863 and \$106,437 from the CARES Act and other federal grants during the years ended June 30, 2026 and 2025, respectively. These items are included in non-operating revenues on the statement of revenues, expenses and changes in net position.

June 30, 2025 Compared to June 30, 2024

Financial Position

- The Authority's net position increased by \$449,332 or 13.3%, over prior year primarily as a result of this year's results of operations.

Results of Operations

- Patient service revenue comprises the majority of the Authority's revenues. Net patient service revenue increased by \$184,978, or 5.3%, from prior year. In fiscal year 2025, the Authority continued to operationalize new facilities for the health system that positively impacted patient service revenue. The increase in revenue was due to increased patient volumes paired with growth in the specialty and infusion pharmacy business. The Authority specifically saw increases in the Children's Inpatient Tower, throughput at Tappahannock, and RVU (Relative Value Units) procedures. Further, the average rate increased by 3.5% from FY24 to FY25, which contributed to the increase in revenue.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

- The Authority reported operating income for the year ended June 30, 2025, of \$154,240, a \$110,352 decrease from operating income of \$264,592 for the year ended June 30, 2024, primarily driven by a decrease in prior year one-time Medicaid adjustments combined with an increase in operating expenses related to increased volumes. An increase in clinical salaries and wages of \$124,168 was attributed to a continued initiative to decrease the use of contract labor, resulting in increased headcount. There was an increase in accrued leave of \$39,511 due to GASB101 adoption. Pharmaceutical expenses increased by \$91,181 due to increased drug spend resulting from continued increased costs, as well as increased volumes specifically in Specialty and Infusion pharmacies. Medical supply expense increased by \$49,113 due to increased volumes, but specifically driven by the areas of general surgery, blood, and implants/organs.
- The major capital expenditures for the Authority in 2025 are related to renovations to clinical areas, purchases of new and replacement medical equipment, and investments in information system infrastructure and business systems. Major expenditures included \$26,129 towards the Transplant Unit, \$2,947 for the Children's Tower 5th Floor NICU renovations, and \$2,478 for the Adult Outpatient Clinic.
- There was a favorable variance of \$174,407 in net non-operating revenue and expenses, mainly driven by recognized revenue of \$106,437 and \$2,607 from the CARES Act and other federal grants during the years ended June 30, 2025 and 2024, respectively, as a result of COVID 19 impacts. These items are included in non-operating revenues on the statement of revenues, expenses and changes in net position.

Significant Capital Asset and Long-Term Financing Activity

During fiscal year 2026, the Authority continued to invest in infrastructure and facilities to support operational reliability, regulatory compliance, and future growth. The Health System invested funds in the Children's Inpatient Tower NICU and 11th Floor renovations (\$35,736), a new Medical Office Building/Ambulatory Surgery Center in Chester (\$28,905) and a Medical Office Building located at 8720 Stony Point Parkway (\$16,073), as well as other strategic and routine capital expenditures.

Net capital assets increased by \$89,632 or 5.0% during the year as capital additions exceeded depreciation expense and asset disposals.

At fiscal year-end 2026, total outstanding long-term debt was \$657,779, compared with \$675,203 for the fiscal year ended June 30, 2025. The change reflects scheduled principal payments. No new borrowings were utilized to fund capital in the last fiscal year and no debt refunding transactions were completed.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

The Authority maintained compliance with all debt covenants and continued to meet debt service requirements through operating revenues and available financial resources. Management believes the Authority remains well-positioned to meet future debt obligations while continuing to fund necessary capital improvements.

Currently Known Facts, Decisions or Conditions

Management continues to monitor the impact of inflationary pressures on labor, materials, utilities, and contracted services. In response to increasing operating and capital costs, the Authority implemented a proactive performance improvement initiative in fiscal year 2026 to secure long-term success, Thrive 2026. Thrive focuses on making efficient, sustainable changes rather than short-term cost-cutting to prepare us to respond effectively to the ever-changing demands and uncertainties. We estimate \$160,000 in financial improvement to be needed to maintain financials to support carrying out our mission and growth. Thrive consists of nine workgroups focusing on making improvements across different areas of the health system. Management believes the Authority remains financially well-positioned to meet its operational and capital objectives while maintaining adequate reserves.

As indicated in Table 1 below, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$4,273,885 as of June 30, 2026. Of this net position 30.4% (\$1,302,161) are related to capital assets, 0.8% (\$33,802) are restricted funds, and the remaining 68.8% (\$2,937,922) are unrestricted funds, which can be used for ongoing operations of the Authority.

As of June 30, 2025, the Authority's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$3,816,687. Of this net position 31.2% (\$1,189,282) are related to capital assets, 0.8% (\$30,593) are restricted funds, and the remaining 68.0% (\$2,596,812) are unrestricted funds, which can be used for ongoing operations of the Authority.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Table 1
Virginia Commonwealth University
Health System Authority
Condensed Statements of Net Position

	June 30		
	2026	2025	2024
Current assets	\$ 919,522	\$ 1,243,649	\$ 1,089,208
Capital assets, net	1,880,824	1,791,192	1,765,954
Other noncurrent assets	2,692,216	2,012,267	1,753,606
Total assets	5,492,562	5,047,108	4,608,768
Deferred outflows of resources	17,097	21,622	22,836
Total assets and deferred outflows of resources	\$ 5,509,659	\$ 5,068,730	\$ 4,631,604
Current liabilities	\$ 409,033	\$ 391,113	\$ 398,926
Long-term liabilities	784,644	819,058	816,978
Total liabilities	1,193,677	1,210,171	1,215,904
Deferred inflows of resources	42,097	41,872	48,345
Total liabilities and deferred inflows of resources	\$ 1,235,774	\$ 1,252,043	\$ 1,264,249
Net position:			
Net investment in capital assets	\$ 1,302,161	\$ 1,189,282	\$ 1,169,350
Restricted – expendable	5,325	5,005	4,856
Restricted – nonexpendable	28,477	25,588	24,299
Unrestricted	2,937,922	2,596,812	2,168,850
Total net position	\$ 4,273,885	\$ 3,816,687	\$ 3,367,355

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Table 2

Virginia Commonwealth University
Health System Authority

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30		
	2026	2025	2024
Operating revenues:			
Net patient service revenue	\$ 3,997,255	\$ 3,682,472	\$ 3,497,494
Other contract revenue	12,800	13,882	19,588
Other operating revenue	37,761	21,912	26,221
Total operating revenues	<u>4,047,816</u>	<u>3,718,266</u>	<u>3,543,303</u>
Operating expenses:			
Salaries, wages and employee benefits	2,105,060	1,946,604	1,820,437
Purchased services	421,220	389,589	363,193
Supplies	1,102,758	921,744	796,764
Depreciation and amortization	131,641	128,174	126,173
Other operating expenses	189,001	177,915	172,144
Total operating expenses	<u>3,949,680</u>	<u>3,564,026</u>	<u>3,278,711</u>
Operating income	98,136	154,240	264,592
Net nonoperating revenues	<u>394,923</u>	<u>318,728</u>	<u>144,321</u>
Excess of revenues over expenses before other changes in net position	493,059	472,968	408,913
Other changes in net position, net	<u>(35,861)</u>	<u>(23,636)</u>	<u>(20,986)</u>
Increase in net position	457,198	449,332	387,927
Beginning net position	3,816,687	3,367,355	2,979,428
Ending net position	<u>\$ 4,273,885</u>	<u>\$ 3,816,687</u>	<u>\$ 3,367,355</u>

The Authority's operating revenue increased by 8.9% (\$329,550) over the prior year. This increase in revenues resulted from increased patient volumes.

Total operating expenses increased 10.8% (\$385,654). Personnel costs are the largest single cost of the Authority in 2026, comprising 53.3% of operating costs in 2026. An increase in personnel related costs of \$155,433, or 8.0%, from prior year reflects salary and contract labor expenses required to meet market demands and the required staff levels to meet both quality and volume initiatives.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

As of June 30, 2025, the Authority's operating revenue increased by 4.9% (\$174,963) over the prior year. This increase in revenues resulted from increased patient volumes.

For the same period, total operating expenses increased 8.7% (\$285,315). Personnel costs are the largest single cost of the Authority in 2025, comprising 54.6% of operating costs in 2025. An increase in personnel related costs of \$126,167, or 6.9%, from prior year reflects salary and contract labor expenses required to meet market demands and the required staff levels to meet both quality and volume initiatives.

Capital Asset and Debt Administration

Capital Assets

The Authority's net capital assets increased by \$89,632, or 5.0%, over prior year's amounts, compared to a net capital asset increase of \$25,238, or 1.4%, over prior year amounts for FY2025.

Table 3
Virginia Commonwealth University
Health System Authority
Capital Assets

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Land	\$ 25,288	\$ 25,288	\$ 25,425
Land improvements	6,895	6,909	6,909
Buildings and fixed equipment	2,194,035	2,136,660	2,102,756
Moveable equipment	1,098,713	1,066,853	1,075,108
Construction in progress	100,288	33,439	35,315
Leased assets	113,923	102,234	86,532
SBITA assets	138,192	116,620	73,782
	<u>3,677,334</u>	<u>3,488,003</u>	<u>3,405,827</u>
Accumulated depreciation and impairment	<u>(1,796,510)</u>	<u>(1,696,811)</u>	<u>(1,639,873)</u>
Total capital assets, net	<u><u>\$ 1,880,824</u></u>	<u><u>\$ 1,791,192</u></u>	<u><u>\$ 1,765,954</u></u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Table 4
Virginia Commonwealth University
Health System Authority
Schedule of Additions and Retirements

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Capital assets – net, beginning of year	\$ 1,791,192	\$ 1,765,954	\$ 1,814,802
Additions	189,549	93,594	45,909
Additions, leased assets	11,690	23,255	14,834
Additions, SBITA assets	21,572	42,838	17,103
Disposals, net of accumulated depreciation	(1,538)	(6,279)	(520)
Depreciation, current fiscal year	<u>(131,641)</u>	<u>(128,170)</u>	<u>(126,174)</u>
Capital assets – net, end of year	<u>\$ 1,880,824</u>	<u>\$ 1,791,192</u>	<u>\$ 1,765,954</u>

Capital asset additions during fiscal year 2026, 2025 and 2024 are composed of:

	<u>Year Ended June 30</u>		
	<u>2026</u>	<u>2025</u>	<u>2024</u>
Children's outpatient facility	\$ —	\$ —	\$ 8,608
New building construction and major renovation projects	132,428	46,424	14,097
Purchase and replacement of moveable equipment	51,071	35,975	15,385
Investments in information system			
infrastructure, business	—	—	—
systems and equipment	6,050	11,195	7,819
Leased assets	11,690	23,255	14,834
SBITA assets	<u>21,572</u>	<u>42,838</u>	<u>17,103</u>
Total capital asset additions	<u>\$ 222,811</u>	<u>\$ 159,687</u>	<u>\$ 77,846</u>

The Authority has a five-year capital plan, which includes a capital projection of \$201,466 of expenditures in fiscal year 2027.

Additional information regarding the Authority's capital assets is included in Note 5 to the basic financial statements.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Management's Discussion and Analysis (Unaudited)

June 30, 2026
(in thousands)

Debt

Table 5
Virginia Commonwealth University
Health System Authority

Debt

	June 30		
	2026	2025	2024
General Revenue Bonds Series 2024	\$ 210,040	\$ 211,940	\$ 213,700
Discount – Bonds Series 2024	(2,165)	(2,267)	(2,345)
General Revenue Bonds Series 2021	43,642	51,568	59,250
General Revenue Bonds Series 2017	172,075	177,715	183,080
Premium – Bonds Series 2017	11,030	12,118	13,249
General Revenue Bonds Series 2014	165,000	165,000	165,000
CMH USDA loan	58,157	59,129	60,068
Leased assets liability	52,558	55,566	51,095
SBITA assets liability	35,947	39,335	22,259
Total	<u>\$ 746,284</u>	<u>\$ 770,104</u>	<u>\$ 765,356</u>

Additional information regarding the Authority's debt is included in Note 6 to the basic financial statements.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Statements of Net Position

June 30, 2026
(In thousands)

	June 30	
	2026	2025
Assets and deferred outflows of resources		
Current assets:		
Cash and cash equivalents	\$ 90,569	\$ 420,445
Restricted cash	5	11
Patient accounts receivable, net	496,234	491,928
Settlements due from third-party payors	192,518	186,971
Other accounts receivable	24,714	20,957
Due from related parties	192	1,272
Current portion of assets whose use is designated	10,300	8,100
Supplies and other current assets	104,990	113,965
Total current assets	919,522	1,243,649
Capital assets:		
Land	25,288	25,288
Depreciable capital assets, net	1,664,132	1,636,291
Construction in progress	100,288	33,439
Leased assets, net	47,815	50,322
SBITA assets, net	43,301	45,852
Total capital assets, net	1,880,824	1,791,192
Other assets:		
Assets whose use is restricted	49,396	45,666
Assets whose use is designated, less current portion	2,492,351	1,828,210
Long-term investments	94,282	85,981
Equity method investments	11,789	8,789
Other assets	44,398	43,621
Total other assets	2,692,216	2,012,267
Total assets	5,492,562	5,047,108
Deferred outflows of resources:		
Interest rate swap	—	2,058
Deferred loss on debt refunding	14,363	16,219
Pension and postretirement related deferred outflows	2,734	3,345
Total deferred outflows of resources	17,097	21,622
Total assets and deferred outflows of resources	<u>\$ 5,509,659</u>	<u>\$ 5,068,730</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Statements of Net Position (Continued)
(In thousands)

	June 30	
	2026	2025
Liabilities, deferred inflows of resources and net position		
Current liabilities:		
Current portion of long-term debt	\$ 17,067	\$ 16,438
Current portion of lease obligations	15,017	13,561
Current portion of SBITA obligations	16,634	17,128
Trade accounts payable	128,907	132,595
Settlements due to third-party payors	31,840	23,173
Accrued salaries, wages and employee benefits	92,981	77,029
Accrued leave	77,865	83,837
Accrued interest payable	12,213	12,567
Current portion of estimated workers' compensation claims	1,100	1,600
Current portion of estimated losses on malpractice claims	9,200	6,500
Other accrued liabilities	6,209	6,685
Total current liabilities	409,033	391,113
Other liabilities:		
Long-term debt, less current portion	640,712	658,766
Long-term lease obligations	37,541	42,005
Long-term SBITA obligations	19,313	22,206
Estimated workers' compensation claims	5,652	5,242
Estimated losses on malpractice claims	24,780	26,426
Fair value of hedging derivatives	8,148	10,755
Net pension and postretirement liability	9,199	13,430
Other liabilities	39,299	40,228
Total liabilities	1,193,677	1,210,171
Deferred inflows of resources:		
Interest rate swap	549	–
Deferred gain on debt refunding	16,840	19,084
Pension and postretirement related deferred inflows	6,721	8,067
Right to use leases	17,987	14,721
Total deferred inflows of resources	42,097	41,872
Total liabilities and deferred inflows of resources	1,235,774	1,252,043
Net position:		
Net investment in capital assets	1,302,161	1,189,282
Restricted for:		
Expendable	5,325	5,005
Nonexpendable permanent endowment	28,477	25,588
Unrestricted	2,937,922	2,596,812
Total net position	4,273,885	3,816,687
Total liabilities, deferred inflows of resources and net position	\$ 5,509,659	\$ 5,068,730

See accompanying notes to basic financial statements

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)
Statements of Revenues, Expenses and Changes in Net Position
(In thousands)

	Year Ended June 30	
	2026	2025
Operating revenues:		
Net patient service revenue	\$ 3,997,255	\$ 3,682,472
Other contract revenue	12,800	13,882
Other operating revenue	37,761	21,912
	<u>4,047,816</u>	<u>3,718,266</u>
Operating expenses:		
Salaries and wages	1,692,984	1,571,652
Employee benefits	412,076	374,952
Purchased services	421,220	389,589
Supplies	1,102,758	921,744
Other expenses	189,001	177,915
Provision for depreciation and amortization	131,641	128,174
	<u>3,949,680</u>	<u>3,564,026</u>
Operating income	<u>98,136</u>	<u>154,240</u>
Nonoperating revenues and (expenses), net:		
Investment income	394,495	232,715
Interest expense	(29,335)	(29,292)
Other nonoperating expense, net	965	15,488
CARES Act and other COVID-19 revenue	25,863	106,437
Donations and gifts, net	2,935	(6,620)
Nonoperating revenues and (expenses), net	<u>394,923</u>	<u>318,728</u>
Income before change in beneficial trust and transfers	493,059	472,968
Change in beneficial interest in trusts	2,862	1,283
Transfer to affiliates	(38,723)	(24,919)
Increase in net position	457,198	449,332
Net position at beginning of year	3,816,687	3,367,355
Net position at end of year	<u>\$ 4,273,885</u>	<u>\$ 3,816,687</u>

See accompanying notes to basic financial statements.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Statements of Cash Flows
(In thousands)

	Year Ended June 30	
	2026	2025
Operating activities		
Cash received from third-party payors and patients	\$ 3,996,069	\$ 3,591,986
Cash paid to employees and employee benefits	(2,092,470)	(1,943,637)
Cash paid to suppliers	(1,696,832)	(1,496,121)
Other operating cash receipts, net	32,655	11,715
Net cash provided by operating activities	239,422	163,943
Noncapital financing activities		
Donations and gifts, net	2,935	(6,620)
Transfers to affiliates	(38,723)	(24,920)
Principal paid on debt	(962)	(943)
Cash paid for interest	(8,288)	(8,307)
CARES Act federal funding and Virginia Coronavirus Relief Fund funding	26,242	110,710
Net cash provided by (used in) noncapital financing activities	(18,796)	69,920
Capital and related financing activities		
Purchases of capital assets	(189,550)	(93,598)
Principal paid on long-term debt	(15,476)	(14,803)
Principal paid on lease liabilities	(14,698)	(12,633)
Principal paid on SBITA liabilities	(24,959)	(25,762)
Cash paid for interest	(22,775)	(20,346)
Other financing cash flows	410	(3,842)
Net cash used in financing cash flows	(267,048)	(170,984)
Investing activities		
Interest and dividends on investments	17,120	21,691
Purchases of investments	(914,559)	(164,090)
Proceeds from sales of investments	620,583	144,513
Net proceeds from sale of CMH Hundley Center	—	19,507
Equity contributions on joint venture	(3,000)	(6,470)
Net cash provided by (used in) investing activities	(279,856)	15,151
Net increase in cash and cash equivalents	(326,278)	78,030
Cash and cash equivalents at beginning of year	433,119	355,089
Cash and cash equivalents at end of year	<u>\$ 106,841</u>	<u>\$ 433,119</u>
Reconciliation of cash and cash equivalents at end of year to the basic statements of net position:		
Cash and cash equivalents	\$ 90,569	\$ 420,445
Restricted cash	5	11
Assets whose use is restricted	16,267	12,663
Total cash and cash equivalents	<u>\$ 106,841</u>	<u>\$ 433,119</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Statements of Cash Flows
(In thousands)

	Year Ended June 30	
	2026	2025
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 98,136	\$ 154,240
Depreciation and amortization	131,641	128,174
Loss on disposal of capital assets	1,538	128
Change in:		
Patient accounts receivable, net	(4,306)	(7,734)
Third-party settlements	3,120	(82,752)
Other accounts receivable	(4,136)	5,723
Due to/from affiliates	1,080	101
Supplies and other assets	8,809	(43,244)
Accounts payable	(3,688)	17,093
Accrued salaries	15,953	(39)
Accrued leave	(5,973)	5,917
Workers' comp accrual	(91)	306
Malpractice accrual	1,054	4,294
Other liabilities	(3,715)	(18,264)
Net cash provided by operating activities	<u>\$ 239,422</u>	<u>\$ 163,943</u>
Supplemental disclosure of cash flow information		
Supplemental schedule of non-cash operating activity:		
Lease receivable	\$ 19,769	\$ 16,222
Deferred inflows of resources – leases	17,987	14,721
Supplemental schedule of non-cash capital and related financing activity:		
Lease assets	\$ 11,690	\$ 23,255
Lease liabilities	11,690	23,255
SBITA assets	21,572	42,838
SBITA liabilities	21,572	42,838

See accompanying notes to basic financial statements.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements

June 30, 2026 and 2025
(In thousands)

(1) Reporting Entity

Virginia Commonwealth University Health System Authority (the Authority or VCUHSA) is a public corporate body and political subdivision of the Commonwealth of Virginia created and established by an Act of the General Assembly of the Commonwealth of Virginia during 1996. The Authority is tax exempt as an integral part of the Commonwealth of Virginia.

The Authority's principal activity is operation of the Medical College of Virginia Hospitals (VCUMC), MCV Associated Physicians (MCVAP), Community Memorial Hospital, Inc. and subsidiaries (CMH), VCU Health Tappahannock Hospital (TAPP), VCU Health Children's Services at Brook Road (Children's), Virginia Children's Care Network, LLC (VCCN), VCU Health Ambulatory Surgical Center, LLC (ASC), University Health Services, Inc. and subsidiaries (UHS) and Aries Insurance Services, Ltd (ARIES). Each of these is considered a component unit of the Authority as the Authority has the voting majority of the governing body of each entity and has the ability to impose its will on the organizations as defined under generally accepted accounting standards as promulgated by the Governmental Accounting Standards Board. In addition, each component unit is blended into the primary enterprise for purposes of financial statement reporting.

VCUMC is an approximately 800-bed teaching hospital which provides inpatient, outpatient and emergency care services primarily to patients in the Commonwealth of Virginia. The VCUMC campus includes the Children's Hospital of Richmond and the Adult Outpatient Pavilion, both located in downtown Richmond.

MCVAP, formed in 1991 as a nonstock, not-for-profit charitable educational organization with the Authority as sole corporate member, functions as the group practice plan for those physicians and health care professionals who have faculty appointments in the Virginia Commonwealth University (VCU) School of Medicine (SOM).

CMH, located in South Hill, Virginia, is a not-for-profit healthcare facility. CMH provides inpatient, outpatient, emergency care and long-term care for residents of Southside Virginia. CMH Physician Services, LLC (CMHP) is a component unit of CMH and operates outpatient clinics in South Hill, Clarksville and Chase City, Virginia. CMHP is organized as a single member limited liability company, of which CMH is the sole member. CMHP is disregarded for tax purposes. Community Memorial Foundation (CMH Foundation), a component unit of CMH, was established to solicit, administer and distribute funds to support the charitable purpose of CMH.

TAPP, located in the eastern neck of Virginia, is a not-for-profit healthcare facility. TAPP is a 67-bed hospital which provides services ranging from traditional hospital care to intensive care.

Children's was created in 1920 and is a Virginia not-for-profit corporation. The 47-bed hospital provides pediatric specialty care to both inpatients and outpatients.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

VCCN was created in April 2020 as a single member limited liability company in the Commonwealth of Virginia. It is the first clinically integrated network for VCUHSA. The network was established to improve the health of Virginia's children by improving access to medical services, coordinating care, enhancing communication and professional satisfaction, and expanding opportunities for quality, safety, research and education.

ASC was created in May 2021 as a single member limited liability company in the Commonwealth of Virginia. ASC was created to provide ambulatory surgical services to preserve and restore the health of patients in the Richmond community, Virginia and beyond.

UHS is a not-for-profit, nonstock, tax-exempt corporation, which was incorporated in January 1995 to support the educational, scientific, and charitable purpose and activities of VCU and, in particular, the activities of the SOM and VCUMC. These activities include, but are not limited to, activities undertaken pursuant to Section 23-50.16B of the Code of Virginia. UHS is the sole member of UHS Professional Education Programs, Inc. (UHS PEP), which was also created in 1995 for the purpose of providing educational programs for VCUMC physicians and other physicians within and outside of Virginia.

ARIES is a wholly owned, captive insurance company domiciled in the Cayman Islands, which was incorporated in May 2018 to manage certain insurance risks and reduce insurance costs to the companies that comprise the Authority. Policies may cover, but are not limited to, health care professional liability, general liability, medical professional liability, commercial automobile liability, affiliated miscellaneous liability, worker compensation, excess umbrella coverage, and related risks of the Authority and certain affiliates.

The financial statements as of June 30, 2026 and June 30, 2025 include the Authority's equity interest investments with Sheltering Arms Institute, Health at Home, LLC and HealthEco CPP SPV I, LLC. In fiscal year 2025, the HealthEco CPP SPV I, LLC Joint Venture (Kallaco), was dissolved. The loss on the dissolution is recorded in other nonoperating expense. The investments are reported using the equity method.

(2) Summary of Significant Accounting Policies

(a) Principles of Presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses, as appropriate. All significant inter-fund balances and transfers have been eliminated in the accompanying basic financial statements.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

The enterprise fund is used to account for the Authority's ongoing activities.

The Governmental Accounting Standards Board (GASB) establishes standards for external financial reporting for all state and local governmental entities. These standards require a statement of net position, a statement of activities and changes in net position and a statement of cash flows. They also require the classification of net position into three components – net investment in capital assets; amounts that are restricted; and amounts that are unrestricted. These classifications are defined as follows:

- *Net investment in capital assets* – This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, lease and subscription based liabilities or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources is included in the same component as the unspent amount.
- *Restricted* – This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets may be restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Restricted assets are either expendable or nonexpendable. Nonexpendable assets are those that are required to be retained in perpetuity.
- *Unrestricted* – This component is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The accounting policies and practices of the Authority are in accordance with accounting principles generally accepted in the United States of America applicable to a proprietary fund of a government unit, promulgated by the Governmental Accounting Standards Board.

(b) *Enterprise Fund Accounting*

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using economic resources measurement focus.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(c) *Cash Equivalents*

Cash and cash equivalents, excluding amounts shown within assets whose use is restricted, assets whose use is designed and investments, consist of cash, money market funds invested in mutual funds and highly liquid instruments with maturities of three months or less from the date of purchase. Cash and cash equivalent balances may exceed amounts insured by federal agencies and, therefore, bear a risk of loss. The Authority has not experienced such losses on these funds.

(d) *Investments and Investment Income*

Investments in marketable debt and equity securities are carried at fair value based on quoted market prices. Investments in nonreadily determinable securities, including investment companies and limited partnerships, are accounted for at fair value using net asset value (NAV) as a practical expedient based on the underlying net asset value of the investment. Changes in market conditions and the economic environment may significantly impact the investments' net asset value and the carrying value of the Authority's interest. The Authority's ownership structure does not provide for control over the related investees and the Authority's financial risk is limited to the carrying amount reported for each investee, in addition to any unfunded capital commitment. Individual investment holdings within the nonreadily determinable investments include non-marketable and market traded debt, equity and real asset securities and interests in other alternative investments. The Authority may be exposed indirectly to securities lending, short sales of securities, and trading in futures and forward contracts, options and other derivative products. Such investments often have liquidity restrictions under which the Authority's capital may be divested only at specified times. Financial information used by the Authority to evaluate its nonreadily determinable investments is provided by the investment manager or general partner and includes valuations (based on quoted market prices and values determined through other means) of underlying securities and other financial instruments held by the investee, and estimates that require varying degrees of judgment. The financial statements of the investee companies are audited annually by independent auditors, although the timing for reporting the results of such audits for certain investee companies does not coincide with the Authority's annual financial statement reporting. There is uncertainty in the accounting for nonreadily determinable investments arising from factors such as lack of active markets (primary and secondary), lack of transparency into underlying holdings and time lags associated with reporting by the investee companies. As a result, there is at least a reasonable possibility that estimates will change in the near term.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Investment income, including net realized and unrealized gains or losses, is reported as nonoperating revenues and (expenses), net. The income earned on nonexpendable restricted funds is restricted primarily for indigent care. Gains and losses from the sale of securities are recorded using specific identification.

(e) *Equity Method Investments*

The equity method of accounting is used for investments in companies where the Authority has the ability to exercise significant influence over operating and financial policies of an investee even though the Authority holds 50 percent or less of the voting interest. These investments are accounted for under the equity method because either the Authority has joint control or a minority interest in a legally separate entity.

At June 30, 2026, the Authority's 45% ownership interest in the Sheltering Arms Corporation joint venture (Rehab JV), and 49% ownership interest in Health at Home, LLC were accounted for under the equity method. During fiscal year 2023, the Authority sold the 20% ownership interest in Virginia Premier. The sale agreement includes adjustment calculations associated with claims through December 2025.

The Authority reviews the carrying value of its equity method investments on a regular basis and considers whether any factors exist that might indicate an impairment in value that is other than temporary. At June 30, 2026 and 2025, the Authority determined that no such factors existed with respect to those investments.

(f) *Allowance for Doubtful Accounts*

The Authority records an allowance for doubtful accounts during the period in which collection is considered doubtful. The allowance for doubtful accounts was approximately \$161,768 and \$145,087 at June 30, 2026 and 2025, respectively.

(g) *Assets Whose Use Is Restricted and Assets Whose Use Is Designated*

Resources restricted for debt service under bond indenture agreements, by donors, and amounts held by Children's Hospital Foundation, are reported as assets whose use is restricted; unrestricted resources appropriated or designated by the Board of Directors for quasi-endowment, capital acquisition, medical malpractice program, workers' compensation program and other designated purposes are reported as assets whose use is designated; and all are carried at fair value. Quasi-endowment investments have been designated by the Board of

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Directors to function as an endowment, in that the principal is to be retained and invested, but may be spent at any time at the discretion of the Board of Directors. All assets whose use is restricted or designated, except for the portion required for the payment of current liabilities, are classified as noncurrent assets.

Restricted resources limited by donors to a specific period or purpose are also reported as assets whose use is restricted. These assets consist principally of beneficial interests in perpetual trust funds established by split-interest agreements. Split-interest agreements are trust agreements established by donors under which the Authority receives benefits that are shared with other beneficiaries. The trust agreements established by donors provide for a third party to hold the trust assets. These trusts do not permit donors to revoke their charitable contributions. Trust assets of \$25,658 and \$22,796 are restricted by donors for VCUMC in perpetuity and are included in assets whose use is restricted at June 30, 2026 and 2025, respectively.

(h) *Supplies Inventory*

Supplies inventory, consisting primarily of drugs and medical/surgical supplies, is stated at the lower of cost (first-in, first-out method) or market.

(i) *Capital Assets*

Capital assets are stated at cost or, if donated or impaired, at fair value at the date of donation or impairment, respectively. The Authority capitalizes expenditures for equipment when the unit acquisition cost is \$5 or greater and the estimated useful life is greater than one year.

Depreciation on capital assets, excluding land and construction in progress, is computed over the estimated useful lives of the assets based on the straight-line method. The general range of estimated useful lives is 10 to 40 years for buildings and fixed equipment and 3 to 20 years for moveable equipment. Expenditures for construction in progress are carried as nondepreciable assets and capitalized when the asset is placed in service.

(j) *Derivative Financial Instruments*

VCUHSA uses interest rate swap agreements to limit exposure to rising interest rates on its variable-rate debt. Interest rate differentials to be paid or received as a result of the swap agreements are accrued and recognized as an adjustment of interest expense related to the associated debts. Derivatives are recognized on the statements of net position at their fair value. Fair value is calculated using the zero-coupon method, which considers known and projected contractual cash flows. VCUHSA assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are effective in

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

offsetting changes in cash flows of hedged items. Changes in the fair value of a derivative that are effective, designated and qualified as cash flow hedges are recorded as deferred inflows or outflows on the accompanying statements of net position.

(k) *Lease Obligations and Right-to-Use Lease Assets*

VCUHSA recognized a lease obligation and right-to-use asset for agreements whereby VCUHSA obtains the right to the present service capacity of the underlying asset and the right to determine the nature and manner of use of the underlying assets for a period of one year or greater.

VCUHSA is a lessee for non-cancellable leases. The lease obligations represent the net present value of payments expected to be made during the lease term, and VCUHSA then reduces the liability by the principal portion of the lease payments. VCUHSA monitors changes in circumstances that would require a re-measurement of a lease. Most of the leases include one or more options to renew and have terms that range from 3 to 15 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from the measurement since VCUHSA is not reasonably certain it will exercise options to extend the leases. Lease payments are apportioned between interest expense and the principal based on the effective interest method.

The right-to-use asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date and adjusted for certain costs. The right-to-use lease assets and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position.

(l) *Subscription Based Information Technology Arrangements (SBITA)*

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs) (GASB Statement No. 96), establishes a single model for SBITA accounting and that a SBITA would result in a right-to-use intangible subscription asset and a corresponding subscription liability. The statement also defines a SBITA and provides the criteria for outlays other than subscription payments, including implementation costs of a SBITA. As such, VCUHSA recognized a subscription obligation and a right-to-use intangible subscription asset for agreements whereby VCUHSA obtains the right to the present service capacity of the underlying assets for a period greater than one year.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

VCUHSA's SBITA obligations represent the net present value of payments expected to be made during the subscription term, and VCUHSA then reduces the liability by the principal portion of the subscription payment. VCUHSA monitors changes in circumstances that would require a re-measurement of a SBITA. Some of the SBITAs include options to renew and have terms that range from 2 to 5 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from measurement since VCUHSA is not reasonably certain it will exercise the options to extend the SBITAs. Subscription payments are apportioned between interest expense and the principal based on the effective interest method. The right-to-use intangible asset is measured as the sum of the initial subscription liability amount, adjusted for payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs. The right-to-use intangible subscription assets are amortized using the straight-line method over the subscription term. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position.

(m) *Accrued Leave*

In accordance with GASB Statement No. 101, *Compensated Absences*, liabilities for compensated absences are recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability is recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences.

The Authority records a liability for all paid time off and related payroll taxes expected to be paid.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025

(In thousands)

(n) *Estimated Workers' Compensation Claims*

ARIES provides for the estimated workers' compensation claims liability on a blended discounted and undiscounted basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported. The liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

(o) *Estimated Losses on Malpractice Claims*

VCUMC is self-insured for medical malpractice and provides for the liability on an undiscounted basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported. The estimated losses on malpractice claims liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

MCVAP obtains medical malpractice coverage through ARIES. ARIES provides for the liability on a present value basis, based on the estimated ultimate cost of known claims and claims incurred but not yet reported, discounting future expected payments assuming a zero to two percent expected investment yield. The liability includes assumptions and factors related to the frequency and severity of claims, claims development history and claims settlement practices.

(p) *Operating Revenues and Expenses*

The Authority's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from transactions associated with the provision of health care and other core services. Other revenues, including investment income and contributions received, are reported as non-operating revenues. Donations and gifts represent amounts received from and given to other not-for-profit organizations and are reported as nonoperating revenues (expenses). FEMA funding represents amounts received as grants from various federal and state agencies and is reported as nonoperating revenues and (expenses), net.

(q) *Net Patient Service Revenue*

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under payment agreements with third-party payors, and include estimated retroactive adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments and settlements become known or

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

as years are no longer subject to such audits, reviews, appeals and investigations. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The effect of these settlement adjustments, including final settlements and updated cost report estimates, was to increase the Authority's net patient service revenue by approximately \$23,476 and \$100,722 in 2026 and 2025, respectively. Estimated settlements due to and from third-party payors include amounts that are currently under appeal with various federal and state agencies.

Net patient service revenue includes an estimate of uncollectible charges, which is a deduction from gross revenue. The Authority's estimated cost associated with these charges is approximately \$107,672 and \$110,016 for the years ended June 30, 2026 and 2025, respectively.

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

Commercial – Inpatient acute care services rendered to commercial subscribers are paid at prospectively determined rates per discharge or discounted rates. Outpatient services rendered to subscribers are paid at discounted rates or applicable fee schedule. The rates can be subject to retroactive adjustments based on quality standards or calculations above a predetermined charge increase percentage.

Medicare – Inpatient acute care services and defined capital costs rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to patient classification systems that are based on clinical, diagnostic and other factors. Inpatient nonacute services, certain outpatient services and education related to Medicare beneficiaries are paid based on prospectively determined rates and a discounted cost payment methodology. The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare fiscal intermediary. The Authority's Medicare cost reports have been final audited by the Medicare fiscal intermediary through June 30, 2018.

Medicaid – Inpatient acute care services rendered to Medicaid program beneficiaries are paid at a per diem rate and APDRG (rates per discharge) prospective payment system rates on an interim basis but eventually settled to a percentage of cost. Outpatient services rendered to Medicaid program beneficiaries are paid based on prospectively determined rates and a cost reimbursement methodology. In addition to inpatient and outpatient services provided to Medicaid program beneficiaries, Medicaid reimburses the Authority most of its costs related to services provided to indigent patients and its education mission, which resulted in total

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Medicaid and indigent reimbursement to the Authority of approximately \$924,813 and \$861,285 in 2026 and 2025, respectively. The Authority's Medicaid cost reports have been audited by the Medicaid program representative through June 30, 2024.

(r) Charity Care

The Authority provides care to patients who meet certain criteria under its indigent care policy without charge or at amounts less than its established rates. Since the Authority does not pursue collection of charges determined to qualify as uncompensated care from these patients, they are not reported as revenue. The costs of providing these services are included in the Authority's operating expenses. Medicaid reimburses the Authority for a substantial portion of its costs of providing services to Medicaid and indigent patients. The Authority's estimated costs for the services provided for uncompensated care, net of reimbursement from the Commonwealth of Virginia, approximated \$19,338 and \$18,809 for the years ended June 30, 2026 and 2025, respectively.

(s) Income Taxes

The Authority is exempt from federal and state income taxes because it is a political subdivision of the Commonwealth of Virginia.

MCVAP, CMH, Children's, TAPP, VCCN, ASC and UHS are exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code (the Code). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

ARIES is a licensed insurer in the Cayman Islands where no tax is assessed on income or capital gains.

(t) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include valuation of patient accounts receivable, self-insurance liabilities, third-party settlements, and the carrying amount of capital assets, derivative financial instruments and investments.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(u) Recent Accounting Pronouncements

During fiscal year 2026, the Authority implemented GASB Statement No. 102, *Certain Risk Disclosures*. This Statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following: (1) The concentration or constraint (2) Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements (3) Actions taken by the government prior to the issuance of the financial statements to mitigate the risk. The implementation of GASB Statement No. 102 had no material impact on the Authority's financial position or results of operations.

During fiscal year 2026, the Authority implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. This Statement modifies certain financial reporting requirements, including the structure and content of management's discussion and analysis, the reporting of unusual or infrequent items, the presentation of proprietary fund operating and nonoperating revenues and expenses, information related to major component units, and budgetary comparison information. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

units. This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. An explanation of significant variances is required to be presented in notes to RSI. The implementation of GASB Statement No. 103 resulted in changes to the presentation and disclosures within the financial statement MD&A, with no impact on the Authority's financial position or results of operations.

During fiscal year 2026, the Authority implemented GASB Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement establishes new disclosure requirements related to specific types of capital assets, including capital assets held for sale and certain donated capital assets, and clarifies existing disclosure requirements. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class and also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. The implementation of GASB Statement No. 104 resulted in no material impact on the Authority financial position or results of operations.

(v) COVID-19 Pandemic and CARES Act Funding

As a result of the COVID Pandemic, the Authority has received reimbursement funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and public assistance from the Federal Emergency Management Agency (FEMA). \$25,863 and \$106,437 have been recognized as nonoperating revenue in the 2026 and 2025 statements of revenues, expenses and changes in net position, respectively.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(3) Cash, Cash Equivalents, Deposits, Short-Term and Long-Term Investments, Assets Whose Use Is Restricted and Designated and Equity Method Investments

At June 30, 2026 and 2025, the carrying values of the Authority's cash and cash equivalent deposits totaled \$90,569 and \$420,445, respectively. Deposits are placed with banks, savings and loan institutions, which are generally protected by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act (the Act). In accordance with the Act, the depository institution pledged collateral with a market value equal to 105% of the Authority's deposits with a third-party trustee in the name of the Treasurer of the Commonwealth of Virginia. In the event that the banking institution fails, the Treasurer will take possession of the collateral, liquidate it and reimburse the Authority up to the value of its deposits. At June 30, 2026 and 2025, the Authority had \$9,532 and \$11,848, respectively, in uncollateralized cash and cash equivalents.

In accordance with the Authority's Investment Policy Statement, adopted by the Board of Directors, the Authority's investment portfolio assets may be invested in numerous asset classes, with risk parameters established on the underlying exposure to Equity, Real Assets, Credit, Government Bonds and Cash.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates. At June 30, 2026 and 2025, the Authority had \$421,064 and \$142,606, respectively, in fixed income investments, whose value could fluctuate over time due to interest rate fluctuations.

Credit Risk – Credit risk is the risk that a fixed income issuer or other investment counterparty will not fulfill their obligations as required by the investment security. The investment portfolio is monitored and evaluated on a quarterly basis by the Authority's investment advisor and Finance Committee of the Board of Directors to ensure credit risk is kept at an appropriately low level.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

At June 30, 2026 and 2025, the credit quality ratings for the Authority's fixed income investments were:

	<u>2026</u>	<u>2025</u>
AAA (asset-backed securities, money market funds, corporate bonds and mortgage-backed securities)	43%	47%
AA (asset-backed securities and corporate bonds)	6%	5%
A (asset-backed securities, corporate and municipal bonds)	20%	19%
Below A (asset-backed securities and corporate bonds)	31%	29%

Assets whose use is restricted, assets whose use is designated and investments are summarized as follows:

	<u>June 30</u>	
	<u>2026</u>	<u>2025</u>
Assets whose use is restricted:		
Externally restricted:		
By donors	\$ 26,545	\$ 23,524
Under bond indenture	15,997	15,842
Held by Children's Hospital Foundation	6,854	6,300
	<u>49,396</u>	<u>45,666</u>
Assets whose use is designated for:		
Medical malpractice	33,980	32,926
Innovation fund	4,370	4,091
Short Term Tier	150,679	—
Workers' compensation	6,752	6,842
Capital Acquisition	150,359	—
Auto, general and miscellaneous professional liability insurance	6,820	6,653
Quasi-endowment	2,149,691	1,785,798
	<u>2,502,651</u>	<u>1,836,310</u>
Other investments	94,282	85,981
Total	<u>\$ 2,646,329</u>	<u>\$ 1,967,957</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

As of June 30, 2026 and 2025, investments (including assets whose use is restricted and designated) and deposits consist of and mature, as applicable, as follows:

		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
2026					
Investments:					
U.S. Treasury notes	\$ 188,056	\$ 82,102	\$ 72,872	\$ 30,415	\$ 2,667
Asset-backed securities	127,952	743	29,817	48,828	48,564
Agency-backed mortgages	34,509	1,503	10,506	617	21,883
Money market funds	42,411	N/A	N/A	N/A	N/A
Corporate bonds and notes and municipal securities	70,547	5,146	38,806	14,006	12,589
Beneficial interest in perpetual Trust	25,658	N/A	N/A	N/A	N/A
Beneficial interest in Children’s Hospital Foundation	6,854	N/A	N/A	N/A	N/A
Index funds	99,599	N/A	N/A	N/A	N/A
Marketable equity securities	84,860	N/A	N/A	N/A	N/A
Investment companies	1,946,249	N/A	N/A	N/A	N/A
Real estate	3,367	N/A	N/A	N/A	N/A
	2,630,062	89,494	152,001	93,866	85,703
Deposits:					
Cash	16,267	—	—	—	—
	\$ 2,646,329	\$ 89,494	\$ 152,001	\$ 93,866	\$ 85,703
		Investment Maturities (in Years)			
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
2025					
Investments:					
U.S. Treasury notes	\$ 27,633	\$ 1,088	\$ 14,192	\$ 10,070	\$ 2,283
Asset-backed securities	61,466		11,924	35,129	14,413
Agency-backed mortgages	21,425	1,333	1,316	9	18,767
Money market funds	29,610				
Corporate bonds and notes and municipal securities	32,082	1,750	11,430	7,513	11,389
Beneficial interest in perpetual Trust	22,795	N/A	N/A	N/A	N/A
Beneficial interest in Children’s Hospital Foundation	6,300	N/A	N/A	N/A	N/A
Index funds	83,926	N/A	N/A	N/A	N/A
Marketable equity securities	72,612	N/A	N/A	N/A	N/A
Investment companies	1,593,612	N/A	N/A	N/A	N/A
Real estate	3,833	N/A	N/A	N/A	N/A
	1,955,294	4,171	38,862	52,721	46,852
Deposits:					
Cash	12,663	—	—	—	—
	\$ 1,967,957	\$ 4,171	\$ 38,862	\$ 52,721	\$ 46,852

N/A – Investment maturity not applicable to type of investments noted.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(4) Investments and Derivative Instruments Measured at Fair Value

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability.

- Level 1: Pricing inputs are based on quoted prices, unadjusted, for identical assets or liabilities, in active markets. Examples of financial assets and liabilities in Level 1 include U.S. Treasury notes and equities.
- Level 2: Pricing inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full contractual term of the assets or liabilities. Examples of financial assets and liabilities in Level 2 include agency-backed mortgages, asset-backed securities and corporate bonds.
- Level 3: Pricing inputs are generally unobservable and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require management's judgment or estimation of assumptions that market participants would use in pricing the assets or liabilities. Level 3 fair values are therefore determined using factors that involve considerable judgment and interpretations, including but not limited to private and public comparable, discounted cash flow models and fund manager estimates.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Authority's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. The investments measured at NAV are not required to be categorized in the fair value hierarchy.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

The Authority has the following recurring fair value measurements as of June 30, 2026:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Beneficial trust	\$ 25,658	\$ —	\$ —	\$ 25,658
Equity interest in Children's: Hospital Foundation	6,854	—	—	6,854
Debt securities:				
U.S. Treasury notes	188,056	188,056	—	—
Asset-backed securities	127,952	—	127,952	—
Agency-backed mortgages	34,509	—	34,509	—
Corporate bonds and notes	70,341	—	70,341	—
Municipal securities	206	—	206	—
Total debt securities	<u>421,064</u>	<u>188,056</u>	<u>233,008</u>	<u>—</u>
Equity securities:				
Consumer discretionary	4,861	4,861	—	—
Consumer staples	1,246	1,246	—	—
Financials	11,027	11,027	—	—
Health care	29,360	29,360	—	—
Industrials	11,151	11,151	—	—
Information technology	18,292	18,292	—	—
Energy	2,980	2,980	—	—
Material	5,440	5,440	—	—
Telecommunication	503	503	—	—
Total equity securities	<u>84,860</u>	<u>84,860</u>	<u>—</u>	<u>—</u>
Real estate investment trusts	3,125	3,125	—	—
Equity mutual funds and ETFs	99,599	99,599	—	—
Fixed income bond funds	—	—	—	—
Money market funds	42,411	42,411	—	—
Total investments by fair value level	<u>\$ 683,571</u>	<u>\$ 418,051</u>	<u>\$ 233,008</u>	<u>\$ 32,512</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments measured at NAV:				
Equity long only hedge funds	\$ 241,286	\$ —	\$ —	\$ —
Equity long/short hedge funds	74,118	—	—	—
Event-driven hedge funds	17,750	—	—	—
Relative value/credit	242	—	—	—
Opportunistic/macro	—	—	—	—
Absolute strategies funds	52,860	—	—	—
Multi-strategy investment fund	1,290,008	—	—	—
Private investments	270,227	—	—	—
Total	1,946,491	—	—	—
Bond funds	—	—	—	—
Total investments measured at NAV	1,946,491	—	—	—
Total investments	<u>\$ 2,630,062</u>	<u>\$ 418,051</u>	<u>\$ 233,008</u>	<u>\$ 32,512</u>

Liabilities:

Investment derivative instruments:
Hedging derivatives

	<u>\$ 8,148</u>	<u>\$ —</u>	<u>\$ 8,148</u>	<u>\$ —</u>
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	<u>June 30, 2026 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption</u>	<u>Notice Period</u>
Investments measured at NAV:				
Equity long only hedge funds (a)	\$ 241,286	\$ —	Daily-Monthly Quarterly- Annually	14-90 days
Equity long/short hedge funds (b)	74,118	—	Quarterly-Semi- annually- Annually	45-90 days 60-90 days
Event-driven hedge funds (c)	17,750	—	Annually	60-90 days
Relative value/credit (d)	242	—	N/A	N/A
Opportunistic/macro (e)	—	—	N/A	N/A
Absolute strategies funds (f)			Quarterly-Semi- annually- Annually	60-180 days N/A
Private investments (g)	52,860	95,450	N/A	N/A
Multi-strategy investment fund (h)	270,227	—	Quarterly	120 days
Bond funds (i)	1,290,008	—	Monthly- Quarterly	10-60 days
Total investments measured at NAV	<u>\$ 1,946,491</u>	<u>\$ 95,450</u>		

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

The Authority has the following recurring fair value measurements as of June 30, 2025:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by fair value level:				
Beneficial trust	\$ 22,795	\$ —	\$ —	\$ 22,795
Equity interest in Children's: Hospital Foundation	6,300	—	—	6,300
Debt securities:				
U.S. Treasury notes	27,633	27,633	—	—
Asset-backed securities	61,466	—	61,466	—
Agency-backed mortgages	21,425	—	21,425	—
Corporate bonds and notes	31,875	—	31,875	—
Municipal securities	207	—	207	—
Total debt securities	<u>142,606</u>	<u>27,633</u>	<u>114,973</u>	<u>—</u>
Equity securities:				
Consumer discretionary	7,273	7,273	—	—
Consumer staples	1,792	1,792	—	—
Financials	15,561	15,561	—	—
Health care	7,657	7,657	—	—
Industrials	12,377	12,377	—	—
Information technology	16,480	16,480	—	—
Energy	4,164	4,164	—	—
Material	4,945	4,945	—	—
Telecommunication	2,363	2,363	—	—
Total equity securities	<u>72,612</u>	<u>72,612</u>	<u>—</u>	<u>—</u>
Real estate investment trusts	2,729	2,729	—	—
Equity mutual funds and ETFs	83,926	83,926	—	—
Fixed income bond funds				
Money market funds	29,610	29,610	—	—
Total investments by fair value level	<u>\$ 360,578</u>	<u>\$ 216,510</u>	<u>\$ 114,973</u>	<u>\$ 29,095</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

	Total	Level 1	Level 2	Level 3
Investments measured at NAV:				
Equity long only hedge funds	\$ 206,804	\$ —	\$ —	\$ —
Equity long/short hedge funds	81,163	—	—	—
Event-driven hedge funds	15,859	—	—	—
Relative value/credit	1,104	—	—	—
Opportunistic/macro	—	—	—	—
Absolute strategies funds	45,768	—	—	—
Multi-strategy investment fund	985,982	—	—	—
Private investments	258,036	—	—	—
Total	1,594,716			
Bond funds	—	—	—	—
Total investments measured at NAV	1,594,716	—	—	—
Total investments	<u>\$ 1,955,294</u>	<u>\$ 216,510</u>	<u>\$ 114,973</u>	<u>\$ 29,095</u>

Liabilities:

Investment derivative instruments:
Hedging derivatives

	<u>\$ 10,755</u>	<u>\$ —</u>	<u>\$ 10,755</u>	<u>\$ —</u>
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	June 30, 2025 Fair Value	Unfunded Commitments	Redemption Notice Period	
Investments measured at NAV:				
Equity long only hedge funds (a)	\$ 206,804	\$ —	Daily-Monthly Quarterly- Annually	14-90 days
Equity long/short hedge funds (b)	81,163	—	Quarterly-Semi- annually- Annually	45-90 days 60-90 days
Event-driven hedge funds (c)	15,859	—	Annually	N/A
Relative value/credit (d)	1,104	—	N/A	N/A
Opportunistic/macro (e)	—	—	N/A	N/A
Absolute strategies funds (f)	45,768	—	Quarterly-Semi- annually- Annually	60-180 days N/A
Private investments (g)	258,036	110,498	N/A	N/A
Multi-strategy investment fund (h)	985,982	—	Quarterly	120 days
Bond funds (i)	—	—	Monthly- Quarterly	10-60 days
Total investments measured at NAV	<u>\$ 1,594,716</u>	<u>\$ 110,498</u>		

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025

(In thousands)

(a) *Equity long only hedge funds*

These investments are composed of vehicles that invest in publicly traded equity securities with the primary goal of producing capital appreciation. The aforementioned investments may have global, domestic, developed international or emerging market focus. This asset class includes nine investments.

(b) *Equity long/short hedge funds.*

These investments are composed of vehicles that seek opportunities globally without regard for market capitalization, country of domicile or asset class. These managers have broad flexibility to establish long and short positions. This asset class includes five managers.

(c) *Event driven hedge funds*

Investment managers in this asset class maintain positions in companies currently or prospectively involved in corporate transactions of a wide variety, including but not limited to mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event driven exposure includes a combination of sensitivities to equity markets, credit markets and idiosyncratic, company specific developments. Investments in these are typically predicated on fundamental characteristics (as opposed to quantitative), with the realization of the thesis predicated on a specific development exogenous to the existing capital structure. This asset class includes one manager.

(d) *Relative value/credit funds*

Investment managers in this asset class maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment theses, and security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between instruments and, in some cases, identify attractive positions in which the risk adjusted spread between these instruments represents an attractive opportunity for the investment manager. Realization of a pricing discrepancy between related securities, as opposed to the outcome of the corporate transaction, generally drives transactions. This class includes one manager, of which is in liquidation with no ability to accelerate redemptions.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(e) *Opportunistic/macro fund*

The manager in this asset class trades a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets. This manager employs a variety of techniques, both discretionary and systematic analysis, combinations of top down and bottom up theses, quantitative and fundamental approaches and long- and short-term holding periods. There are currently no investments in this asset class.

(f) *Absolute strategies funds*

Investments managers in this asset class seek to exploit market inefficiencies and generate positive investment returns with reduced volatility and minimal net exposure. These investments may include credit-oriented, market neutral or multi-strategy investments. This asset class includes five managers.

(g) *Private investment funds*

The managers in this asset class have the flexibility to invest in private equity, distressed debt and private real estate. These investments are not liquid and generally have a fund life of ten years or greater. The asset class includes seven managers, three of which are focused on private real estate, and four on private equity.

(h) *Multi-strategy investment fund*

The RAM Fund is a private investment fund structured as a Virginia limited partnership. It invests via a mix of active and passive investment managers and strategies across a diversified group of asset classes, including global equity, fixed income (treasuries and credit), real assets and cash. Investments and investment managers included in the fund employ strategies primarily involving marketable securities.

(i) *Bond funds*

Composed of vehicles that invest in fixed income securities. There are no investments currently in this asset class.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(5) Capital Assets

Capital assets and changes thereto, as of and for the year ended June 30, 2026, consisted of the following:

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Non depreciable assets:					
Land	\$ 25,288	\$ —	\$ —	\$ —	\$ 25,288
Construction in progress	33,439	189,550	(122,701)	—	100,288
	<u>58,727</u>	<u>189,550</u>	<u>(122,701)</u>	<u>—</u>	<u>125,576</u>
Depreciable assets:					
Land improvements	6,909	—	5	(19)	6,895
Buildings and fixed equipment	2,136,660	—	61,604	(4,229)	2,194,035
Moveable equipment	1,066,853	—	61,092	(29,232)	1,098,713
Leased land and building	74,546	11,689	—	—	86,235
Leased equipment	27,688	—	—	—	27,688
Subscription-based IT arrangements	116,620	21,572	—	—	138,192
Less: impairment loss	(6,810)	—	—	5,978	(832)
Accumulated depreciation	(1,567,321)	(93,322)	—	25,964	(1,634,679)
Accumulated depreciation, leased assets	(51,911)	(14,196)	—	—	(66,107)
Accumulated depreciation, subscription-based IT arrangements	(70,769)	(24,123)	—	—	(94,892)
	<u>1,732,465</u>	<u>(98,380)</u>	<u>122,701</u>	<u>(1,538)</u>	<u>1,755,248</u>
Total capital assets, net	<u>\$ 1,791,192</u>	<u>\$ 91,170</u>	<u>\$ —</u>	<u>\$ (1,538)</u>	<u>\$ 1,880,824</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Capital assets and changes thereto, as of and for the year ended June 30, 2025, consisted of the following:

	Beginning Balance	Additions	Transfers	Disposals	Ending Balance
Non depreciable assets:					
Land	\$ 25,425	\$ —	\$ —	\$ (137)	\$ 25,288
Construction in progress	35,315	93,594	(95,470)	—	33,439
	<u>60,740</u>	<u>93,594</u>	<u>(95,470)</u>	<u>(137)</u>	<u>58,727</u>
Depreciable assets:					
Land improvements	6,909	—	196	(196)	6,909
Buildings and fixed equipment	2,102,756	—	49,924	(16,020)	2,136,660
Moveable equipment	1,075,108	—	45,350	(53,605)	1,066,853
Leased land and building	79,612	2,487	—	(7,553)	74,546
Leased equipment	6,920	20,768	—	—	27,688
Subscription-based IT arrangements	73,782	42,838	—	—	116,620
Less: impairment loss	(11,802)	—	—	4,992	(6,810)
Accumulated depreciation	(1,540,260)	(91,240)	—	64,179	(1,567,321)
Accumulated depreciation, leased assets	(41,481)	(12,491)	—	2,061	(51,911)
Accumulated depreciation, subscription-based IT arrangements	(46,330)	(24,439)	—	—	(70,769)
	<u>1,705,214</u>	<u>(62,077)</u>	<u>95,470</u>	<u>(6,142)</u>	<u>1,732,465</u>
Total capital assets, net	<u>\$ 1,765,954</u>	<u>\$ 31,517</u>	<u>\$ —</u>	<u>\$ (6,279)</u>	<u>\$ 1,791,192</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(6) Long-Term Debt

Long-term debt, and changes thereto, as of and for the year ended June 30, 2026, is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2024 Bonds	\$ 211,940	\$ —	\$ (1,900)	\$ 210,040	\$ 1,955
Discount – Series 2024 Bonds	(2,267)	—	102	(2,165)	—
Series 2021 Bonds	51,568	—	(7,926)	43,642	8,195
Series 2017 Bonds	177,715	—	(5,640)	172,075	5,910
Premium – Series 2017 Bonds	12,118	—	(1,088)	11,030	—
Series 2014 Bonds	165,000	—	—	165,000	—
CMH USDA loan	59,129	—	(972)	58,157	1,007
Lease obligations	55,566	11,690	(14,698)	52,558	15,017
Subscription-based IT obligations	39,335	21,571	(24,959)	35,947	16,634
Total long-term debt	<u>\$ 770,104</u>	<u>\$ 33,261</u>	<u>\$ (57,081)</u>	<u>\$ 746,284</u>	<u>\$ 48,718</u>

Long-term debt, and changes thereto, as of and for the year ended June 30, 2025, is summarized below:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2024 Bonds	\$ 213,700	\$ —	\$ (1,760)	\$ 211,940	\$ 1,900
Discount – Series 2024 Bonds	(2,345)	—	78	(2,267)	—
Series 2021 Bonds	59,250	—	(7,682)	51,568	7,926
Series 2017 Bonds	183,080	—	(5,365)	177,715	5,640
Premium – Series 2017 Bonds	13,249	—	(1,131)	12,118	—
Series 2014 Bonds	165,000	—	—	165,000	—
CMH USDA loan	60,068	—	(939)	59,129	972
Lease obligations	51,095	23,255	(18,784)	55,566	13,561
Subscription-based IT obligations	22,259	42,838	(25,762)	39,335	17,128
Total long-term debt	<u>\$ 765,356</u>	<u>\$ 66,093</u>	<u>\$ (61,345)</u>	<u>\$ 770,104</u>	<u>\$ 47,127</u>

In April 2024, the Authority issued \$103,400 of fixed rate general revenue bonds at an original issue discount of \$2,364 to pay for certain costs of capital improvements to the hospital facilities. The Series 2024A bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between \$4,470 in July 2044 and \$14,450 at maturity in July 2054. Interest rates range from 4.00% to 5.25% payable semiannually in January and July.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

In April 2024, the Authority issued \$110,300 of Series 2024B variable rate demand bonds supported by a direct pay letter of credit provided by a financial institution. The current direct pay letter of credit expires in 2029. The bonds are remarketed on a daily basis, with interest rates averaging 2.42% in fiscal year 2026. The Series 2024B bonds currently refunded the outstanding \$109,710 of Series 2013B bonds in June 2024, which refunded the Series 2008 Bonds. The repayment of the Series 2008 Bonds created a deferred loss on refunding which is being amortized over the life of the original bonds. The unamortized balance is \$10,786 and \$12,191 at June 30, 2026 and 2025, respectively.

The Series 2024B bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between \$1,955 in July 2026 and \$14,765 at maturity in July 2037.

In December 2017, VCUMC issued \$197,890 of fixed rate general revenue bonds at a premium of \$21,325 to advance refund the 2022 through 2041 maturities of VCUMC's general revenue bonds Series 2011 and pay certain costs of capital improvements to the hospital facilities. The refunding created a deferred loss which is being amortized over the life of the original bond. The unamortized balance is \$3,576 and \$4,028 at June 30, 2026 and 2025, respectively. The Series 2017A bonds are subject to mandatory sinking fund, optional and extraordinary redemption with principal amounts varying between \$3,735 in July 2026 and \$6,990 at maturity in July 2041. Interest rates range from 3.00% to 5.00% payable semiannually in January and July. The Series 2017B bonds are subject to mandatory sinking funds, optional and extraordinary redemption with principal amounts varying between \$2,175 in July 2026 and \$5,920 at maturity in July 2048. Interest rates range from 3.375% to 5% payable semiannually in January and July.

In February 2014, VCUMC issued \$200,000 of fixed rate taxable general revenue bonds, Series 2014A. The Series 2014 Bonds are subject to mandatory sinking fund and optional redemption with principal amounts of \$35,000 due January 2024, with an interest rate of 3.86% and \$165,000 due January 2044, with an interest rate of 4.96%. The \$35,000 due January 2024 was escrowed in advance and thus defeased in June 2023. The escrow was gross funded with cash from the Authority and requires no further cash flows to service the debt. The defeasance was executed to avoid inclusion of the January 2024 principal payment in current debt balances as of June 30, 2023.

In June 2021, VCUMC refinanced the Series 2013A bonds with Series 2021A bonds (\$57,250) and Series 2021B bonds (\$8,836). The refinancing of the bonds replaced the variable rate debt with fixed tax-exempt rate of 1.40% (2021A). The swap associated with the Series 2013A bonds was terminated and the cost to unwind the swap was financed at a fixed taxable rate of 1.98% (2021B). The Series 2021A bonds are subject to mandatory sinking fund, optional and extraordinary

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

redemption with principal amounts varying between \$7,214 in July 2026 and \$8,239 at maturity in July 2030.

In July 2018, CMH entered into a \$65,000 parity loan agreement with the United States Department of Agriculture (USDA). The proceeds of the loan were used to provide long-term financing for the construction of inpatient and outpatient facilities in South Hill, Virginia. Principal and interest for the USDA loan is amortized with the final payment due in July 2058. The interest rate is 3.5% per annum. The loan is collateralized by the facility improvements at the South Hill location.

VCUHSA leases property and equipment as part of their operations. Lease terms range up to 3 to 20 years. Terms of the leases vary by each lease; however, each lease provides for a monthly lease payment subject to an escalation on the anniversary date of the agreement. The liabilities are measured at the present value of payments expected to be made during the lease term. The present value of payments expected to be made during the lease term is calculated using the discount rate implicit in the lease agreement and if unavailable, the Authority uses its internal borrowing rate. As of June 30, 2026 and 2025, lease obligations were \$52,558 and \$55,566, respectively.

VCUHSA contracts for SBITAs as part of their operations. Arrangement terms range from 2 to 5 years. The exercise of renewal options is at the discretion of VCUHSA. VCUHSA excluded the options from measurement since VCUHSA is not reasonably certain it will exercise the options to extend the SBITAs. Subscription payments are apportioned between interest expense and the principal based on the effective interest method. The right-to-use intangible asset is measured as the sum of the initial subscription liability amount, adjusted for payments made to the SBITA vendor before commencement of the subscription term and capitalizable implementation costs. The right-to-use intangible subscription assets are amortized using the straight-line method over the subscription term. Such amortization is included as an amortization expense in the accompanying statements of revenues, expenses and changes in net position. As of June 30, 2026 and 2025, SBITA obligations were \$35,947 and \$39,335, respectively.

The Authority holds a line of credit with Wells Fargo in the amount of \$100,000. The line of credit was extended in June 2026 to a new expiration in July 2027. As of June 30, 2026 and 2025, the line had no outstanding balance.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

A summary of future principal requirements of long-term debt as of June 30, 2026 follows:

Fiscal year:	Series 2024 Bonds	Series 2021 Bonds	Series 2017 Bonds	Series 2014 Bonds	CMH Loans	Lease Obligations	SBITA	Total
2027	\$ 1,955	\$ 8,195	\$ 5,910	\$ —	\$ 1,007	\$ 15,017	\$ 16,634	\$ 48,718
2028	2,030	8,438	6,205	—	1,043	12,596	11,669	41,981
2029	2,080	8,708	6,535	—	1,080	9,404	6,585	34,392
2030	2,135	9,003	6,855	—	1,118	7,602	823	27,536
2031	2,210	9,298	7,195	—	1,158	6,120	236	26,217
2032–2036	67,050	—	41,175	—	6,438	1,819	—	116,482
2037–2041	29,180	—	50,420	—	7,667	—	—	87,267
2042–2046	9,175	—	30,665	165,000	9,131	—	—	213,971
2047–2051	39,735	—	17,115	—	10,875	—	—	67,725
2052–2056	54,490	—	—	—	12,952	—	—	67,442
2057–2061	—	—	—	—	5,688	—	—	5,688
2062–2062	—	—	—	—	—	—	—	—
Total	<u>\$ 210,040</u>	<u>\$ 43,642</u>	<u>\$ 172,075</u>	<u>\$ 165,000</u>	<u>\$ 58,157</u>	<u>\$ 52,558</u>	<u>\$ 35,947</u>	<u>\$ 737,419</u>

A summary of estimated future interest requirements of long-term debt based on effective rates as of June 30, 2026 follows:

Fiscal year:	Series 2024 Bonds	Series 2021 Bonds	Series 2017 Bonds	Series 2014 Bonds	CMH Loans	Lease Obligations	SBITA	Total
2027	\$ 9,881	\$ 520	\$ 7,163	\$ 8,177	\$ 2,019	\$ 1,511	\$ 1,308	\$ 30,579
2028	9,774	396	6,852	8,177	1,984	1,083	631	28,897
2029	9,664	269	6,526	8,177	1,946	725	200	27,507
2030	9,552	136	6,183	8,177	1,908	447	62	26,465
2031	9,435	—	5,823	8,177	1,868	181	6	56,323
2032–2036	36,728	—	23,884	40,887	8,694	9	—	97,564
2037–2041	22,550	—	14,352	40,887	7,465	—	—	84,251
2042–2046	21,076	—	5,895	20,445	6,001	—	—	49,080
2047–2051	15,035	—	616	—	4,257	—	—	10,431
2052–2056	3,378	—	—	—	2,181	—	—	2,181
2057–2061	—	—	—	—	204	—	—	204
Total	<u>\$ 147,073</u>	<u>\$ 1,321</u>	<u>\$ 77,294</u>	<u>\$ 143,104</u>	<u>\$ 38,527</u>	<u>\$ 3,956</u>	<u>\$ 2,207</u>	<u>\$ 413,482</u>

VCUMC is required to make interest and principal payments to the interest and principal accounts included in assets whose use is restricted for the Series 2017 and 2014 Bonds. For the years ended June 30, 2026 and 2025, VCUMC transferred approximately \$21,546 and \$21,558 to the bond service accounts, respectively.

The various Bonds agreements place restrictions on future borrowings and require certain minimum insurance coverage. The related agreements also contain certain covenants, including a requirement that charges to patients are maintained at a level, which will produce income available for debt service, as defined in such agreements, in each fiscal year equal to or greater than 110% of maximum total annual debt service in each fiscal year, as defined.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Interest expense for the years ended June 30, 2026 and 2025 was approximately \$29,335 and \$29,292, respectively. For the years ended June 30, 2026 and 2025, the Authority paid approximately \$31,063 and \$28,653, respectively, for interest.

(7) Derivative Instruments

In June 2007, VCUMC entered into two interest rate swap agreements in anticipation of the issuance of the Series 2008 bonds (Note 6). The swaps have a combined initial notional amount of \$125,000, which declines over time to \$15,700 at the termination date in July 2037. The notional amount as of June 30, 2026 and 2025 was \$106,690 and \$108,155, respectively. VCUMC pays a fixed rate of 3.84% and the counterparty pays 67% of SOFR (3.67% as of June 30, 2026). The payments are settled monthly. Payments or receipts under the terms of the swap are recorded as interest expense. At June 30, 2026 and 2025, the fair value of the swaps was a liability of \$8,148 and \$10,755, respectively, and is included in the accompanying statements of net position.

In June 2024, VCUMC paid off the Series 2013B bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2013B bonds was terminated, and the accumulated change in fair value of the interest rate swaps of \$21,679 was included in the calculation of the deferred gain upon termination. In June 2024, VCUMC reestablished hedge accounting by designating the Series 2024B bonds as the hedged debt. In June 2013, VCUMC refunded the Series 2008 bonds using proceeds of the Series 2013A bonds. At that time, the hedging relationship between the interest rate swap agreements and the Series 2008 bonds was terminated, and the accumulated change in fair value of the interest rate swaps of \$30,376 was included in the calculation of the deferred loss on refunding. In June 2013, VCUMC reestablished hedge accounting by designating the Series 2013A bonds as the hedged debt.

(8) Commitments

Estimated costs to complete construction in progress for capital assets at June 30, 2026 and 2025 for the Authority are approximately \$201,466 and \$184,000, respectively. Commitments primarily relate to major renovations of existing facilities, purchase of medical equipment, information system infrastructure and various other projects.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(9) Contingencies

(a) Professional, General, Automobile and Healthcare Professional Liability

VCUMC

VCUMC is self-insured for professional liability claims, exclusive of insured excess retentions. There have been malpractice claims asserted against VCUMC by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of VCUMC accrues estimated losses on malpractice claims to the extent they fall within the limits of VCUMC's self-insurance program or exceed the limits of the excess insurance coverage in place through ARIES at the date of the claim. The undiscounted liability is actuarially determined using industry data and VCUMC's historical experience.

Changes in VCUMC's estimated losses on malpractice claims for the years ended June 30 were as follows:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 4,061	\$ 3,903	\$ 3,485
Malpractice claims expense, net of actuarial adjustments	1,195	676	848
Malpractice claims settled	(532)	(518)	(430)
Balance at end of year	<u>\$ 4,724</u>	<u>\$ 4,061</u>	<u>\$ 3,903</u>

Investments have been set aside based on actuarially determined reserves and are included in assets whose use is designated in the accompanying statements of net position. The balances at the end of the year represent claims and related legal expenses for reported and unreported incidents occurring since July 1998.

The Authority believes that its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or unasserted VCUMC claims, if any, at June 30, 2026, 2025 and 2024.

VCUMC obtains automobile liability insurance and specific coverage of general liability and healthcare professional liability through ARIES. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2026, 2025 and 2024 is significant.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

MCVAP

Beginning in July 2018, MCVAP obtained insurance coverage for malpractice claims through ARIES. Additionally, ARIES assumed the previously self-insured estimated liabilities from policy years July 2005 through June 2018.

Due to coverage moving to ARIES in fiscal year 2019, there are no estimated losses on malpractice claims for the years ended June 30, 2026, 2025 and 2024.

CMH

CMH is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; malpractice; and employee health, dental and accident benefits. Insurance coverage is provided through ARIES or purchased for claims arising from such matters.

CMH can be involved in litigation during the ordinary course of business related to professional liability claims. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2026, 2025 and 2024 is significant.

Children's

Children's obtains insurance coverage for professional liability through ARIES. Management and legal counsel believe all claims should be settled within the limits of insurance coverage. Management does not believe the amount of liability for any claims incurred but unreported as of June 30, 2026, 2025 and 2024 is significant.

UHS and VCCN

UHS and VCCN obtain general liability insurance coverage through ARIES. Coverage was provided for 2026, 2025 and 2024 for UHS and 2025 and 2024 for VCCN. Management does not believe the amount of liability for any claims incurred but unreported for these entities as of June 30, 2026, 2025 and 2024 is significant.

ASC

ASC obtained general and health professional liability insurance coverage through ARIES. Coverage was provided for 2026, 2025 and 2024. Management does not believe the amount of liability for any claims incurred but unreported for ASC as of June 30, 2026, 2025 and 2024 is significant.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

ARIES

ARIES provides medical malpractice coverage to MCVAP. There have been malpractice claims asserted against MCVAP by various claimants. The claims are in various stages of processing, and some may ultimately be brought to trial. There are also known incidents that have occurred that may result in the assertion of additional claims. In addition, there may be other claims from unreported incidents arising from services provided to patients. Management of ARIES accrues estimated losses on malpractice claims. The discounted liability is actuarially determined using industry data and MCVAP's historical experience.

Changes in ARIES' estimated losses on malpractice claims for the years ended June 30 as a result of this arrangement were as follows:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 28,865	\$ 24,729	\$ 26,552
Malpractice claims expense, net of actuarial adjustments	9,060	9,442	4,454
Malpractice claims settled	<u>(8,669)</u>	<u>(5,306)</u>	<u>(6,277)</u>
Balance at end of year	<u>\$ 29,256</u>	<u>\$ 28,865</u>	<u>\$ 24,729</u>

Assets whose use is designated have been internally designated for payment of claims and related legal expenses for reported and unreported incidents.

The Authority believes its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted and unasserted claims covered by ARIES, if any, at June 30, 2026, 2025 and 2024.

(b) Workers' Compensation

Beginning in July 2019, the Authority obtained insurance coverage for workers' compensation claims through ARIES. Additionally, ARIES assumed the previously self-insured estimated liabilities from policy years July 2001 through July 2019. The Authority is self-insured for workers' compensation claims prior to July 2001. The claims are in various stages of processing. Management of the Authority accrues estimated losses on workers' compensation claims to the extent they fall within the limits of the Authority's self-insurance program. The liability is actuarially determined using industry data and the Authority's historical experience.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Changes in VCUMC's estimated losses on workers' compensation claims for the years ended June 30 were as follows:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 1,958	\$ 2,053	\$ 3,277
Workers' compensation expense, net of actuarial adjustments	(50)	(46)	(1,174)
Workers' compensation claims settled	<u>—</u>	<u>(49)</u>	<u>(50)</u>
Balance at end of year	<u>\$ 1,908</u>	<u>\$ 1,958</u>	<u>\$ 2,053</u>

The Authority believes that its financial position would not be materially affected by the difference between the amounts recorded and the ultimate cost related to asserted or unasserted claims, if any, at June 30, 2026, 2025 and 2024.

Changes in ARIES' estimated losses on workers' compensation claims for the years ended June 30, 2026 and 2025, as a result of this arrangement were as follows:

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 4,884	\$ 4,484	\$ 4,166
Workers' compensation expense, net of actuarial adjustments	878	1,961	2,356
Workers' compensation claims settled	<u>(918)</u>	<u>(1,561)</u>	<u>(2,038)</u>
Balance at end of year	<u>\$ 4,844</u>	<u>\$ 4,884</u>	<u>\$ 4,484</u>

Investments have been set aside for workers' compensation claims based on actuarially determined reserves and are included in assets whose use is designated in the accompanying statements of net position. The funds are internally designated for claims and related legal expenses for reported and unreported incidents.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(10) Net Patient Service Revenue

The Authority's net patient service revenue is summarized as follows for the years ended June 30:

	<u>2026</u>	<u>2025</u>
VCUHSA gross charges:		
Inpatient	\$ 6,308,470	\$ 5,787,806
Outpatient	7,405,646	6,583,389
Less uncompensated care	<u>(141,428)</u>	<u>(128,668)</u>
Total VCUHSA gross patient service revenue	13,572,688	12,242,527
Less contractual allowances, and uncollectible amounts	<u>(9,575,433)</u>	<u>(8,560,055)</u>
Total net patient service revenue	<u><u>\$ 3,997,255</u></u>	<u><u>\$ 3,682,472</u></u>

(11) Related Parties

(a) *Virginia Commonwealth University*

Effective July 1, 1997, VCUMC and VCU entered into an affiliation agreement, which provides that each will support the mission of the other. VCU will provide clinical and administrative support to VCUMC. VCUMC will be the primary teaching hospital for VCU. VCU leased patient care facilities to VCUMC under a 99-year lease for one dollar per year.

VCUMC leases space in other buildings from VCU with varying renewal options. The lease obligations and associated right-to-use asset are measured and reported on the accompanying statements of net position in conformance with GASB Statement No. 87, which is further discussed in Note 1(k).

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Payments under the affiliation and lease agreements with VCU for the years ended June 30, 2026 and 2025, which are included in purchased services and other expenses on the accompanying statements of revenues, expenses and changes in net position, were as follows:

	<u>2026</u>	<u>2025</u>
Payments by VCU to VCUMC:		
Rent on short-term space	\$ 190	\$ 190
Total payments by VCU to VCUMC	<u>\$ 190</u>	<u>\$ 190</u>
Payments by VCUMC to VCU:		
Massey Cancer Center	\$ 6,000	\$ 25,000
School of Medicine Research/Academic Support	5,500	5,000
Graduate education services	1,228	1,207
School of Dentistry Academic Support	2,000	—
CHP Workforce Needs Support	2,000	—
East Marshall Street Well Project	750	—
Non-physician clinical support	11,014	9,669
Administrative support	30,135	27,676
Rent on short-term space	1,466	1,501
Principal and interest on parking deck debt	448	423
Total payments by VCUMC to VCU	<u>\$ 60,541</u>	<u>\$ 70,476</u>

Included in the accompanying statements of net position are the following amounts due to related parties as of June 30:

	<u>2026</u>	<u>2025</u>
Due from (to) Virginia Commonwealth University	<u>\$ 192</u>	<u>\$ 1,272</u>

(b) Related Party Transactions

VCUMC has entered into purchased service agreements with MCVAP regarding reimbursement for various services performed on behalf of VCUMC by MCVAP. Clinical and Operating Services Agreement (COSA) payments are annually determined and made by VCUMC to MCVAP in return for clinical support and joint operations funded by MCVAP and payments for indigent care provided by physicians of MCVAP.

VCUMC allocates shared services to related parties including MCVAP, UHS, CMH, Children's, TAPP, ASC and VCCN. VCUMC leases clinic office space from UHS under operating leases. VCUMC leases clinical and administrative facilities to various MCVAP departments.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Activity between VCUMC and MCVAP, UHS, CMH, Children's, TAPP, ASC and VCCN is eliminated in the accompanying financial statements.

(12) Litigation

The Authority has been named as defendant in a number of lawsuits regarding matters generally incidental to its core business. The final outcome of any of these lawsuits cannot be determined at this time. However, management is of the opinion that any ultimate liability to which the Authority may be exposed will not have a material effect on the Authority's financial position or results of operations.

(13) Pension Plans

(a) VCUMC – Virginia Retirement System Plan (VRS Plan)

Plan

Prior to July 1997, employees of VCUMC were employees of the Commonwealth of Virginia (the Commonwealth). These employees were eligible to participate in a defined benefit pension plan administered by the Virginia Retirement System (VRS). VRS is an independent agency of the Commonwealth. After July 1997, employees could choose to remain in the VRS Plan or enroll in the VCUMC Authority Defined Contribution Plan. As of June 30, 2026, ninety employees remain enrolled in VRS. Participating VCUMC employees are eligible for VRS's Plan 1 benefit structure in which the retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. The Commonwealth, not VCUMC, has overall responsibility for the VRS plans.

Contributions

The contribution requirement for active employees is governed by 51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each state agency's contractually required contribution rate was 12.52% of covered employee compensation for employees in the VRS State Employee Retirement Plan, for the years ended June 30, 2026 and 2025. These rates were based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VCUMC to the VRS State Employee Retirement Plan were \$1,081 and \$1,194 for the years ended June 30, 2026 and 2025, respectively.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Net Pension Liability

VCUMC reported a liability of \$6,991 and \$10,481 for its proportionate share of the VRS State Employee Retirement Plan Net Pension Liability for the years ended June 30, 2026 and 2025, respectively. The Net Pension Liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2024 and rolled forward to the measurement date of June 30, 2025. VCUMC's proportion of the Net Pension Liability was based on VCUMC's actuarially determined employer contributions to the pension plan for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2025, VCUMC's proportion of the VRS Plan was 0.16% as compared to 0.21% at June 30, 2024.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2026, VCUMC recognized pension expense of \$2,532. Since there was a change in proportionate share between June 30, 2024 and June 30, 2025, a portion of the pension expense was related to deferred amounts from changes in proportion and differences between employer contributions and the proportionate share of employer contributions. Beginning with the June 30, 2022 measurement date, the difference between expected and actual contributions is included with the pension expense calculation.

At June 30, 2026, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the VRS Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,136	\$ —
Change in investment experience	—	1,297
Change in assumptions	161	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	3,032
Employer contributions subsequent to the measurement date	1,081	—
Total	<u>\$ 2,378</u>	<u>\$ 4,329</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$1,081 will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2027	\$ (1,006)
2028	(1,060)
2029	(671)
2030	(295)
2031	—
	<u>\$ (3,032)</u>

Actuarial Assumptions

The total pension liability for the VRS State Employee Retirement Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

Inflation	2.5%
Salary increases, including inflation	3.5%–5.35%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation

Mortality rates:

Pre-retirement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; females set forward 2 years.
Post-retirement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for females.
Post-disablement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males and females set forward 3 years.
Beneficiaries and Survivors:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for males and females.
Mortality improvement:	Rates projected generationally with Modified MP-2021 Improvement Scale that is 75% of the standard rates.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Termination rates	Moved ~25% of the way to the observed experience, on a liability-weighted basis
Disability rates	Moved ~50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary scale	Increase Merit & Longevity 50 basis points; use of 2.50% payroll growth assumption for purposes of amortizing any unfunded actuarial accrued liabilities
Discount rate	No change

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Asset Class (Strategy)	Long-Term Target Asset Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Weighted Average Long-Term Expected Rate of Return*
Public equity	32.00%	6.60%	2.11%
Fixed income	16.00%	5.09%	0.81%
Credit strategies	16.00%	8.21%	1.31%
Real assets	15.00%	7.10%	1.07%
Private equity	15.00%	8.60%	1.29%
Pip – private investment partnership	1.00%	7.95%	0.08%
Diversifying Strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	(3.00%)	4.57%	(0.14%)
Total	100.00%		7.02%

*Expected arithmetic nominal return

7.02%

The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return, stochastic projections are employed to model future returns under various economic conditions. These results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which is roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2025, the rate contributed by VCUMC for the VRS State Employee Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents VCUMC's proportionate share of the VRS State Employee Retirement Plan net pension liability using the discount rate of 6.75%, as well as what VCUMC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Proportionate share of the net pension liability	\$ 12,771	\$ 6,991	\$ 2,145

Pension Plan Fiduciary Net Position

Detailed information about the VRS State Employee Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Report. A copy of the 2025 VRS Annual Report may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

(b) VCUHS Retirement Plan (VCUHS 401(a) Plan)

Employees who are Benefit Eligible, based on the Section 125 Plan Document, dated July 1, 2022, working at least 20 hours a week in a benefit-eligible position are eligible to participate in the VCUHS Employer Retirement 401(a) Plan. Per the VCUHS 401(a) Plan document as approved by the VCUHS Retirement Investment Committee, VCUHS contributes amounts based on the employee's age plus full benefits eligible years of service per the table below. Total contributions to the VCUHS 401(a) Plan for the years ended June 30, 2026 and 2025 were approximately \$70,687 and \$63,165, respectively.

<u>Age Plus Years of Service</u>	<u>Employer Contributions (VCUHS 401(a) Plan)</u>
65+	10%
55-65	8
45-55	6
35-45	4
<35	2

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Any changes to the provisions of the VCUHS 401(a) Plan, including the contribution requirements, must be approved in writing by the Authority's Board of Directors.

VCUHS also sponsors the VCUHS Employee Savings Plan (VCUHS 457(b) Plan), which auto-enrolls at a 2% contribution rate after 60 days if not opted out and offers a company match of up to 2% to the VCUHS Employer Retirement 401(a) Plan that you are immediately vested in at 100% if you defer to the 457(b) at 2% and are in the VCUHS Employer Retirement 401(a) Plan.

The VCUHS HCP DCP Employer 401(a) Plan no longer allows participants into this Plan, and the plan has one remaining grandfathered participant. The participant receives 8% times base wages up to the IRS Maximum Compensation Limit. Total contributions to the HCP Plan for the years ended June 30, 2026 and 2025 were approximately \$19 and \$20, respectively.

(c) MCVAP

VCUHSA sponsors the MCVAP 401(a) Retirement Plan, Physicians Salary Reduction 403(b) Plan and 457(b) Savings Plan for all full-time and part-time benefited patient facing/billing physicians and CRNAs. Contributions of 8.5% per paycheck are contributed by VCUHSA to the Physicians 401(a) Retirement Plan. Once a salary exceeds the Social Security limit, the contribution increases to 14.2% for the rest of the plan year or until the maximum compensation limit is reached. Some employees were grandfathered into this plan and receive slightly different rates. The VCUHS Savings 457(b) Savings Plan auto-enrolls at a 2% contribution rate after 60 days if not opted out.

Contributions to the MCVAP 401(a) Plan for the years ended June 30, 2026 and 2025 were approximately \$37,317 and \$34,740, respectively.

(14) Postemployment Benefits

(a) VCUMC – State Employee Health Insurance Credit Program (HIC Plan)

Plan

Prior to July 1997, employees of VCUMC were employees of the Commonwealth of Virginia. These employees were automatically covered by the Employee Health Insurance Credit Program (HIC Plan) administered by the VRS. The HIC Plan is a defined benefit postemployment plan (OPEB) that provides a credit toward the cost of a qualified, single coverage health insurance premium for retirees. The credit cannot exceed the amount of the premiums and ends upon the retiree's death. After July 1997, new employees are not eligible

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

for the HIC Plan. As of June 30, 2026, two hundred twenty-six employees remain enrolled in the HIC Plan. SThe Commonwealth, not VCUMC, has overall responsibility for the HIC Plan.

Contributions

The contribution requirement for active employees is governed by 51.1-1400(D) of the *Code of Virginia*, as amended, but may be impacted as a result of funding provided to state agencies by the Virginia General Assembly. Each state agency's (including VCUMC) contractually required employer contribution rate for the year ended June 30, 2026 was 1.12% of covered employee compensation for employees in the VRS State Employee HIC Plan. This rate was the approved General Assembly rate which was based on an actuarially determined rate from an actuarial valuation as of June 30, 2023. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from VCUMC to the VRS State Employee HIC Plan were \$279 and \$308 for the years ended June 30, 2026 and 2025, respectively.

Net HIC OPEB Liability

At June 30, 2026 and 2025, VCUMC reported a liability of \$1,734 and \$2,283, respectively, for its proportionate share of the VRS State Employee Health Insurance Credit Program Net OPEB Liability. The Net VRS Employee HIC Plan OPEB Liability was measured as of June 30, 2025, and the total HIC Plan OPEB liability used to calculate the net VRS State Employee HIC Plan OPEB liability was determined by an actuarial valuation performed as of June 30, 2024 and rolled forward to the measurement date of June 30, 2025. VCUMC's proportion of the net VRS State Employee HIC Plan OPEB Liability was based on VCUMC's actuarially determined employer contributions to the VRS State Employee HIC Plan for the year ended June 30, 2025, relative to the total of the actuarially determined employer contributions for all participating state employers. At June 30, 2025, VCUMC's proportion of the VRS State Employee HIC Plan was 0.28% as compared to 0.32% at June 30, 2024.

HIC Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to HIC OPEB

For the year ended June 30, 2026, VCUMC recognized HIC Plan expense of (\$527). Since there was a change in proportionate share between measurement dates, a portion of the VRS State Employee HIC Plan Net OPEB expense was related to deferred amounts from changes in proportionate share and differences between actual and expected contributions.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

At June 30, 2026, VCUMC reported deferred outflows of resources and deferred inflows of resources related to the VRS State Employee HIC Plan OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ —	\$ 156
Net difference between projected and actual earnings on State HIC OPEB program investments	—	—
Change in investment experience	—	31
Change in assumptions	18	17
Changes in proportionate share and differences between actual and expected contributions	—	1,232
Employer contributions subsequent to the measurement date	279	—
Total	<u>\$ 297</u>	<u>\$ 1,436</u>

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling \$279 will be recognized as a reduction of the net State Employee HIC Plan liability in the fiscal year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the State Employee HIC OPEB will be recognized in the State Employee HIC OPEB expense in future reporting periods as follows:

Year ended June 30:

2027	\$ (559)
2028	(452)
2029	(240)
2030	(127)
2031	(40)
Thereafter	—
	<u>\$ (1,418)</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Actuarial Assumptions

The total State Employee HIC OPEB liability for the VRS State Employee HIC Plan was based on an actuarial valuation as of June 30, 2024, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2025.

Inflation	2.50%
Salary increases, including inflation	3.50% – 5.35%
Investment rate of return	6.75%, net of plan investment expenses, including inflation
Mortality rates:	
Pre-retirement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; females set forward 2 years
Post-retirement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; 110% of rates for females
Post-disablement:	PUB-2010 Amount-Weighted tables, with 75% of the MP-2021 Scale projected generationally; males and females set forward 3 years

The actuarial assumptions used in the June 30, 2024, valuation were rolled forward to a measurement date of June 30, 2025 and were based on the results of an actuarial experience study for the period from July 1, 2020 through June 30, 2024. Changes to the actuarial assumptions as a result of the experience study and VRS Board action are as follows:

Mortality rates (Pre-retirement, post-retirement healthy, and disabled)	Maintain PUB-2010 tables with adjustments, update to MP-2021 projection scale multiplied by 75%
Retirement rates	Moved approx. 25% of the way to the observed experience, on a liability-weighted basis
Termination rates	Moved approx. 25% of the way to the observed experience, on a liability-weighted basis
Disability rates	Moved approx. 50% of the way to the observed experience, on a headcount-weighted basis, to maintain margin
Salary scale	Increase Merit & Longevity 50 basis points
Discount rate	No change

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Long-Term Expected Rate of Return

The long-term expected rate of return on VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Long- Term Target Asset Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public equity	32.00%	6.60%	2.11%
Fixed income	16.00%	5.09%	0.81%
Credit strategies	16.00%	8.21%	1.31%
Real assets	15.00%	7.10%	1.07%
Private equity	15.00%	8.60%	1.29%
Pip – private investment partnership	1.00%	7.95%	0.08%
Diversifying strategies	6.00%	6.82%	0.41%
Cash	2.00%	4.07%	0.08%
Leverage	(3.00%)	4.57%	(0.14%)
Total	<u>100.00%</u>		<u>7.02%</u>

The above allocation provides a one-year expected return of 7.02% (includes 2.50% inflation assumption). However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 7.06%, including expected inflation of 2.50%. On June 15, 2023, the VRS Board elected a long-term rate of 6.75%, which was roughly at the 45th percentile of expected long-term results of the VRS fund asset allocation at that time, providing a median return of 7.14%, including expected inflation of 2.50%.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Discount Rate

The discount rate used to measure the total HIC Plan OPEB was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ending June 30, 2025, the rate contributed by VCUMC for the VRS State Employee HIC Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 124% of the actuarially determined contribution rate. From July 1, 2025 on, all agencies are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the State Employee HIC OPEB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total State Employee HIC OPEB Plan liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents VCUMC's proportionate share of the VRS State Employee HIC Plan's net HIC OPEB liability using the discount rate of 6.75%, as well as what VCUMC's proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate.

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
State agency's proportionate share of the VRS State Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 2,019	\$ 1,734	\$ 1,489

State Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS State Employee Health Insurance Credit Program's Fiduciary Net Position is available in the separately issued VRS 2025 Annual Comprehensive Financial Report (Annual Report). A copy of the 2025 VRS Annual Report may be downloaded from the VRS website or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(b) VCUMC – State Pre-Medicare Retiree Healthcare (Retiree Healthcare Plan)

Plan

The Commonwealth of Virginia provides a healthcare plan established by Title 2.2, Chapter 28 of the *Code of Virginia* for retirees who are not yet eligible to participate in Medicare. Pre-Medicare Retiree Healthcare is a single-employer defined benefit Other Post Employment Benefits (OPEB) plan that is treated like a cost-sharing plan for financial reporting purposes. For a retiree to participate in the Retiree Healthcare Plan, the participant must be a retired state employee who is eligible for a monthly retirement benefit from VRS, be receiving benefits payments immediately upon retirement (not deferred), must have had the Commonwealth of Virginia as their last employer before retirement, be eligible for coverage as an active employee in the State Health Benefits Program until his or her retirement date and enroll no later than 31 days from retirement date. Prior to July 1997, employees of VCUMC were employees of the Commonwealth. Employees who elected to remain in the VRS Plan and continued enrollment in the State Health Benefits Program after July 1997 remain eligible for the Retiree Healthcare Plan. As of June 30, 2026, one hundred fourteen employees remain enrolled in the Retiree Healthcare Plan through the State Health Benefits Program.

The Retiree Healthcare Plan is administered by the Department of Human Resource Management.

Contributions

After retirement, VCUMC no longer subsidizes the retirees' healthcare premium; however, since both active employees and retirees are included in the same pool for purposes of determining health insurance rates, retiree rates are effectively lower than what might otherwise be available outside of this benefit.

Pre-Medicare Retiree Healthcare OPEB Liabilities

On June 30, 2026 and 2025, VCUMC reported a liability of \$483 and \$666, respectively, for its proportionate share of the collective total Pre-Medicare Retiree Healthcare OPEB Liability. The Pre-Medicare Retiree Healthcare OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2025. VCUMC's proportion of the Pre-Medicare Retiree Healthcare OPEB Liability was based on VCUMC's calculated healthcare premium contributions as a percentage of the total employer's calculated healthcare premium contributions for all participating employers. On June 30, 2025, VCUMC's proportion was 0.15% as compared to 0.19% on June 30, 2024.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Retiree Healthcare Plan Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Healthcare Plan OPEB

For the year ended June 30, 2026, VCUMC recognized Pre-Medicare Retiree Healthcare OPEB expense of (\$517). On June 30, 2026, VCUMC reported deferred outflows of resources and deferred inflows of resources related to Pre-Medicare Retiree Healthcare from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Difference between actual and expected experience	\$ 8	\$ 33
Change in assumptions	9	159
Changes in proportion	—	763
Amounts associated with transactions subsequent to the measurement date	42	—
Total	<u>\$ 59</u>	<u>\$ 955</u>

Deferred outflows of resources related to employer contributions subsequent to the measurement date totaling \$42 will be recognized as a reduction of the net Retiree Healthcare Plan liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pre-Medicare Retiree Healthcare OPEB are as follows:

Year ended June 30:

2027	\$ (425)
2028	(282)
2029	(119)
2030	(60)
2031	(38)
Thereafter	(15)
	<u>\$ (939)</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Actuarial Assumptions

The total Pre-Medicare Retiree Healthcare OPEB liability was based on an actuarial valuation with a valuation date of June 30, 2025. The Department of Human Resource Management selected the economic, demographic and healthcare claim cost assumptions. The actuary provided guidance with respect to these assumptions. Initial healthcare cost trend rates used were 8.00% for. The ultimate trend rates used were 3.94% for medical.

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
Measurement date	June 30, 2025 (one year prior to the end of the fiscal year)
Actuarial cost method	Entry Age Normal
Amortization method	Level dollars, Closed
Amortization period	6.40 years
Discount rate	5.20%
Projected salary increases	5.85% to 3.50%
Medical trend under 65	Medical & Rx: 8.00% to 3.94%
Year of Ultimate Trend	2046
Mortality:	Mortality rates vary by participant status and gender
Pre-retirement:	Pub-2010 Benefits Weighted General Employee Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis; females set forward two years
Post-retirement:	Pub-2010 Benefits Weighted General Healthy Retiree Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis; 110% of females' rates
Post-disablement:	Pub-2010 Benefits Weighted General Disabled Rates projected with 75% of the MP-2021 Projection Scale on a fully generational basis; males and females set forward three years

The discount rate was based on the Bond Buyers GO 20 Municipal Bond Index as of the measurement date, which is June 30, 2025.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

Retiree participation was based on a blend of recent experience and the prior year assumptions.

The trend rates were updated based on economic conditions as of June 30, 2025. Additionally, the discount rate was increased from 3.93% to 5.20% based on the Bond Buyers GO 20 Municipal Bond Index as of June 30, 2025.

There were no plan changes in the valuation since the prior year.

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in the Discount Rate

The following presents VCUMC's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using the discount rate of 5.20%, as well as what the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	<u>1% Decrease</u>	<u>Discount rate</u>	<u>1% Increase</u>
OPEB Liability	\$ 511	\$ 483	\$ 456

Sensitivity of the Retiree Healthcare OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents VCUMC's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability using healthcare cost trend rate of 8.00% decreasing to 3.94%, as well as what VCUMC's proportionate share of the Pre-Medicare Retiree Healthcare OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower (7.00% decreasing to 2.94%) or one percentage point higher (9.00% decreasing to 4.94%) than the current rate:

	<u>1% Decrease (7.00% decreasing to 2.94%)</u>	<u>Trend Rate (8.00% decreasing to 3.94%)</u>	<u>1% Increase (9.00% decreasing to 4.94%)</u>
OPEB Liability	\$ 447	\$ 483	\$ 523

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(15) Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are area residents insured under third-party payor agreements. The composition of net receivables from patients and third-party payors as of June 30 follows:

	<u>2026</u>	<u>2025</u>
Commercial	56%	57%
Medicaid	16%	15%
Medicare	22%	20%
Other	6%	8%
	<u>100%</u>	<u>100%</u>

Revenue from the Medicare and Medicaid/Indigent programs accounted for approximately 27% and 25%, respectively, of the Authority's net patient service revenue for the year ended June 30, 2026. Revenue from the Medicare and Medicaid/Indigent programs accounted for approximately 26% and 26%, respectively, of the Authority's net patient service revenue for the year ended June 30, 2025. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates may change by a material amount in the near term.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025

(In thousands)

(16) Condensed Combining Information

(a) Condensed Statement of Net Position

	At June 30, 2026										
	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Eliminations	Total
Assets											
Current assets	\$ 1,580,743	\$ 138,490	\$ 42,472	\$ 21,332	\$ 4,870	\$ 5	\$ 4,153	\$ 13,571	\$ 44,299	\$ (930,413)	\$ 919,522
Capital assets	1,708,292	21,793	84,066	23,947	14,172	—	7,737	20,817	—	—	1,880,824
Other assets	2,406,556	126,021	25,810	111	—	—	7,028	1,189	125,501	—	2,692,216
Total assets	5,695,591	286,304	152,348	45,390	19,042	5	18,918	35,577	169,800	(930,413)	5,492,562
Deferred outflows of resources											
Total deferred outflows of resources	17,097	—	—	—	—	—	—	—	—	—	17,097
Total assets and deferred outflows of resources	<u>\$ 5,712,688</u>	<u>\$ 286,304</u>	<u>\$ 152,348</u>	<u>\$ 45,390</u>	<u>\$ 19,042</u>	<u>\$ 5</u>	<u>\$ 18,918</u>	<u>\$ 35,577</u>	<u>\$ 169,800</u>	<u>\$ (930,413)</u>	<u>\$ 5,509,659</u>
Liabilities											
Current liabilities	\$ 337,887	\$ 760,978	\$ 77,222	\$ 33,487	\$ 26,389	\$ 3,114	\$ 24,609	\$ 26,126	\$ 49,634	\$ (930,413)	\$ 409,033
Other liabilities	688,097	4,497	58,006	1,738	—	—	—	—	32,306	—	784,644
Total liabilities	1,025,984	765,475	135,228	35,225	26,389	3,114	24,609	26,126	81,940	(930,413)	1,193,677
Deferred inflows of resources											
Total deferred inflows of resources	41,894	—	—	—	—	—	203	—	—	—	42,097
Net position											
Net investment in capital assets	1,198,920	14,621	24,606	21,288	14,172	—	7,737	20,817	—	—	1,302,161
Restricted:											
Expendable	—	—	3,526	—	—	—	1,799	—	—	—	5,325
Nonexpendable	25,658	—	143	—	—	—	2,676	—	—	—	28,477
Unrestricted	3,420,232	(493,792)	(11,155)	(11,123)	(21,519)	(3,109)	(18,106)	(11,366)	87,860	—	2,937,922
Total net position	4,644,810	(479,171)	17,120	10,165	(7,347)	(3,109)	(5,894)	9,451	87,860	—	4,273,885
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,712,688</u>	<u>\$ 286,304</u>	<u>\$ 152,348</u>	<u>\$ 45,390</u>	<u>\$ 19,042</u>	<u>\$ 5</u>	<u>\$ 18,918</u>	<u>\$ 35,577</u>	<u>\$ 169,800</u>	<u>\$ (930,413)</u>	<u>\$ 5,509,659</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(b) Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2026										
	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Eliminations	Total
Operating revenues	\$ 3,171,440	\$ 757,202	\$ 138,455	\$ 82,742	\$ 29,915	\$ 841	\$ 18,431	\$ 5,600	\$ 18,905	\$ (175,715)	\$ 4,047,816
Operating expenses excluding depreciation and amortization	2,794,613	906,639	146,096	76,983	26,235	1,555	22,371	5,798	13,464	(175,715)	3,818,039
Provision for depreciation and amortization	117,954	4,379	4,056	2,441	1,584	—	536	691	—	—	131,641
Operating income (loss)	258,873	(153,816)	(11,697)	3,318	2,096	(714)	(4,476)	(889)	5,441	—	98,136
Nonoperating revenue and expenses, net	320,294	65,105	940	(118)	—	—	2,624	—	6,078	—	394,923
Change in beneficial interest in trusts	2,862	—	—	—	—	—	—	—	—	—	2,862
Other	(3,980)	(36,797)	2,054	—	—	—	—	—	—	—	(38,723)
Increase (decrease) in net position	578,049	(125,508)	(8,703)	3,200	2,096	(714)	(1,852)	(889)	11,519	—	457,198
Net position at beginning of year	4,066,761	(353,663)	25,823	6,965	(9,443)	(2,395)	(4,042)	10,340	76,341	—	3,816,687
Net position at end of year	<u>\$ 4,644,810</u>	<u>\$ (479,171)</u>	<u>\$ 17,120</u>	<u>\$ 10,165</u>	<u>\$ (7,347)</u>	<u>\$ (3,109)</u>	<u>\$ (5,894)</u>	<u>\$ 9,451</u>	<u>\$ 87,860</u>	<u>\$ —</u>	<u>\$ 4,273,885</u>

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Notes to Basic Financial Statements (Continued)

June 30, 2026 and 2025
(In thousands)

(c) Condensed Statement of Cash Flows

	Year Ended June 30, 2026									
	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Total
Net cash provided by (used in):										
Operating activities	\$ 191,033	\$ 36,505	\$ 6,602	\$ 3,234	\$ (1,143)	\$ –	\$ 476	\$ 98	\$ 2,617	\$ 239,422
Noncapital financing activities	10,121	(33,385)	2,409	–	–	–	2,059	–	–	(18,796)
Capital and related financing activities	(250,330)	(3,822)	(8,186)	(3,234)	1,143	–	(2,583)	(36)	–	(267,048)
Investing activities	(277,642)	360	(92)	–	–	–	–	–	(2,482)	(279,856)
Net increase (decrease) in cash and cash equivalents	(326,818)	(342)	733	–	–	–	(48)	62	135	(326,278)
Cash and cash equivalents at beginning of year	420,244	480	11,580	1	–	–	50	507	257	433,119
Cash and cash equivalents at end of year	\$ 93,426	\$ 138	\$ 12,313	\$ 1	\$ –	\$ –	\$ 2	\$ 569	\$ 392	\$ 106,841

Required Supplementary Information as of and
For the Year Ended June 30, 2026

Schedule 1

**VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY**

(A Component Unit of Virginia Commonwealth University)

Schedule of Employer Contributions
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2017	\$ 4,762	\$ 4,762	\$ —	\$ 34,988	13.61%
2018	3,926	3,926	—	32,650	12.02%
2019	3,603	3,603	—	24,978	14.42%
2020	3,114	3,114	—	24,562	12.68%
2021	2,859	2,589	—	21,602	13.23%
2022	2,490	2,490	—	18,944	13.14%
2023	2,058	2,058	—	15,256	13.49%
2024	1,745	1,745	—	12,120	14.40%
2025	1,589	1,589	—	10,954	14.51%
2026	1,194	1,194	—	11,430	10.45%

Schedule is intended to show information for 10 years.

The amounts presented have a measurement date of the previous year end.

See accompanying report of independent auditors.

**VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Schedule of Authority's Share of Net Pension Liability
(unaudited-see accompanying Report of Independent Auditors)

(In thousands)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Employer's proportion of the net pension liability	0.79%	0.74%	0.67%	0.60%	0.50%	0.42%	0.33%	0.26%	0.21%	0.16%
Employer's proportionate share of the net pension liability	\$ 51,121	\$ 43,367	\$ 36,496	\$ 37,635	\$ 36,297	\$ 15,054	\$ 14,769	\$ 12,975	\$ 10,481	\$ 6,991
Employer's covered payroll	\$ 34,988	\$ 32,650	\$ 24,978	\$ 24,562	\$ 21,602	\$ 18,944	\$ 15,256	\$ 12,120	\$ 10,954	\$ 11,430
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	148.97%	132.82%	146.11%	153.22%	168.03%	79.47%	96.81%	107.10%	95.7%	61.16%
Plan fiduciary net position as a percentage of the total pension liability	71.29%	75.33%	77.39%	75.13%	72.15%	86.44%	83.26%	82.19%	83.45%	85.75%

Schedule is intended to show information for 10 years.

The amounts presented have a measurement date of the previous fiscal year end.

See accompanying report of independent auditors.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)
Schedule of Authority's Share of Net OPEB Liability Health
Insurance Credit Program (HIC)
(unaudited-see accompanying Report of Independent Auditors)
(In thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Employer's proportion of the net HIC OPEB	0.82%	0.69%	0.62%	0.54%	0.47%	0.38%	0.32%	0.28%
Employer's proportionate share of the net HIC OPEB liability	\$ 7,495	\$ 6,374	\$ 5,655	\$ 4,566	\$ 3,881	\$ 3,093	\$ 2,283	\$ 1,734
Employer's covered payroll	\$ 42,435	\$ 49,072	\$ 45,133	\$ 41,381	\$ 36,087	\$ 31,113	\$ 29,179	\$ 33,097
Employer's proportionate share of the net HIC OPEB liability as a percentage of its covered payroll	17.66%	12.99%	12.53%	11.03%	10.75%	9.94%	7.82%	5.24%
Plan fiduciary net position as a percentage of the total HIC OPEB liability	9.51%	10.56%	12.02%	19.75%	21.52%	25.46%	35.17%	42.19%

Schedule is intended to show information for 10 years. 2018 is the first fiscal year for presentation, only six years of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

See accompanying report of independent auditors.

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)
Schedule of Authority's Share of Net OPEB Liability Pre-Medicare
Retiree Healthcare (Retiree Healthcare Plan)
(unaudited-see accompanying Report of Independent Auditors)
(In thousands)

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Employer's proportion of the net Retiree Healthcare Plan OPEB	0.43%	0.39%	0.35%	0.30%	0.25%	0.21%	0.19%	0.15%
Employer's proportionate share of the net Retiree Healthcare Plan OPEB liability	\$ 4,348	\$ 2,655	\$ 1,988	\$ 1,367	\$ 924	\$ 744	\$ 666	\$ 483
Employer's covered payroll	\$ 18,552	\$ 18,309	\$ 22,472	\$ 20,981	\$ 18,239	\$ 16,306	\$ 15,404	\$ 16,981
Employer's proportionate share of the net Retiree Healthcare Plan OPEB liability as a percentage of its covered payroll	23.44%	14.50%	8.85%	6.52%	5.07%	4.56%	4.32%	2.84%

Schedule is intended to show information for 10 years. 2018 is the first fiscal year for presentation, only six years of data is available. However, additional years will be included as they become available.

The amounts presented have a measurement date of the previous fiscal year end.

See accompanying report of independent auditors.

Supplementary Information as of and
For the Year Ended June 30, 2026

Schedule 5

**VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position

June 30, 2026
(In thousands)

	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Eliminations	Total
Assets											
Current assets:											
Cash and cash equivalents	\$ 77,353	\$ 28	\$ 11,923	\$ 1	\$ –	\$ –	\$ 1	\$ 569	\$ 694	\$ –	\$ 90,569
Restricted cash	–	–	3	–	–	–	2	–	–	–	5
Patient accounts receivable, net	428,623	33,721	16,294	10,903	4,747	–	1,946	–	–	–	496,234
Settlements due from third-party payors	141,961	48,396	186	–	–	–	1,975	–	–	–	192,518
Other accounts receivable	22,237	2,293	28	2	–	–	12	142	–	–	24,714
Due from related parties	811,101	53,410	10,891	8,835	–	–	2	12,388	33,978	(930,413)	192
Current portion of assets whose use is designated	600	–	–	–	–	–	–	–	9,700	–	10,300
Supplies and other current assets	98,868	642	3,147	1,591	123	5	215	472	(73)	–	104,990
Total current assets	1,580,743	138,490	42,472	21,332	4,870	5	4,153	13,571	44,299	(930,413)	919,522
Capital assets:											
Land	18,007	–	1,434	3,047	–	–	55	2,745	–	–	25,288
Depreciable capital assets, net	1,518,513	14,649	76,639	16,842	13,897	–	5,520	18,072	–	–	1,664,132
Construction in progress	91,037	433	4,770	1,611	275	–	2,162	–	–	–	100,288
Leased assets, net	37,434	6,711	1,223	2,447	–	–	–	–	–	–	47,815
Subscription-based IT arrangements	43,301	–	–	–	–	–	–	–	–	–	43,301
Total capital assets, net	1,708,292	21,793	84,066	23,947	14,172	–	7,737	20,817	–	–	1,880,824
Other assets:											
Assets whose use is restricted	41,655	–	887	–	–	–	6,854	–	–	–	49,396
Assets whose use is designated, less current portion	2,310,358	126,021	24,753	–	–	–	–	–	31,219	–	2,492,351
Long-term investments	–	–	–	–	–	–	–	–	94,282	–	94,282
Equity method investments	11,789	–	–	–	–	–	–	–	–	–	11,789
Other assets	42,754	–	170	111	–	–	174	1,189	–	–	44,398
Total other assets	2,406,556	126,021	25,810	111	–	–	7,028	1,189	125,501	–	2,692,216
Total assets	5,695,591	286,304	152,348	45,390	19,042	5	18,918	35,577	169,800	(930,413)	5,492,562
Deferred outflows of resources											
Deferred loss on debt refunding	14,363	–	–	–	–	–	–	–	–	–	14,363
Interest rate swap	–	–	–	–	–	–	–	–	–	–	–
Pension and post-retirement related deferred outflows	2,734	–	–	–	–	–	–	–	–	–	2,734
Total deferred outflows of resources	17,097	–	–	–	–	–	–	–	–	–	17,097
Total assets and deferred outflows of resources	\$ 5,712,688	\$ 286,304	\$ 152,348	\$ 45,390	\$ 19,042	\$ 5	\$ 18,918	\$ 35,577	\$ 169,800	\$ (930,413)	\$ 5,509,659

Schedule 5

**VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position

June 30, 2026
(In thousands)

	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Eliminations	Total
Liabilities, deferred inflows of resources and net position											
Current liabilities:											
Current portion of long-term debt	\$ 16,060	\$ —	\$ 1,007	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17,067
Current portion of lease obligations	10,957	2,675	463	922	—	—	—	—	—	—	15,017
Current portion of SBITA obligations	16,634	—	—	—	—	—	—	—	—	—	16,634
Trade accounts payable	101,292	22,256	1,955	975	655	(13)	524	1,096	167	—	128,907
Settlements due to third-party payors	31,280	—	169	391	—	—	—	—	—	—	31,840
Accrued salaries, wages and employee benefits	60,383	32,571	27	—	—	—	—	—	—	—	92,981
Accrued leave	52,315	25,526	24	—	—	—	—	—	—	—	77,865
Accrued interest payable	12,146	9	57	1	—	—	—	—	—	—	12,213
Due to related parties	31,520	677,942	73,347	31,198	25,734	3,122	24,085	24,847	38,618	(930,413)	—
Current portion of estimated workers' compensation claims	100	—	—	—	—	—	—	—	1,000	—	1,100
Current portion of estimated losses on malpractice claims	500	—	—	—	—	—	—	—	8,700	—	9,200
Other accrued liabilities	4,700	(1)	173	—	—	5	—	183	1,149	—	6,209
Total current liabilities	337,887	760,978	77,222	33,487	26,389	3,114	24,609	26,126	49,634	(930,413)	409,033
Other liabilities:											
Long-term debt, less current portion	583,562	—	57,150	—	—	—	—	—	—	—	640,712
Long-term lease obligations	30,466	4,497	840	1,738	—	—	—	—	—	—	37,541
Long-term SBITA obligations	19,313	—	—	—	—	—	—	—	—	—	19,313
Estimated workers' compensation claims	1,808	—	—	—	—	—	—	—	3,844	—	5,652
Estimated losses on malpractice claims	4,224	—	—	—	—	—	—	—	20,556	—	24,780
Fair value of hedging derivatives	8,148	—	—	—	—	—	—	—	—	—	8,148
Net pension and postretirement liability	9,199	—	—	—	—	—	—	—	—	—	9,199
Other liabilities	31,377	—	16	—	—	—	—	—	7,906	—	39,299
Total liabilities	1,025,984	765,475	135,228	35,225	26,389	3,114	24,609	26,126	81,940	(930,413)	1,193,677
Deferred inflows of resources:											
Deferred gain on debt refunding	16,840	—	—	—	—	—	—	—	—	—	16,840
Change in fair value of interest rate swap	549	—	—	—	—	—	—	—	—	—	549
Pension and post-retirement related deferred inflows	6,721	—	—	—	—	—	—	—	—	—	6,721
Right to use lease assets	17,784	—	—	—	—	—	203	—	—	—	17,987
Total deferred inflows of resources	41,894	—	—	—	—	—	203	—	—	—	42,097
Total liabilities and deferred inflows of resources	\$ 1,067,878	\$ 765,475	\$ 135,228	\$ 35,225	\$ 26,389	\$ 3,114	\$ 24,812	\$ 26,126	\$ 81,940	\$ (930,413)	\$ 1,235,774

VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY
(A Component Unit of Virginia Commonwealth University)

Combining Schedule of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position

June 30, 2026
(In thousands)

	<u>VCU Medical Center</u>	<u>MCV Associated Physicians</u>	<u>Community Memorial Hospital</u>	<u>Tappahannock Hospital</u>	<u>ASC</u>	<u>VCCN</u>	<u>Children's Services at Brook Road</u>	<u>University Health Services</u>	<u>Aries Insurance Captive</u>	<u>Eliminations</u>	<u>Total</u>
Net position											
Net position:											
Net investment in capital assets	\$ 1,198,920	\$ 14,621	\$ 24,606	\$ 21,288	\$ 14,172	\$ –	\$ 7,737	\$ 20,817	\$ –	\$ –	\$ 1,302,161
Restricted:											
Expendable	–	–	3,526	–	–	–	1,799	–	–	–	5,325
Nonexpendable permanent endowment	25,658	–	143	–	–	–	2,676	–	–	–	28,477
Unrestricted	<u>3,420,232</u>	<u>(493,792)</u>	<u>(11,155)</u>	<u>(11,123)</u>	<u>(21,519)</u>	<u>(3,109)</u>	<u>(18,106)</u>	<u>(11,366)</u>	<u>87,860</u>	<u>–</u>	<u>2,937,922</u>
Total net position	<u>4,644,810</u>	<u>(479,171)</u>	<u>17,120</u>	<u>10,165</u>	<u>(7,347)</u>	<u>(3,109)</u>	<u>(5,894)</u>	<u>9,451</u>	<u>87,860</u>	<u>–</u>	<u>4,273,885</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 5,712,688</u>	<u>\$ 286,304</u>	<u>\$ 152,348</u>	<u>\$ 45,390</u>	<u>\$ 19,042</u>	<u>\$ 5</u>	<u>\$ 18,918</u>	<u>\$ 35,577</u>	<u>\$ 169,800</u>	<u>\$ (930,413)</u>	<u>\$ 5,509,659</u>

**VIRGINIA COMMONWEALTH UNIVERSITY
HEALTH SYSTEM AUTHORITY**
(A Component Unit of Virginia Commonwealth University)

Combining Schedule of Revenues, Expenses and Changes in Net Position

Year Ended June 30, 2026
(In thousands)

	VCU Medical Center	MCV Associated Physicians	Community Memorial Hospital	Tappahannock Hospital	ASC	VCCN	Children's Services at Brook Road	University Health Services	Aries Insurance Captive	Eliminations	Total
Operating revenues:											
Net patient service revenue	\$ 3,136,996	\$ 597,619	\$ 138,036	\$ 81,979	\$ 29,913	\$ —	\$ 17,095	\$ —	\$ —	\$ (4,383)	\$ 3,997,255
Contract revenue from MCVH	34	143,865	—	—	—	—	—	—	—	(143,899)	—
Other contract revenue	—	12,800	—	—	—	—	—	—	—	—	12,800
Other operating revenue	34,410	2,918	419	763	2	841	1,336	5,600	18,905	(27,433)	37,761
	<u>3,171,440</u>	<u>757,202</u>	<u>138,455</u>	<u>82,742</u>	<u>29,915</u>	<u>841</u>	<u>18,431</u>	<u>5,600</u>	<u>18,905</u>	<u>(175,715)</u>	<u>4,047,816</u>
Operating expenses:											
Salaries and wages	979,631	624,099	48,460	22,742	5,725	522	11,110	695	—	—	1,692,984
Employee benefits	265,850	121,779	14,719	6,455	2,048	139	3,363	233	—	(2,510)	412,076
Purchased services	447,148	56,043	30,170	16,280	1,514	752	2,043	2,215	13,337	(148,282)	421,220
Supplies	1,028,300	10,272	27,926	21,230	13,275	—	1,748	7	—	—	1,102,758
Other expenses	73,684	94,446	24,821	10,276	3,673	142	4,107	2,648	127	(24,923)	189,001
Provision for depreciation and amortization	117,954	4,379	4,056	2,441	1,584	—	536	691	—	—	131,641
	<u>2,912,567</u>	<u>911,018</u>	<u>150,152</u>	<u>79,424</u>	<u>27,819</u>	<u>1,555</u>	<u>22,907</u>	<u>6,489</u>	<u>13,464</u>	<u>(175,715)</u>	<u>3,949,680</u>
Operating income (loss)	<u>258,873</u>	<u>(153,816)</u>	<u>(11,697)</u>	<u>3,318</u>	<u>2,096</u>	<u>(714)</u>	<u>(4,476)</u>	<u>(889)</u>	<u>5,441</u>	<u>—</u>	<u>98,136</u>
Nonoperating revenues and (expenses):											
Investment income	367,728	17,978	2,711	—	—	—	—	—	6,078	—	394,495
Interest expense	(26,952)	(133)	(2,132)	(118)	—	—	—	—	—	—	(29,335)
Other nonoperating (expense) income, net	(43,455)	43,848	6	—	—	—	566	—	—	—	965
Income from equity method investments	—	—	—	—	—	—	—	—	—	—	—
CARES ACT and other COVID-19 revenue	25,863	—	—	—	—	—	—	—	—	—	25,863
Donations and gifts, net	(2,890)	3,412	355	—	—	—	2,058	—	—	—	2,935
Nonoperating revenues and (expenses), net	<u>320,294</u>	<u>65,105</u>	<u>940</u>	<u>(118)</u>	<u>—</u>	<u>—</u>	<u>2,624</u>	<u>—</u>	<u>6,078</u>	<u>—</u>	<u>394,923</u>
Income (loss) before other revenues, expenses, gains and losses	579,167	(88,711)	(10,757)	3,200	2,096	(714)	(1,852)	(889)	11,519	—	493,059
Change in beneficial interests in trusts	2,862	—	—	—	—	—	—	—	—	—	2,862
Other	(3,980)	(36,797)	2,054	—	—	—	—	—	—	—	(38,723)
Increase (Decrease) in net position	578,049	(125,508)	(8,703)	3,200	2,096	(714)	(1,852)	(889)	11,519	—	457,198
Net position at beginning of year	4,066,761	(353,663)	25,823	6,965	(9,443)	(2,395)	(4,042)	10,340	76,341	—	3,816,687
Net position at end of year	<u>\$ 4,644,810</u>	<u>\$ (479,171)</u>	<u>\$ 17,120</u>	<u>\$ 10,165</u>	<u>\$ (7,347)</u>	<u>\$ (3,109)</u>	<u>\$ (5,894)</u>	<u>\$ 9,451</u>	<u>\$ 87,860</u>	<u>\$ —</u>	<u>\$ 4,273,885</u>

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