CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Hawai'i Pacific Health Years Ended June 30, 2025 and 2024 With Report of Independent Auditors



Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2025 and 2024

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Report of Independent Auditors

The Board of Directors Hawai'i Pacific Health

Opinion

We have audited the consolidated financial statements of Hawai'i Pacific Health, which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Hawai'i Pacific Health at June 30, 2025 and 2024, and the results of its operations, changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Hawai'i Pacific Health's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hawai'i Pacific Health's ability to continue as a going concern for a reasonable period of time.

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



Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Members of the Hawai'i Pacific Health Obligated Group combined financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

November 12, 2025

Consolidated Balance Sheets

(Dollars in Thousands)

	June 30			
	2025			2024
Assets				
Current assets:				
Cash and cash equivalents	\$	231,513	\$	213,981
Patient accounts receivable, net		238,894		205,152
Due from third-party payors		45,225		28,022
Other receivables		51,108		44,394
Inventories		40,811		37,167
Funds held by trustee under bond				
indenture agreement		24,576		21,524
Prepaid expenses and other		26,165		43,831
Total current assets		658,292		594,071
Assets whose use is limited or restricted:				
Project funds held by trustee under bond				
indenture agreement		148,136		182,842
Board designated		484,927		417,556
Restricted by donor or grantor		36,644		32,715
Total assets whose use is limited or restricted		669,707		633,113
Investments		550,136		537,372
Property and equipment, net		658,593		592,657
Right-of-use assets – operating		135,016		112,969
Right-of-use assets – finance		2,252		3,134
Due from third-party payors		3,808		3,808
Prepaid pension		48,021		47,466
Investments in business ventures		17,690		17,076
Goodwill		102,084		66,124
Other		168,899		142,731
Total assets	\$	3,014,498	\$	2,750,521

Consolidated Balance Sheets (continued) (Dollars in Thousands)

	June 30			
		2025		2024
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$	95,795	\$	72,161
Payroll and related liabilities		113,006		101,204
Accrued expenses		49,125		44,165
Due to third-party payors		8,337		8,145
Current portion of long-term debt		18,347		15,050
Line of credit		35,000		_
Current portion of operating lease obligations		15,777		14,624
Current portion of finance lease obligations		898		1,573
Total current liabilities		336,285		256,922
Long-term debt, less current portion		564,141		577,568
Operating lease obligations, less current portion		132,824		109,337
Finance lease obligations, less current portion		1,532		1,772
Other long-term liabilities		164,769		133,643
Net assets:				
Net assets without donor restrictions:				
Attributable to Hawai'i Pacific Health		1,629,509		1,525,634
Attributable to noncontrolling interests		35,113		18,244
Net assets without donor restrictions		1,664,622		1,543,878
Net assets with donor restrictions		150,325		127,401
Total net assets		1,814,947		1,671,279
Total liabilities and net assets	\$	3,014,498	\$	2,750,521

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See accompanying notes.

Consolidated Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended June 30		
		2025	2024
Revenues			
Net patient service revenue	\$	1,704,801 \$	1,588,916
Premium revenue		43,380	45,023
Other revenue		268,399	232,601
Net assets released from restrictions for operations		16,881	17,583
Total revenues		2,033,461	1,884,123
Expenses			
Salaries and employee benefits		1,029,931	972,710
Services		316,028	274,891
Supplies		454,817	357,374
Other purchases		138,030	116,607
Depreciation and amortization		57,799	58,899
Specific purpose projects/donations		16,881	17,583
Interest		24,010	19,800
Other		19,658	21,498
Total expenses		2,057,154	1,839,362
Operating (loss) income		(23,693)	44,761
Business venture investment income		3,613	3,698
Investment income, net		124,551	129,108
Pension nonoperating income		3,005	1,873
		131,169	134,679
Excess of revenues over expenses		107,476	179,440
Less excess of revenues over expenses attributable to			
noncontrolling interests		(2,951)	(984)
Excess of revenues over expenses			
attributable to Hawai'i Pacific Health	\$	104,525 \$	178,456

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

(Dollars in Thousands)

		June 30 2024	
Net assets without donor restrictions			
Controlling:			
Excess of revenues over expenses			
attributable to Hawai'i Pacific Health	\$	104,525 \$	178,456
Change in net unrealized gains on debt securities		1,163	3,023
Net assets released from restrictions for purchase of			
property and equipment		1,712	12,978
Pension-related changes other than net periodic			
pension costs		(4,458)	4,293
Change in interest rate swap value		708	759
Other changes in net assets		225	(732)
Increase in controlling interests		103,875	198,777
Noncontrolling:			
Excess of revenues over expenses attributable to			
noncontrolling interests		2,951	984
Other changes in net assets attributable to			
noncontrolling interests		13,918	114
Increase in noncontrolling interests		16,869	1,098
Increase in net assets without donor restrictions		120,744	199,875
Net assets with donor restrictions			
Restricted contributions		37,558	43,954
Investment income		2,895	2,626
Change in net unrealized gains on investments		946	1,209
Net assets released from restrictions		(18,593)	(30,561)
Change in beneficial interest in perpetual trusts		162	550
Other changes in net assets with donor restrictions		(44)	42
Increase in net assets with donor restrictions		22,924	17,820
Increase in net assets		143,668	217,695
Net assets at beginning of year		1,671,279	1,453,584
Net assets at end of year	\$	1,814,947 \$	1,671,279

See accompanying notes.

Consolidated Statements of Cash Flows

(Dollars in Thousands)

		Year Ended J 2025	une 30 2024	
Operating activities				
Increase in net assets	\$	143,668 \$	217,695	
Adjustments to reconcile increase in net assets				
to net cash provided by (used in) operating activities:				
Depreciation and amortization		57,799	58,899	
Business venture investment income		(3,613)	(3,698)	
Net distributions from business venture		2,999	2,986	
Noncontrolling interest in acquired business venture		(14,760)	_	
Net realized and unrealized gains on alternative investments		(73,768)	(68,350)	
Net realized and unrealized gains on debt and equity		, ,		
investments		(26,484)	(38,232)	
Restricted contributions		(37,558)	(43,954)	
Changes in operating assets and liabilities:		, , ,		
Patient accounts receivable		(33,742)	(27,341)	
Due to/from third-party payors		(17,011)	327	
Other receivables		(6,714)	(21,318)	
Inventories, prepaid expenses, and other assets		(33,346)	(101,332)	
Restricted pledges receivable		(3,775)	(2,840)	
Prepaid pension		(555)	(5,475)	
Accounts payable and accrued expenses		33,670	3,226	
Other long-term liabilities		31,126	8,032	
Net cash provided by (used in) operating activities		17,936	(21,375)	
Investing activities				
Purchases of property and equipment		(112,777)	(75,355)	
Purchases of investment securities		(45,899)	(39,326)	
Sales of investment securities		85,803	44,896	
Decrease (increase) in funds held by trustee under bond				
indenture agreement		21,524	(5,160)	
Assets whose use is limited or restricted:		•		
Purchases of investment securities		(87,138)	(33,552)	
Sales of investment securities		67,197	35,309	
Project funds held by trustee under bond indenture agreement		122,527	(182,842)	
Net cash provided by (used in) investing activities		51,237	(256,030)	

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Consolidated Statements of Cash Flows (continued) (Dollars in Thousands)

	Year Ended June 30		
		2025	2024
Financing activities			
Payment of long-term debt	\$	(15,050) \$	(195,706)
Proceeds from long-term debt		4,920	380,017
Payment on line of credit		(20,000)	_
Proceeds from line of credit		55,000	_
Payments of finance lease obligations		(1,672)	(1,841)
Restricted contributions		37,558	43,954
Net cash provided by financing activities		60,756	226,424
Increase (decrease) in cash and cash equivalents		129,929	(50,981)
Cash and cash equivalents at beginning of year		213,981	264,962
Cash and cash equivalents at end of year	\$	343,910 \$	213,981
Supplemental disclosures of noncash activity	•	27.972 ¢	
Right-of-use assets and obligation	\$	37,873 \$	
All Access Ortho Oʻahu, LLC Acquisition (primarily goodwill and noncontrolling interest)	\$	21,200 \$	
Accruals of equipment	\$	9,318 \$	2,598
Reconciliation of cash flows to the balance sheets Cash and cash equivalents Cash in funds held by trustee under bond indenture agreement Cash in project funds held by trustee under bond	\$	231,513 \$ 24,576	213,981
indenture agreement		87,821	
Total cash and cash equivalents	\$	343,910 \$	213,981

See accompanying notes.

Notes to Consolidated Financial Statements (Dollars in Thousands)

June 30, 2025

1. Organization and Summary of Accounting Policies

Hawai'i Pacific Health (HPH) is the sole member of Kapi'olani Medical Center for Women and Children (KMCWC); Pali Momi Medical Center (PMMC); Pali Momi Foundation; Kapi'olani Medical Specialists; Providers Insurance Corporation (PIC); Kapi'olani Health Foundation; Straub Clinic & Hospital (SCH); Straub Foundation; Wilcox Memorial Hospital (WMH); Kauai Medical Clinic; Wilcox Health Foundation; Hawai'i Pacific Health Partners, Inc. (HPHPI); Hawai'i Health Partners; and other smaller health-care-related entities (some of which are for profit) located in Hawai'i. The accompanying consolidated financial statements reflect the consolidated operations of all wholly owned affiliates and business ventures in which HPH, through affiliates, holds a controlling interest. The unrelated investor's ownership interest of the consolidated business ventures is recorded as noncontrolling interest. HPH and the above affiliates are collectively referred to as the Company. All interorganizational transactions and balances have been eliminated in consolidation.

Except with regard to unrelated business income, which is taxed at corporate income tax rates, the Company's not-for-profit organizations are (1) exempt from federal and state income taxes pursuant to Internal Revenue Code Section 501(a) and applicable state laws and (2) generally exempt from Hawai'i general excise tax on revenue related to their tax-exempt purpose.

The taxable affiliates of the Company utilize the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. Valuation allowances are used to reduce deferred tax assets to their estimated net realizable values and are established by management when it is more likely than not that a deferred tax asset will not be realized.

The accounting principles followed by the Company and the methods of applying those principles comply with accounting principles generally accepted in the United States of America and general practice within the health care industry. The significant policies are summarized below.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash and highly liquid investments with a maturity of three months or less when purchased.

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

1. Organization and Summary of Accounting Policies (continued)

Inventories

Inventories, consisting of medical, surgical, and other supplies, are stated at the lower of cost (firstin, first-out method) or net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from approximately 2 to 40 years for buildings and improvements, 75 years for the Pali Momi Medical Center building, and 3 to 20 years for equipment.

Gifts of long-lived assets such as land, buildings, or equipment are reported as net assets without donor restrictions and are excluded from the excess of revenues over expenses. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported within net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported within net assets without donor restrictions when the donated or acquired long-lived assets are placed in service.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities, are measured at fair value on the consolidated balance sheets. Fair value is established based on quoted prices from established securities exchanges or based on quoted market prices of similar instruments. The Company determined that all marketable securities held at June 30, 2025 and 2024, are designated as other than trading. The Company uses multiple investment managers to diversify its investment portfolio.

The Company also holds investments in fund of funds and direct funds, which include private equities and limited partnerships that are classified as alternative investments. These alternative investments seek positive returns regardless of market direction and are not restricted to any particular asset class. At the investment managers' direction, these alternative investments may invest in both registered and non-registered securities in the United States and globally, with

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

1. Organization and Summary of Accounting Policies (continued)

exposure to both emerging and developed markets. The alternative investment fund managers employ a range of investment strategies, including, but not limited to, long/short equity positions, derivatives, forward and futures contracts, and currency hedges.

The Company accounts for its ownership interests in these alternative investments under the equity method of accounting based on the Company's shares held in the funds and the funds' net asset values. The net asset value is determined based on the estimated fair value of the underlying investments. However, the fair value of such investments may have been estimated by the alternative investment fund managers in the absence of readily ascertainable fair values. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had an active market for these investments existed. The investment income recorded is based on the Company's proportionate share of the fund's portfolio net asset value.

Investment income, including interest and dividends received, realized gains and losses on investments, unrealized gains and losses on equity securities, and net gains on alternative investments, is included in excess of revenues over expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on debt securities, except for credit losses or other-than-temporary declines in fair value, are excluded from the excess of revenue over expenses.

The Company evaluates whether a credit loss allowance should be recorded for debt securities in an unrealized loss position or when there is a decline in the fair market value of debt securities below amortized cost. The Company's credit loss evaluation is based on objective evidence, as well as subjective factors, including knowledge of recent events and assumptions of future events. If a credit loss allowance relating to the debt instruments decline in fair value is recognized, the cost basis of the individual debt security is written down to fair value. There were no credit loss allowances recorded for the years ended June 30, 2025 or 2024.

The Company's investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported on the consolidated balance sheets.

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

1. Organization and Summary of Accounting Policies (continued)

Equity Method Investments

Investments in business ventures that are 20% to 50% owned or where the Company has the ability to exercise significant influence over the operating and financial activities of the business venture are recorded under the equity method of accounting, which approximates the Company's interest in the business ventures' underlying net book values. Investments in business ventures that are more than 50% owned and where the Company can exert control are consolidated in the accompanying consolidated financial statements.

At June 30, investments in business ventures that are accounted for using the equity method of accounting include ownership in the following organizations:

	Ownership Percentage		
	2025	2024	
Pacific ASC, LLC	50%	50%	
The Cancer Center of Hawaii, LLC	30	30	
Pacific Medical Collections, Inc.	33	33	

Summarized financial information (unaudited) for unconsolidated business ventures as of and for the years ended June 30 follows:

	 2025	2024
Current assets	\$ 9,118	\$ 10,697
Noncurrent assets	27,613	25,626
Total assets	\$ 36,731	\$ 36,323
Current liabilities	\$ 3,049	\$ 4,521
Noncurrent liabilities	10,498	9,364
Capital	23,184	22,438
Total liabilities and capital	\$ 36,731	\$ 36,323
	 2025	2024
Excess of revenues over expenses	\$ 9,966	\$ 10,400

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

1. Organization and Summary of Accounting Policies (continued)

Assets Whose Use Is Limited

Project funds held by trustee under bond indenture agreement consists of funds received as part of the Series 2023C Special Purpose Revenue Bonds issuance (see Note 10) that are to be used to pay for the SCH campus redevelopment project.

Board-designated assets consist of investments and accumulated income that have been designated by the Board of Directors for expansion and support of fundraising activities. The Board of Directors can redesignate these assets at its discretion.

Contributions

Contributions received, including unconditional promises to give, are recognized as revenue at fair value in the period received. Fair value is measured as the present value of estimated cash flows using a discount rate commensurate with the risks involved. Pledges receivable are stated at their estimated net realizable value and are included in other receivables and assets whose use is limited or restricted – restricted by donor or grantor on the accompanying consolidated balance sheets.

Pledges receivable as of June 30 follow:

 2025	2024
\$ 11,977 \$	4,371
10,731	14,341
563	700
 23,271	19,412
1,777	2,205
1,371	1,371
\$ 20,123 \$	15,836
\$ 	\$ 11,977 \$ 10,731

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

1. Organization and Summary of Accounting Policies (continued)

Grants

In February 2024, the Company received a \$100.0 million irrevocable grant for the naming rights of the Straub Medical Center. The Straub Medical Center campus is currently under redevelopment and the redeveloped medical center has been named Straub Benioff Medical Center. The grant is to be used for the planning, design, construction, and equipment for the Straub Benioff Medical Center. The grant contained certain conditions, including the Company obtaining financing for the Straub Benioff Medical Center, receipt of requisite government approvals, executing construction contracts, and commencing construction. As of June 30, 2024, the Company had complied with each of these conditions, or performance obligations, and accordingly recognized the grant in the consolidated financial statements as of and for the year ended June 30, 2024. The grant will be paid over a ten-year period, and accordingly, the present value of the grant amounting to \$79 million is reported in other revenue on the consolidated statement of operations and changes in net assets for the year ended June 30, 2024. The Company has also recorded the grant receivable amounting to \$52 million and \$69 million on the consolidated balance sheets as of June 30, 2025 and 2024, respectively, of which \$10 million has been included in other current receivables as of June 30, 2024, and \$52 million and \$59 million has been included in other assets as of June 30, 2025 and 2024, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions are used to differentiate resources, the use of which is restricted by donors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the Company. Donor-restricted gifts are recorded as an addition to net assets with donor restrictions in the period received. When the time period or purpose is met, the gifts are released into net assets without donor restrictions. Donor-restricted gifts include amounts held in perpetuity or for terms designated by donors. Earnings on donor-endowment gifts are recorded as investment income in net assets with donor restrictions and subsequently used in accordance with the donor's designation. Net assets with donor restrictions are primarily restricted for health and hospital care, plant expansion and equipment replacement, research and grants, and education and scholarships.

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

1. Organization and Summary of Accounting Policies (continued)

Net Patient Service Revenue and Patient Accounts Receivable

Net patient accounts receivable and net patient service revenue have been adjusted to the estimated amounts expected to be received based on contractual rates for services rendered, inclusive of the estimated price concessions and retroactive adjustments. The Company has entered into agreements with third-party payors, including government programs and managed care health plans, under which the facilities are paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

The Company uses a portfolio approach to estimate the transaction price used to record net patient service revenue. The transaction price reflects the amount of consideration the Company expects to collect in exchange for satisfying its service performance obligations. The portfolios consist of various payor classes and patient types for inpatient and outpatient revenue, including the identification of uninsured, underinsured, and patient coinsurance and deductible as a separate portfolio. Based on historical collection trends and other analyses, the Company believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

The transaction price, which involves significant estimates, is determined based on the Company's established charges, with a reduction recorded for price concessions. The Company estimates the transaction price associated with services provided to patients who have third-party payor coverage based on the reimbursement terms outlined in contractual agreements and historical experience and includes estimated retroactive revenue adjustments under the agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as final settlements are determined. For uninsured and underinsured patients who do not qualify for charity care, the Company determines the transaction price associated with services on the basis of charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on the Company's historical collection experience, changes in collection patterns, composition of patient accounts by patient type, and general economic conditions. Patients who meet the Company's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Management regularly reviews payment data for each major payor in evaluating the sufficiency of the estimated allowance for price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenue in the period of the change.

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

1. Organization and Summary of Accounting Policies (continued)

Net patient service revenue is recognized as performance obligations are satisfied. Inpatient service performance obligations are satisfied over time and revenue is recognized based on actual charges incurred in relation to total expected or actual charges. Unsatisfied or partially satisfied performance obligations for inpatient services primarily relate to patients in-house at the end of each reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Outpatient services are performance obligations satisfied over a period of time, which is often less than one day, and revenue is recognized when services are provided.

The Company has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected by the payors, the lines of business that render services to patients, and the timing of when revenue is recognized and billed. Net patient service revenue by line of business for the years ended June 30 follows:

	2025	2024
Hospital Clinic Other	\$ 1,377,824 249,980 76,997	\$ 1,295,187 234,710 59,019
	\$ 1,704,801	\$ 1,588,916

Net patient service revenue, by significant payor classification, for the years ended June 30 follows:

	 2025	2024
Medicare	\$ 491,955	\$ 464,944
Medicaid/QUEST integration	330,903	316,460
Commercial	796,059	721,195
Self-pay and other	85,884	86,317
	\$ 1,704,801	\$ 1,588,916

Significant concentrations of patient accounts receivable include Hawaii Medical Service Association – 23% and 20%, Medicaid and QUEST Integration programs – 19% and 23%, and Medicare and Medicare Advantage – 37% and 33% as of June 30, 2025 and 2024, respectively.

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

1. Organization and Summary of Accounting Policies (continued)

Government Reimbursement Programs

The Company renders service to patients under contractual arrangements with the Medicare and Medicaid programs. The Medicare program includes the traditional Medicare fee for service and Medicare managed care plans. Medicare hospital reimbursement for hospital inpatient and outpatient services is based on the Medicare prospective payment systems, fee schedules, and cost reimbursement methods. A portion of the Company's Medicare reimbursement, primarily disproportionate share, medical education, and bad debt, is paid during the year at an interim rate. Final settlement is determined after annual cost reports submitted by the Company are audited by the Medicare contractors. Differences between final cost report settlements and amounts accrued in previous years, due to audit adjustments recorded by the Medicare contractor, are reported as current year changes to net patient service revenue. The Company has the ability to appeal the adjustments based on a process established by Medicare.

The state of Hawai'i administers its QUEST Integration Medicaid program through participating Medicaid managed care health plans under a Section 1115 waiver. The Medicaid managed care plans provide access to health care services to Medicaid eligible members. The Company contracts with the Medicaid managed care health plans to provide health care services under negotiated reimbursement rates and methodologies, which include per diem, per discharge, fee schedules, percentage of charge, and capitation. Newly eligible Medicaid beneficiaries receive health care services under the traditional Medicaid program based on Hawai'i Administrative Rules pending assignment to a Medicaid managed care health plan.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Company believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing that would have a material impact on its consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs.

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

1. Organization and Summary of Accounting Policies (continued)

The state of Hawai'i uses a provider fee to help finance the state's share of Medicaid expenditures. The Hospital Sustainability Program Act (HSPA) was amended in federal fiscal year 2017 to make payments to private hospitals through three payment types: (1) additional access payments based on increased rates received through Medicaid Managed Care Plans; (2) additional payments received under the state of Hawai'i pay-for-performance program, incentivizing quality care measured on a calendar year basis; and (3) additional payments made for Medicaid disproportionate share hospital portions of payments as compared with levels of uncompensated care measured on a federal fiscal year basis.

For the years ended June 30, 2025 and 2024, the Company recorded approximately \$69.0 million and \$53.6 million, respectively, in net patient service revenues related to HSPA payments and approximately \$29.1 million and \$22.3 million, respectively, in other purchases expense related to provider tax payments.

Charity Care

The Company will treat patients regardless of their ability to pay. An established charity care policy sets guidelines to determine which patients qualify for care given at no charge. Since the Company does not pursue collection from qualified charity care patients, related charges are not reported as revenue. Charity care cost provided in both 2025 and 2024 was less than 1% of total net patient service revenue, as measured by applying the cost to gross charges ratio to gross uncompensated charges associated with providing charity care to patients.

Collective Bargaining Agreements

The Company has several collective bargaining agreements covering approximately 34% of its labor force. As of June 30, 2025, three collective bargaining agreements with two unions, or approximately 14% of the Company's labor force, will expire within one year.

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

1. Organization and Summary of Accounting Policies (continued)

Deferred Financing Costs

Costs incurred in obtaining long-term financing, reported within long-term debt, are deferred and amortized over the terms of the related obligations using the effective-interest method.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for circumstances which could indicate that carrying values may not be recoverable. Management determined that no long-lived assets were impaired as of or during the fiscal years ended June 30, 2025 or 2024.

Excess of Revenues Over Expenses

The consolidated financial statements of operations and changes in net assets include the excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, include changes in unrealized gains on debt securities, net assets released from restrictions for purchase of property and equipment, pension-related changes other than net periodic pension costs, change in interest rate swap value, and other changes in net assets.

Subsequent Events

Subsequent events have been evaluated through November 12, 2025, the date these consolidated financial statements were issued.

Use of Estimates

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

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

2. Liquidity and Availability

Financial assets available for general expenditures within one year of the consolidated balance sheet date are composed of the following as of June 30:

	 2025	2024
Cash and cash equivalents	\$ 231,513	\$ 213,981
Patient accounts receivable, net	238,894	205,152
Due from third-party payor receivable	45,225	28,022
Other current receivable	43,815	27,615
Board-designated investments	175,058	171,893
Unrestricted investments	478,953	479,392
Financial assets available to meet general expenditures within one year	\$ 1,213,458	\$ 1,126,055

Included in other receivables, board-designated assets and investments on the consolidated balance sheets as of June 30, 2025 and 2024, are financial assets that are not available for general expenditures within one year of the balance sheet date and, accordingly, are excluded from the liquidity footnote. The excluded financial assets include the following as of June 30, 2025 and 2024: board-approved financial assets to be used solely for capital expansion of \$249.7 million and \$196.3 million, respectively; investments held in private equity funds that cannot be liquidated within a year period of \$80.4 million and \$66.3 million, respectively; investments held by PIC for payment of self-insurance claims of \$27.7 million and \$19.1 million, respectively; cash surrender life insurance policies of \$23.2 million and \$22.0 million, respectively; and restricted pledges and other receivables to be used based on the donor restriction of \$7.3 million and \$16.8 million, respectively.

As part of the Company's liquidity management plan, a \$75.0 million line of credit is maintained, as discussed in more detail in Note 9.

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

3. Fair Value

The Company's investments are recorded at fair value based on an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or a liability. As a basis for considering such assumptions, the fair value measurement accounting standard establishes a three-tier fair value hierarchy and prioritizes the inputs used in measuring fair value as follows:

Level 1 – Pricing inputs are based on quoted prices, unadjusted, for identical assets or liabilities in active markets.

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.

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 comparables, discounted cash flow models, and fund manager estimates.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques. The three valuation techniques are identified in the tables below. The valuation techniques are as follows:

- (a) Market approach Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- (b) Cost approach Amount that would be required to replace the service capacity of an asset (replacement cost).
- (c) Income approach Techniques to convert future amounts to a single present value amount based on market expectations (including present value techniques, option-pricing, and excess earnings models for intangibles).

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

3. Fair Value (continued)

As of June 30, 2025 and 2024, the Company's alternative investments, amounting to approximately \$628.9 million and \$545.7 million, respectively, are accounted for using the equity method of accounting and are recorded within assets whose use is limited or restricted and investments within the consolidated balance sheets. Since alternative investments are accounted for using the equity method of accounting, which is not a fair value measurement, they are omitted from the following tables.

The Company has unfunded capital commitments under alternative investment private equity funds totaling approximately \$65.6 million as of June 30, 2025. Capital commitments are determined by fund managers and the unfunded capital commitments can be funded through June 2032.

As of June 30, 2025 and 2024, the Company's investments in cash surrender values of life insurance policies amounting to approximately \$23.2 million and \$22.0 million, respectively, are omitted from the following tables as they are accounted for as life insurance contracts and are recorded within investments on the consolidated balance sheets.

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

3. Fair Value (continued)

The tables below present the Company's fair value measurements on a recurring basis as of June 30:

			2025		
Description	Total	Level 1	Level 2	Level 3	Valuation Technique
Board-designated investments: Money market funds Equity securities mutual funds Debt securities: U.S. Treasury obligations Corporate and municipal bonds	\$ 23,555 \$ 116,442	23,555 116,442 10,101	\$ - \$ - - 15,952	- - -	a a a a
Funds held by trustee under bond indenture agreement: Money market funds	24,576	24,576	_	_	a
Project funds held by trustee under bond indenture agreement: Money market funds Debt securities: U.S. Treasury obligations	87,821 60,315	87,821 60,315	-	-	a a
Investments restricted by donor or grantor: Equity securities mutual funds Debt securities:	3,559	3,559	-	-	a
Corporate and municipal bonds Foreign bonds U.S. Treasury obligations Charitable remainder trust assets Certificate of deposit Money market funds Beneficial interest in perpetual trusts	472 3 376 54 600 555 5,581	376 - - 555	472 3 - 54 600 - -	- - - - - - 5,581	a a a a a c
Unrestricted investments: Money market funds Equity securities mutual funds Global equity common stocks Debt securities: U.S. Treasury obligations U.S. government-sponsored agencies Corporate and municipal bonds Foreign bonds	25,631 140,435 100 21,569 1,449 27,601	25,631 140,435 100 21,569	- - 1,449 27,601	- - - - -	a a a a a a
Deferred compensation plan assets: Cash Money market funds Mutual funds Equity securities Indexed option Total investments at fair value	\$ 188 1,183 53,917 6,976 561 629,586 \$	188 1,183 53,917 6,976 — 577,299	\$ - - - - 46,145 \$	- - - 561 6,142	a a a a c
Funds held by trustee under bond indenture agreement Project funds held by trustee under bond indenture agreement Assets whose use is limited or restricted Investments Deferred compensation plan assets — within other assets Less alternative investments Less cash surrender value of life insurance policies Less cost investment Less restricted pledge receivables, net Less cash and cash equivalents Less investments at contract value Total investments at fair value	\$ 24,576 148,136 521,571 550,136 67,039 (628,903) (23,216) (7,108) (12,831) (5,600) (4,214) 629,586				

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

3. Fair Value (continued)

						2024		
Description		Total		Level 1		Level 2	Level 3	Valuation Technique
Board-designated investments:								
Money market funds	\$	15,090	\$	15,090	\$	- \$	=	a
Equity securities mutual funds		119,075		119,075		=	=	a
Debt securities:								
U.S. Treasury obligations		9,830		9,830		14,083	=	a
Corporate and municipal bonds		14,083		_		14,063	_	a
Funds held by trustee under bond indenture agreement: Money market funds		21,524		21,524		=	=	a
Project funds held by trustee under bond indenture agreement:								
Debt securities:								
U.S. Treasury obligations		182,843		182,843		=	=	a
Investments restricted by donor or grantor:								
Equity securities mutual funds		4,075		4,075		_	_	a
Debt securities:				Í				
Corporate and municipal bonds		513		_		513	-	a
Foreign bonds		3		- 201		3	_	a
U.S. Treasury obligations Charitable remainder trust assets		391 62		391		- 62	_	a
Charitable remainder trust assets Certificate of deposit		600		_		600	_	a a
Money market funds		414		414		-	_	a
Beneficial interest in perpetual trusts		5,419		_		-	5,419	c
Unrestricted investments:								
Money market funds		18,819		18,819		=	=	a
Equity securities mutual funds		160,627		160,627		=	=	a
Global equity common stocks		85		85		=	=	a
Debt securities:		23,492		22 402				
U.S. Treasury obligations Corporate and municipal bonds		26,649		23,492		26,649	_	a a
Foreign bonds		14		_		14	_	a
Deferred compensation plan assets:								
Cash		995		995		_	_	a
Money market funds		623		623		=	=	a
Mutual funds		45,440		45,440		-	_	a
Equity securities		5,761		5,761		=	-	a
Indexed option Total investments at fair value	\$	524 656,951	\$	609,084	\$	41,924 \$	524 5,943	c
Total investments at fair value			φ	002,004	φ	71,727 3	3,943	
Funds held by trustee under bond indenture agreement	\$	21,524						
Project funds held by trustee under bond indenture agreement Assets whose use is limited or restricted		182,842 450,271						
Investments		537,372						
Deferred compensation plan assets – within other assets		56,921						
Less alternative investments		(545,733)						
Less cash surrender value of life insurance policies		(22,040)						
Less cost investment		(5,971)						
Less restricted pledge receivables, net		(9,056)						
Less cash and cash equivalents Less investments at contract value		(5,600) (3,579)						
Total investments at fair value	\$	656,951						
1000 III. Commonto de lan value	Ψ	050,751						

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

3. Fair Value (continued)

The Company received restricted pledges and contributions amounting to approximately \$37.6 million and \$43.9 million in 2025 and 2024, respectively, which are recorded within net assets with donor restrictions – restricted grants and contributions on the consolidated financial statements of operations and changes in net assets. These restricted pledges are subject to fair value measurement upon initial receipt using discounted cash flow projections. Pledges receivable, net of the present value discount, using discount rates from 0.85% to 4.94%, and allowance for uncollectible pledges were approximately \$20.1 million and \$15.8 million as of June 30, 2025 and 2024, respectively.

4. Property and Equipment

Property and equipment as of June 30 follow:

	 2025	2024
Land and land improvements	\$ 45,843	\$ 45,874
Buildings and improvements	816,811	811,997
Equipment	469,773	487,853
Construction-in-progress	 154,855	75,403
	1,487,282	1,421,127
Less accumulated depreciation	 828,689	828,470
Property and equipment, net	\$ 658,593	\$ 592,657

In 2025 and 2024, the Company wrote off fully depreciated property and equipment of \$55.8 million and \$14.4 million, respectively.

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

5. Other Assets

Other assets as of June 30 follow:

	 2025	2024
Grant receivable	\$ 52,493	\$ 58,421
Deferred compensation plan assets	67,039	56,921
Reinsurance receivable	26,350	14,856
Other	23,017	12,533
Total other assets	\$ 168,899	\$ 142,731

6. Goodwill

Changes in goodwill for the years ended June 30, 2025 and 2024, follow:

Goodwill, July 1, 2023	\$ 66,124
Goodwill from acquisitions	
Goodwill, June 30, 2024	66,124
Goodwill from acquisitions	35,960
Goodwill, June 30, 2025	\$ 102,084

In August 2024, the Company completed the acquisition of a 60% controlling interest in All Access Ortho O'ahu LLC for \$22.1 million. The difference between the purchase consideration and the fair value of the assets acquired of \$0.09 million and noncontrolling interest of \$14.70 million amounted to approximately \$36.00 million and was recognized as goodwill in the fiscal year ended June 30, 2025.

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

7. Other Long-Term Liabilities

Other long-term liabilities as of June 30 follow:

	 2025	2024
Deferred compensation liability	\$ 65,245	\$ 54,610
Long-term malpractice reserves	50,281	38,777
Reinsurance obligations	26,351	14,283
Other	22,892	25,973
Total other long-term liabilities	\$ 164,769	\$ 133,643

8. Employee Benefit Plans

Eligible employees of the Company are covered under the Hawai'i Pacific Health Retirement Plan (the Plan), a noncontributory defined benefit pension plan. Benefits are based on years of service and a percentage of the employee's compensation. The Company's policy is to accrue actuarially determined net periodic pension costs and to annually contribute an amount within regulatory guidelines. Active eligible participant accounts receive a cash balance credit, ranging from 3.0% to 6.5% of eligible compensation based on the participant's age and years of service.

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

8. Employee Benefit Plans (continued)

The following is a summary of the changes in the projected benefit obligation and the fair value of plan assets for the years ended June 30:

	2025	2024
Projected benefit obligation		_
Benefit obligation, at beginning of year	\$ 359,868 \$	376,659
Service cost	17,547	17,682
Interest cost	18,865	19,069
Actuarial loss (gain)	4,513	(9,595)
Annuity purchase	_	(21,535)
Benefits paid	(25,932)	(22,412)
Benefit obligation, at end of year	374,861	359,868
Fair value of plan assets		
Fair value of plan assets, at beginning of year	407,334	418,650
Contributions	19,500	17,000
Actual return on plan assets	21,980	15,841
Annuity purchase	_	(21,745)
Benefits paid	(25,932)	(22,412)
Fair value of plan assets, at end of year	422,882	407,334
Prepaid pension, at end of year	\$ 48,021 \$	47,466
	2025	2024
	 2023	4044
Unrecognized net actuarial loss	\$ 168,549 \$	171,555
Unrecognized prior service credit	 (27,335)	(34,743)
Accumulated other comprehensive loss	\$ 141,214 \$	136,812

The overfunded status of the Plan of approximately \$48.0 million and \$47.5 million at June 30, 2025 and 2024, respectively, is recognized on the accompanying consolidated balance sheets as prepaid pension. The accumulated benefit obligation approximated \$374.9 million and \$360.0 million at June 30, 2025 and 2024, respectively. No plan assets are expected to be returned to the Company during the year ending June 30, 2026.

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

8. Employee Benefit Plans (continued)

In June 2024, the Plan completed a noncancelable group annuity purchase with Securian Life Insurance Company (Securian). There were approximately 300 retirees in pay status whose future benefit obligations were sold, and risk was legally transferred, to Securian for a premium of \$21.7 million.

Components of net periodic benefit cost for the years ended June 30 follow:

	 2025	2024
~ .	44-	4.7.600
Service cost	\$ 17,547 \$	17,682
Interest cost	18,865	19,069
Expected return on plan assets	(24,548)	(24,335)
Recognized prior service credit	(7,408)	(7,408)
Recognized net loss	 10,086	10,801
Net periodic benefit cost	\$ 14,542 \$	15,809

Weighted average assumptions used to determine benefit obligations as of June 30 follow:

2025	2024
5.57%	5.48%

Weighted average assumptions used to determine net periodic benefit cost for the years ended June 30 follow:

	2025	2024
Discount rate	5.48%	5.21%
Expected return on plan assets	6.50	6.30
Rate of compensation increase	4.00	4.25

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

8. Employee Benefit Plans (continued)

Asset Allocations

The assets of the Plan are held by the plan trustee in the HPH combined pension fund. Oversight of the combined pension fund assets is provided by the HPH Investment Advisory Group and the HPH Finance Committee of the Board of Directors. The long-term financial objectives of the combined pension fund are to comply with regulatory funding requirements and balance liquidity needs to meet benefit and expense obligations when due with long-term investment return goals to satisfy future plan obligations.

The long-term investment objective is to earn an average real return of 5%, after adjusting for inflation and management fees, over long time periods. In order to achieve this objective, the fund needs to exceed the investment objectives in certain periods in order to compensate for shortfalls in other periods. This implies a higher average allocation to equity securities. HPH's current asset allocation policy target of 33% equity securities and 67% fixed-income securities and cash will change based on the Plan's status to hedge interest rate risk.

The expected return on plan assets of 6.50% was developed based upon analysis of historical market returns, current market conditions, targeted future asset allocations, the plan assets' past performance, and expectations on potential future market returns. The expected return represents a long-term average view of the performance of the plan assets, which may not be achieved during a given plan year.

The weighted average target asset allocations, compared with actual asset allocations as of June 30, by major asset category, follow:

	Target Allocation	Percentage Plan A	
	2025	2025	2024
Major asset category			
Global equity	18%	20%	26%
Fixed income	65	62	57
Marketable alternative and private			
investments	15	12	12
Real estate	_	3	3
Cash and cash equivalents	2	3	2
<u>-</u>	100%	100%	100%

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

8. Employee Benefit Plans (continued)

The table below presents the plan's assets measured at fair value on a recurring basis as of June 30:

	2025							
		Total		Level 1		Level 2	Level 3	Valuation Technique (Note 3)
Equity securities:								
Mutual funds	\$	79,701	\$	79,701	\$	- \$	_	a
Common stock		75		75		_	_	a
Real estate		12,330		_		12,330	_	a
Common collective funds		100,870		100,870		_	_	a
Limited liability companies		85,112		85,112		_	_	a
Cash and cash equivalents		11,846		11,846		_		a
Total investments		289,934	\$	277,604	\$	12,330 \$		
Alternative investments measured at net asset value:								
Closely held securities		12,671						
Common collective funds		29,843						
Limited partnerships		77,519						
Limited liability companies		12,915						
Total investments at fair value	\$	422,882	=					

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

8. Employee Benefit Plans (continued)

	2024							
		Total		Level 1		Level 2	Level 3	Valuation Technique (Note 3)
Equity securities:								
Mutual funds	\$	67,767	\$	67,767	\$	- \$	_	a
Common stock		5,503		5,503		_	_	a
Real estate		12,450		_		12,450	_	a
Common collective funds		106,232		106,232		_	_	a
Limited liability companies		68,854		68,854		_	_	a
Cash and cash equivalents		6,620		6,620		_		a
Total investments		267,426	\$	254,976	\$	12,450 \$		
Alternative investments measured at net asset value:								
Closely held securities		14,516						
Common collective funds		27,217						
Limited partnerships		80,593						
Limited liability companies		17,582	_					
Total investments at fair value	\$	407,334	=					

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

8. Employee Benefit Plans (continued)

The Plan's alternative investments are reported at net asset value per share as a practical expedient or its equivalent. The following tables and explanations identify attributes relating to the nature and risk of such investments as of June 30:

	2025						
	F	air Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (if Currently Eligible)	Redemption Restrictions and Expiration of Restriction		
Fixed income	\$	185,982	Daily	1–2 business days	-		
Global ex-U.S. equity		10,944	Monthly	10 days	_		
U.S. equity ex small-cap		21,741	Monthly	31 days	_		
Emerging markets equity Diversified arbitrage/		5,439	Monthly	10–30 days	_		
event driven		3,848	Quarterly	65 days	Gates, holdbacks		
Distressed		210	25% quarterly Monthly, semimonthly,	65 days	Side pockets, gates		
Global long/short equity		32,271	quarterly	3–60 days	Side pockets, gates		
U.S. long/short equity		12,915	Monthly	5–60 days	_		
Global macro		11,256	Monthly, quarterly	14–60 days	_		
Private equity		34,317	-	-	-		
Opportunistic		7	_	-	-		
	\$	318,930	=				

	2024						
	I	₹air Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period (if Currently Eligible)	Redemption Restrictions and Expiration of Restriction		
Fixed income	\$	175,086	Daily	1–2 business days	=		
Global ex-U.S. equity	-	14,883	Monthly	10 days	_		
U.S. equity ex small-cap		24,044	Monthly	31 days	_		
Emerging markets equity		6,588	Monthly	10–32 days	_		
Diversified arbitrage/			•	•			
event driven		4,363	Quarterly	65 days	Gates, holdbacks		
			Every 24 months,				
Distressed		223	25% quarterly	65 days	Side pockets, gates		
Global long/short equity		33,665	Monthly	3–60 days	Side pockets, gates		
U.S. long/short equity		17,582	Monthly	60 days	_		
Global macro		7,741	Monthly, quarterly	14–60 days	_		
Private equity		30,812	_	_	_		
Opportunistic		7	_	-	-		
	\$	314,994					

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

8. Employee Benefit Plans (continued)

Fixed income: Portfolios that seek to exploit mispricings in fixed-income securities, utilizing a variety of investment instruments, including corporate and municipal bonds, sovereign debt, mortgage-backed securities, swaps, and options. These managers often utilize leverage to magnify their returns.

Global ex-U.S. equity: This category invests in portfolios consisting of a core group of long stock positions and stock indexes in global ex-U.S. equity markets. These managers do not focus on a single sector or geographic region, instead employing a broad, global, ex-U.S. mandate.

U.S. equity ex small-cap: This category has products investing in U.S. equity securities that do not fall in small market cap categories.

Emerging markets equity: This category has products investing in the equity securities of companies located in emerging and frontier market countries.

Diversified arbitrage/event driven: This category has multi-strategy portfolios that have broad investment parameters, seeking to profit from mispricings across asset classes and strategies and exploit security mispricings caused by mergers and acquisitions, spin-offs, tracking stocks, accounting write-offs, reorganizations, bankruptcies, share buybacks, and special dividends.

Distressed: This category has portfolios consisting primarily of investments in debt securities of companies that are experiencing business, financial, market, or legal uncertainties, attempting to capture the difference between the market price of security or debt obligations and their underlying intrinsic value.

Global long/short equity: This category has portfolios consisting of a core group of long stock positions with short sales of stock and stock indexes in global and global ex.-U.S. equity markets.

U.S. long/short equity: This category has portfolios consisting of a core group of long stock positions with short sales of stock and stock indexes in U.S. equity markets.

Global macro: This category has broad, top-down strategies that seek to capitalize on perceived macroeconomic and political shifts in investor behavior and market positions. This category is unconstrained by asset class or geography and implemented through long and short positions and means of cash, asset purchases (including physical commodities), futures, options, and other instruments. Leverage is often applied, and return and volatility targets may vary sharply.

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

8. Employee Benefit Plans (continued)

Private equity: Private equity is capital that is not traded on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity. The Plan has unfunded capital commitments for private equity funds totaling approximately \$28.8 million as of June 30, 2025. Capital commitments are determined by fund managers and the unfunded capital commitments can be funded through January 2034.

Opportunistic: This category has multi-strategy portfolios that have a broad mandate and employ an opportunistic investment approach, shifting capital across asset classes and strategies, depending on their profitability.

The Company expects to make contributions to the Plan amounting to approximately \$19.5 million in fiscal year 2026.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year ending June 30:	
2026	\$ 26,298
2027	24,612
2028	25,495
2029	26,016
2030	26,802
Years 2031–2034	155,379
Total	\$ 284,602

The Company has defined contribution retirement plans (Retirement Plans) that cover substantially all employees and provide participants with the ability to make pretax payroll deduction contributions for deposit into retirement savings accounts. The participants' contributions are matched at a percentage of their total contributions up to annual dollar limits per participant, as defined by the Retirement Plans. The Company may also make discretionary contributions. The total expense related to the Retirement Plans was approximately \$27.4 million and \$25.9 million in 2025 and 2024, respectively.

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

9. Line and Letters of Credit

The Company has a \$75.0 million unsecured revolving line of credit available, expiring March 1, 2029. The interest rate on the line is based on the adjusted term Secured Overnight Financial Rate (SOFR). There were two outstanding draws on this facility as of June 30, 2025, totaling \$35 million and no outstanding draws as of June 30, 2024.

As of June 30, 2025, the Company's available letters of credit were as follows:

Coverage	Amount	Expiration Date	Interest Rate
Malpractice insurance policies: PIC	\$2 million	February 15, 2026	*
Workers' compensation insurance policies: HPH	\$1 million	February 1, 2026	*

^{*} Interest rate would be determined if drawn upon.

There were no draws on the above letters of credit as of June 30, 2025 or 2024.

10. Long-Term Debt

Long-term debt, net of issuance costs, as of June 30 follows:

_	2025	2024
Series 2023C Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 3.47% to 5.33% (4.85% at June 30, 2025), principal payments in varying annual amounts ranging from \$950 to \$14,190 due July 2024 through 2043; term bond of \$31,965 due		
July 2047 and \$49,780 due July 2052	\$ 197,180	\$ 198,095
Series 2023B Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 2.20% to 2.90% (2.61% at June 30, 2025), principal payments in varying annual amounts ranging from \$2,030 to \$2,855 due July 2024 through 2032	20,724	23,559
Series 2023A Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 2.20% to 3.69% (3.41% at June 30, 2025), principal payments in varying annual amounts ranging from \$1,440 to \$22,770 due July 2024 through 2043	108,029	110,236

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

10. Long-Term Debt (continued)

		2025		2024
Prudential 3.25% Series A Senior Note due March 2043, principal and interest payable semiannually in varying amounts ranging from \$575 to \$2,405 due September 2025 through March 2043	\$	46,310	\$	48,205
Series 2019 Special Purpose Revenue Bonds, interest payable monthly at a fixed rate of 2.71%, principal payments in varying annual amounts ranging from \$3,033 to \$4,425 due July 2024 through 2033		32,673		35,666
Series 2018B Taxable Refunding Revenue Bonds, interest payable semiannually at rates ranging from 3.52% to 4.27% (4.16% at June 30, 2025), principal payments in varying annual amounts ranging from \$1,925 to \$2,605 due July 2024 through 2032; \$2,715 to \$3,610 due July 2033 through July 2040		43,113		44,999
Series 2018A Taxable Refunding Revenue Bonds, interest payable semiannually at rates ranging from 3.52% to 4.27% (4.23% at June 30, 2025), principal payments in varying annual amounts ranging from \$645 to \$1,665 due July 2024 through 2032; \$1,210 to \$11,605 due July 2033 through July 2040		84,044		84,629
Prudential 3.81% Series A Senior Note due September 2042, annual amortizing principal payments due in September and semiannual interest payments due in March and September		45,495		47,229
Bank loan, interest payable monthly at SOFR, plus 1.5% during the construction loan period, principal and interest payments commence on approximately May 1, 2027, maturity date May 1, 2037		4,920		_
Total long-term debt		582,488		592,618
Less current portion Noncurrent portion	2	18,347 564,141	\$	15,050 577,568
Troncuttent portion	Ψ	307,171	Ψ	311,300

In August 2022, the Company entered into a commitment to issue approximately \$205.7 million of direct purchase forward delivery bonds (Series 2023C Special Purchase Revenue Bonds) in November 2023. The forward delivery bond agreement was amended in November 2023 to issue approximately \$204.0 million of direct purchase forward delivery bonds in January 2024. The proceeds from the Series 2023C Special Purchase Revenue Bonds were placed in a project fund held by trustee and will be used to finance early phase costs of the SCH campus redevelopment project.

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

10. Long-Term Debt (continued)

The Company executed a shelf note arrangement (Prudential Note) in September 2017, which allowed the Company to issue senior notes up to an aggregate of \$150.0 million through September 2020. In September 2017, senior notes payable totaling \$56.5 million were issued with interest at 3.81% due September 2042. Principal is payable annually, and interest is payable semiannually. The proceeds from the notes were used to fund additional contributions to the Plan in fiscal year 2018. In June 2020, the Company executed a draw on the Prudential shelf arrangement. Senior notes were issued totaling \$50.0 million, due March 2043. Principal and interest are payable semiannually with interest payments starting March 2021 and principal payments starting September 2023. The proceeds from the notes were used to fund additional contributions to the pension plan in fiscal year 2020.

In February 2020, the Company executed a forward delivery bond purchase agreement to issue Series 2023A and 2023B Special Purpose Revenue Bonds amounting to approximately \$105.5 million and \$21.8 million, respectively. The transaction was completed on July 6, 2023. The Series 2023A and 2023B Special Purpose Revenue Bonds were issued at a premium of \$8.9 million. The Series 2023A and 2023B Special Purpose Revenue Bonds have maturity dates from July 1, 2024 through 2043, and are collateralized by a security interest in the gross receipts and pledged assets of the Obligated Group. Upon issuance, the Series 2023A and 2023B Special Purpose Revenue Bonds were used to pay off the outstanding obligation of the Company's Series 2013A and 2013B Special Purpose Revenue Bonds.

In May 2019, the Company issued Series 2019 Bonds in the amount of \$48.1 million. The proceeds of the Series 2019 Bonds were used to refund the Series 2013C variable rate bonds.

In April 2018, the Company issued Series 2018A and 2018B Taxable Refunding Bonds in the amounts of approximately \$93.0 million and \$54.1 million, respectively. The proceeds of the Series 2018A and 2018B Bonds were used to defease the Series 2010A and 2010B Department of Budget and Finance of the State of Hawai'i Special Purpose Revenue Bonds on July 1, 2020.

The 2018A and 2018B Bonds are subject to optional redemption prior to their stated maturities at the option of the Company at a redemption price equal to a Make-Whole Redemption Price. The 2018A and 2018B Bonds are also subject to Extraordinary Optional Redemption at the direction of the Company. The 2018B Bonds are subject to mandatory redemption on or after July 1, 2033, payable in annual sinking fund installments from \$2.7 million to \$3.6 million. The 2018A Bonds are subject to mandatory redemption on or after July 1, 2033, payable in annual sinking fund installments from \$1.2 million to \$11.6 million.

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

10. Long-Term Debt (continued)

The Prudential Notes; 2018 Series Taxable Refunding Bonds; and 2023, 2019, and 2013 Series Special Purpose Revenue Bonds are collateralized by a security interest in the gross receipts and pledged assets of the Obligated Group (composed of HPH – parent company only, KMCWC, PMMC, SCH, and WMH), as defined in the Master Indenture.

As of June 30, 2025 and 2024, approximately \$24.6 million and \$21.5 million, respectively, was held by the bond trustee to fund principal maturities and accrued interest payable.

Certain bond agreements require the Obligated Group, as defined in the Company's Master Trust Indenture, to comply with various covenants, including the maintenance of a minimum long-term debt service coverage ratio. As of June 30, 2025, the Obligated Group was in compliance with all bond covenants.

In May 2025, one of the Company's for-profit entities entered into a bank loan agreement with maximum principal amount of \$15.9 million. As of June 30, 2025, borrowings on the loan amounted to \$4.9 million. As a condition of the loan, HPHPI is required to hold a \$4 million deposit account with the lender as collateral. The loan is also collateralized by a security interest in HPHPI's lease in specified property and security interest in all assets of the specified property.

Long-term debt maturities (including bond premium and bond issuance costs of \$1.4 million) for the years succeeding June 30, 2025, are as follows:

Year ending June 30:	
2026	\$ 18,347
2027	19,119
2028	19,923
2029	20,599
2030	21,316
Thereafter	483,184
	\$ 582,488

Interest paid was approximately \$20.1 million and \$16.5 million in 2025 and 2024, respectively.

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

11. Leases

Short-term leases, with terms of 12 months or less, are not included in the present value calculations of the right of use assets or lease obligations per the Company's accounting policy. For leases with terms greater than 12 months, management records the related right of use assets and lease obligations based on the present value of lease payments over the lease term. The Company has elected to exclude non-lease components from the minimum rent payment used to calculate the right of use assets and lease obligations. The Company has elected to utilize an incremental borrowing rate similar to a collateralized borrowing rate available to the Company, commensurate with the lease term to determine the present value of lease payments. Several of the Company's leases include rental escalation clauses and renewal options that are factored into management's determination of lease payments, when appropriate.

The following table summarizes the weighted average lease term and discount rate as of June 30:

	2025	2024
Weighted average remaining term:		
Operating leases	20.5 years	21.7 years
Finance leases	2.9 years	2.8 years
Weighted average discount rate:		
Operating leases	3.48%	2.82%
Finance leases	4.19	3.30

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

11. Leases (continued)

The following table reconciles the undiscounted cash flows to the operating lease and finance lease liabilities recorded on the consolidated balance sheet as of June 30, 2025:

	Operating Leases		Finance Leases
	-		
2026	\$	20,679	\$ 981
2027		19,697	822
2028		17,546	614
2029		15,160	115
2030		12,077	52
Thereafter		121,884	_
Total minimum lease payments		207,043	2,584
Less amount of lease payments representing interest		(58,442)	(154)
Present value of future minimum lease payments		148,601	2,430
Less current obligations under leases		(15,777)	(898)
Long-term lease obligations	\$	132,824	\$ 1,532

The lease cost components, by lease type, for the years ended June 30 follow:

	 2025	2024
Finance lease expense: Amortization of leased assets Interest on lease liabilities	\$ 1,640 \$ 105	1,840 101
Operating lease expense:		
Operating leases	20,555	17,702
Short-term leases	1,096	1,253
Total lease cost	\$ 23,396 \$	20,896

The Company accounts for all rent holidays, tenant improvement allowances, and escalation clauses by recognizing the total operating leases rent expense on a straight-line basis over the term of each operating lease. The difference between the straight-line lease expense recognized and the actual lease payment of approximately \$13.6 million and \$10.9 million as of June 30, 2025 and 2024, respectively, is included as a reduction to right of use assets – operating.

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

11. Leases (continued)

Supplemental lease cash flow information for the years ended June 30 follows:

	2025	2024
Cash paid for amounts included in the measurement		
of lease liabilities:		
Operating cash flows for operating leases	\$ 20,023	\$ 18,534
Operating cash flows for finance leases	105	101
Financing cash flows for finance leases	1,672	1,841

Future minimum rental income to be received under noncancelable operating leases for office space as of June 30, 2025, follows:

Year ending June 30:	
2026	\$ 2,282
2027	2,219
2028	2,107
2029	2,156
2030	1,907
Thereafter	12,816
	\$ 23,487

12. Income Taxes

Some of the Company's not-for-profit organizations have generated net operating losses (NOLs) attributable to revenue-generating activities that are not related to their respective tax-exempt purposes. The Company has unused federal and Hawai'i state NOL carryforwards as of June 30, 2025 and 2024, of approximately \$2.0 million combined and \$4.7 million combined, respectively. The NOL carryforwards begin to expire in 2025, with NOLs accrued during the 2018 tax year and thereafter never expiring under current law. The deferred tax asset associated with these NOL carryforwards is offset by a full valuation allowance on the consolidated balance sheets as management has determined it is more likely than not that the NOLs will not be utilized.

The Company has not recorded any expense or accrued for any related expense for any uncertain tax positions. The Company's 2017 through 2025 tax years remain subject to examination for federal income tax purposes, whereas the 2018 through 2025 tax years remain subject to examination for state taxing jurisdictions in which the Company operates.

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

13. Functional Expenses

The functional classification of expenses by major classes of program services and supporting activities for the years ended June 30 follows:

		Patient Services 2025 Philanthropic and Support Services				Total	
Salaries and employee benefits	\$	874,914	\$	155,017	\$	1,029,931	
Services	-	266,369	•	49,659	_	316,028	
Supplies		454,258		559		454,817	
Other purchases		92,893		45,137		138,030	
Depreciation and amortization		47,688		10,111		57,799	
Specific purpose projects/donations		194		16,687		16,881	
Interest		21,240		2,770		24,010	
Other		12,388		7,270		19,658	
Total expenses	\$	1,769,944	\$	287,210	\$	2,057,154	
			DI	2024			

		2024	
	 D (1)	ilanthropic	
	Patient	d Support	
	 Services	Services	<u>Total</u>
Salaries and employee benefits	\$ 830,407	\$ 142,303	\$ 972,710
Services	231,107	43,784	274,891
Supplies	356,512	862	357,374
Other purchases	81,632	34,975	116,607
Depreciation and amortization	48,879	10,020	58,899
Specific purpose projects/donations	1	17,582	17,583
Interest	17,337	2,463	19,800
Other	12,525	8,973	21,498
Total expenses	\$ 1,578,400	\$ 260,962	\$ 1,839,362

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

14. Commitments and Contingencies

Workers' Compensation Claims

The Company is self-insured for workers' compensation claims. The Company has an available letter of credit in favor of the state of Hawai'i (as described in Note 9), as required by self-insurance regulations of the state of Hawai'i. The Company provides its actuary with estimated claims payments and accrues workers' compensation expense based on an actuarial determined amount. Workers' compensation accruals included in payroll and related liabilities on the consolidated balance sheets totaled approximately \$5.2 million and \$5.0 million as of June 30, 2025 and 2024, respectively, and were recorded using a 4.02% and 4.69% discount factor as of June 30, 2025 and 2024, respectively. The aforementioned amounts include accruals for known and incurred but not reported workers' compensation claims.

Medical Malpractice Insurance

In June 2002, the Company formed PIC, a captive insurance company covering professional (medical malpractice) and general liability risks. PIC is a not-for-profit Hawai'i domiciled pure captive whose sole corporate member is HPH. PIC operates under a Certificate of Authority from the state of Hawai'i (Insurance Division) and began operations on July 1, 2002. PIC is a regulated insurance company with reserve, investment, reporting, and audit requirements. The Company is covered for professional and general liability claims under a combined limit shown below per claim and in aggregate through PIC and purchase of excess insurance coverage. The professional liability coverage from PIC is claims-made and general liability is occurrence-based coverage, with PIC providing tail coverage (with certain limitations) to the Company with claims-made policies prior to July 1, 2002.

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

14. Commitments and Contingencies (continued)

The PIC risk retention and total coverage amounts, including reinsurance, by policy year are as follows:

Professional Liabilities

	PIC			Total		
	Retention			Coverage		
Policy years						
July 1, 2006 through June 30, 2007	\$	1,000	\$	51,000		
July 1, 2007 through June 30, 2014		1,000		76,000		
July 1, 2014 through June 30, 2016		1,000		101,000		
July 1, 2016 through April 30, 2020		2,000		102,000		
May 1, 2020 through April 30, 2022		3,000		103,000		
May 1, 2022 through April 30, 2023		5,000		105,000		
May 1, 2023 through April 30, 2024		5,000		105,000		
May 1, 2024 through April 30, 2025		5,000		105,000		
May 1, 2025 through April 30, 2026		5,000*	:	105,000		

^{*} For the health care professional liability policy effective May 1, 2025 to April 30, 2026, the Company added a buffer layer in excess of its primary retention of \$5.0 million with limits of \$2.5 million per occurrence and an annual aggregate of \$5.0 million.

General Liabilities

	PIC Retention			Total coverage
Policy years				
July 1, 2006 through June 30, 2007	\$	1,000	\$	51,000
July 1, 2007 through June 30, 2014		1,000		76,000
July 1, 2014 through June 30, 2016		1,000		101,000
July 1, 2016 through April 30, 2020		2,000		102,000
May 1, 2020 through April 30, 2022		3,000		103,000
May 1, 2022 through April 30, 2023		3,000		103,000
May 1, 2023 through April 30, 2024		3,000		103,000
May 1, 2024 through April 30, 2025		3,000		103,000
May 1, 2025 through April 30, 2026		3,000		103,000

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

14. Commitments and Contingencies (continued)

Medical malpractice expense totaled approximately \$35.6 million and \$23.9 million in 2025 and 2024, respectively. Medical malpractice accruals, including claims expected to be paid by reinsurance, totaled approximately \$107.9 million and \$82.0 million as of June 30, 2025 and 2024, respectively, and are recorded within accrued expenses and other long-term liabilities on the consolidated balance sheets. Reinsurance recoverable totaled approximately \$31.7 million and \$18.8 million as of June 30, 2025 and 2024, respectively, and is recorded within other receivables and other assets on the consolidated balance sheets. The medical malpractice accruals have been discounted using a 3.13% and 3.59% factor at June 30, 2025 and 2024, respectively. Undiscounted medical malpractice accruals and reinsurance recoverable totaled approximately \$118.4 million and \$91.6 million, respectively, as of June 30, 2025.

Litigation

The Company is involved in legal actions in the normal course of business, some of which seek monetary damages, including punitive damages, which are not covered by insurance. These actions, when finally concluded and determined, will not, in the opinion of management and the Company's general counsel, have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

Other

The Company has outstanding construction and purchase commitments, primarily related to the Straub Benioff Medical Center redevelopment, of approximately \$154.6 million as of June 30, 2025.

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

15. Net Assets

The Company receives contributions from individuals and organizations that support certain programs and services. Net assets with donor restrictions as of June 30 follow:

	 2025	2024
Health and hospital care	\$ 50,398	\$ 48,964
Plant expansion and equipment replacement	61,213	42,053
Research and grants	23,119	22,226
Education and scholarships	 15,595	14,158
	\$ 150,325	\$ 127,401

From time to time, the Company's Board of Directors will designate certain unrestricted funds to be used in the future for specific projects. Board-designated funds included in net assets without donor restrictions were maintained for the following purposes as of June 30:

	 2025	2024
Health and hospital care Plant expansion and equipment replacement	\$ 235,189 249,738	\$ 221,305 196,251
	\$ 484,927	\$ 417,556

16. Endowment

The Company's endowment consists of approximately 52 individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

16. Endowment (continued)

Interpretation of Relevant Law

In June 2009, Hawai'i Revised Statute 517E was signed into law, enacting the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA became effective on July 1, 2009, replacing the Uniform Management of Institutional Funds Act. UPMIFA applies to institutional funds created after July 1, 2009, and to decisions made after July 1, 2009, for existing institutional funds. UPMIFA eliminates the concept of "historic dollar value" and allows an institution to spend or accumulate as the board determines is prudent for the uses, benefits, purposes, and duration of the endowment fund unless the gift instrument states a particular rate or formula.

The Company has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is characterized as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

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

16. Endowment (continued)

Return Objectives and Risk Parameters

The Company has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity. Under this policy, the endowment assets are invested in a manner that is intended to produce results which equal or exceed a mix of the Russell 3000; MSCI All Country World; Consumer Price Index plus 5%; Hedge Fund Research, Inc.; and Barclays Capital benchmarks. The Company expects its endowment funds to provide an annual real return, net of inflation and management fees, of approximately 5% over long time periods. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

For the Company's donor-restricted endowment funds, the Company has a policy of appropriating for distribution each year 4.5% of the fund's average fair value using quarter-end values for the preceding three years. The amount of the distribution is subject to a 6.0% cap and 3.0% floor applied to the most recent quarter-end value to account for market volatility. In establishing this policy, the Company considered the long-term expected return on its endowment. Accordingly, the Company expects the current spending policy to allow its endowment to grow over long time periods, which is consistent with the Company's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment returns.

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

16. Endowment (continued)

The endowment net asset composition by type of fund as of June 30 follows:

				2025	
		Without Donor estrictions		ith Donor	Total
Donor-restricted endowment Board-designated funds	\$	- 484,927	\$	32,146 -	\$ 32,146 484,927
<u> </u>	\$	484,927	\$	32,146	\$ 517,073
				2024	
		Without Donor		ith Donor	
	Re	estrictions	Re	strictions	Total
Donor-restricted endowment Board-designated funds	\$	417,556	\$	29,319	\$ 29,319 417,556
0	\$	417,556	\$	29,319	\$ 446,875

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

16. Endowment (continued)

Changes in board-designated and donor-restricted endowment net assets for the years ended June 30 consist of the following:

				2025	
		hout Donor estrictions		ith Donor strictions	Total
Endowment net assets, beginning of year Investment income:	\$	417,556	\$	29,319	\$ 446,875
Investment income		11,292		396	11,688
Net investment gains (realized and unrealized)		56,079		2,781	58,860
Total investment income		67,371		3,177	70,548
Contributions		_		43	43
Appropriation of endowment assets for expenditure		_		(444)	(444)
Beneficial interest in perpetual trust		_		162	162
Transfers				(111)	(111)
Endowment net assets, end of year	\$	484,927	\$	32,146	\$ 517,073
	Wit	hout Donor	Wi	2024 ith Donor	
		hout Donor		2024 ith Donor estrictions	Total
Endowment net assets, beginning of year Investment income:			Re	ith Donor estrictions	\$ Total 402,259
Endowment net assets, beginning of year Investment income: Investment income	Re	estrictions	Re	ith Donor estrictions	\$
Investment income:	Re	376,538	Re	ith Donor strictions 25,721	\$ 402,259
Investment income: Investment income	Re	376,538 13,617	Re	25,721	\$ 402,259 14,038
Investment income: Investment income Net investment gains (realized and unrealized)	Re	376,538 13,617 27,401	Re	25,721 421 2,878	\$ 402,259 14,038 30,279
Investment income: Investment income Net investment gains (realized and unrealized) Total investment income	Re	376,538 13,617 27,401	Re	25,721 421 2,878 3,299	\$ 402,259 14,038 30,279 44,317
Investment income: Investment income Net investment gains (realized and unrealized) Total investment income Contributions Appropriation of endowment assets for expenditure Beneficial interest in perpetual trust	Re	376,538 13,617 27,401	Re	25,721 421 2,878 3,299 135 (291) 550	\$ 402,259 14,038 30,279 44,317 135 (291) 550
Investment income: Investment income Net investment gains (realized and unrealized) Total investment income Contributions Appropriation of endowment assets for expenditure	Re	376,538 13,617 27,401	Re	25,721 421 2,878 3,299 135 (291) 550 (95)	\$ 402,259 14,038 30,279 44,317 135 (291)

Supplementary Information

Combined Balance Sheets

(Dollars in Thousands)

	June 30			
		2025		2024
Assets				
Current assets:				
Cash and cash equivalents	\$	99,414	\$	100,097
Patient accounts receivable, net		217,228		188,501
Due from third-party payors		45,075		28,071
Other receivables		33,739		31,754
Due from affiliates		69,881		69,881
Inventories		40,071		37,167
Funds held by trustee under bond				
indenture agreement		24,576		21,524
Prepaid expenses and other		15,547		12,912
Total current assets		545,531		489,907
Assets whose use is limited or restricted:				
Project funds held by trustee under bond indenture agreemen	ľ	148,136		182,842
Board-designated		351,804		303,494
Restricted by donor or grantor		131,691		109,453
Total assets whose use is limited or restricted		631,631		595,789
Investments		503,431		496,624
Property and equipment, net		639,066		577,658
Right-of-use assets – operating		105,850		94,723
Right-of-use assets – finance		1,824		2,575
Due from third-party payors		3,808		3,808
Prepaid pension		48,021		47,466
Other assets:				
Investment in uncombined subsidiaries		102,705		76,101
Investments in business ventures		25		25
Beneficial interest in net assets of foundations		100,264		88,269
Other		89,218		82,945
Total other assets		292,212		247,340
Total assets	\$	2,771,374	\$	2,555,890

See note to supplementary information – Members of the Hawai'i Pacific Health Obligated Group.

Combined Balance Sheets (continued)

(Dollars in Thousands)

	June 30			
		2025		2024
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$	85,298	\$	63,577
Payroll and related liabilities		91,867		83,261
Accrued expenses		22,887		18,586
Due to third-party payors		8,337		8,145
Due to affiliates		9,850		3,872
Current portion of long-term debt		18,061		15,050
Line of credit		35,000		_
Current portion of operating lease obligations		12,278		11,870
Current portion of finance lease obligations		769		1,450
Total current liabilities		284,347		205,811
Long-term debt, less current portion		559,507		577,568
Operating lease obligations, less current portion		104,870		91,949
Finance lease obligations, less current portion		1,215		1,325
Other long-term liabilities		31,778		34,137
Net assets:				
Net assets without donor restrictions		1,639,431		1,517,724
Net assets with donor restrictions		150,226		127,376
Total net assets		1,789,657		1,645,100

Total liabilities and net assets **\$ 2,771,374** \$ 2,555,890

See note to supplementary information – Members of the Hawai'i Pacific Health Obligated Group.

Combined Statements of Operations and Changes in Net Assets

(Dollars in Thousands)

	Year Ended June			ne 30
		2025		2024
Revenues				
Net patient service revenue	\$	1,547,499	\$	1,452,505
Premium revenue		30,523		31,409
Other revenues		401,650		359,353
Net assets released from restrictions for operations		14,768		14,701
Total revenues		1,994,440		1,857,968
Expenses				
Salaries and employee benefits		713,273		676,607
Services		538,673		487,755
Supplies		425,493		327,558
Other purchases		97,761		87,008
Depreciation and amortization		54,756		55,622
Specific purpose projects/donations		14,768		14,701
Interest		23,677		19,502
Other		1,269		2,848
Total expenses		1,869,670		1,671,601
Operating income		124,770		186,367
Equity interest in affiliates		9,267		(2,591)
Investment income		104,059		108,497
Pension nonoperating income		3,032		2,024
•		116,358		107,930
Excess of revenues over expenses		241,128		294,297
Transfers to affiliates		(146,717)		(129,067)
Change in beneficial interest in net assets of foundations		11,996		13,044
Change in net unrealized gains on debt securities		209		2,691
Net assets released from restrictions for purchase of				
property and equipment		1,712		12,978
Pension-related changes other than net periodic pension costs		(4,458)		4,293
Change in interest rate swap value		708		759
Other changes in net assets		17,129		453
Increase in net assets without donor restrictions		121,707		199,448

Continued to next page.

Combined Statements of Operations and Changes in Net Assets (continued)

(Dollars in Thousands)

	Year Ended June 30			
		2025	2024	
Net assets with donor restrictions				
Restricted grants and contributions	\$	16,192 \$	30,236	
Investment income		146	298	
Change in net unrealized gains on investments		768	728	
Change in beneficial interest in net assets of foundations		22,076	13,657	
Net assets released from restrictions		(16,480)	(27,679)	
Change in beneficial interest in perpetual trusts		162	550	
Other changes in net assets with donor restrictions		(14)	30	
Increase in net assets with donor restrictions		22,850	17,820	
Increase in net assets		144,557	217,268	
Net assets at beginning of year		1,645,100	1,427,832	
Net assets at end of year	\$	1,789,657 \$	1,645,100	

See note to supplementary information – Members of the Hawai'i Pacific Health Obligated Group.

Combined Statements of Cash Flows

(Dollars in Thousands)

		Year Ended Ja 2025	une 30 2024	
Operating activities		2023	2024	
Increase in net assets	\$	144,557 \$	217,268	
Adjustments to reconcile increase in net assets	4	111,007		
to net cash provided by (used in) operating activities:				
Change in beneficial interest in net assets of foundations		(34,072)	(26,701)	
Depreciation and amortization		54,756	55,622	
Equity interest in affiliates		(9,267)	2,591	
Net gains on alternative investments		(63,349)	(59,262)	
Net gains on debt and equity investments		(21,714)	(32,856)	
Restricted contributions		(16,192)	(30,236)	
Changes in operating assets and liabilities:		, ,		
Patient accounts receivable		(28,727)	(26,179)	
Due to/from third-party payors, net		(16,812)	(1)	
Other receivables		(1,985)	(17,321)	
Inventories and other assets		(11,812)	(70,928)	
Accounts payable and accrued expenses		27,523	(4,636)	
Other long-term liabilities		(2,359)	(5,636)	
Prepaid pension		(555)	(5,475)	
Net cash provided by (used in) operating activities		19,992	(3,750)	
Investing activities				
Purchases of property and equipment		(105,347)	(71,881)	
Net change in due to affiliates		5,978	(1,658)	
Net change in uncombined subsidiaries		(17,337)	(454)	
Purchases of investment securities		(33,030)	(36,565)	
Sales and maturities of investment securities		77,549	44,737	
Decrease (increase) in funds held by trustee under				
bond indenture agreements		21,524	(5,160)	
Assets whose use is limited or restricted:				
Purchases of investment securities		(62,005)	(22,053)	
Sales and maturities of investment securities		47,270	24,804	
Project funds held by trustee under bond indenture agreement		122,527	(182,842)	
Net cash provided by (used in) investing activities		57,129	(251,072)	

Continued to next page.

Combined Statements of Cash Flows (continued) (Dollars in Thousands)

		ne 30		
	2025			2024
Financing activities				
Payment of long-term debt	\$	(15,050)	\$	(195,706)
Proceeds from long-term debt		_		380,017
Payment on line of credit		(20,000)		_
Proceeds from line of credit		55,000		_
Payments of finance lease obligations		(1,549)		(1,753)
Note receivable to affiliate		_		(22,140)
Restricted contributions		16,192		30,236
Net cash provided by financing activities		34,593		190,654
Increase (decrease) in cash and cash equivalents		111,714		(64,168)
Cash and cash equivalents at beginning of year		100,097		164,265
Cash and cash equivalents at end of year	\$	211,811	\$	100,097
Supplemental disclosures of noncash activity				
Accruals of equipment	\$	9,309	\$	2,534
Right-of-use assets and obligation	\$	23,543	\$	
Reconciliation of cash flows to the balance sheets				
Cash and cash equivalents	\$	99,414	\$	100,097
Cash in funds held by trustee under bond indenture agreement		24,576		_
Cash in project funds held by trustee under bond				
indenture agreement		87,821		
Total cash and cash equivalents	\$	211,811	\$	100,097

See note to supplementary information – Members of the Hawai'i Pacific Health Obligated Group.

Note to Supplementary Information – Members of the Hawai'i Pacific Health Obligated Group

June 30, 2025

1. Combined Financial Statements

The financial statements present the combined balance sheets, statements of operations and changes in net assets, and statements of cash flows of the Obligated Group members.

The members of the Obligated Group are composed of the following:

- Hawai'i Pacific Health (parent company only)
- Kapi'olani Medical Center for Women and Children
- Pali Momi Medical Center
- Straub Clinic & Hospital
- Wilcox Memorial Hospital

As prescribed in the Hawai'i Pacific Health (HPH) Master Trust Indenture, the accompanying combined financial statements include only the Members of the Obligated Group. All significant intercompany transactions within the Obligated Group have been eliminated upon combination. Certain Non-Obligated Group subsidiaries are presented in the combined financial statements using the equity method of accounting. Accounting principles generally accepted in the United States of America require that all majority-owned subsidiaries be consolidated and all controlled affiliates be combined with the financial statements of HPH.

Effective January 1, 2020, management created the Hawai'i Pacific Health Medical Group (HPHMG), which consolidated the Company's clinical operation service lines into a centralized medical group and is not a member of the Obligated Group. As part of this transition, members of the Obligated Group entered into comprehensive service agreements with HPHMG. These agreements determine that certain Obligated Group members have the sole right to bill for physician services performed by HPHMG at the Obligated Group facilities, of which approximately \$209.0 million and \$197.0 million of net patient service and other revenues have been recognized for the years ended June 30, 2025 and 2024, respectively. As part of the agreements, all such amounts are subsequently remitted to HPHMG as professional services compensation and, accordingly, have been recorded within services expense on the combined statement of operations and changes in net assets for the year ended June 30, 2025. Obligated

Note to Supplementary Information – Members of the Hawai'i Pacific Health Obligated Group (continued)

1. Combined Financial Statements (continued)

Group members also paid annual service coverage fees for physician services provided by HPHMG of approximately \$58.4 million and \$56.9 million for the years ended June 30, 2025 and 2024, respectively.

Additionally, the Obligated Group members are provided with annual compensation by HPHMG in consideration for overhead and other support expenses incurred by the Obligated Group members to operate the various clinical facilities. Such compensation amounted to approximately \$112.6 million and \$105.5 million, which has been recorded within other revenues on the combined statements of operations and changes in net assets for the years ended June 30, 2025 and 2024, respectively.

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