Consolidated Financial Statements and Supplementary Information

Hawai‘i Pacific Health
Years Ended June 30, 2026 and 2025
With Report of Independent Auditors

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Hawai‘i Pacific Health

Consolidated Financial Statements and
Supplementary Information

Years Ended June 30, 2026 and 2025

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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 (the Company), which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of operations, 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 the Company at June 30, 2026 and 2025, and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free 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 the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

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

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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual financial information disclosure but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

November 6, 2026

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Hawai‘i Pacific Health

Consolidated Balance Sheets
(Dollars in Thousands)

	June 30 2026	2025
Assets		
Current assets:		
Cash and cash equivalents	**$ 225,546**	$ 231,513
Patient accounts receivable, net	**245,371**	238,894
Due from third-party payors	**70,189**	45,225
Other receivables	**58,664**	51,108
Inventories	**38,623**	40,811
Funds held by trustee under bond indenture agreement	**25,068**	24,576
Prepaid expenses and other	**29,443**	26,165
Total current assets	**692,904**	658,292
Assets whose use is limited or restricted:		
Project funds held by trustee under bond indenture agreement	**65,006**	148,136
Board designated	**566,582**	484,927
Restricted by donor or grantor	**34,081**	36,644
Total assets whose use is limited or restricted	**665,669**	669,707
Investments	**543,944**	550,136
Property and equipment, net	**784,369**	658,593
Right-of-use assets – operating	**143,700**	135,016
Right-of-use assets – finance	**1,389**	2,252
Due from third-party payors	**13,681**	3,808
Prepaid pension	**68,972**	48,021
Investments in business ventures	**17,587**	17,690
Goodwill	**102,084**	102,084
Other	**161,909**	168,899
Total assets	**$ 3,196,208**	$ 3,014,498

Hawai‘i Pacific Health

Consolidated Balance Sheets (continued)
(Dollars in Thousands)

	June 30	
	2026	**2025**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 82,200**	$ 95,795
Payroll and related liabilities	**117,585**	113,006
Accrued expenses	**44,009**	49,125
Due to third-party payors	**8,935**	8,337
Current portion of long-term debt	**19,563**	18,347
Line of credit	**50,000**	35,000
Current portion of operating lease obligations	**17,674**	15,777
Current portion of finance lease obligations	**773**	898
Total current liabilities	**340,739**	336,285
Long-term debt, less current portion	**554,491**	564,141
Operating lease obligations, less current portion	**140,406**	132,824
Finance lease obligations, less current portion	**759**	1,532
Other long-term liabilities	**175,030**	164,769
Net assets:		
Net assets without donor restrictions:		
Attributable to Hawai‘i Pacific Health	**1,790,552**	1,629,509
Attributable to noncontrolling interests	**33,375**	35,113
Net assets without donor restrictions	**1,823,927**	1,664,622
Net assets with donor restrictions	**160,856**	150,325
Total net assets	**1,984,783**	1,814,947
Total liabilities and net assets	**$ 3,196,208**	$ 3,014,498

See accompanying notes.

Hawai‘i Pacific Health

Consolidated Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30	
	2026	**2025**
Revenues		
Net patient service revenue	**$ 1,810,185**	$ 1,704,801
Premium revenue	**41,334**	43,380
Other revenue	**326,482**	268,399
Net assets released from restrictions for operations	**18,014**	16,881
Total revenues	**2,196,015**	2,033,461
Expenses		
Salaries and employee benefits	**1,087,525**	1,029,931
Services	**338,223**	316,028
Supplies	**519,219**	454,817
Other purchases	**143,929**	138,030
Depreciation and amortization	**58,547**	57,799
Specific purpose projects/donations	**18,014**	16,881
Interest	**19,968**	24,010
Other	**43,363**	19,658
Total expenses	**2,228,788**	2,057,154
Operating loss	**(32,773)**	(23,693)
Business venture investment income	**4,146**	3,613
Investment income, net	**166,423**	124,551
Pension nonoperating income	**4,626**	3,005
	175,195	131,169
Excess of revenues over expenses	**142,422**	107,476
Less excess of revenues over expenses attributable to noncontrolling interests	**(1,627)**	(2,951)
Excess of revenues over expenses attributable to Hawai‘i Pacific Health	**$ 140,795**	$ 104,525

Continued to next page.

Hawai‘i Pacific Health

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

(Dollars in Thousands)

	Year Ended June 30 2026	2025
Net assets without donor restrictions		
Controlling:		
Excess of revenues over expenses attributable to Hawai‘i Pacific Health	**$ 140,795**	$ 104,525
Change in net unrealized gains on debt securities	**261**	1,163
Net assets released from restrictions for purchase of property and equipment	**7,045**	1,712
Pension-related changes other than net periodic pension costs	**13,779**	(4,458)
Change in interest rate swap value	**655**	708
Other changes in net assets	**(1,492)**	225
Increase in controlling interests	**161,043**	103,875
Noncontrolling:		
Excess of revenues over expenses attributable to noncontrolling interests	**1,627**	2,951
Other changes in net assets attributable to noncontrolling interests	**(3,365)**	13,918
(Decrease) increase in noncontrolling interests	**(1,738)**	16,869
Increase in net assets without donor restrictions	**159,305**	120,744
Net assets with donor restrictions		
Restricted contributions	**30,068**	37,558
Investment income	**4,443**	2,895
Change in net unrealized gains on investments	**646**	946
Net assets released from restrictions	**(25,059)**	(18,593)
Change in beneficial interest in perpetual trusts	**729**	162
Other changes in net assets with donor restrictions	**(296)**	(44)
Increase in net assets with donor restrictions	**10,531**	22,924
Increase in net assets	**169,836**	143,668
Net assets at beginning of year	**1,814,947**	1,671,279
Net assets at end of year	**$ 1,984,783**	$ 1,814,947

See accompanying notes.

Hawai‘i Pacific Health

Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30	
	2026	**2025**
Operating activities		
Increase in net assets	**$ 169,836**	$ 143,668
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	**58,547**	57,799
Business venture investment income	**(4,146)**	(3,613)
Net distributions from business venture	**4,248**	2,999
Noncontrolling interest in acquired business venture	**–**	(14,760)
Net realized and unrealized gains on alternative investments	**(109,443)**	(73,768)
Net realized and unrealized gains on debt and equity investments	**(37,266)**	(26,484)
Restricted contributions	**(30,068)**	(37,558)
Changes in operating assets and liabilities:		
Patient accounts receivable, net	**(6,477)**	(33,742)
Due to/from third-party payors	**(34,239)**	(17,011)
Other receivables	**(7,556)**	(6,714)
Inventories, prepaid expenses, and other assets	**5,899**	(33,346)
Restricted pledges receivable	**3,294**	(3,775)
Prepaid pension	**(20,950)**	(555)
Accounts payable and accrued expenses	**(28,329)**	33,670
Other long-term liabilities	**10,261**	31,126
Net cash (used in) provided by operating activities	**(26,389)**	17,936
Investing activities		
Purchases of property and equipment	**(168,466)**	(112,777)
Purchases of investment securities	**(30,788)**	(45,899)
Sales of investment securities	**109,427**	85,803
Increase in funds held by trustee under bond indenture agreement	**–**	21,524
Assets whose use is limited or restricted:		
Purchases of investment securities	**(113,123)**	(87,138)
Sales of investment securities	**104,998**	67,197
Project funds held by trustee under bond indenture agreement	**60,315**	122,527
Net cash (used in) provided by investing activities	**(37,637)**	51,237

Continued to next page.

Hawai‘i Pacific Health

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

	Year Ended June 30	
	2026	**2025**
Financing activities		
Payment of long-term debt	**$ (18,061)**	$ (15,050)
Proceeds from long-term debt	**9,627**	4,920
Payment on line of credit	**(35,000)**	(20,000)
Proceeds from line of credit	**50,000**	55,000
Payments of finance lease obligations	**(898)**	(1,672)
Restricted contributions	**30,068**	37,558
Net cash provided by financing activities	**35,736**	60,756
(Decrease) increase in cash and cash equivalents	**(28,290)**	129,929
Cash and cash equivalents at beginning of year	**343,910**	213,981
Cash and cash equivalents at end of year	**$ 315,620**	$ 343,910
Supplemental disclosures of noncash activity		
Right-of-use assets and obligation	**$ 27,178**	$ 37,873
All Access Ortho O‘ahu, LLC acquisition (primarily goodwill and noncontrolling interest)	**$ –**	$ 21,200
Accruals of property and equipment	**$ 14,994**	$ 9,318
Reconciliation of cash flows to the balance sheets		
Cash and cash equivalents	**$ 225,546**	$ 231,513
Cash in funds held by trustee under bond indenture agreement	**25,068**	24,576
Cash in project funds held by trustee under bond indenture agreement	**65,006**	87,821
Total cash and cash equivalents	**$ 315,620**	$ 343,910

See accompanying notes.

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 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.

Inventories

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

1. Organization and Summary of Accounting Policies (continued)

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, 2026 and 2025, 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 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.

1. Organization and Summary of Accounting Policies (continued)

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.

The Company evaluates debt securities in an unrealized loss position for credit losses. If the Company intends to sell a debt security, or it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis, the amortized cost basis is written down to fair value, with the loss recognized in the excess of revenue over expenses. Otherwise, the Company evaluates whether a portion of the decline in fair value is attributable to credit losses and, if applicable, records an allowance for credit losses, limited by the amount by which fair value is less than amortized cost. Changes in the allowance for credit losses are recognized in the excess of revenue over expenses, while unrealized losses not attributable to credit losses are excluded from the excess of revenue over expenses. There were no credit loss allowances recorded for the years ended June 30, 2026 or 2025.

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.

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	
	2026	**2025**
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 (in thousands):

	2026	**2025**
Current assets	**$ 11,961**	$ 9,118
Noncurrent assets	**24,091**	27,613
Total assets	**$ 36,052**	$ 36,731
Current liabilities	**$ 3,405**	$ 3,049
Noncurrent liabilities	**9,564**	10,498
Capital	**23,083**	23,184
Total liabilities and capital	**$ 36,052**	$ 36,731

	2026	**2025**
Excess of revenues over expenses	**$ 10,772**	$ 9,966

1. Organization and Summary of Accounting Policies (continued)

Assets Whose Use Is Limited

Project funds held by trustee under bond indenture agreement consist 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 (in thousands):

	2026	**2025**
Receivable in less than one year	**$ 7,707**	$ 11,977
Receivable in one to five years	**7,713**	10,731
Thereafter	**326**	563
	15,746	23,271
Less present value discount	**1,453**	1,777
Less allowance for uncollectible pledges	**1,371**	1,371
	$ 12,922	$ 20,123

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. Grant receivables of $55.5 million and $52.5 million were recorded as of June 30, 2026 and 2025, respectively. Of these amounts, $10.0 million and $0 were classified as current receivables and $45.5 million and $52.5 million were classified as other assets as of June 30, 2026 and 2025, 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.

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.

1. Organization and Summary of Accounting Policies (continued)

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.

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.

1. Organization and Summary of Accounting Policies (continued)

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 (in thousands):

	2026	2025
Hospital	**$ 1,463,362**	$ 1,377,824
Clinic	**268,082**	249,980
Other	**78,741**	76,997
	$ 1,810,185	$ 1,704,801

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

	2026	2025
Medicare	**$ 539,658**	$ 491,955
Medicaid/QUEST integration	**367,532**	330,903
Commercial	**798,972**	796,059
Self-pay and other	**104,023**	85,884
	$ 1,810,185	$ 1,704,801

Significant concentrations of patient accounts receivable include Hawaii Medical Service Association – 17% and 23% Medicaid and QUEST Integration programs – 22% and 19%, and Medicare and Medicare Advantage – 42% and 37% as of June 30, 2026 and 2025, respectively.

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.

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, 2026 and 2025, the Company recorded approximately $107.4 million and $69.0 million, respectively, in net patient service revenues related to HSPA payments and approximately $36.4 million and $29.1 million, respectively, in other purchases expense related to provider tax payments. At June 30, 2026 and 2025, the Company recorded amounts due from third-party payors of $78.4 million and $46.0 million, respectively, and amounts due to third-party payors of $6.1 million and $6.0 million, respectively, related to this program.

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 2026 and 2025 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, 2026, one collective bargaining agreement with one union, or approximately 1% of the Company’s labor force, will expire within one year.

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.

1. Organization and Summary of Accounting Policies (continued)

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, 2026 or 2025.

Income Taxes

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.

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 6, 2026, the date on which 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.

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 (in thousands):

	2026	2025
Cash and cash equivalents	**$ 225,546**	$ 231,513
Patient accounts receivable, net	**245,371**	238,894
Due from third-party payor receivable	**70,189**	45,225
Other current receivable	**55,278**	43,815
Board-designated investments	**165,633**	175,058
Unrestricted investments	**452,385**	478,953
Financial assets available to meet general expenditures within one year	**$ 1,214,402**	$ 1,213,458

Included in other receivables, board-designated assets, and investments on the consolidated balance sheets as of June 30, 2026 and 2025, 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, 2026 and 2025: board-approved financial assets to be used solely for capital expansion of $308.8 million and $249.7 million, respectively; investments held in private equity funds that cannot be liquidated within a year period of $129.1 million and $80.4 million, respectively; investments held by PIC for payment of self-insurance claims of $29.6 million and $27.7 million, respectively; cash surrender life insurance policies of $25.0 million and $23.2 million, respectively; and restricted pledges and other receivables to be used based on the donor restriction of $3.4 million and $7.3 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.

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).

3. Fair Value (continued)

As of June 30, 2026 and 2025, the Company’s alternative investments, amounting to approximately $668.4 million and $628.9 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 $90.8 million as of June 30, 2026. Capital commitments are determined by fund managers and the unfunded capital commitments can be funded through January 2034.

As of June 30, 2026 and 2025, the Company’s investments in cash surrender values of life insurance policies amounting to approximately $25.0 million and $23.2 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.

3. Fair Value (continued)

The tables below present the Company’s fair value measurements on a recurring basis as of June 30 (in thousands):

	2026				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**Valuation Technique**
Board-designated investments:					
Money market funds	**$ 59,900**	**$ 59,900**	**$ –**	**$ –**	**a**
Equity securities mutual funds	**112,206**	**112,206**	**–**	**–**	**a**
Debt securities:					
U.S. Treasury obligations	**9,394**	**9,394**	**–**	**–**	**a**
Corporate and municipal bonds	**14,776**	**–**	**14,776**	**–**	**a**
Funds held by trustee under bond indenture agreement:					
Money market funds	**25,068**	**25,068**	**–**	**–**	**a**
Project funds held by trustee under bond indenture agreement:					
Money market funds	**65,006**	**65,006**	**–**	**–**	**a**
Investments restricted by donor or grantor:					
Equity securities mutual funds	**2,981**	**2,981**	**–**	**–**	**a**
Debt securities:					
Corporate and municipal bonds	**382**	**–**	**382**	**–**	**a**
Foreign bonds	**2**	**–**	**2**	**–**	**a**
U.S. Treasury obligations	**323**	**323**	**–**	**–**	
Charitable remainder trust assets	**57**	**–**	**57**	**–**	**a**
Certificate of deposit	**600**	**–**	**600**	**–**	**a**
Money market funds	**1,220**	**1,220**	**–**	**–**	**a**
Beneficial interest in perpetual trusts	**6,310**	**–**	**–**	**6,310**	**c**
Unrestricted investments:					
Money market funds	**54,188**	**54,188**	**–**	**–**	**a**
Equity securities mutual funds	**117,427**	**117,427**	**–**	**–**	**a**
Global equity common stocks	**114**	**114**	**–**	**–**	**a**
Debt securities:					
U.S. Treasury obligations	**18,025**	**18,025**	**–**	**–**	**a**
U.S. government-sponsored agencies	**1,060**	**–**	**1,060**	**–**	**a**
Corporate and municipal bonds	**25,970**	**–**	**25,970**	**–**	**a**
Foreign bonds	**15**	**–**	**15**	**–**	**a**
Deferred compensation plan assets:					
Cash	**383**	**383**	**–**	**–**	**a**
Money market funds	**1,314**	**1,314**	**–**	**–**	**a**
Mutual funds	**66,209**	**66,209**	**–**	**–**	**a**
Equity securities	**8,127**	**8,127**	**–**	**–**	**a**
Indexed option	**602**	**–**	**–**	**602**	**c**
Total investments at fair value	**$ 591,659**	**$ 541,885**	**$ 42,862**	**$ 6,912**	

Funds held by trustee under bond indenture agreement	**$ 25,068**
Project funds held by trustee under bond indenture agreement	**65,006**
Assets whose use is limited or restricted	**600,663**
Investments	**543,944**
Deferred compensation plan assets – within other assets	**81,614**
Less alternative investments	**(668,354)**
Less cash surrender value of life insurance policies	**(24,986)**
Less cost investment	**(11,181)**
Less restricted pledge receivables, net	**(9,537)**
Less cash and cash equivalents	**(5,600)**
Less investments at contract value	**(4,978)**
Total investments at fair value	**$ 591,659**

3. Fair Value (continued)

	2025				
Description	**Total**	**Level 1**	**Level 2**	**Level 3**	**Valuation Technique**
Board-designated investments:					
Money market funds	$ 23,555	$ 23,555	$ –	$ –	a
Equity securities mutual funds	116,442	116,442	–	–	a
Debt securities:					
U.S. Treasury obligations	10,101	10,101	–	–	a
Corporate and municipal bonds	15,952	–	15,952	–	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	87,821	87,821	–	–	a
Debt securities:					
U.S. Treasury obligations	60,315	60,315	–	–	a
Investments restricted by donor or grantor:					
Equity securities mutual funds	3,559	3,559	–	–	a
Debt securities:					
Corporate and municipal bonds	472	–	472	–	a
Foreign bonds	3	–	3	–	a
U.S. Treasury obligations	376	376	–	–	a
Charitable remainder trust assets	54	–	54	–	a
Certificate of deposit	600	–	600	–	a
Money market funds	555	555	–	–	a
Beneficial interest in perpetual trusts	5,581	–	–	5,581	c
Unrestricted investments:					
Money market funds	25,631	25,631	–	–	a
Equity securities mutual funds	140,435	140,435	–	–	a
Global equity common stocks	100	100	–	–	a
Debt securities:					
U.S. Treasury obligations	21,569	21,569	–	–	a
U.S. government-sponsored agencies	1,449	–	1,449	–	a
Corporate and municipal bonds	27,601	–	27,601	–	a
Foreign bonds	14	–	14	–	a
Deferred compensation plan assets:					
Cash	188	188	–	–	a
Money market funds	1,183	1,183	–	–	a
Mutual funds	53,917	53,917	–	–	a
Equity securities	6,976	6,976	–	–	a
Indexed option	561	–	–	561	c
Total investments at fair value	$ 629,586	$ 577,299	$ 46,145	$ 6,142	

Funds held by trustee under bond indenture agreement	$ 24,576
Project funds held by trustee under bond indenture agreement	148,136
Assets whose use is limited or restricted	521,571
Investments	550,136
Deferred compensation plan assets – within other assets	67,039
Less alternative investments	(628,903)
Less cash surrender value of life insurance policies	(23,216)
Less cost investment	(7,108)
Less restricted pledge receivables, net	(12,831)
Less cash and cash equivalents	(5,600)
Less investments at contract value	(4,214)
Total investments at fair value	$ 629,586

3. Fair Value (continued)

The Company received restricted pledges and contributions amounting to approximately $30.0 million and $37.6 million in 2026 and 2025, 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 4.69%, and allowance for uncollectible pledges were approximately $12.9 million and $20.1 million as of June 30, 2026 and 2025, respectively.

4. Property and Equipment

Property and equipment as of June 30 follow (in thousands):

	2026	2025
Land and land improvements	**$ 52,412**	$ 45,843
Buildings and improvements	**848,271**	816,811
Equipment	**492,127**	469,773
Construction-in-progress	**264,338**	154,855
	1,657,148	1,487,282
Less accumulated depreciation	**872,779**	828,689
Property and equipment, net	**$ 784,369**	$ 658,593

In 2026 and 2025, the Company wrote off fully depreciated property and equipment of $12.7 million and $55.8 million, respectively.

5. Other Assets

Other assets as of June 30 follow (in thousands):

	2026	2025
Grant receivable	**$ 45,508**	$ 52,493
Deferred compensation plan assets	**81,614**	67,039
Reinsurance receivable	**15,775**	26,350
Other	**19,012**	23,017
Total other assets	**$ 161,909**	$ 168,899

6. Goodwill

Goodwill represents the excess of purchase price over the fair value of net assets acquired. Goodwill acquired in business combinations is subject to impairment tests. The Company performs impairment tests at the reporting unit level annually or when events occur that require an evaluation to be performed. If the carrying value of goodwill is determined to be impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, the carrying value is reduced, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparative assets, or internal estimates of future net cash flows based on projected performance, depending on circumstances.

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 $0.9 million and noncontrolling interest of $14.7 million amounted to approximately $36.0 million and was recognized as goodwill in the fiscal year ended June 30, 2025. There were no goodwill transactions in the fiscal year ended June 30, 2026.

7. Other Long-Term Liabilities

Other long-term liabilities as of June 30 follow (in thousands):

	2026	2025
Deferred compensation liability	**$ 79,949**	$ 65,245
Long-term malpractice reserves	**60,590**	50,281
Reinsurance obligations	**15,775**	26,351
Other	**18,716**	22,892
Total other long-term liabilities	**$ 175,030**	$ 164,769

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.

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 (in thousands):

	2026	2025
Projected benefit obligation		
Benefit obligation, at beginning of year	**$ 374,861**	$ 359,868
Service cost	**16,962**	17,547
Interest cost	**18,840**	18,865
Actuarial (loss) gain	**(7,447)**	4,513
Benefits paid	**(26,903)**	(25,932)
Benefit obligation, at end of year	**376,313**	374,861
Fair value of plan assets		
Fair value of plan assets, at beginning of year	**422,882**	407,334
Contributions	**19,500**	19,500
Actual return on plan assets	**29,806**	21,980
Benefits paid	**(26,903)**	(25,932)
Fair value of plan assets, at end of year	**445,285**	422,882
Prepaid pension, at end of year	**$ 68,972**	$ 48,021

	2026	2025
Unrecognized net actuarial loss	**$ 147,354**	$ 168,549
Unrecognized prior service credit	**(19,927)**	(27,335)
Accumulated other comprehensive loss	**$ 127,427**	$ 141,214

The overfunded status of the Plan of approximately $69.0 million and $48.0 million at June 30, 2026 and 2025, respectively, is recognized on the accompanying consolidated balance sheets as prepaid pension. The accumulated benefit obligation approximated $376.3 million and $374.9 million at June 30, 2026 and 2025, respectively. No plan assets are expected to be returned to the Company during the year ending June 30, 2027.

8. Employee Benefit Plans (continued)

Components of net periodic benefit cost for the years ended June 30 follow (in thousands):

	2026	2025
Service cost	**$ 16,962**	$ 17,547
Interest cost	**18,840**	18,865
Expected return on plan assets	**(25,704)**	(24,548)
Recognized prior service credit	**(7,408)**	(7,408)
Recognized net loss	**9,646**	10,086
Net periodic benefit cost	**$ 12,336**	$ 14,542

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

	2026	2025
Discount rate	**5.72%**	**5.57**%

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

	2026	2025
Discount rate	**5.57%**	5.48%
Expected return on plan assets	**6.80**	6.50
Rate of compensation increase	**4.00**	4.00

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 6.80% 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 of Actual Plan Assets**	
	2026	**2026**	**2025**
Major asset category			
Global equity	**18%**	**19%**	20%
Fixed income	**65**	**62**	62
Marketable alternative and private investments	**15**	**15**	12
Real estate	**–**	**3**	3
Cash and cash equivalents	**2**	**1**	3
	100%	**100%**	100%

8. Employee Benefit Plans (continued)

The plan asset's closely held securities, limited partnerships, certain common collective funds and certain limited liability companies are measured at fair value based on net asset value per share as a practical expedient. Certain common collective funds and certain limited liability companies are valued using the readily determinable fair value (RDFV) provided by the funds. The RDFV is used if the fair value per share is determined and published and is the basis for the transaction. Investments that have a daily RDFV are categorized as Level 1 in the fair value hierarchy. The tables below present the plan's assets measured at fair value on a recurring basis as of June 30 (in thousands):

	2026				
	Total	**Level 1**	**Level 2**	**Level 3**	**Valuation Technique *(Note 3)***
Equity securities:					
Mutual funds	**$ 11,972**	**$ 11,972**	**$ –**	**$ –**	a
Common stock	**98**	**98**	**–**	**–**	a
Real estate	**12,240**	**–**	**12,240**	**–**	a
Common collective funds	**183,557**	**183,557**	**–**	**–**	a
Limited liability companies	**80,390**	**80,390**	**–**	**–**	a
Cash and cash equivalents	**6,283**	**6,283**	**–**	**–**	a
Total investments	**294,540**	**$ 282,300**	**$ 12,240**	**$ –**	
Alternative investments measured at net asset value:					
Closely held securities	**14,278**				
Common collective funds	**35,598**				
Limited partnerships	**90,718**				
Limited liability companies	**10,151**				
Total investments at fair value	**$ 445,285**				

8. Employee Benefit Plans (continued)

	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				

8. Employee Benefit Plans (continued)

The following table represents the strategies, redemption periods, and redemption frequencies of the plan’s alternative investments as of June 30 (in thousands):

	2026			
	Fair Value	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period (if Currently Eligible)**	**Redemption Restrictions and Expiration of Restriction**
Fixed income	**$ 276,072**	Daily, monthly	1–2 business days, 60 days	–
Global ex-U.S. equity	**7,507**	Monthly	10 days	–
U.S. equity ex small-cap	**23,639**	Monthly	31 days	–
Emerging markets equity	**4,784**	Monthly	30 days	–
Diversified arbitrage/ event driven	**4,250**	Quarterly	65 days	Gates, holdbacks
Distressed	**197**	25% quarterly	65 days	Side pockets, gates
Global long/short equity	**31,481**	Monthly, semimonthly, quarterly	5-6 business days, 60 days	–
U.S. long/short equity	**7,734**	Monthly	62 days	–
Global macro	**13,099**	Monthly, quarterly	14-15 days, 60 days	–
Private equity	**45,921**	–	–	–
Opportunistic	**8**	–	–	
	$ 414,692			

	2025			
	Fair 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	5,439	Monthly	10–30 days	–
Diversified arbitrage/ event driven	3,848	Quarterly	65 days	Gates, holdbacks
Distressed	210	25% quarterly	65 days	Side pockets, gates
Global long/short equity	32,271	Monthly, semimonthly, 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			

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.

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 $35.5 million as of June 30, 2026. Capital commitments are determined by fund managers and the unfunded capital commitments can be funded through June 2031.

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 $20.3 million in fiscal year 2027.

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

Year ending June 30:		
2027	$	28,207
2028		25,472
2029		26,144
2030		26,855
2031		26,536
Years 2032–2036		163,085
Total	$	296,299

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 $28.3 million and $27.4 million in 2026 and 2025, respectively.

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 Financing Rate (SOFR). Outstanding draws on this facility as of June 30, 2026 and 2025, amounted to $50 million and $35 million, respectively.

As of June 30, 2026, the Company’s available letters of credit were as follows:

Coverage	Amount	Expiration Date	Interest Rate
Malpractice insurance policies:			
PIC	$2 million	February 15, 2027	*
Workers’ compensation insurance policies:			
HPH	$1 million	February 15, 2027	*

* Interest rate would be determined if drawn upon.

There were no draws on the above letters of credit as of June 30, 2026 or 2025.

10. Long-Term Debt

Long-term debt, net of issuance costs, as of June 30 follows (in thousands):

	2026	2025
Series 2023C Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 3.54% to 5.33% (4.88% at June 30, 2026), principal payments in varying annual amounts ranging from $3,645 to $14,190 due July 2026 through 2043; term bond of $31,965 due July 2047 and $49,780 due July 2052	**$ 193,599**	$ 197,180
Series 2023B Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 2.25% to 2.90% (2.65% at June 30, 2026), principal payments in varying annual amounts ranging from $2,030 to $2,855 due July 2026 through 2032	**18,356**	20,724
Series 2023A Special Purpose Revenue Bonds, interest payable semiannually at rates ranging from 2.25% to 3.69% (3.44% at June 30, 2026), principal payments in varying annual amounts ranging from $1,440 to $22,770 due July 2026 through 2043	**105,616**	108,029

10. Long-Term Debt (continued)

	2026	2025
Prudential 3.25% Series B Senior Note due March 2043, principal and interest payable semiannually, principal payments in varying amounts ranging from $575 to $2,405 due September 2026 through March 2043	**$ 44,335**	$ 46,310
Series 2019 Special Purpose Revenue Bonds, interest payable monthly at a fixed rate of 2.71%, principal payments in varying annual amounts ranging from $3,103 to $4,425 due July 2026 through 2033	**29,606**	32,673
Series 2018B Taxable Refunding Revenue Bonds, interest payable semiannually at rates ranging from 3.67% to 4.27% (4.18% at June 30, 2026), principal payments in varying annual amounts ranging from $1,990 to $2,605 due July 2026 through 2032; $2,715 to $3,610 due July 2033 through July 2040	**41,157**	43,113
Series 2018A Taxable Refunding Revenue Bonds, interest payable semiannually at rates ranging from 3.67% to 4.27% (4.24% at June 30, 2026), principal payments in varying annual amounts ranging from $960 to $1,665 due July 2026 through 2032; $1,210 to $11,605 due July 2033 through July 2040	**83,143**	84,044
Prudential 3.81% Series A Senior Note due September 2042, annual amortizing principal payments due in September and semiannual interest payments due in March and September	**43,695**	45,495
Bank loan, interest payable monthly at SOFR, plus 1.5% during the construction loan period, principal and interest payments commence on approximately December 1, 2027, maturity date November 1, 2037	**14,547**	4,920
Total long-term debt	**574,054**	582,488
Less current portion	**19,563**	18,347
Noncurrent portion	**$ 554,491**	$ 564,141

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.

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.

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, 2026 and 2025, approximately $25.1 million and $24.6 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, 2026, 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 a maximum principal amount of $15.9 million. As of June 30, 2026 and 2025, borrowings on the loan amounted to $14.5 million and $4.9 million, respectively. 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 $2.1 million) for the years succeeding June 30, 2026, are as follows (in thousands):

Year ending June 30:		
2027	$	19,563
2028		20,146
2029		21,341
2030		22,120
2031		23,043
Thereafter		467,841
	$	574,054

Interest paid was approximately $21.3 million and $20.1 million in 2026 and 2025, respectively. Interest capitalized was approximately $6.0 million and $2.5 million in 2026 and 2025, respectively.

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:

	2026	**2025**
Weighted average remaining term:		
Operating leases	**19.3 years**	20.5 years
Finance leases	**2.1 years**	2.9 years
Weighted average discount rate:		
Operating leases	**3.76%**	3.48%
Finance leases	**4.43**	4.19

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, 2026 (in thousands):

	Operating Leases	Finance Leases
2027	$ 23,243	$ 822
2028	21,447	614
2029	18,357	115
2030	14,669	52
2031	13,890	–
Thereafter	126,986	–
Total minimum lease payments	218,592	1,603
Less amount of lease payments representing interest	(60,512)	(71)
Present value of future minimum lease payments	158,080	1,532
Less current obligations under leases	(17,674)	(773)
Long-term lease obligations	$ 140,406	$ 759

The lease cost components, by lease type, for the years ended June 30 follow (in thousands):

	2026	2025
Finance lease expense:		
Amortization of leased assets	**$ 862**	$ 1,640
Interest on lease liabilities	**83**	105
Operating lease expense:		
Operating leases	**22,876**	20,555
Short-term leases	**1,035**	1,096
Total lease cost	**$ 24,856**	$ 23,396

The Company recognizes operating lease expense on a straight-line basis over the term of each operating lease, including the effects of rent holidays, tenant improvement allowances, and rent escalations. The difference between operating lease expense recognized and cash lease payments, together with the effect of lease incentives and other adjustments, is reflected in the carrying amount of the related operating lease right-of-use assets. As of June 30, 2026 and 2025, operating lease liabilities exceeded the related right-of-use assets by approximately $14.4 million and $13.6 million, respectively.

11. Leases (continued)

Supplemental lease cash flow information for the years ended June 30 follows (in thousands):

	2026	2025
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	**$ 22,667**	$ 20,023
Operating cash flows for finance leases	**83**	105
Financing cash flows for finance leases	**898**	1,672

Future minimum rental income to be received under noncancelable operating leases for office space as of June 30, 2026, follows (in thousands):

Year ending June 30:	
2027	$ 2,266
2028	2,134
2029	2,183
2030	1,935
2031	367
Thereafter	12,478
	$ 21,363

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, 2026 and 2025, of approximately $0.06 million combined and $2.0 million combined, respectively. The NOL carryforwards begin to expire in 2027, 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 2018 through 2025 tax years remain subject to examination for federal income tax and state jurisdiction purposes.

13. Functional Expenses

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

	2026		
	Patient Services	**Philanthropic and Support Services**	**Total**
Salaries and employee benefits	**$ 923,448**	**$ 164,077**	**$ 1,087,525**
Services	**278,380**	**59,843**	**338,223**
Supplies	**518,660**	**559**	**519,219**
Other purchases	**101,811**	**42,118**	**143,929**
Depreciation and amortization	**47,461**	**11,086**	**58,547**
Specific purpose projects/donations	**55**	**17,959**	**18,014**
Interest	**17,170**	**2,798**	**19,968**
Other	**33,421**	**9,942**	**43,363**
Total expenses	**$ 1,920,406**	**$ 308,382**	**$ 2,228,788**

	2025		
	Patient Services	**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

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 $5.4 million and $5.2 million as of June 30, 2026 and 2025, respectively, and were recorded using a 4.68% and 4.02% discount factor as of June 30, 2026 and 2025, 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.

14. Commitments and Contingencies (continued)

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

Professional 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	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
May 1, 2026 through April 30, 2027	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.

** For the health care professional liability policy effective May 1, 2026 to April 30, 2027, the Company added a buffer layer in excess of its primary retention of $5.0 million with limits of $5.0 million per occurrence and an annual aggregate of $5.0 million.

14. Commitments and Contingencies (continued)

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
May 1, 2026 through April 30, 2027	3,000	103,000

Medical malpractice expense totaled approximately $31.2 million and $35.6 million in 2026 and 2025, respectively. Medical malpractice accruals, including claims expected to be paid by reinsurance, totaled approximately $102.5 million and $107.9 million as of June 30, 2026 and 2025, respectively, and are recorded within accrued expenses and other long-term liabilities on the consolidated balance sheets. Reinsurance recoverable totaled approximately $17.9 million and $31.7 million as of June 30, 2026 and 2025, respectively, and is recorded within other receivables and other assets on the consolidated balance sheets. The medical malpractice accruals have been discounted using a 3.77% and 3.13% factor at June 30, 2026 and 2025, respectively. Undiscounted medical malpractice accruals and reinsurance recoverable totaled approximately $115.0 million and $118.4 million, respectively, as of June 30, 2026.

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.

14. Commitments and Contingencies (continued)

Other

The Company has outstanding construction and purchase commitments, primarily related to the Straub Benioff Medical Center redevelopment, of approximately $84.0 million as of June 30, 2026.

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 (in thousands):

	2026	2025
Health and hospital care	**$ 55,477**	$ 50,398
Plant expansion and equipment replacement	**66,107**	61,213
Research and grants	**23,148**	23,119
Education and scholarships	**16,124**	15,595
	$ 160,856	$ 150,325

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 (in thousands):

	2026	2025
Health and hospital care	**$ 257,795**	$ 235,189
Plant expansion and equipment replacement	**308,787**	249,738
	$ 566,582	$ 484,927

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.

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 donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as net assets with donor restrictions: (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 required to be maintained in perpetuity is also classified as net assets with donor restrictions 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

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.

16. Endowment (continued)

The endowment net asset composition by type of fund as of June 30 follows (in thousands):

	2026		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment	**$ –**	**$ 36,501**	**$ 36,501**
Board-designated funds	**566,582**	**–**	**566,582**
	$ 566,582	**$ 36,501**	**$ 603,083**

	2025		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment	$ –	$ 32,146	$ 32,146
Board-designated funds	484,927	–	484,927
	$ 484,927	$ 32,146	$ 517,073

16. Endowment (continued)

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

	2026		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	**$ 484,927**	**$ 32,146**	**$ 517,073**
Investment income:			
Investment income	**9,964**	**400**	**10,364**
Net investment gains (realized and unrealized)	**71,691**	**3,771**	**75,462**
Total investment income	**81,655**	**4,171**	**85,826**
Contributions	**–**	**46**	**46**
Appropriation of endowment assets for expenditure	**–**	**(528)**	**(528)**
Beneficial interest in perpetual trust	**–**	**729**	**729**
Transfers	**–**	**(63)**	**(63)**
Endowment net assets, end of year	**$ 566,582**	**$ 36,501**	**$ 603,083**

	2025		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 417,556	$ 29,319	$ 446,875
Investment income:			
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

Supplementary Information

Members of the Hawai‘i Pacific Health Obligated Group

Combined Balance Sheets
(Dollars in Thousands)

	June 30	
	2026	**2025**
Assets		
Current assets:		
Cash and cash equivalents	**$ 57,910**	$ 99,414
Patient accounts receivable, net	**224,594**	217,228
Due from third-party payors	**69,990**	45,075
Other receivables	**50,198**	33,739
Due from affiliates	**69,881**	69,881
Inventories	**37,473**	40,071
Funds held by trustee under bond indenture agreement	**25,068**	24,576
Prepaid expenses and other	**18,522**	15,547
Total current assets	**553,636**	545,531
Assets whose use is limited or restricted:		
Project funds held by trustee under bond indenture agreement	**65,006**	148,136
Board-designated	**410,614**	351,804
Restricted by donor or grantor	**142,229**	131,691
Total assets whose use is limited or restricted	**617,849**	631,631
Investments	**490,335**	503,431
Property and equipment, net	**755,317**	639,066
Right-of-use assets – operating	**114,218**	105,850
Right-of-use assets – finance	**1,094**	1,824
Due from third-party payors	**13,681**	3,808
Prepaid pension	**68,972**	48,021
Other assets:		
Investment in uncombined subsidiaries	**104,110**	102,705
Investments in business ventures	**25**	25
Beneficial interest in net assets of foundations	**120,490**	100,264
Other	**80,931**	89,218
Total other assets	**305,556**	292,212
Total assets	**$ 2,920,658**	$ 2,771,374

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

Members of the Hawai‘i Pacific Health Obligated Group

Combined Balance Sheets (continued)
(Dollars in Thousands)

	June 30	
	2026	**2025**
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 71,377**	$ 85,298
Payroll and related liabilities	**95,142**	91,867
Accrued expenses	**22,779**	22,887
Due to third-party payors	**8,935**	8,337
Due to affiliates	**1,684**	9,850
Current portion of long-term debt	**18,847**	18,061
Line of credit	**50,000**	35,000
Current portion of operating lease obligations	**13,820**	12,278
Current portion of finance lease obligations	**636**	769
Total current liabilities	**283,220**	284,347
Long-term debt, less current portion	**540,659**	559,507
Operating lease obligations, less current portion	**112,275**	104,870
Finance lease obligations, less current portion	**578**	1,215
Other long-term liabilities	**30,067**	31,778
Net assets:		
Net assets without donor restrictions	**1,793,234**	1,639,431
Net assets with donor restrictions	**160,625**	150,226
Total net assets	**1,953,859**	1,789,657
Total liabilities and net assets	**$ 2,920,658**	$ 2,771,374

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

Members of the Hawai‘i Pacific Health Obligated Group

Combined Statements of Operations and Changes in Net Assets
(Dollars in Thousands)

	Year Ended June 30 2026	2025
Revenues		
Net patient service revenue	**$ 1,648,118**	$ 1,547,499
Premium revenue	**28,207**	30,523
Other revenues	**473,481**	401,650
Net assets released from restrictions for operations	**16,511**	14,768
Total revenues	**2,166,317**	1,994,440
Expenses		
Salaries and employee benefits	**757,840**	713,273
Services	**564,306**	538,673
Supplies	**486,968**	425,493
Other purchases	**106,449**	97,761
Depreciation and amortization	**55,741**	54,756
Specific purpose projects/donations	**16,511**	14,768
Interest	**19,613**	23,677
Other	**21,268**	1,269
Total expenses	**2,028,696**	1,869,670
Operating income	**137,621**	124,770
Equity interest in affiliates	**3,812**	9,267
Investment income	**137,497**	104,059
Pension nonoperating income	**4,508**	3,032
	145,817	116,358
Excess of revenues over expenses	**283,438**	241,128
Transfers to affiliates	**(168,489)**	(146,717)
Change in beneficial interest in net assets of foundations	**20,225**	11,996
Change in net unrealized gains on debt securities	**350**	209
Net assets released from restrictions for purchase of property and equipment	**7,045**	1,712
Pension-related changes other than net periodic pension costs	**13,779**	(4,458)
Change in interest rate swap value	**655**	708
Other changes in net assets	**(3,200)**	17,129
Increase in net assets without donor restrictions	**153,803**	121,707

Continued to next page.

Members of the Hawai‘i Pacific Health Obligated Group

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

	Year Ended June 30	
	2026	**2025**
Net assets with donor restrictions		
Restricted grants and contributions	**$ 22,528**	$ 16,192
Investment income	**270**	146
Change in net unrealized gains on investments	**878**	768
Change in beneficial interest in net assets of foundations	**9,809**	22,076
Net assets released from restrictions	**(23,556)**	(16,480)
Change in beneficial interest in perpetual trusts	**729**	162
Other changes in net assets with donor restrictions	**(259)**	(14)
Increase in net assets with donor restrictions	**10,399**	22,850
Increase in net assets	**164,202**	144,557
Net assets at beginning of year	**1,789,657**	1,645,100
Net assets at end of year	**$ 1,953,859**	$ 1,789,657

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

Members of the Hawai‘i Pacific Health Obligated Group

Combined Statements of Cash Flows
(Dollars in Thousands)

	Year Ended June 30 2026	2025
Operating activities		
Increase in net assets	**$ 164,202**	$ 144,557
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Change in beneficial interest in net assets of foundations	**(30,034)**	(34,072)
Depreciation and amortization	**55,741**	54,756
Equity interest in affiliates	**(3,812)**	(9,267)
Net gains on alternative investments	**(92,860)**	(63,349)
Net gains on debt and equity investments	**(31,167)**	(21,714)
Restricted contributions	**(22,528)**	(16,192)
Changes in operating assets and liabilities:		
Patient accounts receivable	**(7,366)**	(28,727)
Due to/from third-party payors, net	**(34,191)**	(16,812)
Other receivables	**(16,458)**	(1,985)
Inventories and other assets	**7,910**	(11,812)
Accounts payable and accrued expenses	**(25,182)**	27,523
Other long-term liabilities	**(1,711)**	(2,359)
Prepaid pension	**(20,950)**	(555)
Net cash (used in) provided by operating activities	**(58,406)**	19,992
Investing activities		
Purchases of property and equipment	**(156,257)**	(105,347)
Net change in due to affiliates	**(8,167)**	5,978
Net change in uncombined subsidiaries	**2,406**	(17,337)
Purchases of investment securities	**(13,479)**	(33,030)
Sales and maturities of investment securities	**97,651**	77,549
Increase in funds held by trustee under bond indenture agreements	**–**	21,524
Assets whose use is limited or restricted:		
Purchases of investment securities	**(81,199)**	(62,005)
Sales and maturities of investment securities	**74,611**	47,270
Project funds held by trustee under bond indenture agreement	**60,315**	122,527
Net cash (used in) provided by investing activities	**(24,119)**	57,129

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Members of the Hawai‘i Pacific Health Obligated Group

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

	Year Ended June 30 2026	2025
Financing activities		
Payment of long-term debt	**$ (18,061)**	$ (15,050)
Payment on line of credit	**(35,000)**	(20,000)
Proceeds from line of credit	**50,000**	55,000
Payments of finance lease obligations	**(769)**	(1,549)
Restricted contributions	**22,528**	16,192
Net cash provided by financing activities	**18,698**	34,593
(Decrease) increase in cash and cash equivalents	**(63,827)**	111,714
Cash and cash equivalents at beginning of year	**211,811**	100,097
Cash and cash equivalents at end of year	**$ 147,984**	$ 211,811
Supplemental disclosures of noncash activity		
Accruals of equipment	**$ 15,004**	$ 9,309
Right-of-use assets and obligation	**$ 22,965**	$ 23,543
Reconciliation of cash flows to the balance sheets		
Cash and cash equivalents	**$ 57,910**	$ 99,414
Cash in funds held by trustee under bond indenture agreement	**25,068**	24,576
Cash in project funds held by trustee under bond indenture agreement	**65,006**	87,821
Total cash and cash equivalents	**$ 147,984**	$ 211,811

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

Hawai‘i Pacific Health

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

June 30, 2026

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 $219.6 million and $209.0 million of net patient service and other revenues have been recognized for the years ended June 30, 2026 and 2025, 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, 2026. Obligated

1. Combined Financial Statements (continued)

Group members also paid annual service coverage fees for physician services provided by HPHMG of approximately $59.6 million and $58.4 million for the years ended June 30, 2026 and 2025, 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 $123.9 million and $112.6 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, 2026 and 2025, respectively.

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