DONALSONVILLE HOSPITAL, INC.

FINANCIAL STATEMENTS

for the years ended June 30, 2025 and 2024

Draffin Tucker

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Draffin Tucker

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Donalsonville Hospital, Inc.
Donalsonville, Georgia

Opinion

We have audited the accompanying financial statements of Donalsonville Hospital, Inc. (Organization), which comprise the balance sheets as of June 30, 2025 and 2024, and the related statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

Continued

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and 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 of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

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

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Draffin & Tucker, LLP

Albany, Georgia
February 19, 2026

DONALSONVILLE HOSPITAL, INC.

Balance Sheets
June 30, 2025 and 2024

	2025	2024
Assets:		
Current assets:		
Cash and cash equivalents	$ 4,538,000	$ 4,351,000
Short-term investments	107,000	104,000
Assets limited as to use	1,343,000	1,157,000
Patient accounts receivable, net	6,054,000	7,461,000
Notes receivable	746,000	416,000
Supplies, at lower of cost (first-in, first-out) and net realizable value	1,003,000	1,045,000
Prepaid expenses	457,000	585,000
Estimated third-party payor settlements	336,000	306,000
Total current assets	14,584,000	15,425,000
Assets limited as to use:		
Internally designated for retirement plan	1,329,000	1,142,000
Internally designated for malpractice insurance trust	917,000	827,000
Restricted by donor	575,000	557,000
	2,821,000	2,526,000
Amount required to meet current obligations	(1,343,000)	(1,157,000)
Total assets limited as to use	1,478,000	1,369,000
Property and equipment, net	9,924,000	10,632,000
Other assets:		
Notes receivable, net	1,211,000	1,165,000
Long-term investments	641,000	544,000
Total other assets	1,852,000	1,709,000
Total assets	$ 27,838,000	$ 29,135,000

Continued

DONALSONVILLE HOSPITAL, INC.

Balance Sheets, Continued
June 30, 2025 and 2024

	2025	2024
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	$ 1,052,000	$ 861,000
Accrued expenses	3,480,000	2,982,000
Estimated third-party payor settlements	374,000	259,000
Total current liabilities	4,906,000	4,102,000
Long-term debt, net of current portion	5,250,000	5,250,000
Total liabilities	10,156,000	9,352,000
Net assets:		
Net assets without donor restrictions	17,107,000	19,226,000
Net assets with donor restrictions	575,000	557,000
Total net assets	17,682,000	19,783,000
Total liabilities and net assets	$ 27,838,000	$ 29,135,000

The notes to the financial statements are an integral part of these financial statements.

DONALSONVILLE HOSPITAL, INC.

Statements of Operations and Changes in Net Assets
Years Ended June 30, 2025 and 2024

	2025	2024
Revenues, gains and other support:		
Net patient service revenue	$ 32,022,000	$ 29,811,000
Other revenue	161,000	151,000
Total revenues, gains and other support	32,183,000	29,962,000
Expenses:		
Salaries	15,330,000	14,807,000
Employee benefits	3,896,000	3,627,000
Physician fees	2,690,000	2,481,000
Contract services	1,461,000	1,623,000
Supplies	5,046,000	4,817,000
Other	4,390,000	3,901,000
Insurance	337,000	311,000
Interest	415,000	539,000
Depreciation	1,264,000	1,316,000
Contributions	105,000	-
Total expenses	34,934,000	33,422,000
Operating loss	(2,751,000)	(3,460,000)
Other income:		
Investment income	205,000	465,000
Rental income	104,000	153,000
Rural hospital tax credit contributions	300,000	356,000
Total other income	609,000	974,000
Excess expenses	(2,142,000)	(2,486,000)

Continued

DONALSONVILLE HOSPITAL, INC.

Statements of Operations and Changes in Net Assets, Continued
Years Ended June 30, 2025 and 2024

	2025	2024
Change in net unrealized gain on available-for-sale debt securities	$ 23,000	$ 20,000
Decrease in net assets without donor restrictions	(2,119,000)	(2,466,000)
Net assets with donor restrictions:		
Contributions	18,000	29,000
Increase in net assets with donor restrictions	18,000	29,000
Decrease in net assets	(2,101,000)	(2,437,000)
Net assets, beginning of year	19,783,000	22,220,000
Net assets, end of year	$ 17,682,000	$ 19,783,000

The notes to the financial statements are an integral part of these financial statements.

DONALSONVILLE HOSPITAL, INC.

Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ (2,101,000)	$ (2,437,000)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,264,000	1,316,000
Change in unrealized gains on investments	(134,000)	(320,000)
Realized gains on sales of securities	(36,000)	(106,000)
Gain on sales of assets	-	(32,000)
Restricted contributions	(18,000)	(29,000)
(Increase) decrease in:		
Patient accounts receivable, net	1,407,000	105,000
Notes receivable	(376,000)	851,000
Supplies	42,000	45,000
Prepaid expenses	128,000	(121,000)
Increase (decrease) in:		
Accounts payable	191,000	63,000
Accrued expenses	498,000	241,000
Estimated third-party payor settlements	85,000	299,000
Net cash provided (used) by operating activities	950,000	(125,000)
Cash flows from investing activities:		
Purchase of property and equipment	(557,000)	(740,000)
Proceeds from sale of property and equipment	-	78,000
Proceeds from sale of investments	6,000	2,801,000
Purchase of investments	(224,000)	(271,000)
Net cash provided (used) by investing activities	(775,000)	1,868,000

Continued

DONALSONVILLE HOSPITAL, INC.

Statements of Cash Flows, Continued
Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from financing activities:		
Restricted contributions	$ 18,000	$ 29,000
Net cash provided by financing activities	18,000	29,000
Net increase in cash and cash equivalents	193,000	1,772,000
Cash and cash equivalents, beginning of year	4,377,000	2,605,000
Cash and cash equivalents, end of year	$ 4,570,000	$ 4,377,000
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 4,538,000	$ 4,351,000
Cash and cash equivalents in assets limited as to use	32,000	26,000
Total	$ 4,570,000	$ 4,377,000
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of capitalized interest	$ 415,000	$ 539,000

The notes to the financial statements are an integral part of these financial statements.

1. Description of Organization and Summary of Significant Accounting Policies

Organization. Donalsonville Hospital, Inc. (Organization) is a non-profit organization in Donalsonville, Georgia. The Organization operates Donalsonville Hospital (Hospital) and Seminole Manor Nursing Home (Nursing Home).

The financial statements of the Organization include all transactions of the Hospital and Nursing Home. All significant intercompany transactions have been eliminated.

Use of estimates. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents. Cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less.

Patient accounts receivable. Patient accounts receivable reflects the outstanding amount of consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. As a service to the patient, the Organization bills third-party payors directly and bills the patient when the patient's responsibility for copays, coinsurance, and deductibles is determined. Patient accounts receivable are due in full when billed.

Patient accounts receivable can be impacted by the effectiveness of the Organization's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental healthcare coverage could affect the net realizable value of patient accounts receivable. The Organization also continually reviews the net realizable value of patient accounts receivable by monitoring historical cash collections as a percentage of trailing net patient service revenues, as well as by analyzing current period net revenue and admissions by payor classification, aged patient accounts receivable by payor, days revenue outstanding, and the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables.

Patient accounts receivable was approximately $6,054,000, $7,461,000 and $7,566,000 as of June 30, 2025, 2024 and 2023, respectively. The Organization had no significant contract assets or contract liabilities as of June 30, 2025 or 2024.

Allowance for credit losses. The Organization records credit losses for patient accounts receivable based on the current expected credit loss model. Credit losses are recorded after consideration of any implicit or explicit price concessions. In evaluating the collectability of patient accounts receivable, management evaluates historical losses as well as adjustments for current conditions, asset-specific risk characteristics and reasonable and supportable forecasts to determine an allowance for expected credit losses.

Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Allowance for credit losses continued. The Organization has elected the practical expedient in FASB ASC 326-20-30-10C, which allows the entity to assume that current conditions as of the balance sheet date do not change for the remaining life of the asset. However, the Organization does continue to adjust historical loss information to reflect current conditions to the extent that historical loss information does not reflect current conditions. The Organization has determined that the current and reasonable and supportable forecasted economic conditions as of the balance sheet date are consistent with those conditions that existed during the period that the historical data was collected. Accordingly, the Organization determines that no adjustment to its historical loss information is necessary.

The Organization also applied the accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. The Organization considers collection activity through the date the financial statements were available to be issued. The Organization develops its estimate of expected credit losses by determining which receivables have been collected and then recognizing an allowance for the amounts that are uncollected based on its historical loss rates. Management believes that an allowance for credit losses is not required at year-end.

Investments. Investments in equity securities with readily determinable fair values and all investments in debt securities, which are all classified as available-for-sale, are measured at fair value in the balance sheets. Investment income or loss (including interest, dividends, and gains and losses, both realized and unrealized for equity securities, and realized gains and losses for debt securities) is included in excess expenses unless the income or loss is restricted by donor or law. Unrealized gains and losses on available-for-sale debt securities are excluded from excess expenses.

Investments in commercial rental property are measured at cost less an allowance for accumulated depreciation.

Fair value measurements. FASB ASC 820, *Fair Value Measurement and Disclosures* defines fair value as the amount that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. FASB ASC 820 describes the following three levels of inputs that may be used:

- *Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

- *Level 2:* Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

- *Level 3:* Unobservable inputs when there is little or no market data available, thereby requiring an entity to develop its own assumptions. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Assets limited as to use. Assets limited as to use primarily include assets restricted by donor and designated assets set aside by the Board for the retirement plan and malpractice insurance trust, over which the board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet certain liabilities of the Organization have been reclassified in the balance sheets at June 30, 2025 and 2024.

Property and equipment. Property and equipment acquisitions over $5,000 are recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under finance lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

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

Impairment of long-lived assets. The Organization evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Organization has not recorded any impairment charges in the accompanying statements of operations and changes in net assets for the years ended June 30, 2025 and 2024.

Net assets. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* - net assets available for use in general operations and not subject to donor-imposed restrictions. The Board of Directors has discretionary control over these resources. Designated amounts represent those net assets that the Board has set aside for a particular purpose. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Net Assets, continued.

- *Net assets with donor restrictions* - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Excess expenses. The statement of operations and changes in net assets includes excess expenses. Changes in net assets without donor restrictions, which are excluded from excess expenses, consistent with industry practice, include unrealized gains and losses on available-for-sale debt securities and contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets).

Net patient service revenue. The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors, and others and includes variable consideration for retroactive revenue adjustments under reimbursement arrangements with third-party payors. Retroactive adjustments are included in the determination of the estimated transaction price and adjusted in future periods as settlements are determined.

Charity care. The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenues.

Estimated malpractice and other self-insurance costs. The provisions for estimated malpractice claims and other claims under self-insurance plans include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Donor-restricted gifts. Unconditional promises to give cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable advances. The gifts are reported as increases in the appropriate categories of net assets in accordance with donor restrictions.

Continued

1. Description of Organization and Summary of Significant Accounting Policies, Continued

Endowments. Endowments are provided to the Organization on a voluntary basis by individuals and private organizations. Certain endowments require that the principal or purchasing power of the endowment be retained in perpetuity. If a donor has not provided specific instructions, state law permits the Organization's Board of Directors to authorize for expenditure the net appreciation of the investments of endowment funds.

Income taxes. The Organization is a not-for-profit corporation and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Organization applies accounting policies that prescribe when to recognize and how to measure the financial statement effects of income tax positions taken or expected to be taken on its income tax returns. These rules require management to evaluate the likelihood that, upon examination by the relevant taxing jurisdictions, those income tax positions would be sustained. Based on that evaluation, the Organization only recognizes the maximum benefit of each income tax position that is more than 50% likely of being sustained. To the extent that all or a portion of the benefits of an income tax position are not recognized, a liability would be recognized for the unrecognized benefits, along with any interest and penalties that would result from disallowance of the position. Should any such penalties and interest be incurred, they would be recognized as operating expenses.

Based on the results of management's evaluation, no liability is recognized in the accompanying balance sheets for unrecognized income tax positions. Further, no interest or penalties have been accrued or charged to expense as of June 30, 2025 and 2024 or for the years then ended. The Organization's tax returns are subject to possible examination by the taxing authorities. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of these returns.

Recently adopted accounting pronouncement. In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, which provides entities with a practical expedient and accounting policy election when estimating expected credit losses for current accounts receivable and current contract assets arising from transactions accounted for under FASB ASC 606 on revenue from contracts with customers. The Organization prospectively adopted the practical expedient and accounting policy election for fiscal year 2025.

Subsequent events. In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 19, 2026, the date the financial statements were available to be issued.

Continued

2. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving patient care. The Organization measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. These services are considered to be a single performance obligation and have a duration of less than one year. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the Organization does not believe it is required to provide additional services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to 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 of the end of the reporting period.

The Organization is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. As a result, the Organization has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

Continued

2. Net Patient Service Revenue, Continued

The Organization has arrangements with third-party payors that provide for payments to the Organization at amounts different from its established rates. For uninsured patients that do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates, subject to certain discounts and implicit price concessions as determined by the Organization. The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to uninsured patients. Implicit price concessions represent the difference between amounts billed and the estimated consideration the Organization expects to receive from patients, which are determined based on historical collection experience, current market conditions, and other factors. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies, and historical experience.

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- *Medicare.* Inpatient acute care, outpatient and swing bed services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Organization is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare Administrative Contractor (MAC). The Organization's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Organization. The Organization's Medicare cost reports have been audited by the MAC through June 30, 2022.

- *Medicaid.* Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Organization is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports and audits thereof by the Medicaid fiscal intermediary. The Organization's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2019.

  The Organization has also entered into contracts with certain managed care organizations to receive reimbursement for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

  Long-term care services are reimbursed by the Medicaid program based on a prospectively determined per diem. The per diem is determined by the facility's historical allowable operating costs adjusted for certain incentives and inflation factors.

Continued

2. Net Patient Service Revenue, Continued

- *Medicaid, continued.* The Organization participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Organization receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $5,396,000 and $4,199,000 for the years ended June 30, 2025 and 2024, respectively.

  During 2010, the State of Georgia enacted legislation known as the Provider Payment Agreement Act (Act) whereby hospitals in the State of Georgia are assessed a provider payment in the amount of 1.45% of their net patient revenue. The Act became effective July 1, 2010, the beginning of state fiscal year 2011. The provider payments are due on a quarterly basis to the Department of Community Health. The payments are to be used for the sole purpose of obtaining federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients. The provider payment will result in an increase in hospital payments from Medicaid of approximately 11.88%. Approximately $277,000 and $221,000 relating to the Act is included in other expenses in the accompanying statement of operations and changes in net assets for the years ended June 30, 2025 and 2024, respectively.

  During 2022, Medicaid implemented the Medicaid CMOs Direct Payment Program (DPP). Under the DPP, eligible hospitals will receive increased Medicaid funding via an annual lump sum direct payment. The direct payment will be based on the difference between Medicare reimbursement and Medicaid payments using UPL calculations. The direct payment is made to the CMOs and the CMOs are required to transfer the payment to the hospital. The net amount of DPP payment adjustments recognized in net patient service revenue was approximately $770,000 and $275,000 for the years ended June 30, 2025 and 2024, respectively.

  During 2022, Medicaid implemented the Supplemental Quality Incentive (SQI) payment program for nursing homes that demonstrate improvement in one of four quality metrics. The nursing home demonstrated improvement in two of the four quality metrics and recognized SQI payments of approximately $0 and $116,000 in net patient service revenue during 2025 and 2024, respectively.

- *Other.* The Organization has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Continued

2. Net Patient Service Revenue, Continued

- *Uninsured patients.* The Organization has a Financial Assistance Policy (FAP) in accordance with Internal Revenue Code Section 501(r). Based on the FAP, following a determination of financial assistance eligibility, an individual will not be charged more than the Amounts Generally Billed (AGB) for emergency or other medical care provided to individuals with insurance covering that care. AGB is calculated by reviewing claims that have been paid in full (including deductibles and coinsurance paid by the patient) to the Organization for medically necessary care by Medicare and private health insurers during a 12-month look-back period.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price, were not significant during fiscal years 2025 or 2024.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant for the years ending June 30, 2025 and 2024. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay based on current or future estimated credit losses (determined on a portfolio basis when applicable) are recorded as credit loss expense. Credit loss expense for the years ended June 30, 2025 and 2024 was not significant.

Continued

2. Net Patient Service Revenue, Continued

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles).

Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Net patient service revenue by major payor source for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Medicare	$ 10,459,000	$ 9,564,000
Medicaid	9,062,000	9,517,000
Third-Party Payors	10,228,000	9,725,000
Self-Pay	2,273,000	1,005,000
Total	$ 32,022,000	$ 29,811,000

Net patient service revenue by facility, line of business, and timing of revenue recognition for the years ended June 30, 2025 and 2024 are as follows:

	2025	2024
Service Lines:		
Hospital	$ 25,017,000	$ 24,295,000
Psych	1,862,000	327,000
Nursing Home	5,141,000	5,483,000
Physician Offices	2,000	(294,000)
Total services transferred over time	$ 32,022,000	$ 29,811,000

Hospital net patient service revenue includes a variety of services mainly covering inpatient acute care services requiring overnight stays, outpatient procedures that require anesthesia or use of the Organization's diagnostic and surgical equipment, and emergency care services. Performance obligations for the patient services are satisfied over time as the patient simultaneously receives and consumes the benefits the Organization performs. Requirements to recognize revenue for inpatient services are generally satisfied over periods that average approximately five days and for outpatient services are generally satisfied over a period of less than one day. For cafeteria revenue recorded in other revenue on the statements of operations and changes in net assets, performance obligations are satisfied at a point in time when the goods are provided.

Continued

2. Net Patient Service Revenue, Continued

The Organization has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

The Organization has applied the practical expedient provided by FASB ASC 340-40-25-4 and all incremental customer contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization otherwise would have recognized is one year or less in duration.

3. Uncompensated Services

The Organization was compensated for services at amounts less than its established rates. Net patient service revenue includes amounts, representing the transaction price, based on standard charges reduced by variable considerations such as contractual adjustments, discounts, and implicit price concessions. Charges for uncompensated services for June 30, 2025 and 2024 were approximately $60,494,000 and $51,828,000, respectively.

Uncompensated care includes charity and indigent care services of approximately $3,687,000 and $3,425,000 for June 30, 2025 and 2024, respectively. The cost of charity and indigent care services provided during June 30, 2025 and 2024 was approximately $1,401,000 and $1,404,000, respectively computed by applying total cost factor to the charges forgone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for June 30, 2025 and 2024:

	2025	2024
Gross patient charges	$ 92,516,000	$ 81,639,000
Uncompensated services:		
Charity and indigent care	3,687,000	3,425,000
Medicare	25,201,000	22,715,000
Medicaid	7,364,000	7,295,000
Other allowances	19,740,000	14,663,000
Price concessions	4,502,000	3,730,000
Total uncompensated care	60,494,000	51,828,000
Net patient service revenue	$ 32,022,000	$ 29,811,000

Continued

4. Investments

Assets limited as to use. The composition of assets limited as to use at June 30, 2025 and 2024, is set forth in the following table. Assets limited as to use are stated at fair value. Debt securities are classified as available-for-sale.

	2025	2024
Retirement plan:		
Mutual fund - growth	$ 380,000	$ 323,000
Mutual fund - fixed income	198,000	168,000
Mutual fund - index	751,000	651,000
Total	$ 1,329,000	$ 1,142,000
Malpractice insurance trust:		
Cash and cash equivalents	$ 32,000	$ 26,000
Mutual fund - fixed income	297,000	251,000
Mutual fund - equities	588,000	550,000
Total	$ 917,000	$ 827,000
Restricted by donor:		
Mutual fund - fixed income	$ 575,000	$ 557,000
Total	$ 575,000	$ 557,000

Short-term and long-term investments. Short-term and long-term investments consists of certificates of deposit and mutual funds. Certificates of deposits approximate fair value. Debt securities are classified as available-for-sale.

	2025	2024
Mutual fund - income	$ 426,000	$ 336,000
Certificates of deposits	322,000	312,000
Total short-term and long term investments	$ 748,000	$ 648,000

The certificates of deposit have maturities ranging up to thirty-six months and are reported at amortized cost.

The Organization’s investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Continued

5. Fair Value Measurement

Fair values of assets measured on a recurring basis at June 30, 2025 and 2024 are as follows:

Asset Category	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2025				
Cash and cash equivalents	$ 32,000	$ 32,000	$ -	$ -
Mutual fund - equities	588,000	588,000	-	-
Mutual fund - income	426,000	426,000	-	-
Mutual fund - fixed income	1,070,000	1,070,000	-	-
Mutual fund - index	751,000	751,000	-	-
Mutual fund - growth	380,000	380,000	-	-
Total assets	$ 3,247,000	$ 3,247,000	$ -	$ -

Asset Category	Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2024				
Cash and cash equivalents	$ 26,000	$ 26,000	$ -	$ -
Mutual fund - equities	550,000	550,000	-	-
Mutual fund - income	336,000	336,000	-	-
Mutual fund - fixed income	976,000	976,000	-	-
Mutual fund - index	651,000	651,000	-	-
Mutual fund - growth	323,000	323,000	-	-
Total assets	$ 2,862,000	$ 2,862,000	$ -	$ -

Continued

5. Fair Value Measurement, Continued

Mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

Valuation techniques utilized to determine fair value are consistently applied.

6. Property and Equipment

A summary of property and equipment at June 30, 2025 and 2024, follows:

	2025	2024
Investment in rental property	$ 3,597,000	$ 3,597,000
Land	696,000	696,000
Land improvements	382,000	373,000
Buildings	15,951,000	15,894,000
Equipment	16,931,000	16,537,000
Software	900,000	900,000
Electronic health records	212,000	212,000
	38,669,000	38,209,000
Less accumulated depreciation	28,858,000	27,594,000
	9,811,000	10,615,000
Construction-in-progress	113,000	17,000
Property and equipment, net	$ 9,924,000	$ 10,632,000

Depreciation expense for the years ended June 30, 2025 and 2024 amounted to $1,264,000 and $1,316,000, respectively.

7. Short-Term Debt

In 2012, the Organization entered into a revolving note agreement with Peoples Bank under which Peoples Bank has agreed to provide up to $500,000 in an unsecured line-of-credit to the Organization. The balance on the line-of-credit at June 30, 2025 and 2024 was $-0-.

In 2012, the Organization renewed a revolving note agreement with Ameris Bank under which Ameris Bank has agreed to provide up to $500,000 in an unsecured line-of-credit to the Organization. The balance on the line-of-credit at June 30, 2025 and 2024 was $-0-.

Continued

8. Long-Term Debt

A summary of long-term debt for the years ended June 30, 2025 and 2024, follows:

	2025	2024
Unsecured note payable to The New Found Community Foundation, Inc., due in full in December 2029 plus interest at prime plus .25%.	$ 2,000,000	$ 2,000,000
Unsecured note payable to The New Found Community Foundation, Inc., due in full in December 2029 plus interest at prime plus .25%.	1,500,000	1,500,000
Unsecured note payable to The New Found Community Foundation, Inc., due in full in December 2029 plus interest at prime plus .25%.	750,000	750,000
Unsecured note payable to The New Found Community Foundation, Inc., due in full in December 2029 plus interest at prime plus .25%.	1,000,000	1,000,000
	5,250,000	5,250,000
Less current portion of long-term debt	-	-
Total long-term debt	$ 5,250,000	$ 5,250,000

Scheduled principal repayments on long-term debt are as follows:

	Long-Term Debt
2026	$ -
2027	-
2028	-
2029	-
2030	5,250,000
Thereafter	-
Total	$ 5,250,000

Continued

9. Profit Sharing Plan

The Organization established a profit-sharing plan covering substantially all employees who work 1,000 hours per year, by resolution of the Board dated June 26, 1981. Eligibility requirements are as follows:

(a) Must be 20 years old before June 30
(b) Must have completed one year of employment
(c) Must be employed at June 30
(d) Worked 1,000 hours during the year

Total profit sharing expense for the years ending June 30, 2025 and 2024 was $547,000 and $529,000, respectively. Funding is based on 5% of eligible salaries and is paid fully by the Organization.

A 403(b) provision to the profit sharing plan was established January 1, 2001. Eligible employees may make voluntary contributions to the plan. The Organization does not contribute to the 403(b) plan.

10. Deferred Compensation Plan

The Organization has established a deferred compensation plan for certain key employees. The plan dated November 30, 1994, allows a maximum salary deferral of the lesser of $23,000 or one-third of an employee's salary. The plan covered five employees at June 30, 2025 and 2024. The plan has assets of $1,343,000 and $1,157,000 at June 30, 2025 and 2024, respectively.

11. Malpractice Insurance

The Organization is currently covered under a "program" of self-insurance for professional liabilities and comprehensive general liabilities of the Hospital and certain other covered persons performing services for the Hospital. The self-insured retention limit is $1 million per occurrence. The Organization has purchased commercial insurance to cover any claim arising in excess of $1 million with a $5 million limit in the individual and the aggregate.

The program consists of the Donalsonville Hospital Self-Insurance Program, which contains the terms and provisions regarding the coverages available under the program, and the Donalsonville Hospital Insurance Trust, which is a trust set up to fund potential liabilities under the program. The trustee is Synovus Trust Company, N. A. The balances in the fund were $917,000 and $827,000 for the years ended June 30, 2025 and 2024, respectively.

Various claims and assertions have been made against the Organization in its normal course of providing services. In the future, claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

12. Notes Receivable

Notes receivable consist primarily of educational loans to physicians. In general, the loans are being forgiven over a period of time in which the physician practices medicine in Donalsonville, Georgia. If the physician discontinues medical practice in this town, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during fiscal years 2025 and 2024 were approximately $0 and $0, respectively.

13. Self-Insurance for Employee Health Coverage

The Organization is self-insured for the purpose of providing group health insurance for the Organization's employees and their covered dependents. This program was created to minimize the total cost of annual medical insurance to the Organization. The Organization has a commercial policy that covers any specific claim in excess of $50,000 with a $1,000,000 limit. The maximum overall aggregate limit for any one year is approximately $1,751,000. Professional insurance consultants have been retained by the Organization to assist the Organization with determining amounts to be paid on claims. Claims payable at June 30, 2025 and 2024 have been accrued and expensed. Health insurance expense for the years ended June 30, 2025 and 2024 was approximately $1,505,000 and $1,139,000, respectively.

14. Concentrations of Credit Risk

The Organization grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	2025	2024
Medicare	31%	34%
Medicaid	23%	20%
Blue Cross and other third-party payors	39%	38%
Patients	7%	8%
Total	100%	100%

The Organization has deposits in local financial institutions in excess of the $250,000 federally insured limit by Federal Deposit Insurance Corporation. Management believes the credit risk related to these deposits is minimal.

15. Commitments and Contingencies

- *Litigation.* The Organization is involved in litigation and regulatory investigations arising in the general course of business. After consultations with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Organization's future financial position.

Continued

15. Commitments and Contingencies, Continued

- *Healthcare reform.* There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and the state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Organization.

- *Compliance plan.* The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Organization has implemented a compliance plan focusing on such issues. There can be no assurance that the Organization will not be subjected to future investigations with accompanying monetary damages.

16. Functional Expenses

The Organization provides general health care services to residents within its geographic location. Expenses related to providing these services in 2025 and 2024 are as follows:

	2025		
	Patient Care Services	General and Administrative	Total
Salaries	$ 13,457,000	$ 1,873,000	$ 15,330,000
Employee benefits	3,896,000	-	3,896,000
Physician fees	2,690,000	-	2,690,000
Contract services	1,331,000	130,000	1,461,000
Supplies	4,892,000	154,000	5,046,000
Other	2,085,000	2,305,000	4,390,000
Insurance	147,000	190,000	337,000
Interest	316,000	99,000	415,000
Depreciation	987,000	277,000	1,264,000
Contributions	-	105,000	105,000
	$ 29,801,000	$ 5,133,000	$ 34,934,000

Continued

16. Functional Expenses, Continued

	2024		
	Patient Care Services	General and Administrative	Total
Salaries	$ 13,028,000	$ 1,779,000	$ 14,807,000
Employee benefits	3,191,000	436,000	3,627,000
Physician fees	2,481,000	-	2,481,000
Contract services	1,561,000	62,000	1,623,000
Supplies	4,627,000	190,000	4,817,000
Other	1,917,000	1,984,000	3,901,000
Insurance	144,000	167,000	311,000
Interest	460,000	79,000	539,000
Depreciation	1,137,000	179,000	1,316,000
	$ 28,546,000	$ 4,876,000	$ 33,422,000

The financial statements report certain expense categories that are attributable to more than one health care service or support function. Therefore, these expenses require an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation, interest expense, and other occupancy costs, are allocated to a function based on a square footage basis. Benefit expense is allocated consistent with salaries.

17. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or Organizations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2029. The Organization submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2025 and 2024. Contributions received under the program approximated $300,000 and $356,000 during fiscal years 2025 and 2024, respectively. The Organization will have to be approved by the State to participate in the program in each subsequent year.

18. Liquidity and Availability

As of June 30, 2025 and 2024, the Organization has a working capital of approximately $9,678,000 and $11,323,000 and average days (based on normal expenditures) cash on hand of 49 and 50 days, respectively.

Continued

18. Liquidity and Availability, Continued

Financial assets available for general expenditure within one year of the balance sheet date, consists of the following at June 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 4,538,000	$ 4,351,000
Short-term investments	107,000	104,000
Patient accounts receivable, net	6,054,000	7,461,000
Estimated third-party payor settlements	336,000	306,000
Assets limited as to use:		
Internally designated for malpractice insurance trust	917,000	827,000
Long-term investments	641,000	544,000
Total financial assets available	$ 12,593,000	$ 13,593,000

None of the other financial assets available are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization estimates that approximately 100% of the Board designated funds for malpractice insurance trust is available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the quantitative information above. The Organization has the ability to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as fully described in Note 7, the Organization has available lines of credit of approximately $1,000,000, which it could draw upon in the event of an unanticipated liquidity need.

19. Net Assets with Donor Restrictions

During 2025 and 2024, the Organization received donations of $18,000 and $29,000 in 2025 and 2024 for the Walter Scott Foundation, the Organization's donor restricted perpetual healthcare endowment fund. Based on the agreement with the Walter Scott Foundation, there are no donor imposed restrictions for income earned on the donation. At June 30, 2025 and 2024 the balance in the endowment fund was $575,000 and $557,000, respectively.

The Organization's donor restricted healthcare endowment fund was established to support health care services. As required by generally accepted accounting principles, net assets associated with the endowment fund are classified and reported based on the existence or absence of donor imposed restrictions.

Continued

19. Net Assets with Donor Restrictions, Continued

The Board of Directors of the Organization has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act (GUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of its gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by GUPMIFA. In accordance with GUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or GUPMIFA requires the Organization to retain as a fund of perpetual duration. As of June 30, 2025 and 2024, there were no such deficiencies of this nature.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long-term. Endowment assets include assets of donor restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce positive results while assuming a moderate level of investment risk. Endowment assets are invested in a balanced fund with moderate allocation. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 3 percent annually. Actual results in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The Organization's current spending policy is to distribute an amount equal to the total investment return which is expendable to support health care services.