Thomas Jefferson University

Consolidated Financial Statements
June 30, 2026 and 2025

Thomas Jefferson University
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June 30, 2026 and 2025

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Report of Independent Auditors

To the Board of Trustees of Thomas Jefferson University

Opinion

We have audited the accompanying consolidated financial statements of Thomas Jefferson University and its subsidiaries (the "University"), which comprise the consolidated balance sheets as of June 30, 2026 and 2025, and the related consolidated statements of operations and changes in net assets without donor restrictions, of changes in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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



Philadelphia, Pennsylvania
October 28, 2026

Thomas Jefferson University
Consolidated Balance Sheets
June 30, 2026 and 2025
(In Thousands)

Assets	2026	2025
Current assets:		
Cash and cash equivalents	$858,492	$406,139
Short-term investments	578,314	943,540
Accounts receivable	1,866,716	1,893,302
Insurance premium receivable	325,941	332,699
Inventory and supplies	296,724	257,796
Pledges receivable, current	44,505	50,842
Insurance recoverable, current	146,589	104,632
Assets whose use is limited, current	12,449	51,793
Other current assets	203,164	172,885
Total current assets	4,332,894	4,213,628
Long-term investments	5,854,803	5,217,745
Assets whose use is limited, noncurrent	640,127	757,147
Assets held by affiliated foundations	65,296	59,496
Pledges receivable, noncurrent	93,045	110,844
Goodwill	251,271	248,809
Insurance recoverable, noncurrent	389,062	297,380
Loans receivable from students, net	18,962	19,914
Land, buildings and equipment, net	6,246,707	6,214,005
Right-of-use assets	628,904	606,051
Defined benefit pension	177,442	42,008
Other noncurrent assets	470,750	504,596
Total assets	$19,169,263	$18,291,623
Liabilities and Net Assets		
Current liabilities:		
Current portion of:		
Long-term obligations	$86,439	$99,757
Accrued professional liability claims	233,125	179,701
Accrued workers' compensation claims	23,871	24,091
Operating lease obligations	84,293	81,642
Accounts payable and accrued expenses	1,067,116	953,766
Short-term borrowing	332,032	408,123
Advances and deferred revenues	117,161	107,109
Medical costs payable	381,008	249,176
DHS insurance program payable	151,456	19,963
Accrued payroll and related costs	786,359	687,440
Total current liabilities	3,262,860	2,810,768
Long-term obligations	5,163,973	5,182,444
Accrued pension liability	-	106,757
Federal student loan advances	4,839	5,035
Accrued professional liability claims	910,287	799,414
Accrued workers' compensation claims	32,298	29,362
Interest rate hedges	9,014	12,291
Operating lease obligations	564,987	537,856
Other noncurrent liabilities	352,819	327,370
Total liabilities	10,301,077	9,811,297
Net assets:		
Net assets without donor restriction - Thomas Jefferson University	6,998,743	6,723,673
Noncontrolling interest in joint ventures	85,051	83,965
Total net assets without donor restriction	7,083,794	6,807,638
Net assets with donor restriction	1,784,392	1,672,688
Total net assets	8,868,186	8,480,326
Total liabilities and net assets	$19,169,263	$18,291,623

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

Thomas Jefferson University
Consolidated Statements of Operations and Changes in Net Assets without Donor Restrictions
For the Years Ended June 30, 2026 and 2025
(In Thousands)

	2026	2025
Operating revenues, gains and other support:		
Net patient service revenue	$12,102,821	$11,054,287
Insurance premium revenue	2,680,945	2,225,203
Grants and contracts	214,436	183,738
Tuition and fees, net	257,044	235,466
Investment income	279,468	265,710
Contributions	5,843	6,222
Other revenue	1,990,218	1,682,163
Net assets released from restrictions	102,613	103,068
Total operating revenues, gains and other support	17,633,388	15,755,857
Operating expenses:		
Salaries and wages	6,635,873	6,177,348
Employee benefits	1,754,428	1,614,127
Insurance services medical expenses	2,299,229	1,962,496
Supplies	3,265,667	2,834,215
Purchased services	1,507,548	1,345,886
Depreciation and amortization	509,392	503,637
Interest	206,215	201,467
Insurance	350,094	234,507
Utilities	126,160	107,181
Other	1,065,663	983,299
Total operating expenses	17,720,269	15,964,163
Loss from operations before restructuring costs	(86,881)	(208,306)
Restructuring costs	112,367	-
Loss from operations after restructuring costs	(199,248)	(208,306)
Nonoperating items and other changes in net assets without donor restriction, net:		
Return on investments, net of amounts classified as operating revenue	312,319	136,205
Contribution received in LVHN acquisition	-	2,598,846
Interest rate hedges	3,654	(3,474)
Reclassification of net assets	(997)	(142)
Net assets released from restrictions used for purchase of property and equipment	23,462	24,263
Adjustment to funded status of pension plan	228,614	(4,421)
Distributions to noncontrolling interest	(33,711)	(30,070)
Gain on defeasance of debt	-	34,985
Other	(57,937)	3,405
Increase in nonoperating items and other changes in net assets without donor restriction	475,404	2,759,597
Increase in net assets without donor restriction	$276,156	$2,551,291

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

Thomas Jefferson University
Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2026 and 2025
(In Thousands)

	2026	2025
Net assets without donor restriction:		
Revenues, gains and other support	$17,633,388	$15,755,857
Expenses	(17,720,269)	(15,964,163)
Restructuring costs	(112,367)	-
Contribution received in LVHN acquisition	-	2,598,846
Nonoperating items and other changes in net assets without donor restriction, net	475,404	160,751
Increase in net assets without donor restriction	276,156	2,551,291
Net assets with donor restriction:		
Contributions	78,475	112,516
Gain on investments, net	119,647	68,643
Net gain on externally held trusts	23,946	13,354
Investment income	8,234	15,140
Net assets released from restrictions	(126,075)	(127,331)
Changes in net assets held by affiliated foundations	5,800	5,937
Change in value of split interest agreements	680	465
Contribution received in LVHN acquisition	-	397,967
Reclassification of net assets	997	142
Increase in net assets with donor restriction	111,704	486,833
Increase in net assets	387,860	3,038,124
Net assets, beginning of year	8,480,326	5,442,202
Net assets, end of year	$8,868,186	$8,480,326

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

Thomas Jefferson University
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025
(In Thousands)

	2026	2025
Cash flows from operating activities:		
Increase in net assets	$387,860	$3,038,124
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Contributions received in acquisition of LHVN	-	(2,996,813)
Adjustment to funded status of pension plan	(228,614)	4,421
Depreciation and amortization	509,392	503,637
Bond premium and deferred financing fees amortization, net	(11,038)	(15,033)
Change in assets held by affiliated foundation	(5,800)	(5,936)
Gain on investments and other, net	(712,875)	(490,585)
Loss (Gain) on disposal	9,582	(7,685)
Net (gain) loss on interest rate hedges	(3,654)	3,474
Distribution to noncontrolling interest	33,711	30,070
Gain on defeasance of debt	-	(34,985)
Contributions designated for acquisition of long-term assets	(49,128)	(47,208)
Net change due to:		
Accounts receivable	26,586	(134,861)
Insurance premium receivable	6,758	(151,220)
Pledges receivable	24,137	7,118
Inventory and supplies	(38,928)	(12,841)
Accounts payable and accrued expenses	113,347	(47,985)
Medical costs payable	131,832	61,339
DHS insurance program payable	131,493	(37,334)
Accrued payroll and related costs	98,919	38,281
Accrued pension liability	(2,682)	570
Insurance recoverable and accrued professional and workers' compensation claims	33,374	11,882
Dividends received from joint ventures	18,324	16,630
Other assets and liabilities	12,882	53,180
Net cash provided by (used in) operating activities	485,478	(213,760)
Cash flows from investing activities:		
Cash received in acquisition of LVHN, net	-	262,189
Purchase of land, buildings and equipment	(530,454)	(495,352)
Purchases of investments and assets whose use is limited	(6,882,591)	(10,943,223)
Proceeds from sales of investments and assets whose use is limited	7,311,724	10,805,240
Student loans issued	(3,001)	(3,859)
Student loans repaid	3,373	3,260
Net cash used in investing activities	(100,949)	(371,745)
Cash flows from financing activities:		
Distribution to noncontrolling interest	(33,711)	(30,070)
Contributions designated for acquisition of long-lived assets	49,128	47,208
Federal student loan advances	(196)	580
Deferred financing fees	(891)	(15,034)
Proceeds from short-term borrowing	3,671,340	3,713,000
Repayments from short-term borrowing	(3,747,431)	(3,396,911)
Proceeds from long-term obligations	93,692	1,637,017
Repayment of long-term obligations	(113,552)	(1,126,348)
Net cash (used in) provided by financing activities	(81,621)	829,442
Net increase in cash and cash equivalents	302,908	243,937
Cash and cash equivalents at beginning of period	806,139	562,202
Cash and cash equivalents at end of period	$1,109,047	$806,139
Supplemental disclosures:		
Interest paid (net of amount capitalized)	$203,395	$184,317
Accounts payable related to buildings and equipment	$74,923	$79,420
Operating cash flows for operating leases	$115,963	$134,230
Right-of-use assets obtained in exchange for lease obligations	$129,537	$75,144

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements represent the consolidated balance sheets, statement of operations and changes in net assets without donor restrictions, statements of changes in net assets and statements of cash flows of Thomas Jefferson University ("TJU"), including Jefferson Health Corporation ("JHC") and Jefferson Health Plans ("JHP"). On August 1, 2024, JHC became the sole corporate member of Lehigh Valley Health Network (see footnote 2).

TJU is an independent, non-profit corporation organized under the laws of the Commonwealth of Pennsylvania ("the Commonwealth") and recognized as a tax-exempt organization pursuant to Section 501(c) (3) of the Internal Revenue Code. TJU has a tripartite mission of education, research and patient care. TJU conducts research and offers undergraduate and graduate instruction through ten colleges, three schools and two institutes located primarily on two campuses in Philadelphia, with approximately 7,725 students.

JHC is an integrated healthcare organization that provides inpatient, outpatient and emergency care services through acute care, ambulatory care, rehabilitation care, physician and other primary care services for residents of the Greater Philadelphia and Lehigh Valley Region. TJU is the sole corporate member of JHC. JHC includes the accounts of subsidiaries of JHC, and companies' ventures operated by JHC, comprising 32 hospitals and over 360 sites of care delivery.

TJU is the sole corporate member of JHP. JHP includes the accounts and subsidiaries of JHP. JHP provides access to healthcare services on a prepaid basis. JHP is licensed by the Commonwealth of Pennsylvania Departments of Insurance and Health to operate as a Health Maintenance Organization. Pursuant to agreements with the Department of Human Services of the Commonwealth of Pennsylvania ("DHS"), JHP provides for the provision of physical health (including mandated behavioral-related pharmaceutical coverage for members as prescribed) Medical Assistance Program benefits to enrolled recipients residing in the Commonwealth of Pennsylvania and for the provision of physical and behavioral health insurance through the Commonwealth of Pennsylvania's Children's Health Insurance Program ("CHIP"). Additionally, JHP provides for the provision of physical and behavioral health insurance through its Medicare Advantage program and products through a contract with the Centers for Medicare and Medicaid Services and through the Affordable Care Act Marketplace. Total health plan membership is approximately 415,000 members.

Subsequent Events
TJU has performed an evaluation of subsequent events through October 28, 2026, which is the date the consolidated financial statements were issued.

Financial Statement Presentation
The accompanying consolidated financial statements have been prepared on an accrual basis. All significant intercompany accounts and transactions have been eliminated. Transactions with related parties occur in the ordinary course of the TJU's activities, which do not have a material effect on the TJU's financial position. Related parties may include affiliates, trusts, and investment holdings. In addition, related parties may also include board members and senior management, their family members, and any entities with which they are associated that may do business with the TJU.

TJU classifies net assets as follows:

Net Assets without Donor Restrictions are those net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in fulfilling the mission of TJU. These net assets may be used at the discretion of TJU's management and the Board of Trustees.

Net Assets with Donor Restrictions are those net assets whose use by TJU has been limited by donors to a specific time period or purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of TJU and/or the passage of time. Other donor restrictions are perpetual in nature, where the funds are to be maintained in perpetuity by TJU, per the stipulation of the donor.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets without donor restrictions.

TJU's operating activities within the consolidated statements of operations and changes in net assets without donor restrictions includes revenues and expenses from providing education, research, patient and insurance services. Restructuring costs include costs directly related to integrating acquired businesses, such as employee severance, facility rationalization and expenditures for consulting and the integration of systems and processes.

TJU's non-operating activities within the consolidated statements of operations and changes in net assets without donor restrictions include investment returns and other activities related to endowment, interest rate hedges, net assets released from restrictions used for the purchase of property and equipment, distributions to noncontrolling interest, contribution received in LVHN transaction, gain on defeasance of debt, reclassification of net assets and long-term benefit plan obligation funding changes that are not part of the TJU's operating activities.

Use of Estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

of revenue and expenses during the reporting period. Management considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of the financial statements including, but not limited to, recognition of net patient service revenue, which includes implicit price concessions; recognition of estimates for healthcare professional and general liabilities; determination of fair values of certain financial instruments; recognition of medical costs payable and assumptions for measurement of pension obligations. Management relies on historical experience and other assumptions believed to be reasonable relative to the circumstances in making judgments and estimates. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments in highly liquid debt instruments with a maturity of three months or less when purchased and are carried at cost, which approximates fair value. All short-term, highly liquid investments, including any such investments purchased with funds on deposit with bond trustees, otherwise qualifying as cash equivalents or restricted cash equivalents, within TJU's investments and assets whose use is limited are treated as investments, at fair value and are therefore excluded from Cash and cash equivalents in the consolidated statements of cash flows.

The following table provides a reconciliation of cash and cash equivalents reported within the consolidated balance sheets to the amounts reported in the consolidated statements of cash flows at June 30, 2026 and 2025:

	2026	2025
Cash and cash equivalents	$858,492	$406,139
Cash in long-term investments	250,555	400,000
Cash and cash equivalents	$1,109,047	$806,139

Short-term Investments

Investments classified as short-term investments are available to fund current operations as needed and exclude quasi-endowment funds, donor restricted endowment funds (including beneficial interests in perpetual trusts administered by third parties), investments held under split-interest agreements and investments subject to the equity method.

Charitable Medical Care Provided

TJU provides medically necessary services to all patients regardless of their ability to pay. Some patients qualify for charity care based on policies established by TJU and are therefore not responsible for payment for all or a part of their healthcare services. These policies allow for the provision of free or discounted care in circumstances where requiring payment would impose financial hardship on the patient.

TJU maintains records to identify and monitor the level of charity care provided. These records include the amount of charges foregone for services and supplies furnished. Such amounts have been excluded from net patient service revenue. Management estimates that the cost of charity care provided by TJU was $130.1 million and $103.0 million for the years ended June 30, 2026

and 2025, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the TJU total expenses divided by gross charges.

Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which TJU expects to be entitled in exchange for providing patient care.

TJU determines the transaction price based on gross charges for services provided, less contractual adjustments provided to third-party payers based upon agreements, discounts provided to uninsured patients pursuant to TJU's policies, and implicit price concessions provided to uninsured patients and patients with insurance that are responsible for co-pay and/or deductible amounts. TJU determines its estimate of implicit price concessions based upon historical collection experience using a portfolio approach as a practical expedient. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of change.

TJU determines performance obligations based upon the nature of the services provided. Net patient service revenue is recognized as performance obligations are satisfied. TJU recognizes revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services or patients receiving services in our outpatient centers. TJU measures the performance obligation from admission into the hospital, or the commencement of an outpatient service, to point when there are no further services required for the patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to our patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and TJU does not believe it is required to provide additional goods or services to the patient.

As substantially all of TJU's patient service performance obligations relate to contracts with a duration of less than one year, TJU has elected to not disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks after the end of the reporting period.

Net patient service revenue includes estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlements are determined. No significant adjustments are expected.

Revenue from the Medicare and Medicaid programs accounted for approximately 40.1% and 12.8%, respectively, and 39.5% and 12.9%, respectively of net patient service revenue in 2026 and 2025, respectively. Most payments to TJU from the Medicare and Medicaid programs for inpatient hospital services are made on a prospective basis. Under these programs, payments are made at a pre-determined specific rate for each discharge based on a patient's diagnosis. Additional payments are made to TJU teaching and disproportionate share hospitals, as well as for cases that have unusually high costs. Laws governing the Medicare and Medicaid programs are complex and subject to interpretation. Services billed to the Medicare program are subject to external review for both medical necessity and billing compliance. Medicare cost reports through June 30, 2020 have been audited and final settled as of June 30, 2026. In addition, TJU received funds from the Philadelphia Hospital Assessment program and the Medical Assistance Modernization Act-Quality Care Assessment program in the amount of $535.7 million and $515.9 million in 2026 and 2025, respectively, and are recorded in net patient service revenue. TJU paid taxes in respect to these programs amounting to $300.1 million in 2026 and 2025, respectively, and are recorded in other operating expenses. Both programs were designed to provide supplemental funding for licensed acute care hospitals with the Philadelphia Hospital Assessment program specifically designated for hospital emergency services.

TJU has also entered into agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to TJU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined daily rates and capitated rates. In addition, incentives are paid for high performance with regard to clinical outcome, patient quality, patient satisfaction and efficiency. Revenue from Blue Cross and Aetna USHC amounted to 21.8% and 7.4%, respectively, and 22.3% and 7.1%, respectively, of TJU's net patient service revenue in 2026 and 2025, respectively.

Insurance Premium Revenue

Healthcare insurance premiums are recognized as revenue in the month in which the enrollee is entitled to receive health care services and are reported net of an allowance for estimated terminations and uncollectible amounts. Additionally, certain premium revenue subject to the minimum medical loss ratio ("MLR") rebate requirements of the Patient Protection and Affordable Care Act ("ACA") and the Health Care and Education Reconciliation Act of 2010 is recorded net of the estimated minimum MLR rebates. Insurance premium revenue includes Medicaid, Medicare, CHIP and ACA contracts.

Other Revenue
The component of other revenue for the years ended June 30, 2026 and 2025, are as follows (in thousands):

	2026	2025
Ambulatory pharmacy	$1,572,618	$1,376,956
Government support for COVID-19	91,275	467
Contracted physician services	37,330	36,538
Rental income	30,309	29,179
Cafeteria	21,959	20,187
Population health	39,699	41,910
Insurance recovery	26,371	-
All other	170,657	176,926
	$1,990,218	$1,682,163

Medical Costs Payable
Medical costs payable consists principally of unpaid fee-for-service medical and pharmacy claims and capitation costs related to JHP's products. Unpaid healthcare claims include an estimate of payments to be made on claims reported but not yet paid and for healthcare services rendered to members but not yet reported to JHP as of the date of the consolidated balance sheets, collectively, referred to as incurred but not reported (IBNR). Also included in these estimates is the cost of services that will continue to be rendered after the consolidated balance sheets date if JHP is obligated to pay for such services in accordance with contractual or regulatory requirements.

Such estimates are developed using actuarial principles and assumptions which consider, among other things, historical and projected claim submission and processing patterns, assumed and historical medical cost trends, historical utilization of healthcare services, claim inventory levels, changes in membership and product mix, seasonality, and other relevant factors. JHP reflects changes in these estimates in healthcare costs in operating results in the period they are determined. While the ultimate amounts of claims and related expenses are dependent on future developments, it is management's opinion that the liabilities that have been established are adequate to cover such costs.

Grants and Contracts
Grants and contracts revenue primarily represents research activity sponsored by governmental and private sources. TJU's primary source of federal sponsored support is the Department of Health and Human Services. In 2026 and 2025, revenue earned from federal sources totaled $118.9 million and $119.3 million, respectively. Facilities and administrative costs recovered on federally sponsored programs are generally based on predetermined rates negotiated with the Federal Government while recovery on all other sponsored projects is based on rates negotiated with the respective sponsor. Funds received for sponsored research activity are subject to audit. Based upon information currently available, management believes that any

liability resulting from such audits will not materially affect the consolidated financial position or operations of TJU.

Tuition and Fees
Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Tuition and fees received in advance of services to be rendered are reported as deferred revenue on the consolidated balance sheets. TJU provides financial aid to eligible students in the form of institutional scholarships, loans and employment during the academic year. Tuition and fees have been reduced by certain institutional grants and scholarships in the amount of $109.0 million and $97.1 million in 2026 and 2025, respectively.

Contributions
Contributions, including unconditional promises to donate cash and other assets, are recognized at fair value on the date of receipt, recognized as revenue in the period received and are reported as increases in the appropriate net asset category based on with or without donor restrictions. Pledges received which are to be paid in future periods, and contributions restricted by the donor for specific purposes are reported as net assets with donor restriction support. When a donor restriction expires, that is, when a time restriction ends or stipulated purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction.

Collections
TJU capitalizes works of art, historical treasures, or similar assets (collectively, Collections). Collections are recorded at fair value at the date of the contribution and are not depreciated. Collections of $9.5 million are included in other noncurrent assets on the consolidated balance sheets at June 30, 2026 and 2025, respectively.

Investments
Investments are reported at fair value. Debt and equity securities with readily determinable fair values are based on quoted prices from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair values provided by investment managers. As a practical expedient under the Fair Value Measurement standard, TJU estimates the fair value of an investment in an investment company at the measurement date using the reported net asset value ("NAV"). Adjustments are recorded if TJU expects to sell the investment at an amount other than NAV or if the NAV is not prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). When the reported NAV is not as of the measurement date, TJU adjusts for interim cash flows. These amounts represent the estimated fair value of such investments at June 30, 2026 and 2025. TJU performs additional procedures on alternative investments, including due diligence reviews and other procedures with respect to the capital account or NAV information, to confirm compliance with valuation policies, redemption rights as of the measurement date, and the impact of any restrictions at the measurement date. TJU reviews the values as provided by the investment managers and believes that the carrying amount of these investments is a reasonable estimate of fair value. Because alternative investments are not readily marketable, their estimated values are subject

to uncertainty and may differ from the value that would have been used had a ready market for such investments existed.

The Commonwealth of Pennsylvania has not adopted the Uniform Management of Institutional Funds Act ("UMIFA") or the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Instead, the Pennsylvania Act governs the investment, use, and management of TJU's endowment funds. The Pennsylvania Act permits a nonprofit organization to adopt an appropriation policy designed to preserve the long-term real value of investments. Consistent with the Pennsylvania Act, TJU's investment policy objectives are to provide sufficient spendable income to meet current and future budgetary requirements while protecting the purchasing power of endowment assets. For both 2026 and 2025, TJU calculated spendable income for endowment funds at 7% of a rolling three-year average.

Concentrations of Credit Risk
TJU's financial instruments exposed to concentrations of credit risk consist primarily of cash, cash equivalents, and investments. These funds are held in high-quality financial institutions and managed by TJU personnel and external advisors. Balances at financial institutions may at times exceed federally insured limits.

Assets Held by Affiliated Foundations
The Methodist Hospital Foundation ("MHF") and Magee Rehabilitation Hospital Foundation ("MRHF") are separate entities not under the control of TJU. MHF and MRHF accept gifts and bequests and engage in fundraising activities for the benefit of Methodist Hospital and Magee, respectively. The Board of Trustees of MHF and MRHF, at their sole discretion, are authorized to contribute funds to Methodist Hospital and Magee, respectively.

While the sole purpose of MHF and MRHF are to support Methodist Hospital and Magee, this accounting treatment does not imply that MHF and MRHF assets or investment income are those of TJU. The consolidated balance sheets do not reflect or establish the legal relationship, agency or otherwise, between MHF, MRHF and TJU, or any right to assets owned by MHF and MRHF. The by-laws of MHF and MRHF provide that all assets they hold shall not be subject to attachments, execution, or sequestration for any debt, obligation or liability of TJU or any other person or entity. In particular, MHF and MRHF are not party to or obligated by any debt instrument of TJU, and assets owned by MHF and MRHF, are not subject to the lien of any such debt instrument. Underlying investments held by MHF and MRHF with restrictions benefiting only Methodist Hospital and Magee, respectively, are presented in the consolidated balance sheets as follows (in thousands):

	2026	2025
Methodist Hospital Foundation	$14,607	$13,322
Magee Rehabilitation Hospital Foundation	50,689	46,174
Total	$65,296	$59,496

Split Interest Agreements
TJU's split-interest agreements consist of charitable gift annuities, pooled income funds, and charitable remainder trusts. Contribution revenue for charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established; net of the liability recorded for the present value of the estimated future payments. Contribution revenue for pooled income funds is recognized upon establishment of the agreement at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

Loans Receivable from Students
Many students receive financial aid that consists of scholarship grants, work-study opportunities and student loans. TJU participates in various federal revolving loan programs, in addition to administering institutional loan programs. Student loan programs are funded by donor contributions, other institutional sources, and governmental programs.

The amounts received from the federal government's portion of federal loan programs are ultimately refundable to the federal government and are reported as a liability on TJU's consolidated balance sheets as federal student loan advances. Determination of the fair value of student loans receivable is not practicable.

Student loans receivable, net of allowance for doubtful accounts, consists of the following at June 30, 2026 and 2025 (in thousands):

	2026	2025
Direct student loans, net	$13,564	$14,484
Federally-sponsored student loans	5,398	5,430
Total	$18,962	$19,914

Land, Buildings, and Equipment, Net
Land, buildings, and equipment are carried at cost on the date of acquisition or fair value on the date of donation in the case of gifts. Depreciation expense is computed on a straight-line basis over the estimated useful lives of the assets, excluding land. All gifts of land, buildings, and equipment are recorded as unrestricted non-operating activities unless explicit donor stipulations specify how the donated assets must be used. Interest expense on borrowed funds used for construction, net of interest income earned on unexpended amounts, is capitalized through the completion of construction.

Leases
TJU leases property and equipment under finance and operating leases. TJU determines whether an arrangement is a lease at inception. For leases with terms greater than 12 months, TJU records the related right-of-use ("ROU") assets and lease liabilities at the present value of lease payment over the term. The determination of lease payments factors in rental escalation clauses and options to extend or terminate the lease, if the clauses are reasonably certain to be exercised. TJU separates the lease and non-lease components of contracts. TJU's secured incremental borrowing rate is used to determine the present value of lease of payments.

Operating leases are included in ROU assets, current portion of operating lease obligations and operating lease obligations on the consolidated balance sheets. Operating lease expense is recognized on the straight-line basis over the lease term and is included in the other operating expense line on the consolidated statements of operations and changes in net assets without donor restrictions.

Finance leases are included in land, buildings and equipment, net, current portion of long-term obligations and long-term obligations on the consolidated balance sheets. Amortization of finance leases is included in depreciation expense on the consolidated statements of operations and changes in net assets without donor restrictions.

Goodwill
Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Any excess of the purchase price over the estimated fair value of the identifiable net assets acquired is recorded as goodwill. The determination of the estimated fair value of net assets acquired requires management's judgment and often involves the use of significant estimates and assumptions. Goodwill is evaluated annually for impairment. No impairment existed as of June 30, 2026 and 2025.

The change in the carrying amount of goodwill for the year ended June 30, 2026 and 2025 is as follows (in thousands):

	2026	2025
Beginning balance	$248,809	$246,109
Additions	2,462	2,700
Ending balance	$251,271	$248,809

Reclassifications
Certain amounts in the prior year have been reclassified to conform to the current year presentation.

New Accounting Standards

In September 2025, the FASB issued ASU No. 2025-06, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software. The amendments in this ASU modernize the guidance for accounting for costs related to internal-use software. The new guidance removes all references to project stages throughout Subtopic 350-40 and requires entities to begin capitalizing software costs when management has authorized and committed to funding the project and it is probable the project will be completed, and the software will function as intended. The ASU also includes expanded disclosure requirements for capitalized software costs. The guidance is effective for all entities for fiscal years beginning after December 15, 2027. TJU is currently evaluating the impact of this ASU on its consolidated financial statements.

2. BUSINESS COMBINATIONS

On August 1, 2024 Jefferson Health Corporation became the sole corporate member of Lehigh Valley Health Network ("LVHN"). LVHN was the parent company of an integrated healthcare system in eastern Pennsylvania with a mission to heal, comfort, and care for the people in the communities it serves, including Lehigh, Northampton, Schuylkill, Carbon, Monroe, Luzerne, and Lackawanna Counties in Pennsylvania. TJU acquired all of the assets and liabilities of LVHN and transferred no consideration. The TJU board was reconstituted to include members designated by LVHN. The acquisition of LVHN is intended to improve the access and quality of the care provided to the communities served by both organizations, to enhance the educational and research missions of TJU and LVHN and to promote the expansion of the JHP programs into the Lehigh Valley region. On June 30, 2025 LVHN merged into JHC.

The following table summarizes the fair value of assets, liabilities and net assets contributed by LVHN at the acquisition date (in thousands):

Cash and cash equivalents	$262,189
Accounts receivable	597,405
Investments	1,987,865
Land, buildings and equipment	1,928,046
Other assets	890,732
Total assets acquired	$5,666,237
Accrued payroll and related costs	$197,272
Accrued professional liability and workers' compensation claims	213,421
Long-term obligations	1,358,831
Accrued pension obligations	1,575
Accounts payable, accrued expenses and other liabilities	898,325
Total liabilities assumed	$2,669,424
Net assets without donor restriction	$2,598,846
Net assets with donor restriction	397,967
Total net assets contributed	$2,996,813

TJU's pro forma unaudited operating revenues, gains and other support, changes in net assets without donor restriction and changes in net assets with donor restriction for the year ended June 30, 2025, as if the acquisition of LVHN had occurred at July 1, 2024 are (in thousands):

Operating Revenues, Gains and Other Support	Change in Net Assets Without Donor Restriction	Change in Net Assets With Donor Restriction
$16,148,416	$2,551,291	$486,833

3. REGULATORY REQUIREMENTS FOR JHP

Commonwealth of Pennsylvania Insurance Law provides that dividends and other distributions may be paid only to the extent of statutory surplus in excess of $1.5 million as reported in the most recent financial statements filed with the Pennsylvania Insurance Department ("PID") and may be paid only out of positive net worth. In addition, legislation requires PID approval of any dividend or other distribution exceeding the greater of (i) 10% of net worth (as of December 31) or (ii) net income for the prior year. The National Association of Insurance Commissioners ("NAIC") also requires that insurance companies, including health maintenance organizations, file annually a risk-based capital report to measure the financial health of the entity. DHS also requires HealthChoices contractors to be subject to minimum levels of statutory equity. DHS

requires contractors' statutory equity to exceed the highest amounts determined by the following:

- $20 million
- 7% of revenue earned by the licensed HMO during the most recent four (4) calendar quarters; and
- 7% of revenue earned by the licensed HMO during the current quarter multiplied by three (3)

With the exception of payments for claims, HealthChoices contractors may not pay or transfer assets to a related party without the prior approval of DHS, if the contractor's statutory equity is less than the minimum stipulated in the HealthChoices contract. In addition to the statutory net worth requirement, the PID has adopted the NAIC Risk-Based Capital ("RBC") requirements. RBC is a method of measuring the minimum amount of capital appropriate for a managed care organization to support its overall business operations in consideration of its size and risk profile. The managed care organization's RBC is calculated by applying factors to various asset, premium, and reserve items. The adequacy of a managed care organization's actual capital can then be measured by a comparison to its RBC as determined by the formula. When an organization's net worth falls below 200% of RBC, which is known as the Company Action Level, a company must file a Comprehensive Action Plan with the applicable state regulators describing its plans to increase its net worth above the 200% threshold.

JHP's statutory net worth has exceeded the NAIC Company Action Level calculated for its RBC requirements as of December 31, 2025 and 2024. JHP's recorded capital and surplus under statutory accounting principles was $363.1 million and $336.7 million as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024 JHP's RBC percentage filed with PID was 649% and 460%, respectively. No material events noted at June 30, 2026 and 2025 that would impact capital and surplus.

4. NET ASSETS

Net assets consisted of the following at June 30, 2026 and 2025 (in thousands):

	2026			2025		
Detail of net assets	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating	$3,145,453	$474,109	$3,619,562	$3,133,766	$461,276	$3,595,042
Capital gifts	-	52,034	52,034	-	61,294	61,294
Student loan funds	31,320	32,682	64,002	28,912	29,907	58,819
Endowment funds	3,907,021	1,143,144	5,050,165	3,644,960	1,045,973	4,690,933
Assets held by affiliated foundations	-	65,296	65,296	-	59,496	59,496
Deferred giving	-	17,127	17,127	-	14,742	14,742
Total	$7,083,794	$1,784,392	$8,868,186	$6,807,638	$1,672,688	$8,480,326

5. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited are presented in the consolidated balance sheets at June 30, 2026 and 2025 consist of the following (in thousands):

	2026	2025
Held by trustee under indenture agreement	$329,033	$423,330
Deferred compensation fund	279,427	251,356
Self Insurance funds	3,533	99,463
Women's Board, Medical Staff and other funds	3,162	8,591
Restricted for capital purposes	37,421	26,200
Total	$652,576	$808,940
Less current portion	(12,449)	(51,793)
Noncurrent portion	$640,127	$757,147

6. INVESTMENTS

Investments are presented in the consolidated balance sheets under the following classifications (in thousands):

	2026	2025
Short-term investments	$578,314	$943,540
Assets whose use is limited, current	12,449	51,793
Long-term investments	5,854,803	5,217,745
Assets whose use is limited, noncurrent	640,127	757,147
	$7,085,693	$6,970,225

A summary of investments at June 30, 2026 and 2025 is as follows (in thousands):

	2026	2025
Cash and cash equivalents	$760,336	$1,045,347
Equity securities	51,119	54,928
Fixed income securities	353,023	316,408
Funds:		
Global equity	1,412,222	1,312,133
Fixed income	1,543,408	2,109,754
Real assets	407,861	302,271
Other mutual funds	272,640	243,346
Private equity	1,744,125	982,432
Real estate	-	1,493
Hedge funds	2,228	128,026
External trusts	246,598	222,652
Investments subject to equity method and other	292,133	251,435
	$7,085,693	$6,970,225

Most private investment funds (private equity real asset funds are structured as closed-end, commitment-based investment vehicles. where TJU commits a specified amount of capital at inception of the fund (i.e., committed capital) which is drawn down over the life of the fund. Such funds typically do not allow redemptions or new subscriptions after the final closing. Accordingly, TJU generally holds these interests until maturity, although limited secondary market transactions may occur. Fund managers may value the underlying investments based on appraisals, discounted cash flow analyses, industry comparables, or other methods. TJU values these investments at NAV.

Unlike private investment funds, hedge funds are generally open-ended and permit subscriptions and redemptions as specified in fund governing documents. The level of liquidity is aligned with the liquidity and risk of the underlying portfolio. Investments may include securities not quoted in active markets, and illiquid positions may be valued using appraisals, discounted cash flows, or industry comparables or some other method. The valuation approaches described above may result in fair values that differ from amounts ultimately realized. While TJU believes its methodologies are appropriate and consistent with those of other market participants, the use of different assumptions could produce materially different estimates.

TJU's direct investments in equity and fixed income securities are considered liquid assets because they are traded on established markets with enough participants to absorb sale transactions without materially impacting the current price of the asset. The underlying assets

in TJU's investments in equity, fixed income and real asset funds are traded on established markets with sufficient participants to absorb sales without materially impacting prices. The related pooled funds are also traded on such markets and priced daily, with next-day settlement.

Private equity investments have limited liquidity, with distributions typically occurring quarterly. Liquidity may be achieved through secondary sales. At June 30, 2026 and 2025, TJU had unfunded commitments of $975.0 million and $1.1 billion, respectively, which are expected to be called over the next three to five years.

	2026	2025
Private equity	$974,942	$1,060,403
Real estate	75	-
	$975,017	$1,060,403

Hedge funds typically provide quarterly liquidity with 60–90 days' notice. Liquidity terms may be further limited by gates, holdbacks, side pockets, or redemption fees. When holdbacks are imposed, TJU evaluates the impact on overall valuation and the risk of not fully realizing the reported NAV.

For those private equity, real estate limited partnerships, or hedge-fund of fund transactions where valuations dated on the last business day of the calendar year are available, the valuations are based on the most recent capital account statement (monthly/quarterly), adjusted for interim cash flow activity (contributions, distributions, fees).

Beneficial interests in perpetual trusts, administered by independent trustees, are primarily invested in domestic and international equity and fixed income securities.

TJU accounts for investments in the following entities under the equity method: Five Pointe Professional Liability Insurance Company ("Five Pointe") (50% owned joint venture insurance entity); Mountain Laurel Risk Retention Group, Inc. ("MLRRG") (50% owned joint venture insurance entity); MLJH, LLC (50% owned joint venture); Fresenius Medical Care Voorhees, LLC ("FMCV") (30% owned joint venture); JeffHome PA-NJ ("JeffHome") (49% owned joint venture); Eastern PA Endoscopy Center ("EPAEC") (68% owned joint venture); Universal Health Services LVHN ("UHS-LVHN") (49% owned joint venture); Allspire Health GPO ("Allspire") (20% owned joint venture). A summary of investments subject to the equity method and other investments is as follows at June 30, 2026 and 2025 (in thousands):

	2026	2025
Equity method:		
Five Pointe	$141,044	$98,354
MLJH, LLC	32,941	32,192
JeffHome, LLC	23,197	25,293
FMCV, LLC	16,237	16,365
UHS-LVHN	20,252	15,847
EPAEC	9,121	10,619
MLRRG	9,162	7,684
Allspire	4,784	7,069
Other equity method investments	21,221	21,688
Other	14,174	16,324
	$292,133	$251,435

A summary of investments held under split-interest agreements is as follows at June 30, 2026 and 2025 (in thousands):

	2026	2025
Charitable gift annuities	$18,003	$16,728
Pooled income funds	677	632
Charitable remainder trusts	6,480	5,901
	$25,160	$23,261

Investment income, realized gains (losses) and unrealized gains (losses) included in the consolidated statements of operations and changes in net assets without donor restrictions are comprised of the following in 2026 and 2025 (in thousands):

	2026	2025
Investment income included in operating income (losses):		
Interest and dividends	$34,411	$29,094
Endowment payout	245,057	236,616
	$279,468	$265,710
Investment income included in nonoperating income (losses):		
Net realized and unrealized gains (losses)	546,696	331,098
Interest and dividends	10,680	41,723
Endowment payout	(245,057)	(236,616)
	312,319	136,205
Total	$591,787	$401,915

7. ENDOWMENT FUNDS

TJU's endowments consist of approximately 1,500 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with each of these groups of funds are classified and reported based upon the existence or absence of donor-imposed restrictions. The University reports all endowment investments at fair value. Cash equivalents in endowments are treated as investments.

At June 30, 2026, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted funds	-	$1,143,144	$1,143,144
Quasi-endowment funds	$3,907,021	-	3,907,021
Total funds	$3,907,021	$1,143,144	$5,050,165

Changes in endowment net assets for the fiscal year ended June 30, 2026, consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$3,644,960	$1,045,973	$4,690,933
Investment returns	395,151	127,092	522,243
Contributions	132	18,482	18,614
Appropriation of assets for expenditure	(245,057)	(39,708)	(284,765)
Transfers of University resources and other	111,835	(8,695)	103,140
Endowment net assets, end of year	$3,907,021	$1,143,144	$5,050,165

At June 30, 2025, the endowment net asset composition by type of fund consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted funds	-	$1,045,973	1,045,973
Quasi-endowment funds	$3,644,960	-	3,644,960
Total funds	3,644,960	1,045,973	4,690,933

Changes in endowment net assets for the fiscal year ended June 30, 2025, consisted of the following (in thousands):

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$2,160,762	$751,796	$2,912,558
Investment returns	208,771	73,260	282,031
Contributions	25	15,531	15,556
LVHN net assets acquired	1,128,242	256,679	1,384,921
Appropriation of assets for expenditure	(236,616)	(38,335)	(274,951)
Transfers of University resources and other	383,776	(12,958)	370,818
Endowment net assets, end of year	$3,644,960	$1,045,973	$4,690,933

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires TJU to retain as a fund of perpetual duration. Shortfalls of this nature are classified as a reduction of donor-restricted net assets. These shortfalls resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions to endowment and continued appropriation for certain programs that was deemed prudent by TJU. The historical value of these funds were $11.7 million and $31.8 million as of June 30, 2026 and 2025, respectively. The current value of these funds are $11.1 million and $30.5 million as of June 30, 2026 and 2025, respectively.

8. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

TJU's financial assets available within one year of the balance sheet date for general expenditure are as follows (in thousands):

	2026	2025
Financial assets:		
Cash and cash equivalents	$858,492	$406,139
Accounts receivable	1,866,716	1,893,302
Insurance premium receivable	325,941	332,699
Pledge payments available for operations	10,643	20,407
Short-term investments	525,892	900,440
Subsequent year's endowment payout	258,246	245,219
Total financial assets available within one year	3,845,930	3,798,206
Liquidity resources:		
Bank lines of credit	963,000	890,911
Bank revolving lines of credit	86,773	55,215
Total financial assets and liquidity resources available within one year	$4,895,703	$4,744,332

TJU's endowment funds consist of donor-restricted and quasi-endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and therefore, is not available for general expenditures. Although TJU does not intend to spend from its quasi-endowment funds in excess of the endowment payout amount calculated pursuant to its spendable income policy described in Note 1, additional amounts from its quasi-endowment could be made available with Board approval.

9. SHORT-TERM BORROWINGS

As part of TJU's liquidity management, it has a practice to structure its financial assets in a manner to be available to satisfy general expenditures and other obligations as they come due. To manage liquidity needs, TJU maintained a $300.0 million self-liquidity commercial paper program at June 30, 2026 under which it could issue taxable commercial paper and unsecured lines of credit. The lines of credit were established with various commercial banks in the aggregate of $963.0 million and $1.3 billion at June 30, 2026 and 2025, respectively. Termination dates for the lines of credit range from September 2026 to June 2027. Additionally, TJU has a revolving line of credit for a commercial card payment program of $111.5 million and $91.3 million at June 30, 2026 and 2025, respectively. There are no stated interest rates on this line of credit as the balance is due in full each month. Outstanding balances at June 30, 2026 and 2025 on short-term borrowing are summarized below:

	2026	2025
Commercial paper	$296,340	$0
Lines of credit	-	372,089
Revolving line of credit; commercial card program	35,692	36,034
	$332,032	$408,123

Total costs incurred on short-term borrowing, including interest and related fees, were $19.8 million and $12.4 million for year ended June 30, 2026 and 2025, respectively.

10. FAIR VALUE MEASUREMENT

The fair value hierarchy prioritizes inputs used to measure fair value, giving the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that TJU has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are not currently observable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumption that market participants use to make valuation decisions. An investment level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment. The categorization of an investment within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to TJU's perceived risk of that instrument.

Level 1 - Investments, whose values are based on quoted market prices in active markets, are therefore classified within Level 1. Typically, securities traded on the NYSE, AMEX, NASDAQ, and other major exchanges will be classified as Level 1. These assets include listed equities, U.S. government obligations, mutual funds, and certain money market securities. Liquidity is generally daily based on quoted market value at time of transaction or at daily NAV.

Level 2 - Investments that trade in markets or that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. They include investments in common trust equity and fixed income funds, corporate bonds, high-yield bonds, and certain mortgage products.

Level 2 - Liquidity – Daily based on quoted market value at time of transaction or at daily NAV.

Level 3 - Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include externally held trust funds.

Level 3 - Liquidity – No liquidity available as the assets are mainly comprised of donor restricted externally held trust funds of which TJU has a perpetual interest in the annual income stream.

There were no transfers between levels 1, 2 and 3 during 2026 or 2025.

The following table presents the short-term and long-term investments, and assets whose use is limited carried on the consolidated balance sheets by level within the valuation hierarchy or NAV as of June 30, 2026 and 2025 (in thousands):

	Level 1	Level 2	Level 3	NAV	2026
Cash and cash equivalents	$760,304	$32	-	-	$760,336
Equity securities	33,115	18,004	-	-	51,119
Fixed income securities	3,525	349,498	-	-	353,023
Funds:					
Global equity	81,376	-	-	$1,330,846	1,412,222
Fixed income	16,180	19	-	1,527,209	1,543,408
Real asset	-	5,206	-	402,655	407,861
Other mutual funds	272,640	-	-	-	272,640
Private equity	-	-	-	1,744,125	1,744,125
Hedge funds	-	2,228	-	-	2,228
External trusts	-	-	$246,598	-	246,598
Total	$1,167,140	$374,987	$246,598	$5,004,835	$6,793,560

	Level 1	Level 2	Level 3	NAV	2025
Cash and cash equivalents	$1,045,347	-	-	-	$1,045,347
Equity securities	38,201	$16,727	-	-	54,928
Fixed income securities	1,513	294,078	-	$20,817	316,408
Funds:					
Global equity	39,078	-	-	1,273,055	1,312,133
Fixed income	77	19	-	2,109,658	2,109,754
Real asset	-	4,596	-	297,675	302,271
Other mutual funds	243,346	-	-	-	243,346
Private equity	-	-	-	982,432	982,432
Real estate	-	-	-	1,493	1,493
Hedge funds	-	-	-	128,026	128,026
External trusts	-	-	$222,652	-	222,652
Total	$1,367,562	$315,420	$222,652	$4,813,156	$6,718,790

Investments not subject to fair value leveling or fair value at NAV at June 30, 2026 and 2025 totaled $292.1 million and $251.4 million, respectively.

The fair value of TJU's interest rate swaps related to its debt obligations are based on third-party valuations independent of the counterparties. As the fair values of interest rate swaps are determined based on inputs that are readily available or can be derived from information available in public markets, TJU has categorized interest rate swaps as Level 2.

The following table presents the other liabilities carried on the consolidated balance sheets by level within the valuation hierarchy as of June 30, 2026 and 2025 (in thousands):

	Level 1	Level 2	Level 3	NAV	2026
Interest rate hedges	-	$9,014	-	-	$9,014

	Level 1	Level 2	Level 3	NAV	2025
Interest rate hedges	-	$12,291	-	-	$12,291

The following tables include a roll-forward of the amounts for the year ended June 30, 2026 and 2025 (in thousands) for external trust investments classified within Level 3.

	2026	2025
Beginning balance	$222,652	$194,465
LVHN external trust investments	-	14,833
Unrealized gains, net	23,946	13,354
Ending balance	$246,598	$222,652

11. PLEDGES RECEIVABLE

A summary of pledges receivable is as follows at June 30, 2026 and 2025, respectively (in thousands):

	2026	2025
Unconditional promises expected to be collected in:		
Less than one year	$44,505	$50,842
One year to five years	125,915	71,620
Over five years	15,366	94,067
	185,786	216,529
Less: unamortized discount and allowance for doubtful accounts	(48,236)	(54,843)
	$137,550	$161,686

The discount rate ranges from 0.22% to 5.6%. TJU's largest pledge comprises 26% of the pledge receivable at June 30, 2026 and 2025, respectively.

12. LAND, BUILDINGS AND EQUIPMENT

A summary of land, buildings and equipment is as follows at June 30, 2026 and 2025, respectively (in thousands):

	2026	2025
Land and land improvements	$319,824	$328,117
Buildings and building improvements	5,847,735	5,790,445
Equipment	3,489,810	3,350,887
Leasehold improvements	406,902	398,157
Construction in progress	628,592	367,397
Less: accumulated depreciation	(4,446,156)	(4,020,998)
Total land, buildings and equipment, net	$6,246,707	$6,214,005

TJU uses straight-line depreciation over the assets' estimated lives, which are as follows:

Land improvements	5-40 years
Buildings and building improvements	5-70 years
Equipment	3-40 years
Leasehold improvements	3-25 years

Depreciation expense is $508.7 million and $493.1 million at June 30, 2026 and 2025, respectively.

13. MEDICAL CLAIMS PAYABLE

The following table shows the components of the change in medical costs payable for the year ended June 30, 2026 and 2025 (in thousands):

	2026	2025
Medical costs payable, beginning of the year	$249,176	$187,837
Claims occurring in:		
Current year	2,579,178	2,212,042
Prior years	22,033	31,301
Net incurred benefit expenses	2,601,211	2,243,343
Claim payments:		
Current year	(2,242,063)	(1,980,212)
Prior years	(227,316)	(201,792)
Net payments	(2,469,379)	(2,182,004)
Medical costs payable, end of the year	$381,008	$249,176

The amounts noted as "prior year" claims in 2026 and 2025 are unfavorable development for claim estimates being settled for amounts higher than originally anticipated. These developments from original estimates occur due to changes in medical utilization, the mix of provider rates, other components of medical cost trends, and claim payment patterns.

The net incurred benefit expense amount for 2026 and 2025 reported above includes approximately $175.4 million and $199.3 million that primarily represents amounts due from contracted risk hospitals.

JHP's estimate of the IBNR liabilities is primarily based on trend and completion factors. Claim frequency is not used in the calculation of its liability.

14. LONG-TERM OBLIGATIONS

A summary of long-term obligations is as follows at June 30, 2026 and 2025, respectively (in thousands):

	Final Maturity	Interest Rate at June 30, 2026	2026	2025
Revenue bonds:				
Fixed rate obligations	2065	1.73% - 6.50%	$4,233,496	$4,200,796
Variable rate obligations	2062	2.85% - 3.48%	716,290	716,290
Unamortized premium and issue costs			148,655	160,586
Total revenue bonds			5,098,441	5,077,672
Finance lease obligations	2037	1.24% - 5.50%	131,913	158,327
Other			20,058	46,202
Total long-term debt obligations			$5,250,412	$5,282,201

The Series 2026 Revenue Bonds were issued in February 2026. The proceeds of $86.6 million were used to fund the costs of certain capital projects.

The Series 2024B-E Revenue Bonds were issued in November and December 2024. The proceeds of $1.6 billion were used to fund the costs of (i) certain capital projects, (ii) the acquisition by TJU of its sole corporate membership interest in LVHN related to the payment or defeasance of all or a portion of certain indebtedness previously issued for the benefit of LVHN, and (iii) the refunding or purchase (for extinguishment) of all or a portion of indebtedness consisting of the Series 2015A, Series 2015E, Series 2015F, Series 2015H, Series 2022A and Series 2024A.

TJU is a party to the Amended and Restated Master Trust Indenture (the "MTI"), dated as of February 1, 2022, by and among TJU, each other Member of the Obligated Group (as described below) and Master Trustee. The MTI provides for the issuance from time to time of obligations.

To secure its payment obligations under the MTI, each Member of the Obligated Group has granted to the Master Trustee for the equal and ratable benefit of the holders of all obligations issued and outstanding under the MTI (other than subordinated obligations) a first lien on and security interest in the gross revenues of each Member of the Obligated Group on a joint and several basis.

The Members of the Obligated Group consist of the following: Abington Health Foundation, Abington Memorial Hospital, Albert Einstein Medical Center, Einstein Community Health Associates; Einstein Medical Center Montgomery, Einstein Practice Plan, Inc., Fornance Physician Services, JHC, Jefferson Health – Northeast, JUP, Kennedy Health Facilities, Inc., Kennedy Medical Group Practice, P.C., Kennedy University Hospital, Inc., Lansdale Hospital, Lehigh Valley Hospital, Inc., Lehigh Valley Hospital – Hazleton, Lehigh Valley Hospital – Pocono; Lehigh Valley Hospital – Schuylkill, Montgomery Health Foundation, Philadelphia University, The Magee Memorial Hospital for Convalescents, TJU, and Thomas Jefferson University Hospitals, Inc.

TJU and each other Member of the Obligated Group have agreed to comply with certain financial and operational covenants contained in the MTI, certain continuing covenant agreements (the "CCAs") associated with several series of bonds as well as letter of credit agreements (the "LOCs") and revolving credit agreements (the "Revolvers", and collectively with the CCAs and the "LOCs, the "Credit Agreements"). TJU was in compliance with the financial covenants in the MTI and Credit Agreements at June 30, 2026 and 2025.

Maturities for long-term debt are as follows (in thousands):

	Revenue Bonds and Other	Finance Lease Obligations	Total
2027	69,041	8,655	77,696
2028	71,437	7,277	78,714
2029	73,975	6,180	80,155
2030	77,375	6,562	83,937
2031	80,999	6,339	87,338
Thereafter	4,597,015	96,900	4,693,915

15. DERIVATIVE FINANCIAL INSTRUMENTS

TJU entered into derivative transactions for the purpose of reducing the impact of fluctuations in interest rates and hedging interest rate risk. The fair value of these derivative instruments at June 30, 2026 and 2025 in the consolidated balance sheets is as follows (in thousands):

Expiration Date	TJU Receives	TJU Pays	Notional Amount at June 30, 2026	Notional Amount at June 30, 2025	Balance Sheet Location	Fair Value at June 30, 2026	Fair Value at June 30, 2025
Expiration 2/1/34	67% of United States Dollar SOFR (one Month)	2.98%	$46,075	$49,895	Noncurrent Liability	($227)	($155)
Expiration 9/1/45	67% of United States Dollar SOFR (one Month)	3.925%	$50,835	$50,918	Noncurrent Liability	$7,824	$9,585
Expiration 5/1/27	68% of United States Dollar SOFR (one Month)	3.98%	$18,650	$18,650	Noncurrent Liability	$13	$85
Expiration 5/1/27	68% of United States Dollar CMS Basis (Five Year minus 0.293%)	68% of United States Dollar CMS Basis (one Month)	$10,725	$10,725	Noncurrent Liability	$60	$205
Expiration 5/1/27	68% of United States Dollar CMS Basis (Five Year minus 0.325%)	68% of United States Dollar CMS Basis (one Month)	$10,725	$10,725	Noncurrent Liability	$9	$54
Expiration 7/1/2027	4.00%	SIFMA + 0.35%	$70,380	$70,380	Noncurrent Liability	$1,335	$2,518

The daily compounded Secured Overnight Financing Rate ("SOFR") ranged from 3.50% to 4.51% (average rate of 3.91%) in fiscal year 2026. The SOFR, with a five-year maturity, ranged from 4.26% to 5.40% (average rate of 4.66%) in fiscal year 2025. Non-operating gain of $3.7 million and non-operating loss of $3.5 million at June 30, 2026 and 2025, respectively, are included in the consolidated statements of operations and changes in net assets without donor restrictions for interest rate swap contracts (in thousands).

	2026	2025
Change in valuation of interest rate hedges	$4,661	($2,894)
Net settlement payments with counterparties	(1,007)	(580)
Non-operating gain (loss) on interest rate hedges	$3,654	($3,474)

Accumulated losses on interest rate hedges of $9.0 million and $12.2 million at June 30, 2026 and 2025, respectively, are reflected in the consolidated balance sheets.

16. LEASE COMMITMENTS

TJU has operating lease obligations primarily for ambulatory facilities, office space and land expiring through 2099. The components of lease expense were as follows (in thousands):

	2026	2025
Amount of rent expense related to amortization of right-of-use assets	$124,034	$115,112
Short-term and variable lease costs	58,566	61,325
Rent expense	$182,600	$176,437
Weighted average remaining lease term (years)	11.0	10.4
Weighted average discount rate	4.40%	4.31%

A summary of future minimum commitments under operating leases, at June 30, 2026, is as follows (in thousands):

2027	$116,987
2028	103,294
2029	95,414
2030	81,886
2031	67,965
Thereafter	366,191
Total minimum lease payments	831,737
Less imputed interest	(182,457)
Net present value of minimum lease payments	$649,280

2026 fixed expense	$124,034

17. EMPLOYEE BENEFIT PLANS

TJU has non-contributory defined benefit pension plans for certain full-time employees. The TJU plan is frozen to new entrants, the Einstein plan is not, and the LVHN plan is completely frozen. Benefits under the non-contributory defined benefit plans are based on the employees' years of service and compensation during the years preceding retirement. Contributions to the plan are designed to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The accounting guidance for defined benefit pension plans requires employers to recognize the overfunded or underfunded projected benefit obligation ("PBO") of a defined benefit pension plan as an asset or liability in the balance sheet. The PBO represents the actuarial present value of benefits attributable to employee service rendered to date, including the effects of estimated future salary increases. The accounting guidance also requires employers to recognize annual changes in gains or losses, prior service costs, or other credits that have not been recognized as a component of net periodic pension cost through net assets without donor restriction. The calculation of service cost and PBO utilizes a split discount rate approach, where separate discount rates are calculated for determining each based on their respective expected cash flows.

The components of the net pension plan financial position on the consolidated balance sheets are as follows (in thousands):

	2026	2025
Change in projected benefit obligation:		
Benefit obligation, beginning of year	$3,324,302	$2,293,580
Acquisition	-	1,130,373
Service cost	37,102	37,794
Interest cost	164,737	169,990
Net experience gain	(16,560)	(14,612)
Settlement	-	(146,236)
Benefits paid	(188,102)	(164,397)
Plan amendment	-	17,810
Projected benefit obligation, end of year	3,321,479	3,324,302
Change in plan assets:		
Fair value of plan assets, beginning of year	3,266,485	2,193,389
Acquisition	-	1,156,030
Actual return of plan assets	376,791	172,001
Settlement	-	(133,538)
Employer contributions	43,747	43,000
Benefit payments	(188,102)	(164,397)
Fair value of plan assets, end of year	3,498,921	3,266,485
Plan funded status	$177,442	($57,817)

Amounts recognized in net assets without donor restriction consist of (in thousands):

	2026	2025
Net actuarial loss	($224,374)	($22,954)
Net unrecognized prior service costs	12,003	13,184
	($212,371)	($9,770)

The accumulated benefit obligation at June 30, 2026 and 2025 was as follows (in thousands):

	2026	2025
Accumulated benefit obligation	$3,228,742	$3,230,365

The components of net periodic benefit cost for the plans for the years ended June 30, 2026 and 2025 were as follows (in thousands):

	2026	2025
Service cost	$37,102	$37,794
Interest cost	164,737	169,990
Expected return on plan assets	(191,930)	(207,031)
Amortization of prior service cost(credit)	1,181	(1,295)
Net periodic benefit cost	11,090	(542)
Settlement	-	(1,245)
Total	11,090	(1,787)
Other changes in plan assets and benefit obligations recognized in net assets without donor restriction:		
Net actuarial (gain)loss	(201,421)	7,720
Amortization of net actuarial gain	-	1,245
Prior service cost	-	17,810
Amortization of prior service (cost) credit	(1,181)	1,295
Total recognized in net assets without donor restriction	(202,602)	28,070
Total recognized in net periodic benefit cost and net assets without donor restriction	($191,512)	$26,283

In the consolidated statements of operations and changes in net assets, service cost is reported as employee benefits expense while the remaining components of net periodic benefit cost are reported as a decrease in pension liability. There will be no estimated actuarial loss that will be amortized in net assets without donor restriction during the upcoming fiscal year.

The weighted average assumptions used to estimate the June 30 pension obligation were as follows:

	2026	2025
Discount rate	5.72%	5.59%
Rate of compensation increase	3.00% to 3.25%	3.00% to 3.25%
Expected return on plan assets	6.05%	6.26%

The weighted average assumptions used to determine net periodic benefit costs were as follows:

	2026	2025
Discount rate - benefits obligations	5.59%	5.41%
Discount rate - service cost	5.89%	5.60%
Discount rate - interest cost	5.13%	5.26%
Rate of compensation increase	3.00% to 3.25%	3.00% to 3.25%
Expected return on plan assets	6.04%	6.50%

A summary of the plans' targeted and actual asset allocations are as follows:

	Targeted Range	Percentage of Plan Assets June 30, 2026	Percentage of Plan Assets June 30, 2025
Cash	0%	2%	3%
Fixed income	60-70%	68%	71%
Global equity	10-20%	16%	15%
Real estate	0-5%	1%	2%
Private investments	15-25%	13%	10%
		100%	100%

The portfolios utilize a long-term asset allocation strategy that allows management to rebalance the asset allocation back to target levels monthly. Short-term compliance with the target ranges can be impacted by the severity of market conditions. The expected long-term rate of return for the plan's assets are based on the historical return of each of the above categories, weighed based on the target allocations for each class. The assets of the defined benefit pension plan are invested in a manner that is intended to preserve the purchasing power of the plan's assets and provide payments to beneficiaries. Thus, a rate of return objective of inflation plus 5% is targeted.

TJU expects to contribute approximately $66.0 million during fiscal year 2027.

Projected benefit payments are as follows (in thousands):

2027	$224,213
2028	224,395
2029	231,580
2030	237,918
2031	243,300
Thereafter	1,261,776
	$2,423,182

The following table presents the fair value of plan assets by level within the valuation hierarchy, as discussed in Note 8, as of June 30, 2026 and 2025 (in thousands):

	Level 1	Level 2	Level 3	NAV	2026
Cash and cash equivalents	$14,716	$61,742	-	-	$76,458
Equity securities	82	-	-	-	82
Fixed income securities	-	21	-	-	21
Funds:					
Global equity	-	-	-	$507,378	507,378
Fixed income	-	-	-	2,368,834	2,368,834
Real assets	-	-	-	64,358	64,358
Private equity	-	-	-	342,873	342,873
Real estate	-	-	-	26,509	26,509
Hedge funds	-	-	-	112,408	112,408
Total	$14,798	$61,763	$0	$3,422,360	$3,498,921

	Level 1	Level 2	Level 3	NAV	2025
Cash and cash equivalents	$26,277	$59,102	-	-	$85,379
Equity securities	422	113,230	-	-	113,652
Fixed income securities	-	23	-	-	23
Funds:					
Global equity	-	-	-	$322,572	322,572
Fixed income	-	878,378	-	1,439,498	2,317,876
Real assets	-	-	-	63,527	63,527
Private equity	-	-	-	243,706	243,706
Real estate	-	-	-	51,292	51,292
Hedge funds	-	-	-	68,458	68,458
Total	$26,699	$1,050,733	$0	$2,189,053	$3,266,485

Retirement benefits are also provided to certain employees through direct payments to various funds. Employees not subject to TJU's defined benefit plans may be eligible to participate in defined contribution arrangements approved by TJU or its subsidiaries. TJU's share of the cost of these benefits was $266.6 million and $244.4 million for the year ended June 30, 2026 and 2025, respectively.

Participation in Multiemployer Defined Benefit Pension Plan
TJU is a participating employer in The Pension Fund for Hospital and Health Care Employees – Philadelphia and Vicinity ("the Pension Fund"), a jointly-trusted multiemployer defined benefit pension plan. The Pension Fund is operated for the benefit of Chapter 1199C of the American Federation of State, County and Municipal Employees (the Union). Information about the Pension Fund and TJU's participation is summarized as follows.

The employer identification number for the Pension Fund is 23-2627428. At the date the consolidated financial statements were issued, Form 5500 was not available for the plan year ending in 2026. TJU's contribution to the Pension Fund was $7.8 million and $7.6 million for the years ended June 30, 2026 and 2025. The contributions represent approximately 16.4% and 20.3% of the contributions to the Pension Fund, respectively. A five-year collective bargaining agreement was approved by the Union effective July 1, 2022 and extends through June 30, 2027. TJU contributions as a percentage of covered payroll to the Pension Fund for the year ending June 30, 2027 will be 21.6 %.

The Pension Fund was determined to be in critical and declining status (also referred to as red and declining zone status) under the Pension Protection Act of 2006 for the plan years beginning January 1, 2025 and 2024. Accordingly, the Pension Fund is subject to a funding improvement plan. The zone status is based on information that TJU received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone status are generally less than 65% funded.

At January 1, 2025, the most recent date for which such information is available the projected benefit obligation exceeded plan assets of the Pension Fund by $293.7 million.

18. PROFESSIONAL LIABILITY CLAIMS

TJU maintains professional liability insurance under both self-insured and alternative risk financing insurance programs to fund their potential professional and general liability claims. For all self-insured programs TJU accrues estimated retained risk liability arising from both asserted and unasserted claims. The estimate of liability is based upon an analysis of historical claims data as prepared by independent actuaries.

MLRRG and Cassatt RRG ("CRRG") provide primary layer professional liability coverage for certain TJU entities for claims made through June 30, 2024. Effective July 1, 2024, MLRRG provides primary layer professional liability coverage on a claims made basis for entities previously insured by CRRG. CRRG will administer and manage the run-off of claims that have been made against certain TJU entities that had been insured by CRRG as of June 30,

2024. MLRRG is a licensed captive insurance company qualified as a risk retention group domiciled in Vermont. TJU is a 50% owner of MLRRG. The remaining ownership interest is held by another regional healthcare system. MLRRG is reinsured by a non-profit 501(c) (3) segregated protected cell insurance company, Five Pointe, domiciled in Delaware. Five Pointe reinsures 100% of the professional liability risks insured by MLRRG pursuant to a reinsurance agreement between Five Pointe and MLRRG that limits MLRRG's recourse for payment of any reinsured claims against TJU to the assets in the TJU protected cell.

CRRG is a licensed captive insurance company qualified as a risk retention group domiciled in Vermont. CRRG is reinsured by Cassatt Insurance Company Ltd. ("CICL"). CICL is incorporated as an insurance company under the laws of Bermuda.

Pennsylvania's Medical Care Availability and Reduction of Error Fund (the "MCARE Fund") provides limits excess of the primary layer of coverage. The annual assessments for MCARE Fund coverage are based on the schedule of occurrence rates approved by the Insurance Commissioner of Pennsylvania for the Pennsylvania Professional Liability Joint Underwriting Association multiplied by an annual assessment percentage. This assessment is recognized as an expense in the period incurred. No provision has been made for future MCARE Fund assessments as the unfunded portion of the MCARE Fund liability cannot be reasonably estimated.

For losses in excess of the primary and MCARE layers of coverage TJU accrues for potential liabilities for self-insured amounts. Additionally, TJU maintains claims-made excess catastrophic professional liability insurance coverage with commercial carriers rated at least "A-" by AM Best.

For MLRRG the premiums charged for the primary professional layer of coverage are determined by an independent actuary, based on loss and loss adjustment expense experience and other factors, at a 65% confidence level and a 4% and 3% discount rate for 2026 and 2025, respectively and include a charge for premium tax and operating expenses.

TJU has accrued professional liability claims of $1.1 billion and $979.1 million at June 30, 2026 and 2025, respectively, of which $233.1 million and $179.7 million were current. TJU records accrued professional liability claims for self-insured exposures at an expected confidence interval and a 4% discount rate.

TJU records anticipated malpractice insurance recoveries and associated accrued professional liability claims at an expected level using discount rate from 4.0%. Anticipated malpractice insurance recoveries for June 30, 2026 and 2025 is $515.4 million and $383.3 million, respectively.

19. WORKERS' COMPENSATION CLAIMS

TJU is self-insured for its workers' compensation exposures. TJU accrues for its workers' compensation liability based upon actuarial estimates using a discount rate of 3%. Accrued workers' compensation liabilities were $56.2 million and $53.5 million at June 30, 2026 and 2025, respectively. These amounts are presented in the accompanying consolidated balance sheets.

20. COMMITMENTS AND CONTINGENCIES

Letters of Credit

TJU had open letters of credit aggregating $32.1 million and $39.4 million at June 30, 2026 and 2025, respectively, primarily related to self-insurance arrangements for workers' compensation. The letters of credit expire between August 30, 2026 and February 7, 2028.

Litigation

TJU is involved in litigation and regulatory investigations arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by commercial insurance or by accruals, and if not so covered, are without merit or are of such kind, or involve such amounts, as would not have a material adverse effect on the consolidated financial position or results of operations of TJU.

21. FUNCTIONAL CLASSIFICATION

TJU provides educational services, conducts research and operates an integrated healthcare delivery and financing system. The costs of providing these services are recognized within discrete operating components of TJU. Expenses to provide these services for the years ended June 30, 2026 and 2025 are categorized on a functional basis as follows (in thousands):

	2026				
	Education and Research	Clinical Operations	Insurance	General, Administrative, Operations and Maintenance	Total
Salaries and wages	$299,714	$5,775,292	$86,340	$474,527	$6,635,873
Employee benefits	75,363	1,526,262	21,530	131,273	1,754,428
Insurance services medical expenses	-	-	2,299,229	-	2,299,229
Supplies	25,611	3,207,315	269	32,472	3,265,667
Purchased services	49,106	1,092,014	109,687	256,741	1,507,548
Depreciation and amortization	33,954	463,868	5,559	6,011	509,392
Interest	14,709	170,026	-	21,480	206,215
Insurance	2,023	346,790	1,281	-	350,094
Utilities	13,457	105,538	1,069	6,096	126,160
Other expenses	57,021	809,680	23,334	175,628	1,065,663
Total operating expense	570,958	13,496,785	2,548,298	1,104,228	17,720,269
Restructuring costs	14,871	22,962	17,992	56,542	112,367
Non-service net periodic benefit cost	(2,001)	(20,378)	(572)	(3,061)	(26,012)
Total	$583,828	$13,499,369	$2,565,718	$1,157,709	$17,806,624

	2025				
	Education and Research	Clinical Operations	Insurance	General, Administrative, Operations and Maintenance	Total
Salaries and wages	$301,446	$5,347,333	$93,077	$435,492	$6,177,348
Employee benefits	72,198	1,365,567	23,955	152,407	1,614,127
Insurance services medical expenses	-	-	1,962,496	-	1,962,496
Supplies	25,845	2,789,230	134	19,006	2,834,215
Purchased services	44,063	984,933	78,002	238,888	1,345,886
Depreciation and amortization	31,173	461,348	7,204	3,912	503,637
Interest	14,352	171,926	487	14,702	201,467
Insurance	2,007	230,588	1,206	706	234,507
Utilities	11,997	88,063	1,211	5,910	107,181
Other expenses	27,829	756,924	16,050	182,496	983,299
Total operating expense	530,910	12,195,912	2,183,822	1,053,519	15,964,163
Restructuring costs	-	-	-	-	-
Non-service net periodic benefit cost	(1,771)	(33,486)	(587)	(3,737)	(39,581)
Total	$529,139	$12,162,426	$2,183,235	$1,049,782	$15,924,582

22. NON-CONTROLLING INTEREST

TJU has a controlling interest in certain joint ventures in healthcare related organizations. The organizations and the TJU ownership percentage of each at June 30, 2026 are the Riverview Surgery Center at the Navy Yard, LP (51%), Jefferson University Radiology Associates (80%), Rothman Orthopaedic Specialty Hospital (54%), Jefferson-Solis Mammography Services, LLC (60%), Lehigh Valley Imaging, LLC (72%), Lehigh Valley Physician Hospital Organization, Inc. (50%), Carbon-Schuylkill Endoscopy Center, Inc. (51%), CHP-LVHN JV, LLC (80%), Hazelton Surgery Cener, LLC (70%), Schuylkill Health System Medical Mall, LP (63.2%), Pocono Health System Investment Collaborative, LP (97.2%) and Pocono Ambulatory Surgery Center, LP (74%). The amount not owned by TJU is shown as a non-controlling interest. The following table presents the changes in consolidated net assets without donor restriction attributable to the controlling financial interest of TJU and the non-controlling interest (in thousands):

	Controlling Interest	Non-controlling Interest	Consolidated Total
Balance, June 30, 2024	$4,209,880	$46,467	$4,256,347
Income from operations	(237,230)	28,924	(208,306)
Acquisition of LVHN	2,560,190	38,656	2,598,846
Distributions to NCI	-	(30,070)	(30,070)
Other changes, net	190,833	(12)	190,821
Balance, June 30, 2025	$6,723,673	$83,965	$6,807,638
Income from operations	(230,919)	31,671	(199,248)
Distributions to NCI	-	(33,711)	(33,711)
Other changes, net	505,989	3,126	509,115
Balance, June 30, 2026	$6,998,743	$85,051	$7,083,794

23. GOVERNMENT SUPPORT

The Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law on March 27, 2020 to provide economic relief to individuals and organizations from the effects of COVID-19. The CARES Act included additional funding to the Federal Emergency Management Agency ("FEMA") to support medical providers for the costs of treating COVID-19 patients and provided funding via Employee Retention Tax Credit ("ERTC") to eligible employers in the form of a refundable tax credit on qualifying wages paid to employees during a period of government shutdown due to the COVID-19 pandemic.

The following table summarizes the amounts recognized as revenue from government support for COVID-19 in the accompanying consolidated statements of operations and changes in net assets without donor restrictions for June 30, 2026 and 2025 (in thousands):

	2026	2025
Disaster Relief (FEMA)	$82,673	$467
ERTC	8,602	-
Total	$91,275	$467

Receivables related to FEMA in the amount of $19.6 million and $52.2 million as of June 30, 2026 and 2025, respectively, are included in the consolidated balance sheets. Receivables related to ERTC in the amount of $3.5 million as of June 30, 2026 and 2025, respectively, are included in the consolidated balance sheets.

TJU recognized revenue related to the CARES Act provider relief funding based on information contained in laws, regulations and policies governing the funding that was publicly available at June 30, 2026. The potential financial impacts of future changes in guidance may impact TJU's ability to retain some or all of the distributions received.

Report of Independent Auditors

To the Board of Trustees of Thomas Jefferson University

We have audited the consolidated financial statements of Thomas Jefferson University and its subsidiaries (the "University") as of and for the years ended June 30, 2026 and 2025 and have issued our report thereon dated October 28, 2026, which included an unmodified opinion on those consolidated financial statements. That audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Consolidating Balance Sheets and Consolidating Statements of Operations and Changes in Net Assets Without Donor Restriction as of and for the year ended June 30, 2026 (the "supplemental information") is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information is not intended to present, and we do not express an opinion on, the financial position, changes in net assets and cash flows of the individual companies. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
October 28, 2026

PricewaterhouseCoopers LLP
2001 Market Street, Suite 1800
Philadelphia, Pennsylvania 19103

(267) 330 3000

Thomas Jefferson University
Consolidating Balance Sheets
June 30, 2026
(In Thousands)

	System	Insurance	Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	$530,452	$328,040	-	$858,492
Short-term investments	578,314	-	-	578,314
Accounts receivable	1,900,426	-	($33,710)	1,866,716
Insurance premium receivable	-	325,941	-	325,941
Inventory and supplies	296,724	-	-	296,724
Pledges receivable, current	44,505	-	-	44,505
Insurance recoverable, current	144,854	1,735	-	146,589
Assets whose use is limited, current	12,449	-	-	12,449
Other current assets	169,904	33,260	-	203,164
Total current assets	3,677,628	688,976	(33,710)	4,332,894
Long-term investments	6,020,213	303,669	(469,079)	5,854,803
Assets whose use is limited, noncurrent	640,127	-	-	640,127
Assets held by affiliated foundations	65,296	-	-	65,296
Pledges receivable, noncurrent	93,045	-	-	93,045
Goodwill	36,769	214,502	-	251,271
Insurance recoverable, noncurrent	389,062	-	-	389,062
Loans receivable from students, net	18,962	-	-	18,962
Land, buildings and equipment, net	6,226,244	20,463	-	6,246,707
Right-of-use assets	628,830	74	-	628,904
Defined benefit pension	177,442			177,442
Other noncurrent assets	387,243	83,507	-	470,750
Total assets	$18,360,861	$1,311,191	($502,789)	$19,169,263
Liabilities and Net Assets				
Current liabilities:				
Current portion of:				
Long-term obligations	$86,439	-	-	$86,439
Accrued professional liability claims	233,125	-	-	233,125
Accrued workers' compensation claims	23,871	-	-	23,871
Short-term borrowing	332,032			332,032
Advances and deferred revenues	117,161	-	-	117,161
Operating lease obligations	84,293	-	-	84,293
Accounts payable and accrued expenses	1,058,851	$8,265	-	1,067,116
Medical costs payable	-	414,718	(33,710)	381,008
DHS insurance program payable	-	151,456	-	151,456
Accrued payroll and related costs	777,390	8,969	-	786,359
Total current liabilities	2,713,162	583,408	(33,710)	3,262,860
Long-term obligations	5,163,973	-	-	5,163,973
Federal student loan advances	4,839	-	-	4,839
Accrued professional liability claims	910,287	-	-	910,287
Accrued workers' compensation claims	32,298	-	-	32,298
Interest rate hedges	9,014	-	-	9,014
Operating lease obligations	556,975	8,012	-	564,987
Other noncurrent liabilities	352,275	544	-	352,819
Total liabilities	9,742,823	591,964	(33,710)	10,301,077
Net assets:				
Net assets without donor restriction	6,748,986	718,836	(469,079)	6,998,743
Noncontrolling interest in joint ventures	85,051	-	-	85,051
Net assets with donor restriction	1,784,001	391	-	1,784,392
Total net assets	8,618,038	719,227	(469,079)	8,868,186
Total liabilities and net assets	$18,360,861	$1,311,191	($502,789)	$19,169,263

Thomas Jefferson University
Consolidating Statements of Operations and Net Assets Without Donor Restrictions
For the Year Ended June 30, 2026
(In Thousands)

	System	Insurance	Eliminations	Consolidated
Operating revenues, gains and other support:				
Net patient service revenue	$12,372,659	-	($269,838)	$12,102,821
Insurance premium revenue	-	$2,680,945	-	2,680,945
Grants and contracts	214,436	-	-	214,436
Tuition and fees, net	257,044	-	-	257,044
Investment income	258,651	20,817	-	279,468
Contributions	5,843	-	-	5,843
Other revenue	1,839,369	12	150,837	1,990,218
Net assets released from restrictions	102,613	-	-	102,613
Total operating revenues, gains and other support	15,050,615	2,701,774	(119,001)	17,633,388
Operating expenses:				
Salaries and wages	6,549,533	86,340	-	6,635,873
Employee benefits	1,732,898	21,530	-	1,754,428
Insurance services medical expenses	-	2,408,373	(109,144)	2,299,229
Supplies	3,265,398	269	-	3,265,667
Purchased services	1,397,861	109,687	-	1,507,548
Depreciation and amortization	493,726	15,666	-	509,392
Interest	206,215	-	-	206,215
Insurance	348,813	1,281	-	350,094
Utilities	125,091	1,069	-	126,160
Other	1,042,288	23,375	-	1,065,663
Total operating expenses	15,161,823	2,667,590	(109,144)	17,720,269
(Loss) gain from operations excluding restructuring costs	(111,208)	34,184	(9,857)	(86,881)
Restructuring costs	94,376	17,991	-	112,367
(Loss) gain from operations including restructuring costs	(205,584)	16,193	(9,857)	(199,248)
Nonoperating items and other changes in net assets without donor restriction, net:				
Return on investments, net of amounts classified as operating revenue	311,683	636	-	312,319
Interest rate hedges	3,654	-	-	3,654
Reclassification of net assets	(997)	-	-	(997)
Net assets released from restrictions used for purchase of property and equipment	23,462	-	-	23,462
Adjustment to funded status of pension plan	228,614	-	-	228,614
Distributions to noncontrolling interest	(33,711)	-	-	(33,711)
Equity Transfers	(14,750)	14,750	-	0
Other	(57,937)	-	-	(57,937)
Increase in nonoperating items and other changes in net assets without donor restriction	460,018	15,386	-	475,404
Increase (Decrease) in net assets without donor restriction	$254,434	$31,579	($9,857)	$276,156

Thomas Jefferson University
Notes to Consolidating Financial Information
June 30, 2026

1. The supplemental consolidating financial information of Thomas Jefferson University includes the Consolidating Balance Sheet as of June 30, 2026 and Consolidating Statement of Operations and Net Assets without Donor Restrictions, for the year ended June 30, 2026. It has been prepared in a manner consistent with generally accepted accounting principles and is presented only for the purpose of additional analysis and not as a presentation of financial position and results of operations of each component of the consolidated group. The supplemental combining financial information was derived from the accounting records used to prepare the consolidated financial statements. All material consolidating entries and intracompany/intercompany eliminations have been properly recorded. This accompanying note is an integral part of the accompanying supplemental combining financial information.

2. The columns in the consolidating schedules are defined as follows:

    - System includes the accounts of subsidiaries of Thomas Jefferson University including Jefferson Health Corporation.

    - Insurance includes the accounts of Jefferson Health Plans; Partners Insurance Company, Inc.; Partners Insurance Company of New Jersey, Inc.; Health Partners Solutions, LLC; and Health Partners Foundation.