TANNER MEDICAL CENTER, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2025 and 2024

Draffin Tucker

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TANNER MEDICAL CENTER, INC.

COMBINED FINANCIAL STATEMENTS

for the years ended June 30, 2025 and 2024

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, Georgia

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of the Medical Center 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Medical Center 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.

Continued

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 *Government Auditing Standards* 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

- Identify and assess the risks of material misstatement of the combined 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 combined 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 Medical Center'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 combined financial statements.

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

Continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2026, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
May 11, 2026

TANNER MEDICAL CENTER, INC.

COMBINED BALANCE SHEETS
as of June 30, 2025 and 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 117,276,765	$ 130,317,207
Short-term investments	171,596,328	159,934,146
Assets limited as to use, current portion	9,390,834	8,181,053
Patient accounts receivable, net	121,675,327	110,393,180
Supplies, at lower of cost and net realizable value	16,582,480	15,050,381
Estimated third-party payor settlements	462,920	661,744
Other current assets	50,394,875	39,998,561
Total current assets	487,379,529	464,536,272
Assets limited as to use:		
Internally designated	550,118,771	452,040,026
Held by trustee under indenture for debt obligations	136,713,693	25,185,107
Held by trustee for unemployment	1,060,518	1,053,744
Assets limited as to use, current portion	(9,390,834)	(8,181,053)
Noncurrent assets limited as to use	678,502,148	470,097,824
Property and equipment, net	519,019,394	481,679,364
Long-term investments	-	6,160,287
Interest in net assets of Tanner Medical Foundation, Inc.	35,435,522	32,094,988
Other assets:		
Operating lease right-of-use assets	217,963	441,330
Finance lease right-of-use assets	2,632,702	3,111,376
Physician notes receivable and other	6,521,433	5,924,216
Investments in unconsolidated companies	5,109,140	1,469,572
Goodwill and intangible assets	6,530,460	8,801,523
Total other assets	21,011,698	19,748,017
Total assets	$ 1,741,348,291	$ 1,474,316,752

Continued

TANNER MEDICAL CENTER, INC.

COMBINED BALANCE SHEETS, Continued
as of June 30, 2025 and 2024

	2025	2024
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 14,339,514	$ 13,964,068
Current portion of operating lease liabilities	156,868	230,113
Current portion of finance lease liabilities	476,600	461,390
Accounts payable	38,800,781	38,697,619
Accrued salaries	53,080,794	48,886,186
Other accrued expenses	19,302,399	18,462,646
Estimated third-party payor settlements	2,519,495	2,892,204
Total current liabilities	128,676,451	123,594,226
Long-term debt, net of current portion:		
Revenue certificates payable	371,514,756	235,934,977
Operating lease liabilities	61,095	214,171
Finance lease liabilities	2,346,906	2,823,903
Total liabilities	502,599,208	362,567,277
Net assets:		
Net assets without donor restrictions	1,199,922,579	1,074,603,606
Net assets with donor restrictions	27,886,948	26,261,851
Total Tanner Medical Center, Inc. net assets	1,227,809,527	1,100,865,457
Non-controlling interests in joint ventures	10,939,556	10,884,018
Total net assets including non-controlling interests	1,238,749,083	1,111,749,475
Total liabilities and net assets	$ 1,741,348,291	$ 1,474,316,752

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF OPERATIONS
for the years ended June 30, 2025 and 2024

	2025	2024
Revenues, gains, and other support:		
Net patient service revenue	$ 942,570,869	$ 869,678,564
Other revenue	38,698,107	28,787,665
CARES Act and ARPA funding	-	7,227,325
Total revenues, gains, and other support	981,268,976	905,693,554
Expenses:		
Salaries	400,616,717	356,140,020
Employee benefits	91,071,167	80,458,746
Contracted services	59,443,134	56,908,475
Purchased services	54,024,787	47,225,536
Supplies and drugs	180,873,300	174,065,885
Insurance expense (recoveries)	9,003,941	(95,273)
Depreciation and amortization	55,239,808	53,704,405
Interest and amortization	8,332,099	8,583,090
Other	68,654,657	62,027,913
Total expenses	927,259,610	839,018,797
Operating income	54,009,366	66,674,757
Other income (loss):		
Contributions and other	8,320,257	7,269,853
Investment income	30,711,894	39,136,990
Loss on disposal of assets	(413,068)	(216,916)
Net unrealized gain on investments	29,795,875	24,568,886
Gain on extinguishment of debt	616,532	-
Total other income	69,031,490	70,758,813
Excess revenues before non-controlling interests in joint ventures	123,040,856	137,433,570
Net loss attributable to non-controlling interests in joint ventures	493,082	545,909
Excess revenues	123,533,938	137,979,479
Change in interest in net assets of Tanner Medical Foundation, Inc.	1,715,437	1,534,459
Capital contributions and other	69,598	3,081,048
Increase in net assets without donor restrictions	$ 125,318,973	$ 142,594,986

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
for the years ended June 30, 2025 and 2024

	2025	2024
Net assets without donor restrictions:		
Excess revenues	$ 123,533,938	$ 137,979,479
Change in interest in net assets of Tanner Medical Foundation, Inc.	1,715,437	1,534,459
Capital contributions and other	69,598	3,081,048
Increase in net assets without donor restrictions	125,318,973	142,594,986
Net assets with donor restrictions:		
Change in interest in net assets of Tanner Medical Foundation, Inc.	1,625,097	1,866,836
Increase in Tanner Medical Center, Inc. net assets	126,944,070	144,461,822
Non-controlling interests in joint ventures:		
Net loss attributable to non-controlling interests in joint ventures	(493,082)	(545,909)
Contributions from non-controlling interests in joint ventures	548,620	5,304,355
Increase in non-controlling interests	55,538	4,758,446
Increase in net assets including non-controlling interests	126,999,608	149,220,268
Net assets, beginning of year	1,111,749,475	962,529,207
Net assets, end of year	$ 1,238,749,083	$ 1,111,749,475

See accompanying notes to financial statements.

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Increase in net assets including non-controlling interests	$ 126,999,608	$ 149,220,268
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net realized and unrealized gain on investments	(34,927,740)	(38,457,935)
Change in interest in net assets of Tanner Medical Foundation, Inc.	(3,340,534)	(3,401,295)
Loss on disposal of assets	413,068	216,916
Capital contributions and other	(69,598)	(3,081,048)
Depreciation and amortization	55,239,808	53,704,405
Amortization	752,967	3,639,533
Forgiveness of physician notes receivable	1,141,826	1,376,645
Contributions from non-controlling interests	(548,620)	(4,462,172)
Gain on extinguishment of debt	(616,532)	-
Changes in:		
Patient accounts receivable	(11,282,147)	6,170,623
Other current assets	(11,928,413)	(9,776,678)
Physician notes receivable	(1,916,423)	(1,629,375)
Other assets	(475,066)	1,377,210
Accounts payable	103,162	(21,791,401)
Other accrued expenses	5,034,361	7,728,481
CARES Act and ARPA refundable advances	-	(7,383,861)
Estimated third-party payor settlements	(173,885)	2,168,630
Operating lease liabilities	(223,367)	(4,551,288)
Net cash provided by operating activities	124,182,475	131,067,658
Cash flows from investing activities:		
Purchase of property and equipment	(91,380,759)	(89,437,786)
Proceeds from sale of investments	455,226,023	187,722,945
Purchase of investments	(524,870,418)	(257,781,753)
Acquisition of urology, ambulance and physician offices	-	(5,345,000)
Net cash used by investing activities	(161,025,154)	(164,841,594)

Continued

TANNER MEDICAL CENTER, INC.

COMBINED STATEMENTS OF CASH FLOWS, Continued
for the years ended June 30, 2025 and 2024

	2025	2024
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	$ 180,514,957	$ 26,636,720
Payments on finance lease liabilities	(461,379)	(591,071)
Payments on long-term debt	(42,686,127)	(12,181,304)
Capital contributions and other	69,598	3,081,048
Contributions from non-controlling interests	548,620	4,462,172
Net cash provided by financing activities	137,985,669	21,407,565
Net increase (decrease) in cash and cash equivalents	101,142,990	(12,366,371)
Cash and cash equivalents, beginning of year	165,561,259	177,927,630
Cash and cash equivalents, end of year	$ 266,704,249	$ 165,561,259
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 117,276,765	$ 130,317,207
Cash and cash equivalents in assets limited as to use	149,427,484	35,244,052
Total cash and cash equivalents	$ 266,704,249	$ 165,561,259

Supplemental disclosure of cash flow information:

- Cash paid for interest net of capitalized interest in 2025 and 2024 was approximately $8,125,000 and $8,110,000, respectively.

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

Organization

Tanner Medical Center, Inc. (Medical Center) is a not-for-profit health care system. The Medical Center provides inpatient, outpatient and emergency care services to residents of West Georgia and surrounding areas. Admitting physicians are primarily practitioners in the local area and employed physicians.

Tanner Medical Center, Inc. includes the following:

- Tanner Medical Center/Carrollton, established to provide comprehensive health care services through the operation of a 199-bed acute care hospital in Carrollton, Georgia.

- Tanner Medical Center/Villa Rica, established to provide comprehensive health care services through the operation of a 67-bed acute care hospital and Willowbrooke at Tanner/Villa Rica, a 92-bed psychiatric facility in Villa Rica, Georgia.

- Tanner Medical Center/Higgins General Hospital, established to provide comprehensive health care services through the operation of a 25-bed critical access hospital in Bremen, Georgia.

- Tanner Medical Group, established to operate physician practices in West Georgia and Eastern Alabama.

- Tanner Medical Center/East Alabama, established to provide comprehensive health care services through the operation of a 15-bed acute care hospital in Wedowee, Alabama. Critical access status was granted effective January 9, 2019.

- Healthliant Enterprises, Inc. was established to manage and facilitate other non-hospital business lines for the Medical Center, including but not limited to assisted living, senior housing, management services, concierge medicine, emergency medical services, and other taxable joint venture activities.

Tanner Medical Center, Inc. is responsible for allocating resources and for approving budgets, major contracts and debt financing for all entities.

Continued

1. Summary of Significant Accounting Policies, Continued

Principles of Combination

The accompanying combined financial statements include the accounts of Tanner Medical Center, Inc., Tanner Medical Center/Carrollton, Tanner Medical Center/Villa Rica, Willowbrooke at Tanner/Villa Rica, Tanner Medical Center/Higgins General Hospital, Tanner Medical Group, Tanner Medical Center/East Alabama, Healthliant Enterprises, Inc., and certain Auxiliary activities. Also, included in the combined financial statements are joint ventures in which the Medical Center has a controlling interest. These interests include BOM QOZ I, LLC with a 51% controlling interest, Maple View Investments, LLC with a 50% controlling interest, Maple View Out Parcels, LLC with a 51% controlling interest, Birches Clubhouse Holdings, LLC with a 51% controlling interest, Birches Storage, LLC with a 51% controlling interest, West Georgia Endoscopy Center, LLC with a 51% controlling interest, and WGA Surgery Center with a 60% controlling interest. All significant intercompany transactions have been eliminated.

Leases Between Related Entities

Effective July 1, 1988, under a plan of reorganization, the Carroll City-County Hospital Authority which owns and previously operated Tanner Medical Center doing business as Tanner Medical Center/Carrollton and Tanner Medical Center/Villa Rica, leased Tanner Medical Center and its related facilities, along with a transfer of all other assets and liabilities, to Tanner Medical Center, Inc., a non-profit corporation, which was created to lease and operate Tanner Medical Center and its related facilities for the benefit of the general public.

The initial term of the lease is for forty (40) years. The lease was amended in February 2020 to extend the term of the lease until December 31, 2060. Lease payments by Tanner Medical Center, Inc. to the Authority, or to the holder thereof as the Authority may direct, will comprise the debt payment and the note payments affecting the properties.

Upon termination of the lease agreement, Tanner Medical Center, Inc., shall reconvey, retransfer and reassign to the Authority the leased premises, plus its assets as then existing subject to such debt or other liabilities as may be applicable thereto.

Lease and Transfer Agreement with the Hospital Authority of the City of Bremen and County of Haralson, Georgia

During 1998, the Hospital Authority of the City of Bremen and County of Haralson, Georgia entered into a lease and transfer agreement with Tanner Medical Center, Inc. to become effective on October 1, 1998. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and existing Higgins General Hospital operations to Tanner Medical Center, Inc. from the Authority. The original lease was terminated and a new lease was agreed to during the 2002 fiscal year.

Continued

1. Summary of Significant Accounting Policies, Continued

Lease and Transfer Agreement with the Randolph County Health Care Authority

During 2016, the Randolph County Health Care Authority (Authority) entered into a lease and transfer agreement with Tanner Medical Center Alabama, Inc. in which the Authority built a replacement facility for Wedowee Hospital. The replacement facility opened November 14, 2017 as Tanner Medical Center East Alabama. Accordingly, the results of operations for Tanner Medical Center East Alabama have been included in the accompanying combined financial statements from that date forward. The purpose and intent of the agreement was to transfer control over all the real property, operating assets, and operations to Tanner Medical Center Alabama, Inc. from the Authority. The primary reason for the agreement is to ensure the long-term availability and accessibility of quality health care to the residents of Randolph County. The lease is 35 years with an option to terminate after the first five. As a result of the lease and transfer agreement, an amount of approximately $19 million in net fixed assets was recognized in 2018. There was minimal consideration transferred in the form of nominal rent payments over the term of the lease.

Use of Estimates

The preparation of the combined 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 Medical Center 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 Medical Center 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 Medical Center'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 Medical Center also continually reviews the net realizable value of patient accounts receivable by monitoring

Continued

1. Summary of Significant Accounting Policies, Continued

Patient Accounts Receivable, Continued

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 $121,675,327, $110,393,180 and $115,277,450 as of June 30, 2025, 2024 and 2023, respectively. The Medical Center had no significant contract assets or contract liabilities as of June 30, 2025 or 2024.

Allowance for Credit Losses

The Medical Center 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.

The Medical Center 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 Medical Center does continue to adjust historical loss information to reflect current conditions to the extent that historical loss information does not reflect current conditions. The Medical Center 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 Medical Center determines that no adjustment to its historical loss information is necessary.

The Medical Center also applied the accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. The Medical Center considers collection activity through the date the financial statements were issued. The Medical Center 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.

Inventories

Inventories are stated at current market prices which approximates lower of cost and net realizable value as determined on a first-in, first-out basis.

Continued

1. Summary of Significant Accounting Policies, Continued

Investments

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

Investments in organizations where the Medical Center's ownership percentage is equal to or less than 50% are included in other assets on the combined balance sheets. The Medical Center's portion of income from unconsolidated organizations is reported with other revenue and was approximately $93,000 and $203,000 for 2025 and 2024, respectively.

Non-Controlling Interest

The Medical Center complies with FASB ASC 810-10, *Non-controlling Interests in Consolidated Financial Statements*, which requires combined excess revenues and net assets to be reported at amounts attributable to both the parent and non-controlling interest.

Assets Limited As to Use

Assets limited as to use primarily include assets held by trustees under indenture agreements and unemployment, and designated assets set aside by the Board of Directors for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes. Amounts required to meet current liabilities of the Medical Center have been reclassified on 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 class of depreciable assets and is computed using the straight-line method. Finance lease assets are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Such amortization is included in depreciation and amortization expense in the combined 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. There was approximately $776,000 and $0 of interest capitalized during fiscal years ended June 30, 2025 and 2024, respectively.

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 the excess of revenues over 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

Continued

1. Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

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.

Goodwill and Intangible Assets

Goodwill represents the excess of the acquisition price over fair value of net assets acquired through business combinations. The Medical Center amortizes goodwill on a straight-line basis over a 10 year period. When events or circumstances indicate that goodwill may be impaired, goodwill is tested for impairment at the entity level. Impairment, if any, will be recognized for the difference between the fair value of the Medical Center and its carrying amount and will be limited to the carrying amount of goodwill. The Medical Center's evaluation determined it is not more likely than not that the reporting unit's fair value is less than its carrying value. See Note 8 for additional information.

Beneficial Interest in Net Assets of Foundation

The Medical Center accounts for the activities of its related Foundation in accordance with FASB ASC 958-20, *Not-For-Profit Entities, Financially Interrelated Entities.* FASB ASC 958-20 established reporting standards for transactions in which a donor makes a contribution to a not-for-profit organization which accepts the assets on behalf of or transfers these assets to a beneficiary which is specified by the donor. Tanner Medical Foundation, Inc. accepts assets on behalf of Tanner Medical Center, Inc.

Deferred Financing Costs

Costs related to the issuance of long-term debt were deferred and are being amortized to interest expense using the straight-line method over the life of the related debt which approximates the effective interest method. These costs are reported on the combined balance sheets as a direct deduction from the carrying amount of the related debt liability.

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. 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 Revenues

The statements of operations include excess revenues. Changes in net assets without donor restrictions which are excluded from excess revenues, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services 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 Medical Center has agreements with third-party payors that provide for payments to the Medical Center 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 Medical Center 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 Medical Center 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 Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Endowments

Endowments are provided to the Medical Center 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 Medical Center’s Board of Directors to authorize for expenditure the net appreciation of the investments of endowment funds.

Continued

1. Summary of Significant Accounting Policies, Continued

Donor Restricted Gifts

Unconditional promises to give cash and other assets to the Medical Center 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.

Estimated Malpractice and Other Self-Insurance Costs

The provisions for estimated medical 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.

Income Taxes

The Medical Center, with the exception of Healthliant Enterprises, Inc., is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Medical Center 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 Medical Center 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 combined 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 Medical Center’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 those returns.

Tanner Medical Group is part of a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code. The affiliated business services provided are, however, subject to unrelated business income taxes and a Form 990-T, Exempt Organization Business Income Tax Return is filed for these services.

Continued

1. Summary of Significant Accounting Policies, Continued

Impairment of Long-Lived Assets

The Medical Center 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 Medical Center has not recorded any impairment charges in the accompanying combined statements of operations for the years ended June 30, 2025 and 2024.

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.

Subsequent Events

In preparing these combined financial statements, the Medical Center has evaluated events and transactions for potential recognition or disclosure through May 11, 2026, the date the combined financial statements were issued.

Prior Year Reclassifications

Certain reclassifications have been made to the fiscal year 2024 combined financial statements to conform to the fiscal year 2025 presentation. These reclassifications had no impact on the change in net assets in the accompanying combined financial statements.

Continued

1. Summary of Significant Accounting Policies, Continued

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 Medical Center prospectively adopted the practical expedient and accounting policy election for fiscal year 2025.

2. Net Patient Service Revenue

Net patient service revenue is reported at the amount that reflects the consideration to which the Medical Center 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 Medical Center 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 Medical Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Medical Center 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 inpatient, outpatient, and emergency care services. The Medical Center 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 Medical Center 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 Medical Center 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.

Continued

2. Net Patient Service Revenue, Continued

The Medical Center is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The Medical Center 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 Medical Center has concluded that revenue for a given portfolio would not be materially different than if accounting for revenue on a contract by contract basis.

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

  Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

  Tanner Medical Center/Higgins General Hospital and Tanner Medical Center/East Alabama have been granted Critical Access Hospital (CAH) designation by the Medicare Program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

  Inpatient psychiatric services rendered to Medicare program beneficiaries are paid at prospectively determined per diems.

Continued

2. Net Patient Service Revenue, Continued

- Medicare, Continued

  The Medical Center is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare Administrative Contractor (MAC). The Medical Center'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 Medical Center. The Medical Center's Medicare cost reports have been audited by the MAC through June 30, 2022.

- Medicaid (Georgia Facilities)

  Inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Outpatient services are paid based upon cost reimbursement methodologies. The Medical Center is paid for certain cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. The Medical Centers' Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2021.

  The Medical Center 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.

  The Medical Center participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Medical Center receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Medical Center's estimated uncompensated cost of services to Medicaid and uninsured patients. The amount of ICTF payments recognized in net patient service revenue was approximately $12,917,000 and $12,325,000 for the years ended June 30, 2025 and 2024, respectively.

  The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $11,009,000 and $4,286,000 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

Continued

2. Net Patient Service Revenue, Continued

- Medicaid (Georgia Facilities), Continued

  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 $10,470,000 and $3,321,000 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 (the 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 on Medicaid services of 11.88%. Approximately $8,964,000 and $8,051,000 relating to the Act is included in other expenses in the accompanying statements of operations for the years ended June 30, 2025 and 2024, respectively.

- Medicaid (Alabama Facility)

  Inpatient services rendered to Medicaid program beneficiaries are reimbursed at an all-inclusive per diem rate based on date of adjudication in a given state fiscal year plus an Upper Payment Limit payment. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately $2,080,000 and $1,976,000 for the years ended June 30, 2025 and 2024, respectively. Outpatient services are paid based upon a fee schedule.

- Blue Cross (Alabama Facility)

  Inpatient services rendered to Blue Cross subscribers are reimbursed at prospectively determined rates per day of hospitalization. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping (EAPG). EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate.

- Other Arrangements

  Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Continued

2. Net Patient Service Revenue, Continued

- Uninsured Patients

  The Medical Center 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 Medical Center 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 Medical Center'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 Medical Center. In addition, the contracts the Medical Center 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 Medical Center'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 in 2025 or 2024.

Continued

2. Net Patient Service Revenue, Continued

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Medical Center also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Medical Center 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.

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

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

	Net Patient Service Revenue				
	Medicare	Medicaid	Third-Party Payors	Self-Pay	Total All Payors
2025	$ 261,228,067	$ 41,467,511	$ 559,736,972	$ 80,138,319	$ 942,570,869
2024	$ 222,354,485	$ 40,617,746	$ 538,376,616	$ 68,329,717	$ 869,678,564

Continued

2. Net Patient Service Revenue, Continued

	Net Patient Service Revenue	
	2025	2024
Carrollton	$ 428,861,391	$ 376,800,796
Villa Rica	344,946,120	344,548,377
Higgins	52,118,010	47,928,245
Tanner Medical Group	91,301,246	81,398,438
East Alabama	20,300,574	17,406,982
Healthliant	5,043,528	1,595,726
Total	$ 942,570,869	$ 869,678,564
Timing of revenue and recognition:		
Services transferred over time	$ 937,527,341	$ 868,082,838
At time services are rendered	5,043,528	1,595,726
Total	$ 942,570,869	$ 869,678,564

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 Medical Center's diagnostic and surgical equipment, and emergency care services. Performance obligations are satisfied over time as the patient simultaneously receives and consumes the benefits the Medical Center 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. Point-of-sale revenue, recorded in other revenue on the combined statements of operations, performance obligations are satisfied at a point in time when the goods are provided.

The Medical Center 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 Medical Center'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 Medical Center 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 Medical Center 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 Medical Center otherwise would have recognized is one year or less in duration.

Continued

3. Uncompensated Services

The Medical Center 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.

Uncompensated care includes charity and indigent care services of approximately $81,108,000 and $73,684,000 in 2025 and 2024, respectively. The cost of charity and indigent care services provided during 2025 and 2024 was approximately $27,299,000 and $24,129,000, 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 2025 and 2024:

	2025	2024
Gross patient charges	$ 2,755,021,004	$ 2,562,192,843
Uncompensated services:		
Charity and indigent care	81,108,003	73,684,266
Medicare	912,830,625	856,028,744
Medicaid	176,621,990	186,998,376
Other third-party payors	565,112,298	511,475,434
Price concessions	76,777,219	64,327,459
Total uncompensated care	1,812,450,135	1,692,514,279
Net patient service revenue	$ 942,570,869	$ 869,678,564

Continued

4. Assets Limited as to Use and Investments

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.

	2025	2024
Internally designated for capital acquisition:		
Cash and cash equivalents	$ 15,736,209	$ 10,058,945
Mutual funds - equity	147,762,818	140,166,310
Stocks and options	141,438,902	122,865,171
Exchange traded funds	106,248,092	101,690,320
U.S. corporate bonds	15,070,814	8,367,643
Federal agency bonds	113,691,659	53,965,400
Municipal bonds	1,258,635	6,253,251
Alternative investments - limited partnerships	8,911,642	8,672,986
	550,118,771	452,040,026
Held by trustee for unemployment:		
Certificates of deposit	1,060,518	1,053,744
Held by trustee under indenture:		
Cash and cash equivalents	133,691,275	25,185,107
Certificates of deposit	3,022,418	-
	136,713,693	25,185,107
Total assets limited as to use	687,892,982	478,278,877
Less current portion	9,390,834	8,181,053
Noncurrent assets limited as to use	$ 678,502,148	$ 470,097,824

Alternative investments are those investments for which a readily determinable fair value does not exist (that is, they are not listed on national exchanges or over-the-counter markets, nor are quoted market prices available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Quotations System). The underlying assets in these alternative investments can range from marketable securities to complex and/or nonliquid investments.

Continued

4. Assets Limited as to Use and Investments, Continued

The primary vehicles related to alternative investments are fund of fund structures. A fund of hedge funds is an investment vehicle whose portfolio consists of shares in a number of hedge funds. The fund of funds - which may also be called a collective investment or a multi-manager investment - simply holds a portfolio of other investment funds instead of investing directly in securities such as stocks, bonds, commodities or derivatives.

Funds of hedge funds simply follow this strategy by constructing a portfolio of other hedge funds. How the underlying hedge funds are chosen can vary. A fund of hedge funds may invest only in hedge funds using a particular management strategy. Or, a fund of hedge funds may invest in hedge funds using many different strategies in an attempt to gain exposure to all of them. The benefit of owning any fund of fund is experienced management and diversification.

The fair values of alternative investments have been estimated using the net asset value per share of the investments. These securities have no unfunded commitments and offer monthly to quarterly liquidity with a 10 to 95 day notice period.

Corporate Bonds, Municipal Bonds, Federal Agency Bonds: The unrealized losses on the Medical Center's investment in bonds relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

Stocks and Options, Exchange Traded Funds, Mutual Funds, Alternative Investments: The Medical Center's investments in stocks and options, exchange traded funds, mutual funds, and alternative investments consist primarily of investments in common stock.

The Medical Center'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 change could materially affect the amounts reported in the accompanying combined financial statements.

Certificates of deposit are stated at amortized cost, which approximate fair value.

Continued

5. Property and Equipment

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

	2025	2024
Land	$ 28,942,688	$ 28,594,876
Land improvements	21,607,946	20,933,876
Buildings	496,740,227	488,622,417
Equipment	335,743,026	317,419,293
	883,033,887	855,570,462
Less accumulated depreciation	487,151,867	449,859,134
	395,882,020	405,711,328
Construction-in-progress	123,137,374	75,968,036
Property and equipment, net	$ 519,019,394	$ 481,679,364

See Note 1 for details of land and buildings under lease agreements. Depreciation expense for the years ended June 30, 2025 and 2024 amounted to approximately $51,890,000 and $49,995,000 , respectively. Construction contracts exist for various projects at year end with a total commitment of approximately $82,173,000. At June 30, 2025, the remaining commitment on these contracts approximated $27,865,000.

6. Physician Notes Receivable

Physician notes receivable consist primarily of loans secured by promissory notes to physicians under recruiting arrangements. In general, the loans are being forgiven over a period of time in which the physician practices medicine within the healthcare system of the Medical Center. If the physician discontinues medical practice, the outstanding principal and accrued interest becomes due immediately. The amounts forgiven and charged to expense during 2025 and 2024 were approximately $1,142,000 and $1,377,000, respectively.

Physician notes receivable also consist of educational loans to employees. In general, the educational loans are forgiven over a period of time in which the employee works for the Medical Center.

7. Deferred Financing Costs

Bond issue costs and loan origination fees are amortized over the life of the debt instrument. Amortization expense for the years ended June 30, 2025 and 2024 amounted to approximately $429,000 and $142,000, respectively.

Continued

8. Goodwill and Intangible Assets

A summary of goodwill and intangible assets at June 30, 2025 and 2024 follows:

	2025	2024
Goodwill and intangible assets	$ 6,530,460	$ 8,801,523

The goodwill and intangible assets are related to the Medical Center's purchase of a multiple sclerosis infusion therapy business, urology surgery center, ambulance company, and private physician offices. The Medical Center is amortizing existing goodwill on a prospective basis. The goodwill and intangible assets are evaluated for impairment when events or circumstances indicate that goodwill is impaired.

The changes in the carrying amount of goodwill and intangible assets for the years ended June 30, 2025 and 2024 follows:

	2025	2024
Balance at beginning of year:		
Goodwill and intangible assets	$ 18,306,400	$ 12,961,400
Accumulated amortization and impairment loss	(9,504,877)	(6,133,498)
	8,801,523	6,827,902
Goodwill and intangible assets acquired during the year	600,000	5,345,000
Amortization and impairment losses	(2,871,063)	(3,371,379)
	(2,271,063)	1,973,621
Balance at end of year:		
Goodwill and intangible assets	18,906,400	18,306,400
Accumulated amortization and impairment loss	(12,375,940)	(9,504,877)
Total	$ 6,530,460	$ 8,801,523

Continued

9. Long-Term Debt

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

	2025	2024
Revenue Certificates, Series 2015, bearing interest of 4.00% to 5.00%, maturing in installments of $1,885,000 to $4,450,000 each July 1 until 2045. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	$ 18,670,000	$ 63,805,000
Revenue Certificates, Series 2016, bearing interest of 3.00% to 5.00%, maturing in installments of $1,095,000 to $1,845,000 each July 1 until 2038. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	20,525,000	21,565,000
Revenue Certificates, Series 2016B, bearing interest of 2.00% to 5.00%, maturing in installments of $1,430,000 to $2,545,000 each July 1 until 2040. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	31,150,000	32,510,000
Revenue Certificates, Series 2019B, bearing interest of 2.36%, maturing in installments of $234,087 to each month until December 2029. The certificates are collateralized by the related equipment.	11,981,435	14,475,711
Revenue Certificates, Series 2020, bearing interest of 3.00% to 5.00%, maturing in installments of $805,000 to $2,225,000 each July 1 until 2050. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	37,185,000	37,960,000
Revenue Certificates, Series 2022A, bearing interest of 4.25%, maturing in installments of $102,438 each month until December 2032. The certificates are collateralized by the related equipment.	7,882,624	8,756,612

Continued

9. Long-Term Debt, Continued

	2025	2024
Revenue Certificates, Series 2022B, bearing interest of 4.25%, maturing in installments of $102,438 each month until December 2032. The certificates are collateralized by the related equipment.	$ 7,882,624	$ 8,756,612
Revenue Certificates, Series 2022C, bearing interest of 4.163%, maturing in installments of $153,031 each month until December 2032. The certificates are collateralized by the related equipment.	11,812,683	13,127,478
Revenue Certificates, Series 2025, bearing interest of 4.00% to 5.00%, maturing in installments of $3,640,000 to $8,025,000 each July 1 until 2055. The certificates are collateralized by a pledge of the Medical Center's gross receipts.	170,535,000	-
Note payable, bearing interest of 2.76%, maturing in monthly installments of $192,600 until December 2029. The note is collateralized by equipment.	9,769,934	11,781,291
Note payable, bearing no interest, maturing in annual installments of $121,627 until September 2024. This note is collateralized by technology.	-	121,827
Note payable, bearing interest of 4.05%, maturing in monthly installments of $109,069 to $222,802 until June 2050. This note is collateralized by accounts receivable.	36,616,677	26,636,720
	364,010,977	239,496,251
Less current portion	14,339,514	13,964,068
	349,671,463	225,532,183
Plus net unamortized premium and bond issuance costs	21,843,293	10,402,794
Total long-term debt, net of current portion	$ 371,514,756	$ 235,934,977

Continued

9. Long-Term Debt, Continued

The long-term debt relates to the Revenue Anticipation Certificates, Series 2015, 2016, 2016B, 2019B, 2020, 2022A, 2022B, 2022C and 2025, issued by the Carroll City-County Hospital Authority (Authority). The lease agreement states that the payments required under the Trust Indenture and the Certificates shall be made by Tanner Medical Center, Inc., as rent.

Series 2008 Revenue Certificates were issued by the Authority for the purpose of funding the construction of a new 58,858 square foot, one-story, patient care addition to the Tanner Medical Center - Villa Rica facility and the construction, renovation and equipping of a portion of the existing Tanner Medical Center - Carrollton facility relating to certain cardiovascular services. On March 1, 2016, the 2008 Series were partially defeased with proceeds from the 2016 Series. Under the terms of an escrow agreement, amounts received have been deposited into an irrevocable trust and invested in general obligations of the United States in order to redeem the remaining 2008 Series Certificates on July 1, 2018. The difference between the reacquisition price and the net carrying amount, $3,163,098, was recognized as a loss on defeasance on Tanner Medical Center's statement of operations as other income (loss) in 2016. The outstanding balance on the defeased 2008 Series as of June 30, 2025 is $20,725,000.

Series 2010 Revenue Certificates were issued by the Authority in August 2010 for the purpose of (a) financing the cost of the acquisition, construction, renovation, equipping, and installation of certain additions, extensions and improvements to the Tanner Medical Center, (b) refunding all of the Authority's then outstanding Revenue Anticipation Certificates Series 1998A, and (c) refunding all of the Authority's then outstanding Revenue Anticipation Certificates Series 2001. On September 26, 2016, the 2010 Series were partially defeased with proceeds from the 2016B Series. Under the terms of an escrow agreement, amounts received have been deposited into an irrevocable trust and invested in general obligations of the United States in order to redeem the remaining 2010 Series Certificates on July 1, 2030. The difference between the reacquisition price and the net carrying amount, $3,494,186, was recognized as a loss on defeasance on Tanner Medical Center's statement of operations as other income (loss) in 2017. The outstanding balance on the defeased 2010 Series as of June 30, 2025 is $24,980,000. The amounts not defeased in 2016 were refunded in full with the issuance of the Series 2020 Revenue Certificates in 2021. The difference between the reacquisition price and the net carrying amount, $302,451, was recognized as a gain on extinguishment of debt on Tanner Medical Center's statement of operations as other income (loss) in 2021.

On July 1, 2015, the Authority issued $71,560,000 of Series 2015 Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. A portion of the proceeds of the Series 2015 Certificates will be used to finance or refinance the cost of the acquisition, construction, renovation, equipping and installation of (a) certain additions, extensions and improvements to the Tanner Medical Center/Carrollton, including facility improvements, central energy plan improvements, and furnishings (b) new health pavilion facilities and furnishings, and (c) certain real estate (collectively, the "Project"). On April 1, 2025, the 2015 Series were partially refunded with proceeds from the 2025 Series. Under the terms of the escrow agreement, amounts received have been deposited into an irrevocable trust and invested in

Continued

9. Long-Term Debt, Continued

general obligations of the United States in order to redeem the refunded portion on July 1, 2025. The difference between the reacquisition price and the net carrying amount, $616,532, was recognized as a gain on extinguishment of debt on Tanner Medical Center's statement of operations as other income (loss) in 2025.

On March 1, 2016, the Authority issued $26,255,000 of Series 2016 Revenue Anticipation Certificates for the purpose of refunding the outstanding 2008 Series, maturing in the year 2019 and thereafter.

On September 26, 2016, the Authority issued $36,855,000 of Series 2016B Revenue Anticipation Certificates for the purpose of refunding a portion of the Series 2010 Certificates, maturing in the year 2021 and thereafter.

On December 9, 2019, Tanner Medical Center, Inc. entered into a promissory note with Bank of America for $18,400,000 for the purpose of financing certain equipment, fixtures, and construction costs. Payments are due monthly, with a maturity date of December 20, 2029.

On December 13, 2019, the Authority issued $25,000,000 of Series 2019B Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2019B Certificates will be used to finance the cost of acquisition, construction, renovation, equipping, and installation of hospital related equipment, with monthly payments beginning January 2020.

On August 1, 2020, the Authority issued $40,335,000 of Series 2020 Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2020 Certificates will be used to refund the remaining Series 2010 Certificates, as well as to finance the cost of the acquisition, construction, renovation, equipping and installation of hospital related equipment, with monthly payments beginning July 2021.

On July 30, 2020, Tanner Medical Center, Inc. entered into a financing agreement with Huntington Technology Finance, Inc. for $609,133 for the purpose of financing equipment and soft cost items. Payments are due annually, with a maturity date of September 1, 2024.

On November 30, 2022, the Medical Center opened a line of credit with Bank OZK in the amount of $15,000,000 for working capital. No funding was drawn during 2024 or 2023. The line of credit matured on December 23, 2023 and was not renewed.

On December 30, 2022, the Authority issued $10,000,000 of Series 2022A Revenue Anticipation Certificates, $10,000,000 of Series 2022B Revenue Anticipation Certificates, and $15,000,000 of Series 2022C Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the 2022 Certificates will be used to finance the acquisition, construction, renovation, equipping and installation of hospital related equipment, with payments beginning January 2023.

Continued

9. Long-Term Debt, Continued

On June 30, 2022, BOM QOZ I, LLC entered into a loan agreement with United Community Bank for up to $31,383,000 for the purpose of financing construction. Payments are due monthly, with a maturity date of June 2050.

On April 1, 2025, the Authority issued $170,535,000 of Series 2025 Revenue Anticipation Certificates for the benefit of Tanner Medical Center, Inc. The proceeds of the Series 2025 Certificates will be used to refund a portion of the Series 2015 Certificates, as well as to finance the cost of the acquisition, construction, installation and equipping of certain healthcare facilities, equipment and improvements, with monthly payments beginning July 2026.

Under the terms of the Revenue Note Indenture, the Authority is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the balance sheet of Tanner Medical Center, Inc. The Revenue Note Indenture also places limits on the incurrence of additional borrowings and requires that Tanner Medical Center, Inc. satisfy certain measures of financial performance as long as notes are outstanding.

Should Tanner Medical Center, Inc. not be able to make payments on any Series of certificates, excluding the Series 2019B, 2022A, 2022B, and 2022C Certificates, Carroll County has agreed to levy annually an ad valorem tax sufficient to enable the Authority to meet the obligations under the respective terms. Each Series of Certificates contains a provision that in the event of default, outstanding amounts may become due and payable.

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

	Long-term Debt
2026	$ 14,339,514
2027	16,505,426
2028	17,130,299
2029	17,734,466
2030	15,784,579
Thereafter	282,516,693
Total	$ 364,010,977

10. Leases

The Medical Center has operating and finance leases for buildings and equipment. The Medical Center determines if an arrangement is a lease at the inception of the contract. Leases with an initial term of twelve months or less are not recorded on the combined balance sheets. The Medical Center has lease agreements which require payments for lease and nonlease components and has elected to account for these as a single lease component.

Continued

10. Leases, Continued

Right-of-use assets represent the Medical Center's right to use an underlying asset during the lease term, and lease liabilities represent the Medical Center's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. The Medical Center has entered into lease arrangements that contain options to extend or terminate the lease in future periods. These options are included in the lease term used to compute the lease liabilities as presented on the combined balance sheets when it is reasonably certain the option will be exercised.

As most of the Medical Center's operating leases do not provide an implicit rate, the Medical Center uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The Medical Center considers recent debt issuances, as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rates. Finance lease agreements generally include an interest rate that is used to determine the present value of future lease payments. Operating fixed lease expense and finance lease amortization expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Operating and finance lease right-of-use assets and lease liabilities as of June 30, 2025 and 2024 were as follows:

	2025	2024
Operating leases:		
Right-of-use assets:		
Operating lease right-of-use assets	$ 217,963	$ 441,330
Lease liabilities:		
Current portion	$ 156,868	$ 230,113
Long-term	61,095	214,171
Total operating lease liabilities	$ 217,963	$ 444,284
Finance leases:		
Right-of-use assets:		
Finance lease right-of-use assets	$ 2,632,702	$ 3,111,376
Lease liabilities:		
Current portion	$ 476,600	$ 461,390
Long-term	2,346,906	2,823,903
Total finance lease liabilities	$ 2,823,506	$ 3,285,293

Continued

10. Leases, Continued

Operating expenses for the leasing activity of the Medical Center as lessee for the years ended June 30, 2025 and 2024 are as follows:

Lease Type	2025	2024
Operating lease cost	$ 233,418	$ 1,165,052
Finance lease interest	98,410	114,443
Finance lease amortization	478,673	616,443
Short-term lease expense	1,279,532	1,016,551
Total lease cost	$ 2,090,033	$ 2,912,489

Cash paid for amounts included in the measurement of lease liabilities for the years ended June 30, 2025 and 2024 is as follows:

	2025	2024
Operating cash flows from operating leases	$ 235,572	$ 1,153,450
Operating cash flows from finance leases	98,410	114,443
Financing cash flows from finance leases	461,379	591,071
Total	$ 795,361	$ 1,858,964

The aggregate future lease payments for operating and finance leases as of June 30, 2025 were as follows:

Year Ending June 30	Finance	Operating
2026	$ 559,790	$ 161,193
2027	559,790	61,509
2028	559,790	-
2029	559,790	-
2030	559,790	-
Thereafter	279,895	-
Total undiscounted cash flows	3,078,845	222,702
Less present value discount	(255,339)	(4,739)
Total lease liabilities	$ 2,823,506	$ 217,963

Continued

10. Leases, Continued

Average lease terms and discount rates at June 30, 2025 and 2024 were as follows:

	2025	2024
Weighted-average remaining lease term (years):		
Operating leases	1.41	2.24
Finance leases	5.50	6.50
Weighted-average discount rate:		
Operating leases	3.25%	3.25%
Finance leases	3.25%	3.25%

11. Net Assets with Donor Restrictions

A summary of the ending balances of net assets with donor restrictions is as follows:

	2025	2024
Subject to Expenditure for Specified Purpose		
Auxiliary General Fund	$ 474,107	$ 337,388
Roy Richards, Sr. Cancer Center Fund	2,149,495	1,950,344
Employee Humanitarian Assistance Fund	373,474	387,789
General Fund	387,191	329,785
Heart Center Fund	5,795,768	5,543,782
Indigent Care Fund	346,702	328,479
James and Jeraldine Tanner Fund	577,964	579,154
Tanner Ortho and Spine Center Fund	344,236	334,235
Tanner Hospice Care	1,617,399	1,582,622
Greenspace Fund	325,876	335,824
Cancer Patient Assistance Fund	397,764	356,062
Sally and Francis Tanner NICU Endowment Fund	370,357	313,204
Other	5,882,969	5,787,317
Total	19,043,302	18,165,985

Continued

11. Net Assets with Donor Restrictions, Continued

	2025	2024
Endowment Funds to be Held in Perpetuity		
Adams Park Endowment Fund	$ 103,968	$ 95,343
Auxiliary General Endowment Fund	104,097	95,291
Bowdon Clinic Endowment Fund	467,819	424,932
Capital Improvement Endowment	5,251	4,711
Carol L. and Katherine E. Martin Endowment for Hospice Special Needs	58,301	52,894
E.V. and Lucy Patrick Endowment for Indigent Care	27,302	23,551
Gilreath Endowment for Cancer Care	366,033	328,391
Little Angels Endowment Fund	302,082	273,964
Raymond L. Abernathy family and Dale Howard Endowment for Nursing Education	10,439	9,496
Rev. Arthur and Bill Rucker Endowment for Cardiac Rehab	26,257	23,557
Roy Richards, Sr. Endowment for Cancer Care	791,277	702,643
Roy Richards, Sr. Endowment for Capital Improvement	14,820	13,389
Sally and Francis Tanner NICU Endowment Fund	1,658,785	1,528,545
Stacy C. Morin Endowment Fund	34,482	31,298
James R. Fulford Chair of Neurology Endowment Fund	1,819,373	1,679,658
Clarence and Helen Finleyson Endowment Fund	3,011,779	2,780,692
Marie Yuran Cancer Center Patient Support Endowment	12,288	-
Anile Dolphew Endowment Fund	29,293	27,511
Total	8,843,646	8,095,866
Total net assets with donor restrictions	$ 27,886,948	$ 26,261,851

Endowment Fund

Tanner Medical Foundation's donor-restricted endowment funds were 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

11. Net Assets with Donor Restrictions, Continued

Endowment Fund, Continued

The Board of Directors of Tanner Medical Foundation 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 Foundation 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 Foundation in a manner consistent with the standard of prudence prescribed by GUPMIFA. In accordance with GUPMIFA, the Foundation 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 Foundation, and (7) the Foundation's investment policies.

The Foundation 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 Foundation 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. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. The asset mix guidelines have a target of 60% equities, 15% alternative investments and 25% fixed income. The Foundation's current spending policy is to distribute an amount equal to the total investment return which is expendable to support health care services.

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 Foundation to retain as a fund of perpetual duration. At June 30, 2024, funds with original gift values of $8,525,259, fair values of $8,202,580, and deficiencies of $322,679, were reported in net assets with donor restrictions. During the year, the Foundation did not appropriate any expenditure from underwater endowments. All amounts were fully recovered during 2025.

Continued

12. Defined Contribution Plan

The Medical Center has a 401(k) defined contribution plan. The 401(k) plan covers substantially all employees 18 years of age or older. Employees are 100% vested in employee contributions and become 100% vested in employer contributions after two years of credited service.

Prior to January 1, 2025, the Medical Center matched 100% of the first 1% of employee contributions and 50% of the next 5%. Effective January 1, 2025, the Medical Center matches 100% of the first 1% of employee contributions, 75% of the next 1%, and 50% of the next 5%.The Medical Center's contributions to the plan were approximately $13,033,000 and $10,704,000 for the years ended June 30, 2025 and 2024, respectively.

13. Concentrations of Credit Risk

The Medical Center is located in West Georgia and East Alabama. The Medical Center 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:

	2025	2024
Medicare	25%	22%
Medicaid	7%	6%
Third-party payors	66%	70%
Patients	2%	2%
Total	100%	100%

At June 30, 2025, the Medical Center had deposits at major financial institutions which exceeded Federal Depository Insurance limits. Management believes the credit risks related to these deposits is minimal.

14. Contingencies

Compliance Plan

The healthcare industry has recently 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 federal 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 Medical Center has implemented a compliance plan focusing on such issues. There can be no assurance that the Medical Center will not be subjected to future investigations with accompanying monetary damages.

Continued

14. Contingencies, Continued

Litigation

The Medical Center is involved in litigation and regulatory investigations arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Medical Center's future financial position or results from operations. See malpractice insurance disclosures in Note 16.

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare on the national or at the state level. 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 Medical Center.

15. Employee Health and Workers' Compensation Insurance

Tanner Medical Center, Inc. is self-insured for its employee group health and workers' compensation insurance. The Medical Center has estimated and recorded accruals for claims incurred but not reported or paid prior to the fiscal year end. The Medical Center has reinsurance with insurance companies in which the premiums are included as expense and reinsurance recoveries offset expense. Under these self-insurance programs, the Medical Center paid or accrued approximately $49,545,000 and $43,090,000 during fiscal years ended June 30, 2025 and 2024, respectively.

16. Malpractice Insurance

The Medical Center is covered by a claims-made general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. The self-insured retention related to this policy in 2025 and 2024 is $100,000 per claim and $900,000 in aggregate. Liability limits related to this policy in 2025 and 2024 are $1 million per occurrence and $3 million in aggregate. The Medical Center uses a third-party administrator to review and analyze incidents that may result in a claim against the Medical Center. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim. The Medical Center also uses independent actuaries to estimate the ultimate costs, if any, of the settlement of such claims.

Various claims and assertions have been made against the Medical Center in its normal course of providing services. In addition, other 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

16. Malpractice Insurance, Continued

Obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the Medical Center remains liable to the extent the reinsurers do not meet their obligations under the reinsurance contracts. The amounts recoverable under the reinsurance contracts include approximately $8,157,000 at June 30, 2025 and 2024, recorded in other current assets on the balance sheet.

17. Functional Expenses

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

	June 30, 2025		
	Patient Care Services	General and Administrative	Total
Salaries	$ 319,959,717	$ 80,657,000	$ 400,616,717
Employee benefits	30,049,933	61,021,234	91,071,167
Contracted services	48,476,491	10,966,643	59,443,134
Purchased services	23,232,505	30,792,282	54,024,787
Supplies and drugs	178,861,549	2,011,751	180,873,300
Insurance expense	8,846,069	157,872	9,003,941
Depreciation and amortization	17,641,574	37,598,234	55,239,808
Interest and amortization	7,662,543	669,556	8,332,099
Other	12,554,455	56,100,202	68,654,657
Total	$ 647,284,836	$ 279,974,774	$ 927,259,610

	June 30, 2024		
	Patient Care Services	General and Administrative	Total
Salaries	$ 286,095,579	$ 70,044,441	$ 356,140,020
Employee benefits	25,453,338	55,005,408	80,458,746
Contracted services	46,844,856	10,063,619	56,908,475
Purchased services	21,498,555	25,726,981	47,225,536
Supplies and drugs	170,800,809	3,265,076	174,065,885
Insurance expense (recoveries)	(100,672)	5,399	(95,273)
Depreciation and amortization	16,061,091	37,643,314	53,704,405
Interest and amortization	8,544,705	38,385	8,583,090
Other	11,967,638	50,060,275	62,027,913
Total	$ 587,165,899	$ 251,852,898	$ 839,018,797

Continued

17. Functional Expenses, Continued

The combined 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 and amortization, interest expense, and other occupancy costs, are allocated to a function consistent with salaries. Benefit expense is allocated consistent with salaries.

18. Fair Values of Financial Instruments

The following methods and assumptions were used by the Medical Center in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, accounts payable, accrued expenses, refundable advances, estimated third-party payor settlements:* The carrying amount reported in the balance sheet approximates its fair value due to the short-term nature of these instruments.

- *Short-term and long-term investments:* Amounts are stated at amortized cost, which approximates fair value.

- *Assets limited as to use:* Amounts reported in the combined balance sheets are at fair value. See Note 20 for fair value measurement disclosures.

- *Long-term debt:* The fair value of the Medical Center's debt is estimated based on the quoted market value for same or similar debt instruments. Based on inputs used in determining the estimated fair value, the Medical Center's debt would be classified as Level 2 in the fair value hierarchy.

The carrying amounts and fair values of the Medical Center's long-term debt at June 30, 2025 and 2024 are as follows:

	June 30, 2025		June 30, 2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 351,464,620	$ 313,280,505	$ 224,420,290	$ 200,397,928

Continued

19. Fair Value Measurement

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

		Fair Value Measurements at Reporting Date Using		
June 30, 2025	Fair Value	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$149,427,484	$ 149,427,484	$ -	$ -
Mutual funds - equity	147,762,818	147,762,818	-	-
Stocks and options	141,438,902	141,438,902	-	-
Exchange traded funds	106,248,092	106,248,092	-	-
U.S. corporate bonds	15,070,814	-	15,070,814	-
Federal agency bonds	113,691,659	113,691,659	-	-
Municipal bonds	1,258,635	-	1,258,635	-
Total assets in fair value hierarchy	674,898,404	$ 658,568,955	$16,329,449	$ -
Investments measured at net asset value	8,911,642			
Total assets at fair value	$683,810,046			

Continued

19. Fair Value Measurement, Continued

		Fair Value Measurements at Reporting Date Using		
June 30, 2024	Fair Value	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash and cash equivalents	$ 35,244,052	$ 35,244,052	$ -	$ -
Mutual funds - equity	140,166,310	140,166,310	-	-
Stocks and options	122,865,171	122,865,171	-	-
Exchange traded funds	101,690,320	101,690,320	-	-
U.S. corporate bonds	8,367,643	-	8,367,643	-
Federal agency bonds	53,965,400	53,965,400	-	-
Municipal bonds	6,253,251	-	6,253,251	-
Total assets in fair value hierarchy	468,552,147	$ 453,931,253	$ 14,620,894	$ -
Investments measured at net asset value	8,672,986			
Total assets at fair value	$ 477,225,133			

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using Level 2 inputs are based primarily on quoted prices for similar investments in active or inactive markets. Financial assets using Level 2 inputs were primarily valued using pricing models maximizing the use of observable inputs for similar securities. Valuation techniques utilized to determine fair value are consistently applied.

All assets and liabilities have been valued using a market approach.

Continued

20. Related Organization

Tanner Medical Foundation, Inc. (Foundation) was established to raise funds to support the operation of the Medical Center. The Foundation's bylaws provide that all funds raised, except for funds acquired for the operation of the Foundation, be distributed to or be held for the benefit of the Medical Center. The Foundation's general funds, which represent the Foundation's undesignated resources, are distributed to the Medical Center in amounts and in periods determined by the Foundation's Board of Directors, who may also restrict the use of general funds for hospital plant replacement or expansion or other specific purposes. Plant replacement and expansion funds, specific-purpose funds, and assets obtained from endowment income of the Foundation are distributed to the Medical Center as required to comply with the purpose specified by donors. A summary of the Foundation's financial position and changes in net assets follows. The Medical Center's interest in the net assets of the Foundation is reported as a noncurrent asset in the balance sheets.

	June 30	
	2025	2024
Assets:		
Cash and cash equivalents	$ 3,043,868	$ 1,964,271
Unconditional promise to give	1,860,465	2,226,728
Investments	30,727,422	27,919,693
Property, plant and equipment, net	-	3,329
Other assets	22,483	19,758
Total assets	$ 35,654,238	$ 32,133,779
Liabilities and net assets:		
Accounts payable and accrued expenses	$ 22,771	$ 20,145
Deferred revenue - signature event	185,775	-
Due to related parties	10,170	18,646
Total liabilities	218,716	38,791
Net assets	35,435,522	32,094,988
Total liabilities and net assets	$ 35,654,238	$ 32,133,779
Revenue	$ 5,392,418	$ 4,595,939
Expenses	2,051,884	1,194,644
Change in net assets	3,340,534	3,401,295
Net assets, beginning of year	32,094,988	28,693,693
Net assets, end of year	$ 35,435,522	$ 32,094,988

Continued

21. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2029. Higgins General Hospital (Higgins) 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 $3,390,000 and $2,780,000 during fiscal years 2025 and 2024, respectively. Higgins has been approved by the State to participate in the program in 2026.

22. Liquidity and Availability

As of June 30, 2025 and 2024, the Medical Center has a working capital of approximately $358,703,000 and $340,942,000 and average days (based on normal expenditures) cash on hand of 351 and 346 days, respectively.

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	$ 117,276,765	$ 130,317,207
Short-term investments	171,596,328	159,934,146
Patient accounts receivable, net	121,675,327	110,393,180
Estimated third-party payor settlements	462,920	661,744
UPL receivable	7,445,955	1,336,093
Assets limited as to use:		
Internally designated	550,118,771	452,040,026
Long-term investments	-	6,160,287
Total financial assets available	$ 968,576,066	$ 860,842,683

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 Medical Center estimates that approximately 100% of the Board designated funds 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 Medical Center has other assets whose use is limited for debt service and unemployment. These assets whose use is limited are not available for general expenditure within the next year and are not reflected in the amounts above. The Medical Center has the ability to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

ADDITIONAL INFORMATION

Draffin Tucker

INDEPENDENT AUDITOR'S REPORT ON COMBINING AND SUPPLEMENTARY INFORMATION

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, Georgia

We have audited the combined financial statements of Tanner Medical Center, Inc. as of and for the years ended June 30, 2025 and 2024, and our report thereon dated May 11, 2026, which expressed an unmodified opinion on those financial statements, appears on pages 1 through 3. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 54 through 59 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, and results of operations of the individual companies, and it is not a required part of the combined financial statements. Accordingly, we do not express an opinion on the financial position, and results of operations of the individual companies.

The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information on pages 54 through 59 is fairly stated in all material respects in relation to the combined financial statements as a whole.

The statistical data on pages 50 and 51 and Schedule of Net Patient Service Revenue on pages 52 through 53, which are the responsibility of management, also are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Draffin & Tucker, LLP

Albany, Georgia
May 11, 2026

TANNER MEDICAL CENTER, INC.

STATISTICAL DATA
for the years ended June 30, 2025 and 2024

	(Unaudited) 2025	(Unaudited) 2024
Inpatient days:		
Medical/surgical days	76,928	69,199
Behavioral health	24,110	25,570
Skilled nursing	5,519	4,481
Total inpatient days	106,557	99,250
Average daily inpatient census	292	272
Adjusted average daily census	921	782
Admissions:		
Medical/surgical days	16,322	14,490
Behavioral health	3,313	3,486
Skilled nursing	418	376
Total admissions	20,053	18,352
Admissions by payor:		
Medicare - routine	8,756	8,035
Medicare - behavioral health	376	482
Medicaid	4,031	4,076
Other	6,890	5,759
Total admissions by payor	20,053	18,352
Average length of stay	5.3	5.4
Patient days by payor		
Medicare - routine	52,328	49,199
Medicare - behavioral health	3,067	3,887
Medicaid	19,293	21,759
Other	31,869	24,405
Total patients days by payor	106,557	99,250

Continued

TANNER MEDICAL CENTER, INC.

STATISTICAL DATA, Continued
for the years ended June 30, 2025 and 2024

	(Unaudited) 2025	(Unaudited) 2024
Deliveries	2,136	1,987
Surgery cases	14,621	15,197
Emergency room visits	138,115	139,515
Outpatient visits	408,315	387,439
Tanner Medical Group visits	600,619	559,089
Adjusted patient days	336,102	286,171

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

SCHEDULE OF NET PATIENT SERVICE REVENUE
for the year ended June 30, 2025

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Balance June 30, 2025
Gross patient charges								
Inpatient	$ 624,538,737	$ 245,283,729	$ 20,258,986	$ -	$ 890,081,452	$ 12,521,399	$ -	$ 902,602,851
Outpatient	695,708,461	713,870,390	123,957,742	-	1,533,536,593	37,314,305	16,297,806	1,587,148,704
Practice	31,792,814	9,291,292	13,022,494	201,325,875	255,432,475	9,836,974	-	265,269,449
Total gross patient charges	1,352,040,012	968,445,411	157,239,222	201,325,875	2,679,050,520	59,672,678	16,297,806	2,755,021,004
Uncompensated services:								
Charity and indigent care	41,606,422	30,201,408	7,046,908	486,457	79,341,195	1,766,808	-	81,108,003
Medicare	536,300,288	320,105,726	45,405,041	213,697	902,024,752	10,805,873	-	912,830,625
Medicaid	85,693,577	76,053,088	11,994,865	-	173,741,530	2,788,607	91,853	176,621,990
Other third-party payors	229,688,417	172,959,667	33,823,116	100,468,427	536,939,627	21,343,514	6,829,157	565,112,298
Price concessions	29,889,917	24,179,402	6,851,282	8,856,048	69,776,649	2,667,302	4,333,268	76,777,219
Total uncompensated care	923,178,621	623,499,291	105,121,212	110,024,629	1,761,823,753	39,372,104	11,254,278	1,812,450,135
Net patient service revenue	$ 428,861,391	$ 344,946,120	$ 52,118,010	$ 91,301,246	$ 917,226,767	$ 20,300,574	$ 5,043,528	$ 942,570,869

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

SCHEDULE OF NET PATIENT SERVICE REVENUE
for the year ended June 30, 2024

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Balance June 30, 2024
Gross patient charges								
Inpatient	$ 558,043,615	$ 222,121,274	$ 17,788,635	$ -	$ 797,953,524	$ 6,715,037	$ -	$ 804,668,561
Outpatient	652,666,609	703,658,523	113,341,932	-	1,469,667,064	33,527,609	9,698,268	1,512,892,941
Practice	29,508,138	8,150,535	12,166,174	184,833,404	234,658,251	9,973,090	-	244,631,341
Total gross patient charges	1,240,218,362	933,930,332	143,296,741	184,833,404	2,502,278,839	50,215,736	9,698,268	2,562,192,843
Uncompensated services:								
Charity and indigent care	38,679,651	26,891,767	5,868,307	473,238	71,912,963	1,771,303	-	73,684,266
Medicare	509,159,000	295,318,072	41,546,952	72,297	846,096,321	9,932,423	-	856,028,744
Medicaid	90,254,160	80,350,582	13,377,729	-	183,982,471	3,041,427	(25,522)	186,998,376
Other third-party payors	198,614,916	163,267,934	28,358,953	94,848,194	485,089,997	16,259,132	10,126,305	511,475,434
Price concessions	26,709,839	23,553,600	6,216,555	8,041,237	64,521,231	1,804,469	(1,998,241)	64,327,459
Total uncompensated care	863,417,566	589,381,955	95,368,496	103,434,966	1,651,602,983	32,808,754	8,102,542	1,692,514,279
Net patient service revenue	$ 376,800,796	$ 344,548,377	$ 47,928,245	$ 81,398,438	$ 850,675,856	$ 17,406,982	$ 1,595,726	$ 869,678,564

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS
June 30, 2025

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2025
ASSETS										
Current assets:										
Cash and cash equivalents	$ 102,213,710	$ 409,806	$ 44,787	$ 1,649,908	$ 104,318,211	$ 2,549,407	$ 3,709,450	$ 110,577,068	$ 6,699,697	$ 117,276,765
Short-term investments	156,346,319	-	-	-	156,346,319	11,410,644	3,839,365	171,596,328	-	171,596,328
Due from related parties	-	492,074,499	75,604,312	-	567,678,811	-	56,485	567,735,296	(567,735,296)	-
Assets limited as to use, current portion	9,390,834	-	-	-	9,390,834	-	-	9,390,834	-	9,390,834
Patient accounts receivable, net	58,142,649	46,798,363	6,333,941	7,430,882	118,705,835	2,479,848	489,644	121,675,327	-	121,675,327
Supplies, at lower of cost and net realizable value	8,511,858	5,855,370	1,068,196	777,253	16,212,677	369,803	-	16,582,480	-	16,582,480
Estimated third-party payor settlements	-	343,112	67,891	29,599	440,602	22,318	-	462,920	-	462,920
Other current assets	52,390,654	3,782,548	202,540	181,764	56,557,506	959,102	(370,579)	57,146,029	(6,751,154)	50,394,875
Total current assets	386,996,024	549,263,698	83,321,667	10,069,406	1,029,650,795	17,791,122	7,724,365	1,055,166,282	(567,786,753)	487,379,529
Assets limited as to use:										
Internally designated	550,118,771	-	-	-	550,118,771	-	-	550,118,771	-	550,118,771
Held by trustee under indenture for debt obligations	136,713,693	-	-	-	136,713,693	-	-	136,713,693	-	136,713,693
Held by trustee for unemployment	1,060,518	-	-	-	1,060,518	-	-	1,060,518	-	1,060,518
Assets limited as to use, current portion	(9,390,834)	-	-	-	(9,390,834)	-	-	(9,390,834)	-	(9,390,834)
Noncurrent assets limited as to use	678,502,148	-	-	-	678,502,148	-	-	678,502,148	-	678,502,148
Property and equipment, net	281,544,003	69,845,651	19,690,359	53,632,074	424,712,087	17,939,941	14,902,478	457,554,506	61,464,888	519,019,394
Long-term investments	-	-	-	-	-	-	-	-	-	-
Interest in net assets of Tanner Medical Foundation, Inc.	-	-	-	-	-	-	-	-	35,435,522	35,435,522
Other assets:										
Operating lease right-of-use assets	983	176,454	11	-	177,448	40,515	-	217,963	-	217,963
Finance lease right-of-use assets	1,741,331	444,236	316,824	-	2,502,391	130,311	-	2,632,702	-	2,632,702
Physician notes receivable and other	6,521,433	-	-	-	6,521,433	-	-	6,521,433	-	6,521,433
Investments in unconsolidated companies	6,093,953	-	-	-	6,093,953	-	15,347,566	21,441,519	(16,332,379)	5,109,140
Goodwill and intangible assets	180	1,090,800	-	2,400,332	3,491,312	-	3,039,148	6,530,460	-	6,530,460
Total other assets	14,357,880	1,711,490	316,835	2,400,332	18,786,537	170,826	18,386,714	37,344,077	(16,332,379)	21,011,698
Total assets	$ 1,361,400,055	$ 620,820,839	$ 103,328,861	$ 66,101,812	$ 2,151,651,567	$ 35,901,889	$ 41,013,557	$ 2,228,567,013	$ (487,218,722)	$ 1,741,348,291

Continued

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2025

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2025
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	$ 13,030,678	$ -	$ -	$ -	$ 13,030,678	$ -	$ -	$ 13,030,678	$ 1,308,836	$ 14,339,514
Current portion of operating lease liabilities	1,105	128,984	-	-	130,089	26,779	-	156,868	-	156,868
Current portion of finance lease liabilities	315,237	80,419	57,354	-	453,010	23,590	-	476,600	-	476,600
Due to related parties	86,726,999	-	-	374,528,991	461,255,990	40,371,525	65,763,539	567,391,054	(567,391,054)	-
Accounts payable	24,735,316	8,508,158	1,289,499	2,740,184	37,273,157	444,545	339,884	38,057,586	743,195	38,800,781
Accrued salaries	42,650,242	4,509,080	1,554,942	3,615,688	52,329,952	646,911	103,931	53,080,794	-	53,080,794
Other accrued expenses	18,072,331	118,453	6,977	-	18,197,761	187,946	213,465	18,599,172	703,227	19,302,399
Estimated third-party payor settlements	1,209,799	1,026,053	283,643	-	2,519,495	-	-	2,519,495	-	2,519,495
Total current liabilities	186,741,707	14,371,147	3,192,415	380,884,863	585,190,132	41,701,296	66,420,819	693,312,247	(564,635,796)	128,676,451
Long-term debt, net of current portion:										
Revenue certificates payable	336,206,915	-	-	-	336,206,915	-	-	336,206,915	35,307,841	371,514,756
Operating lease liabilities	(123)	47,470	12	-	47,359	13,736	-	61,095	-	61,095
Finance lease liabilities	1,552,195	396,063	282,468	-	2,230,726	116,180	-	2,346,906	-	2,346,906
Total liabilities	524,500,694	14,814,680	3,474,895	380,884,863	923,675,132	41,831,212	66,420,819	1,031,927,163	(529,327,955)	502,599,208
Net assets:										
Net assets without donor restrictions	836,899,361	606,006,159	99,853,966	(314,783,051)	1,227,976,435	(5,929,323)	(25,407,262)	1,196,639,850	3,282,729	1,199,922,579
Net assets with donor restrictions	-	-	-	-	-	-	-	-	27,886,948	27,886,948
Total Tanner Medical Center, Inc. net assets	836,899,361	606,006,159	99,853,966	(314,783,051)	1,227,976,435	(5,929,323)	(25,407,262)	1,196,639,850	31,169,677	1,227,809,527
Non-controlling interests in joint ventures	-	-	-	-	-	-	-	-	10,939,556	10,939,556
Total net assets including non-controlling interests	836,899,361	606,006,159	99,853,966	(314,783,051)	1,227,976,435	(5,929,323)	(25,407,262)	1,196,639,850	42,109,233	1,238,749,083
Total liabilities and net assets	$ 1,361,400,055	$ 620,820,839	$ 103,328,861	$ 66,101,812	$ 2,151,651,567	$ 35,901,889	$ 41,013,557	$ 2,228,567,013	$ (487,218,722)	$ 1,741,348,291

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS
June 30, 2024

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2024
ASSETS										
Current assets:										
Cash and cash equivalents	$ 112,594,054	$ 360,897	$ 32,499	$ 1,842,493	$ 114,829,943	$ 552,132	$ 8,080,764	$ 123,462,839	$ 6,854,368	$ 130,317,207
Short-term investments	148,483,402	-	-	-	148,483,402	10,945,253	505,491	159,934,146	-	159,934,146
Due from related parties	-	426,424,218	68,942,856	-	495,367,074	-	1,620,000	496,987,074	(496,987,074)	-
Assets limited as to use, current portion	8,181,053	-	-	-	8,181,053	-	-	8,181,053	-	8,181,053
Patient accounts receivable, net	49,739,379	46,472,077	6,642,519	5,930,011	108,783,986	1,083,263	525,931	110,393,180	-	110,393,180
Supplies, at lower of cost and net realizable value	7,553,082	5,597,577	1,064,642	554,039	14,769,340	281,041	-	15,050,381	-	15,050,381
Estimated third-party payor settlements	397,138	262,169	-	2,437	661,744	-	-	661,744	-	661,744
Other current assets	49,289,416	812,854	100,201	222,953	50,425,424	1,339,000	3,651,541	55,415,965	(15,417,404)	39,998,561
Total current assets	376,237,524	479,929,792	76,782,717	8,551,933	941,501,966	14,200,689	14,383,727	970,086,382	(505,550,110)	464,536,272
Assets limited as to use:										
Internally designated	452,040,026	-	-	-	452,040,026	-	-	452,040,026	-	452,040,026
Held by trustee under indenture for debt obligations	25,185,107	-	-	-	25,185,107	-	-	25,185,107	-	25,185,107
Held by trustee for unemployment	1,053,744	-	-	-	1,053,744	-	-	1,053,744	-	1,053,744
Assets limited as to use, current portion	(8,181,053)	-	-	-	(8,181,053)	-	-	(8,181,053)	-	(8,181,053)
Noncurrent assets limited as to use	470,097,824	-	-	-	470,097,824	-	-	470,097,824	-	470,097,824
Property and equipment, net	242,423,209	65,448,608	18,995,016	55,213,507	382,080,340	19,494,426	17,124,807	418,699,573	62,979,791	481,679,364
Long-term investments	6,160,287	-	-	-	6,160,287	-	-	6,160,287	-	6,160,287
Interest in net assets of Tanner Medical Foundation, Inc.	-	-	-	-	-	-	-	-	32,094,988	32,094,988
Other assets:										
Operating lease right-of-use assets	73,558	301,322	11	-	374,891	66,439	-	441,330	-	441,330
Finance lease right-of-use assets	2,057,937	525,007	374,428	-	2,957,372	154,004	-	3,111,376	-	3,111,376
Physician notes receivable and other	5,924,216	-	-	-	5,924,216	-	-	5,924,216	-	5,924,216
Investments in unconsolidated companies	619,000	-	-	-	619,000	-	12,399,507	13,018,507	(11,548,935)	1,469,572
Goodwill and intangible assets	180	1,454,400	-	4,307,795	5,762,375	-	3,039,148	8,801,523	-	8,801,523
Total other assets	8,674,891	2,280,729	374,439	4,307,795	15,637,854	220,443	15,438,655	31,296,952	(11,548,935)	19,748,017
Total assets	$ 1,103,593,735	$ 547,659,129	$ 96,152,172	$ 68,073,235	$ 1,815,478,271	$ 33,915,558	$ 46,947,189	$ 1,896,341,018	$ (422,024,266)	$ 1,474,316,752

Continued

TANNER MEDICAL CENTER, INC.

COMBINING BALANCE SHEETS, Continued
June 30, 2024

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance At June 30, 2024
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current portion of long-term debt	$ 12,655,232	$ -	$ -	$ -	$ 12,655,232	$ -	$ -	$ 12,655,232	$ 1,308,836	$ 13,964,068
Current portion of operating lease liabilities	79,325	124,865	-	-	204,190	25,923	-	230,113	-	230,113
Current portion of finance lease liabilities	305,180	77,851	55,522	-	438,553	22,837	-	461,390	-	461,390
Due to related parties	53,763,222	-	-	346,220,282	399,983,504	34,329,756	62,259,951	496,573,211	(496,573,211)	-
Accounts payable	21,570,897	9,389,354	1,151,763	1,096,727	33,208,741	801,641	400,746	34,411,128	4,286,491	38,697,619
Accrued salaries	38,837,010	4,530,992	1,480,824	3,388,457	48,237,283	560,415	87,303	48,885,001	1,185	48,886,186
Other accrued expenses	17,327,707	574,310	10,340	-	17,912,357	177,096	169,718	18,259,171	203,475	18,462,646
Estimated third-party payor settlements	1,318,827	892,451	528,772	-	2,740,050	152,154	-	2,892,204	-	2,892,204
Total current liabilities	145,857,400	15,589,823	3,227,221	350,705,466	515,379,910	36,069,822	62,917,718	614,367,450	(490,773,224)	123,594,226
Long-term debt, net of current portion:										
Revenue certificates payable	210,607,093	-	-	-	210,607,093	-	-	210,607,093	25,327,884	235,934,977
Total long-term debt, net of current portion	210,607,093	-	-	-	210,607,093	-	-	210,607,093	25,327,884	235,934,977
Operating lease liabilities	(2,813)	176,457	12	-	173,656	40,515	-	214,171	-	214,171
Finance lease liabilities	1,867,826	476,484	339,822	-	2,684,132	139,771	-	2,823,903	-	2,823,903
Total liabilities	358,329,506	16,242,764	3,567,055	350,705,466	728,844,791	36,250,108	62,917,718	828,012,617	(465,445,340)	362,567,277
Net assets:										
Net assets without donor restrictions	745,264,229	531,416,365	92,585,117	(282,632,231)	1,086,633,480	(2,334,550)	(15,970,529)	1,068,328,401	6,275,205	1,074,603,606
Net assets with donor restrictions	-	-	-	-	-	-	-	-	26,261,851	26,261,851
Total net assets	745,264,229	531,416,365	92,585,117	(282,632,231)	1,086,633,480	(2,334,550)	(15,970,529)	1,068,328,401	32,537,056	1,100,865,457
Non-controlling interests in joint ventures	-	-	-	-	-	-	-	-	10,884,018	10,884,018
Total net assets including non-controlling interests	745,264,229	531,416,365	92,585,117	(282,632,231)	1,086,633,480	(2,334,550)	(15,970,529)	1,068,328,401	43,421,074	1,111,749,475
Total liabilities and net assets	$ 1,103,593,735	$ 547,659,129	$ 96,152,172	$ 68,073,235	$ 1,815,478,271	$ 33,915,558	$ 46,947,189	$ 1,896,341,018	$ (422,024,266)	$ 1,474,316,752

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING STATEMENTS OF EXCESS OF REVENUES OVER EXPENSES
for the year ended June 30, 2025

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance June 30, 2025
Revenues, gains and other support:										
Net patient service revenue	$ 428,861,391	$ 344,946,120	$ 52,118,010	$ 91,301,246	$ 917,226,767	$ 20,300,574	$ 5,043,528	$ 942,570,869	$ -	$ 942,570,869
Other revenue	10,819,987	1,925,526	11,060,310	1,575,782	25,381,605	767,396	3,420,875	29,569,876	9,128,231	38,698,107
Total revenues, gains and other support	439,681,378	346,871,646	63,178,320	92,877,028	942,608,372	21,067,970	8,464,403	972,140,745	9,128,231	981,268,976
Expenses:										
Salaries	216,781,427	78,097,927	20,618,768	64,519,046	380,017,168	10,149,127	8,638,894	398,805,189	1,811,528	400,616,717
Employee benefits	72,787,710	8,289,354	2,136,403	5,289,497	88,502,964	1,065,390	1,066,848	90,635,202	435,965	91,071,167
Contracted services	32,194,471	13,534,830	2,767,707	6,134,926	54,631,934	3,406,917	1,323,667	59,362,518	80,616	59,443,134
Purchased services	40,051,029	8,302,809	1,566,247	1,041,568	50,961,653	770,062	1,365,231	53,096,946	927,841	54,024,787
Supplies and drugs	66,775,830	87,500,870	14,418,415	5,520,086	174,215,201	1,804,767	675,668	176,695,636	4,177,664	180,873,300
Insurance expense (recoveries)	5,825,196	189,964	64,862	1,953,025	8,033,047	41,384	922,096	8,996,527	7,414	9,003,941
Depreciation and amortization	33,315,921	8,540,800	2,435,225	6,669,118	50,961,064	2,020,321	2,016,161	54,997,546	242,262	55,239,808
Interest and amortization	7,464,360	17,917	10,441	-	7,492,718	6,864	162,960	7,662,542	669,557	8,332,099
Other	57,322,697	8,299,699	1,184,512	(2,926,166)	63,880,742	783,159	2,382,812	67,046,713	1,607,944	68,654,657
Total expenses	532,518,641	212,774,170	45,202,580	88,201,100	878,696,491	20,047,991	18,554,337	917,298,819	9,960,791	927,259,610
Operating income (loss)	(92,837,263)	134,097,476	17,975,740	4,675,928	63,911,881	1,019,979	(10,089,934)	54,841,926	(832,560)	54,009,366
Other income (loss):										
Contributions and other	276,682	-	3,390,310	-	3,666,992	1,678,873	2,974,392	8,320,257	-	8,320,257
Investment income	33,821,824	-	-	-	33,821,824	-	1,037,013	34,858,837	(4,146,943)	30,711,894
Gain (loss) on disposal of assets	(75,369)	(34,640)	(7,118)	(5,834)	(122,961)	(15,790)	-	(138,751)	(274,317)	(413,068)
Net unrealized gain on investments	29,795,875	-	-	-	29,795,875	-	-	29,795,875	-	29,795,875
Gain on extinguishment of debt	616,532	-	-	-	616,532	-	-	616,532	-	616,532
Total other income	64,435,544	(34,640)	3,383,192	(5,834)	67,778,262	1,663,083	4,011,405	73,452,750	(4,421,260)	69,031,490
Excess revenues (expenses) before non-controlling interests in joint ventures	(28,401,719)	134,062,836	21,358,932	4,670,094	131,690,143	2,683,062	(6,078,529)	128,294,676	(5,253,820)	123,040,856
Net loss in non-controlling interests in joint ventures	-	-	-	-	-	-	-	-	493,082	493,082
Excess revenues (expenses)	(28,401,719)	134,062,836	21,358,932	4,670,094	131,690,143	2,683,062	(6,078,529)	128,294,676	(4,760,738)	123,533,938
Shared service expenses	119,978,284	(59,473,041)	(14,090,081)	(36,820,914)	9,594,248	(6,277,838)	(3,316,410)	-	-	-
Excess of revenues over expenses and shared service expenses	$ 91,576,565	$ 74,589,795	$ 7,268,851	$ (32,150,820)	$ 141,284,391	$ (3,594,776)	$ (9,394,939)	$ 128,294,676	$ (4,760,738)	$ 123,533,938

See accompanying auditor's report on supplementary information.

TANNER MEDICAL CENTER, INC.

COMBINING STATEMENTS OF EXCESS OF REVENUES OVER EXPENSES
for the year ended June 30, 2024

	Tanner Medical Center/ Carrollton	Tanner Medical Center/ Villa Rica	Tanner Medical Center/Higgins General Hospital	Tanner Medical Group	Georgia Facilities	Tanner East Alabama	Healthliant	Medical Center Subtotal	Foundation, Auxiliary and Net EJE's	Balance June 30, 2024
Revenues, gains and other support:										
Net patient service revenue	$ 376,800,796	$ 344,548,377	$ 47,928,245	$ 81,398,438	$ 850,675,856	$ 17,406,982	$ 1,595,726	$ 869,678,564	$ -	$ 869,678,564
Other revenue	8,307,944	2,418,290	7,300,914	618,623	18,645,771	1,394,388	3,791,461	23,831,620	4,956,045	28,787,665
CARES Act and ARPA funding	-	2,596,613	3,229,043	1,283,533	7,109,189	118,136	-	7,227,325	-	7,227,325
Total revenues, gains and other support	385,108,740	349,563,280	58,458,202	83,300,594	876,430,816	18,919,506	5,387,187	900,737,509	4,956,045	905,693,554
Expenses:										
Salaries	190,109,713	72,297,148	17,997,081	57,085,700	337,489,642	9,411,643	7,974,275	354,875,560	1,264,460	356,140,020
Employee benefits	64,498,660	7,356,479	1,787,802	4,605,276	78,248,217	959,775	1,009,500	80,217,492	241,254	80,458,746
Contracted services	32,266,247	13,437,811	2,537,821	5,243,085	53,484,964	2,421,991	971,413	56,878,368	30,107	56,908,475
Purchased services	34,318,969	7,730,700	1,377,154	925,975	44,352,798	762,442	1,575,852	46,691,092	534,444	47,225,536
Supplies and drugs	62,949,968	90,250,939	11,064,995	5,598,060	169,863,962	1,896,643	601,350	172,361,955	1,703,930	174,065,885
Insurance	(3,852,260)	179,782	68,175	1,982,869	(1,621,434)	49,588	1,468,605	(103,241)	7,968	(95,273)
Depreciation and amortization	32,291,010	8,471,638	2,373,292	6,296,783	49,432,723	2,008,496	1,710,298	53,151,517	552,888	53,704,405
Interest and amortization	7,709,479	20,622	12,016	-	7,742,117	7,899	229,784	7,979,800	603,290	8,583,090
Other	50,799,691	7,102,325	968,845	(1,609,460)	57,261,401	820,371	2,546,253	60,628,025	1,399,888	62,027,913
Total expenses	471,091,477	206,847,444	38,187,181	80,128,288	796,254,390	18,338,848	18,087,330	832,680,568	6,338,229	839,018,797
Operating income (loss)	(85,982,737)	142,715,836	20,271,021	3,172,306	80,176,426	580,658	(12,700,143)	68,056,941	(1,382,184)	66,674,757
Other income (loss):										
Contributions and other	220,632	-	2,779,651	-	3,000,283	1,581,379	2,688,191	7,269,853	-	7,269,853
Investment income	36,728,635	-	-	-	36,728,635	-	527,871	37,256,506	1,880,484	39,136,990
Gain (loss) on disposal of assets	(158,555)	(19,838)	(5,849)	(9,125)	(193,367)	-	32,683	(160,684)	(56,232)	(216,916)
Net unrealized gain on investments	24,568,886	-	-	-	24,568,886	-	-	24,568,886	-	24,568,886
Total other income (loss)	61,359,598	(19,838)	2,773,802	(9,125)	64,104,437	1,581,379	3,248,745	68,934,561	1,824,252	70,758,813
Excess revenues (expenses) before non-controlling interests in joint ventures	(24,623,139)	142,695,998	23,044,823	3,163,181	144,280,863	2,162,037	(9,451,398)	136,991,502	442,068	137,433,570
Net loss in non-controlling interests in joint ventures	-	-	-	-	-	-	-	-	545,909	545,909
Excess revenues (expenses)	(24,623,139)	142,695,998	23,044,823	3,163,181	144,280,863	2,162,037	(9,451,398)	136,991,502	987,977	137,979,479
Shared service expenses	107,781,358	(55,904,301)	(12,291,829)	(30,959,875)	8,625,353	(5,804,375)	(2,820,978)	-	-	-
Excess of revenues over expenses and shared service expenses	$ 83,158,219	$ 86,791,697	$ 10,752,994	$ (27,796,694)	$ 152,906,216	$ (3,642,338)	$ (12,272,376)	$ 136,991,502	$ 987,977	$ 137,979,479

See accompanying auditor's report on supplementary information.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Tanner Medical Center, Inc.
Carrollton, Georgia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Tanner Medical Center, Inc. (Medical Center) which comprise the combined balance sheet as of June 30, 2025, and the related combined statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Medical Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Continued

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Draffin & Tucker, LLP

Albany, Georgia
May 11, 2026