Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital

FINANCIAL STATEMENTS

September 30, 2025 and 2024

Table of Contents

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Holmes County Hospital Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of September 30, 2025 and 2024, and the changes in financial position 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 Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *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 made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board

(GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated June 5, 2026, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 5, 2026

Introduction

This management's discussion and analysis of the financial performance of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital" or "DMH") provides an overview of the Hospital's financial activities for the years ended September 30, 2025 and 2024. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and cash equivalents decreased by approximately $1,435,000 in 2025 after an increase of approximately $1,389,000 in 2024.

- The Hospital's net position increased by $4,420,430 and $227,047 in 2025 and 2024, respectively.

- The Hospital reported operating income of $1,881,734 in 2025 and an operating loss of $300,839 in 2024.

- Operating expenses increased by $11,628,535 and $3,220,817 in 2025 and 2024, respectively.

Using This Annual Report

The Hospital's financial statements consist of three types of statements—statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any Hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses and changes in net position report information about the Hospital's resources and its activities that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows and outflows of resources using the accrual basis of accounting. The accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two types of statements report the Hospital's net position and any changes. The Hospital's total net position—the difference between assets, liabilities and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are indicators of whether its financial health is improving or deteriorating.

Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statements of Cash Flows

The statements of cash flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities, and provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Statements of Net Position

The Hospital's assets increased $6,525,048 and $910,226 in 2025 and 2024, respectively. The increase in 2025 was primarily driven by higher cash collections, reflecting a rise in the number of spinal surgeries. Additionally, capital assets increased by $1,800,000 due to the construction of a new medical office building. This increase was further supported by higher allocations of LIP/DSH funding and Medicare cost report revenues.

The Hospital's total liabilities increased $2,104,618 and $683,179 in 2025 and 2024, respectively. The increase in 2025 was attributable to higher surgical implant costs recorded in accounts payable.

Table 1: Assets, Liabilities and Net Position (Deficit)

September 30,	**2025**	*Variance*	2024	*Variance*	2023
Assets					
Patient accounts receivable, net	**$ 6,885,259**	*$ 3,711,852*	$ 3,173,407	*$ 114,101*	$ 3,059,306
Other current assets	**3,916,744**	*749,436*	3,167,308	*1,512,547*	1,654,761
Capital assets, net	**7,101,727**	*1,812,806*	5,288,921	*(649,627)*	5,938,548
Other noncurrent assets	**1,868,434**	*250,954*	1,617,480	*(66,795)*	1,684,275
Total assets	**$ 19,772,164**	*$ 6,525,048*	$ 13,247,116	*$ 910,226*	$ 12,336,890
Liabilities					
Current liabilities	**$ 9,516,095**	*$ 2,919,644*	$ 6,596,451	*$ 1,034,183*	$ 5,562,268
Long-term liabilities	**13,884,228**	*(815,026)*	14,699,254	*(351,004)*	15,050,258
Total liabilities	**23,400,323**	*2,104,618*	21,295,705	*683,179*	20,612,526
Net Position (Deficit)					
Net investment in capital assets	**(6,796,528)**	*2,054,416*	(8,850,944)	*264,159*	(9,115,103)
Restricted expendable	**1,045,266**	*337,272*	707,994	*113,424*	594,570
Unrestricted	**2,123,103**	*2,028,742*	94,361	*(150,536)*	244,897
Total net position (deficit)	**(3,628,159)**	*4,420,430*	(8,048,589)	*227,047*	(8,275,636)
Total liabilities and net position	**$ 19,772,164**	*$ 6,525,048*	$ 13,247,116	*$ 910,226*	$ 12,336,890

Operating Results and Changes in the Hospital's Net Position

As shown in *Table 2*, in 2025 the Hospital's net position increased $4,420,430. This increase is attributable to higher revenues and cash flows from spinal surgeries. To accommodate the increased surgical volume, the Operating Room expanded its schedule to Monday through Friday. Full-time equivalents (FTEs) also increased in 2025, along with related salaries and benefits totaling $901,930. Revenues increased $13,811,108 with expenses increasing by $11,628,535, resulting in operating income (loss) increasing by $2,182,573, to total operating income of $1,881,734.

Table 2: Operating Results and Changes in Net Position

For the years ended September 30,	**2025**	*Variance*	2024	*Variance*	2023
Operating Revenues					
Net patient service revenue	**$ 37,555,610**	*$ 13,664,715*	$ 23,890,895	*$ 4,832,010*	$ 19,058,885
Other operating revenue	**240,873**	*146,393*	94,480	*54,421*	40,059
Total operating revenues	**37,796,483**	*13,811,108*	23,985,375	*4,886,431*	19,098,944
Operating Expenses					
Salaries and wages and employee benefits	**13,020,039**	*901,930*	12,118,109	*2,023,523*	10,094,586
Physician and professional fees	**636,846**	*(58,105)*	694,951	*(239,440)*	934,391
Depreciation and amortization	**1,106,534**	*60,811*	1,045,723	*(68,080)*	1,113,803
Other operating expenses	**21,151,330**	*10,723,899*	10,427,431	*1,614,814*	8,812,617
Loss on impairment	**-**	*-*	-	*(110,000)*	110,000
Total operating expenses	**35,914,749**	*11,628,535*	24,286,214	*3,220,817*	21,065,397
Operating (loss) income	**1,881,734**	*2,182,573*	(300,839)	*1,665,614*	(1,966,453)
Nonoperating Revenues (Expenses)					
Investment income	**58,613**	*(14,130)*	72,743	*80,604*	(7,861)
Interest expense	**(842,997)**	*(4,368)*	(838,629)	*25,715*	(864,344)
Noncapital gifts and other	**3,323,080**	*2,029,308*	1,293,772	*188,745*	1,105,027
Total nonoperating revenues (expenses)	**2,538,696**	*2,010,810*	527,886	*295,064*	232,822
Increase (decrease) in net position	**$ 4,420,430**	*$ 4,193,383*	$ 227,047	*$ 1,960,678*	$ (1,733,631)

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In two of the past three years, the Hospital has reported operating losses. In the most current year the Hospital reported operating income. This is consistent with the Hospital's recent operating history as the Hospital was formed and is operated primarily to serve residents of Holmes County, Florida and the surrounding area. The Hospital does not have the authority to levy property taxes to provide sufficient resources to help the Hospital to serve lower income and other residents.

The operating income for fiscal year 2025 was $1,881,734 compared to a loss of $300,839 in 2024, and an operating loss of $1,966,453 in 2023.

The primary components of the 2025 operating income are:

- An increase in net patient service revenue of approximately $13,664,715 or 57.20%.
- An increase in other operating revenue of approximately $146,393, or 154.95%.
- An increase in operating expense of approximately $11,628,535, or 47.88%.

Gross charges from spinal surgeries increased by approximately $46,017,332 in 2025 compared with 2024 totals.

Operating expense increased due to increases of salaries and wages of $901,930, an increase in depreciation and amortization of $60,811, and increases in other operating expenses of $10,273,899. The increases in operating expenses were offset by decreases in professional fees and contract labor of $58,105.

Non-operating Revenues and Expenses

Non-operating revenues and expenses consist primarily of investment income, interest expense, gains/losses on asset disposals and non-capital grants, gifts, and other. Total non-operating revenues and expenses increased from approximately $528,000 in 2024 to $2,539,000 in 2025. Non-operating revenue/expense increased in 2025 by $2,010,810. The change in 2024 compared to 2023 is primarily an increase in Surtax monies received by approximately $141,000 and an immaterial increase in 340B revenue. The increase in 2025 compared to 2024 is attributable to increases in surtax revenues of approximately $36,000, 340B program revenues of $69,000, and grant funding of $1,500,000.

Grants and Other

The Hospital received $476,190 in Capital Improvement Grant funds for the 2024–2025 fiscal year to support fixed capital equipment purchases. In addition, the Hospital received $1,200,000 in grant funding for the construction of a new medical office building.

The Hospital's Cash Flows

As reflected in the statements of cash flows, the Hospital's cash decreased in 2025 by $1,434,924, compared to the increase in 2024 by $1,328,733. The decline in cash in 2025 was attributable to higher surgical implant costs associated with spine cases, as well as construction-related expenditures for the new medical office building in excess of grant funding.

Capital Asset and Debt Administration

Capital Assets

The Hospital had $7,101,727 and $5,288,921 of capital assets, net of accumulated depreciation and amortization, at the end of 2025 and 2024, respectively. The increase was largely due to asset acquisitions in fiscal year 2025 related to upgrades in Operating Room equipment, specifically a Spinal Surgery Guidance System totaling $1,019,277 and a new HVAC System totaling $545,410.

Debt

At September 30, 2025 and 2024, respectively, the Hospital had $13,804,818 and $14,139,865 in revenue bonds, notes payable and lease obligations. The Hospital's formal debt issuances and revenue bonds are subject to limitations imposed by state law.

Other Economic Factors

The Hospital is located within an economically distressed rural area. There is no significant manufacturing industry in the area. The major employers are governmental in nature. The largest employer in the area is the Holmes County school system, followed by the state correctional, road departments and local nursing home.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital Business Administration by calling (850) 547-8010.

September 30,	**2025**	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 419,159**	$ 2,105,037
Patient accounts receivable, net of estimated uncollectibles of approximately $4,076,000 and $3,358,000 in 2025 and 2024, respectively	**6,885,259**	3,173,407
Supplies	**898,288**	753,268
Prepaid expenses and other	**503,469**	309,003
Due from third party payors	**2,095,828**	-
Total current assets	**10,802,003**	6,340,715
Noncurrent assets		
Restricted cash and cash equivalents		
Surtax account	**62,962**	54,460
Building fund	**44,820**	30,274
Grant fund	**287,223**	1,749
Bond interest fund	**566,328**	823,003
Debt reserve fund	**907,101**	707,994
Total noncurrent assets	**1,868,434**	1,617,480
Capital assets		
Nondepreciable capital assets	**1,894,507**	741,732
Right-of-use lease assets, net	**503,425**	236,571
Right-of-use subscription assets, net	**82,578**	167,201
Depreciable capital assets, net	**4,621,217**	4,143,417
Total capital assets, net	**7,101,727**	5,288,921
Total assets	**$ 19,772,164**	$ 13,247,116

(Continued)

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Net Position (Continued)

September 30,	**2025**	2024
Liabilities and Net Position (Deficit)		
Current liabilities		
Current maturities of long-term debt		
Lease liability	**$ 192,512**	$ 149,438
Subscription liability	**68,819**	87,508
Bonds payable	**745,000**	505,000
Accounts payable	**4,747,645**	1,591,981
Accrued compensation and payroll taxes	**949,218**	810,778
Unearned revenue	**193,878**	984,121
Other accrued expenses	**1,528,433**	889,128
Accrued interest payable	**331,458**	342,958
Short-term debt	**124,767**	33,731
Estimated third-party settlements	**634,365**	1,201,808
Total current liabilities	**9,516,095**	6,596,451
Long-term liabilities		
Lease liability, less current portion	**331,607**	94,269
Subscription liability, less current portion	**20,033**	88,841
Estimated third-party settlements, less current portion	**1,085,741**	1,301,335
Bonds payable, net of current maturities	**12,446,847**	13,214,809
Total long-term liabilities	**13,884,228**	14,699,254
Total liabilities	**23,400,323**	21,295,705
Net position (deficit)		
Net investment in capital assets	**(6,796,528)**	(8,850,944)
Restricted for		
Debt service	**907,101**	707,994
Specified operating activities	**138,165**	-
Unrestricted	**2,123,103**	94,361
Total net position (deficit)	**(3,628,159)**	(8,048,589)
Total liabilities and net position (deficit)	**$ 19,772,164**	$ 13,247,116

The accompanying notes are an integral part of these financial statements.

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Revenues, Expenses and Changes in Net Position

For the years ended September 30,	**2025**	2024
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	**$ 42,930,034**	$ 27,854,674
Provision for uncollectible accounts	**(5,374,424)**	(3,963,779)
Net patient service revenue	**37,555,610**	23,890,895
Other operating revenue	**240,873**	94,480
Total operating revenues	**37,796,483**	23,985,375
Operating Expenses		
Salaries and wages	**12,147,355**	11,271,939
Supplies and other operating expense	**19,600,283**	9,213,358
Insurance	**1,551,047**	1,214,073
Physician and professional fees	**636,846**	694,951
Depreciation and amortization	**1,106,534**	1,045,723
Employee benefits and payroll taxes	**872,684**	846,170
Total operating expenses	**35,914,749**	24,286,214
Operating income (loss)	**1,881,734**	(300,839)
Nonoperating Revenues (Expenses)		
Investment income (loss)	**58,613**	72,743
Interest expense	**(842,997)**	(838,629)
Tax revenues, donations and grants	**3,323,080**	1,293,772
Total nonoperating revenues (expenses)	**2,538,696**	527,886
Increase (decrease) in net position	**4,420,430**	227,047
Net position (deficit), beginning of year	**(8,048,589)**	(8,275,636)
Net position (deficit), end of year	**$ (3,628,159)**	$ (8,048,589)

The accompanying notes are an integral part of these financial statements.

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Cash Flows

For the years ended September 30,	**2025**	2024
Operating Activities		
Receipts from and on behalf of patients	**$ 31,174,429**	$ 24,227,614
Payments to suppliers and contractors	**(18,622,117)**	(10,996,183)
Payments to and on behalf of employees	**(12,881,599)**	(12,026,164)
Other receipts (payments), net	**227,618**	92,054
Net cash provided by (used in) operating activities	**(101,669)**	1,297,321
Noncapital Financing Activities		
Receipt of grants, donations, other	**1,494,955**	313,276
Receipt of other noncapital grants	**-**	770,961
Tax revenues and other	**1,037,882**	978,747
Financing of insurance premiums	**147,255**	56,219
Principal paid on short-term debt	**(56,219)**	(22,488)
Interest and finance charges paid on trade payables	**(43,340)**	(13,129)
Net cash provided by (used in) noncapital financing activities	**2,580,533**	2,083,586
Capital and Related Financing Activities		
Purchase of capital assets	**(2,357,732)**	(396,096)
Principal paid on lease liabilities	**(187,757)**	(260,239)
Principal paid on subscription liabilities	**(87,497)**	(88,749)
Interest paid	**(834,115)**	(841,572)
Principal paid on other long-term debt	**(505,000)**	(538,561)
Net cash provided by (used in) capital and related financing activities	**(3,972,101)**	(2,125,217)
Investing Activities		
Sale (purchase) of investments	**(300)**	300
Investment income (loss)	**58,613**	72,743
Net cash provided by (used in) investing activities	**58,313**	73,043
Net increase (decrease) in cash and cash equivalents	**(1,434,924)**	1,328,733
Cash and cash equivalents, beginning of year	**3,722,517**	2,393,784
Cash and cash equivalents, end of year	**$ 2,287,593**	$ 3,722,517

(Continued)

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Statements of Cash Flows (Continued)

For the years ended September 30,	**2025**	2024
Reconciliation of Cash to Statements of Net Position		
Cash and cash equivalents	**$ 419,159**	$ 2,105,037
Restricted cash and cash equivalents, noncurrent		
Building fund	**44,820**	30,274
Grant fund	**287,223**	1,749
Bond interest fund	**566,328**	823,003
Surtax account	**62,962**	54,460
Debt reserve fund	**907,101**	707,994
Cash and cash equivalents, end of year	**$ 2,287,593**	$ 3,722,517
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	**$ 1,881,734**	$ (300,839)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	**1,106,534**	1,045,723
Provision for bad debts	**5,374,424**	3,963,779
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources		
(Increase) decrease in assets and deferred outflows of resources		
Patient accounts receivable	**(9,086,276)**	(4,077,880)
Supplies	**(145,021)**	(98,926)
Prepaid expenses and other	**(194,467)**	(24,928)
Other noncurrent items	**-**	6,837
Due from third party payors	**(2,095,829)**	-
(Increase) decrease in liabilities and deferred inflows of resources		
Accounts payable	**3,062,227**	240,790
Accrued expenses	**778,042**	349,409
Estimated third-party settlements	**(783,037)**	193,356
Total adjustments	**(1,983,403)**	1,598,160
Net cash provided by (used in) operating activities	**$ (101,669)**	$ 1,297,321
Noncash Investing, Capital and Financing Activities		
Purchase of equipment through accounts payable	**$ 93,437**	$ -
Amortization of bond premium included in interest expense	**$ 22,962**	$ 22,963
Capital additions under lease liability	**$ 468,169**	$ -

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF HOSPITAL

Holmes County Hospital Corporation, operating as Doctors Memorial Hospital (the “Hospital”), was organized under Senate Bill No. 45, Chapter 30843, Laws of Florida, Acts of 1955, filed with the Office of the Secretary of State on April 25, 1956. It reincorporated on April 27, 1992 by filing its present Articles of Incorporation. The Hospital is administered by a five-member board of trustees appointed by the Governor of the State of Florida. The Hospital operates a 20-bed critical access hospital in Bonifay, Florida, providing inpatient and outpatient services.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with applicable pronouncements of the Governmental Accounting Standards Board (GASB), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts and contractual adjustments and estimated third-party payer settlements. In particular, laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates related to these programs will change by a material amount in the near term. Revisions to prior year’s estimates of third-party liabilities resulted in an increase (decrease) in operating income of approximately $104,000 and ($220,000) for the years ended September 30, 2025 and 2024, respectively.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

The Hospital sponsors an employee health insurance plan under a self-funded minimum premium plan which includes a stop-loss policy. The Hospital estimates the liability based on history of the prior year claims and the claims paid after year end until the date of this report with service dates prior to year-end.

At the respective fiscal year ends, the Hospital has accrued amounts up to the estimated liability maximum on all claims asserted or anticipated on the accompanying statements of net position. Nevertheless, the future assertion of claims for occurrences prior to year-end is reasonably possible and may occur, although not currently anticipated. In any event, management believes that any such claims would not be material.

The activity for health insurance in 2025 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim payments	Balance at fiscal year-end
$ 47,441	**$ 969,738**	**$ 969,738**	**$ 47,441**

The activity for health insurance in 2024 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim payments	Balance at fiscal year-end
$ 47,441	$ 610,347	$ 610,347	$ 47,441

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less. At September 30, 2025 and 2024, cash equivalents consisted primarily of demand deposits.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Money market funds (such as short-term, highly liquid debt instruments including bankers' acceptances and securities notes, bills, and bonds of the U.S. government and its agencies) are carried at amortized cost. Any other investments are carried at fair value. Investment income includes interest income from certificates of deposit and is included in nonoperating revenue on the statements of revenues, expenses and changes in net position.

Patient Accounts Receivable, Net

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Hospital analyzes its past history and identifies trends for each of its major payer sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

Management reviews data about these major payer sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as ‘self-pay’), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2025 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2025 or 2024.

Supplies

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statement of revenues, expenses, and changes in net position in the period in which it occurs.

Prepaid Expenses

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease (right of use assets) and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Cost of Borrowing

Costs incurred in connection with the obtaining of financing are deferred and amortized over the period the obligation is outstanding using the interest method. Premiums or discounts incurred in connection with the issuance of bonds and indentures are amortized over the life of the obligations on the interest method, and the unamortized amount is included in the balance of the outstanding debt.

Impairment of Long-Lived Assets

The Hospital 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 assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. No material impairment charges to long-lived assets were recorded for the years ended September 30, 2025 and 2024.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The Hospital has no items that qualify for reporting as deferred outflows of resources at September 30, 2025 and 2024.

In addition to liabilities, the statements of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Hospital has no items that qualify for reporting as deferred inflows of resources at September 30, 2025 and 2024.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statements of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital's estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying statements of net position.

A summary of changes in the Hospital's compensated absences for the years ended September 30, 2025 and 2024 follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Compensated absences	**$ 371,913**	**$ 557,002**	**$ 506,352**	**$ 422,563**	**$ 422,563**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Compensated absences	$ 308,148	$ 501,999	$ 438,234	$ 371,913	$ 371,913

Leases

Lease contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using straight-line basis over the life of the lease.

Subscription-Based Information Technology Arrangements

Under GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a right-of-use (ROU) asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. The ROU asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements (continued)

or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The Hospital uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for subscriptions.

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and term options that the Hospital is reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital assets and subscription liabilities are reported on the statement of net position.

Categories and Classification of Net Position

Net position of the Hospital is classified in three components, as follows:

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, and is reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.

Restricted – This component of net position consists of assets that are restricted by debt covenants, contributors, contractual provisions, or enabling legislation, reduced by liabilities and deferred inflows of resources related to those assets. The Hospital's restricted net position as reported in the statement of net position consists of cash and investments.

Unrestricted – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All revenues and

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payers.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or as years are no longer subject to such audits, reviews, and investigations.

The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor (“RAC”) and Medicaid Integrity Contractor (“MIC”) programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC’s have authority to pursue ‘improper’ (in their judgment) payments with a three year look back from the date the claim was paid.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue. The amount of charges foregone for services and supplies furnished under the Hospital's charity care policy was $843,480 and $1,108,925 for the years ended September 2025 and 2024, respectively, and estimated costs and expenses incurred to provide charity care totaled $228,220 and $327,555, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital’s cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisition are reported after nonoperating revenue and expenses.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

Ad Valorem Tax

Annually, the Hospital receives funding from the Holmes County Tax Collector related to taxes collected on the assessed value of real and personal property. Taxes are recognized as revenues in the year for which there is an enforceable claim. Ad valorem tax revenue is reported as nonoperating revenue.

Millage rates for property taxes are levied at the first regular meeting of the Holmes County Tax Collector in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the Holmes County Tax Collector. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes with a legally enforceable claim in the current year.

2025 property tax calendar:

- October 1 – Taxes due
- December 31 – Last day to pay taxes prior to late fees added
- January 1 – Taxes delinquent

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2025 and 2024 was $10,211 and $14,374, respectively.

Income Taxes

As an essential government function of Holmes County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Recently Issued and Implemented Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences* (GASB 101). The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Hospital adopted GASB 101 for the year ended September 30, 2025, and GASB 101 did not have a significant impact on the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102). The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Hospital adopted GASB 102 for the year ended September 30, 2025, and GASB 102 did not have a significant impact on the financial statements.

The GASB has issued statements that will become effective in future years. These statements are as follows:

In April 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- Requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to-use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale and that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital asset held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

The Hospital is evaluating the requirements of the above statements and the impact on reporting.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 5, 2026. See Note 17 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: DEPOSITS AND INVESTMENTS

As of September 30, 2025 and 2024, the deposits of the Hospital consisted of the following:

September 30,		**2025**		2024
Petty cash and undeposited cash	**$**	**465**	$	215
Cash deposits with financial institutions		**2,287,128**		3,722,302
Total deposits and investments	**$**	**2,287,593**	$	3,722,517

Deposits are included in the following statement of net position captions:

September 30,		**2025**		2024
Cash and cash equivalents	**$**	**419,159**	$	2,105,037
Restricted cash and cash equivalents, noncurrent				
Building fund		**44,820**		30,274
Grant fund		**287,223**		1,749
Bond interest fund		**566,328**		823,003
Debt reserve fund		**907,101**		707,994
Surtax account		**62,962**		54,460
Total	**$**	**2,287,593**	$	3,722,517

Deposits

The State of Florida's Public Deposit Act (the "Act") requires that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of Federal Deposit Insurance Corporation (FDIC) limits and proceeds from the sale of securities pledged by the defaulting depository are assessed against other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits (continued)

At September 30, 2025 and 2024, respectively, $1,473,429 and $1,530,997 of cash deposits in sinking, interest and reserve fund accounts related to the Hospital's Series 2006 revenue bonds were held at a financial institution which is not a qualified public depository. $250,000 of such deposits for both years were collateralized by the FDIC, while the balances were uncollateralized. The remainder of the Hospital's deposits at September 30, 2025 and 2024 were covered under the FDIC and the Act.

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies. The Hospital places no limit on the amount that may be invested in any one issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Hospital does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from changing interest rates. However, interest rate risk has been effectively limited by only investing in securities with maturities of less than 90 days.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. All of the underlying securities for the Hospital's investments at September 30, 2025 and 2024 are held by the counterparties in other than the Hospital's name.

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Bonifay, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2025 and 2024 was:

September 30,	**2025**	2024
Medicare	**$ 621,379**	$ 579,252
Medicaid	**769,983**	336,964
Other third-party payers	**3,666,076**	2,527,360
Patients	**5,903,686**	3,088,066
Total patient accounts receivable	**10,961,124**	6,531,642
Less allowance for uncollectible accounts	**(4,075,865)**	(3,358,235)
Patient accounts receivable, net	**$ 6,885,259**	$ 3,173,407

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the year ended September 30, 2025, were as follows:

	Estimated Useful Lives (in years)	Balance 10/1/2024	Additions	Reductions	Transfers	Balance 9/30/2025
Nondepreciable capital assets						
Land		$ 543,503	$ -	$ -	$ -	**$ 543,503**
Construction in progress		198,229	1,152,775	-	-	**1,351,004**
Total nondepreciable		741,732	1,152,775	-	-	**1,894,507**
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	11,513	-	-	**1,868,497**
Buildings and improvements	5 - 40	7,066,215	522,957	-	-	**7,589,172**
Furniture and fixtures	7 - 20	203,112	-	-	-	**203,112**
Machinery and equipment	7 - 20	13,814,668	763,924	-	-	**14,578,592**
ROU Assets - Equipment	2 - 7	936,215	468,169	-	-	**1,404,384**
ROU Assets - SBITA	3 - 5	387,576	-	-	-	**387,576**
Total depreciable, at cost		24,264,770	1,766,563	-	-	**26,031,333**
Less accumulated depreciation/amortization						
Land improvements		(1,590,144)	(41,557)	-	-	**(1,631,701)**
Buildings and improvements		(4,990,125)	(160,503)	-	-	**(5,150,628)**
Furniture and fixtures		(216,204)	(1,936)	-	-	**(218,140)**
Machinery and equipment		(12,001,089)	(616,598)	-	-	**(12,617,687)**
ROU Assets - Equipment		(699,644)	(201,315)	-	-	**(900,959)**
ROU Assets - SBITA		(220,375)	(84,623)	-	-	**(304,998)**
Total accumulated depreciation/amortization		(19,717,581)	(1,106,532)	-	-	**(20,824,113)**
Depreciable, net		4,547,189	660,031	-	-	**5,207,220**
Total capital assets, net		$ 5,288,921	$ 1,812,806	$ -	$ -	**$ 7,101,727**

Note 5: CAPITAL ASSETS (Continued)

Capital asset activity and balances for the year ended September 30, 2024, were as follows:

	Estimated Useful Lives (in years)	Balance 10/1/2023	Additions	Reductions	Transfers	Balance 9/30/2024
Nondepreciable capital assets						
Land		$ 543,503	$ -	$ -	$ -	$ 543,503
Construction in progress		-	198,229	-	-	198,229
Total nondepreciable		543,503	198,229	-	-	741,732
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	1,856,984
Buildings and improvements	5 - 40	6,960,315	105,900	-	-	7,066,215
Furniture and fixtures	7 - 20	203,112	-	-	-	203,112
Machinery and equipment	7 - 20	13,722,701	91,967	-	-	13,814,668
ROU Assets - Equipment	2 - 7	936,215	-	-	-	936,215
ROU Assets - SBITA	3 - 5	387,576	-	-	-	387,576
Total depreciable, at cost		24,066,903	197,867	-	-	24,264,770
Less accumulated depreciation/amortization						
Land improvements		(1,549,866)	(40,278)	-	-	(1,590,144)
Buildings and improvements		(4,864,687)	(125,438)	-	-	(4,990,125)
Furniture and fixtures		(204,293)	(11,911)	-	-	(216,204)
Machinery and equipment		(11,470,085)	(531,004)	-	-	(12,001,089)
ROU Assets - Equipment		(450,523)	(249,121)	-	-	(699,644)
ROU Assets - SBITA		(132,404)	(87,971)	-	-	(220,375)
Total accumulated depreciation/amortization		(18,671,858)	(1,045,723)	-	-	(19,717,581)
Depreciable, net		5,395,045	(847,856)	-	-	4,547,189
Total capital assets, net		$ 5,938,548	$ (649,627)	$ -	$ -	$ 5,288,921

Depreciation expense, which includes amortization of right-of-use (ROU) assets, totaled $1,106,534, and $1,045,723, for the years ended September 30, 2025 and 2024 respectively.

Construction in progress is substantially comprised of projects to construct a medical office building and rural health clinic on the Hospital grounds. These projects are funded by grants and appropriations from the State of Florida. Management believes the projects will be materially completed in fiscal year 2026, with an estimated remaining cost to complete as of September 30, 2025 of $1,800,000.

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued expenses included in current liabilities consisted of the following:

September 30,	**2025**	2024
Payable to suppliers and contractors	**$ 5,225,153**	$ 1,639,422
Payable to employees (including payroll taxes and benefits)	**949,218**	810,778
Accrued interest payable	**331,458**	342,958
Due to patients and their insurers	**1,050,925**	841,687
Total	**$ 7,556,754**	$ 3,634,845

Note 7: SHORT-TERM DEBT

In May 2024, the Hospital financed $56,219 related to its fiscal 2024 Medical Professional Liability (Surgery) insurance premiums. Under the financing agreement, which bore interest at 8.15%, principal and interest payments were due in 10 consecutive monthly installments of $5,834 beginning in June 2024. The balance of this financial agreement was paid off in March of 2025.

In May 2025, the Hospital financed $56,219 related to its fiscal 2025 Medical Professional Liability (Surgery) insurance premiums. Under the financing agreement, which bears interest at 8.85%, principal and interest payments are due in 10 consecutive monthly installments of $5,853 beginning in June 2025.

In September 2025, the Hospital financed $91,036 related to its fiscal 2026 Property, Cyber and Directors and Officers insurance premiums. Under the financing agreement, which bears interest at 6.45%, principal and interest payments are due in 9 consecutive monthly installments of $10,389 beginning in November 2025.

A summary of changes in the Hospital's short-term debt for the years ended September 30, 2025 and 2024 is as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Insurance premium financing	**$ 33,731**	**$ 147,255**	**$ (56,219)**	**$ 124,767**	**$ 124,767**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Insurance premium financing	$ -	$ 56,219	$ (22,488)	$ 33,731	$ 33,731

Note 8: LONG-TERM LIABILITIES

Bonds Payable

The Hospital's long-term debt, excluding lease and subscription obligations, and third-party settlements, consists of the following:

September 30,	**2025**	2024
Hospital Revenue Bonds Series 2006, original principal amount of $16,935,000. The bond is comprised of two individual issues, the first in the principal amount of $6,820,000 with an interest rate of 5.75%, and the second in the principal amount of $10,115,000 with an interest rate of 6.00%. Principal payments are due annually on November 1, and interest is payable semiannually on May 1 and November 1. Proceeds from the bonds were used to construct a replacement facility which was placed into service on April 1, 2008. The bonds mature in 2039.	**$ 12,890,000**	$ 13,395,000
Plus: unamortized portion of premium on Series 2006 bonds	**301,847**	324,809
	13,191,847	13,719,809
Less: current portion	**(745,000)**	(505,000)
Total	**$ 12,446,847**	$ 13,214,809

The Hospital is subject to certain financial and nonfinancial covenants and restrictions related to its revenue bonds payable, which require, among other things, a minimum long-term debt service coverage ratio, minimum days of cash on hand, minimum debt service, and sinking and interest fund balances. There are also limits to the amount of additional indebtedness that can be incurred.

As of September 30, 2025 and 2024, the Hospital had violated certain of its bond covenants. The Hospital has received a waiver of these events for the current year, due to a renewed forbearance agreement (see below). The financial statements do not include any adjustments related to the events of default or that would result from the Hospital's inability to cure such defaults in the future.

On September 30, 2019, the Hospital entered into a forbearance agreement with bondholders, whereby the bondholders agreed to forbear any remedies throughout a specified forbearance period (through October 30, 2020, absent any triggering events) subject to compliance with the terms therein. Under the provisions of the agreement, $400,000 was released from the debt service fund to pay selected vendors, and the debt service deposits and November 2019 principal payment were delayed until after the forbearance period.

For the agreement to remain in effect, the Hospital was required pay all expenses, including consulting fees, related to the agreement and comply with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit and remitting any excess of days cash on hand over 20 to the debt service fund (among others). The Hospital was also required to search for an affiliation partner and choose one by February 2020. No affiliation was executed.

Note 8: LONG-TERM LIABILITIES (Continued)

Bonds Payable (continued)

On December 30, 2020, an amendment to the original forbearance agreement was executed, retroactive to September 15, 2020 and extending the agreement through June 30, 2021. The amendment requires the Hospital to resume debt service deposits and make full payment on the scheduled Series 2006 bond principal due November 2021. It also requires compliance with a new budget and various other terms, including keeping the aging of accounts payable to a certain limit. In addition, it requires the Hospital to submit an application to the U.S. Department of Agriculture seeking financing sufficient to refinance the Series 2006 bonds for the full amount outstanding. The Hospital has not been able to obtain such funding as of September 30, 2025.

From 2022 – 2024, second, third and fourth amendments to the forbearance agreement were successfully executed, extending the agreement to December 31st of each year.

In June of 2025, a fifth amendment to the forbearance agreement was successfully executed, extending the period of time covered by the amendment through December of 2025. This fifth amendment added a required supplemental (accelerated) principal payment of $35,000 per month, to be paid only if payment of this amount does not reduce cash on hand to less than 45 days. Additionally, such amounts are cumulative, such that if days cash on hand does exceed 45 days, the amount due would be $35,000 plus any previous months where such payment was not made due to cash being below this metric. No $35,000 payments have been made through September 30, 2025 or in fiscal year 2026, to date, as days cash on hand has not met the metric.

Further, a $210,000 supplemental (accelerated) principal payment is to be paid at the conclusion of the fifth amendment, within 60 days after December 31, 2025.

In April of 2026, a sixth amendment to the forbearance agreement was successfully executed, extending the period of time covered by the amendment through December of 2026. This sixth amendment retained the language in the fifth amendment (above) related to the $35,000 monthly payments and amended the additional $210,000 supplemental annual payment to make this payment due annually until such time as the outstanding principal is caught up. Management believes this supplemental payment of $210,000 will be made for eight years, starting in fiscal year 2026.

These supplemental principal payments are intended to pay-down the principal balance, to “catch-up” from the fiscal years during which the Hospital was unable to pay regularly scheduled principal payments.

The table below has been adjusted for the $210,000 payment, starting in 2026 and extending through 2033, but no changes have been made to the table below or the accompanying financial statements for the supplemental $35,000 payments, as the likelihood of such payments cannot be reasonably estimated. All other significant terms remain similar to the first amendment.

Note 8: LONG-TERM LIABILITIES (Continued)

Bonds Payable (continued)

Scheduled principal and interest payments on revenue bonds payable are as follows:

For the years ending	Revenue Bonds Payable	
September 30,	Principal	Interest
2026	$ 745,000	$ 654,769
2027	775,000	623,144
2028	810,000	588,900
2029	845,000	551,850
2030	885,000	512,550
2031-2035	4,645,000	1,886,400
2036-2039	4,185,000	2,887,313
Total	$ 12,890,000	$ 7,704,926

The table above reflects the scheduled principal and interest payments on the outstanding Revenue Bonds; however, as noted above and throughout these Notes, the Hospital was unable to make the scheduled principal payments on the Series 2006 Revenue Bonds for several years. The Hospital has now returned to making principal payments.

Leases – Lessee

The Hospital has entered into lease agreements to obtain the right-to-use to various specialized medical equipment and office equipment. The leases range from 24 to 60 months, often with one year renewal periods.

With the implementation of GASB 87, the initial lease liability was recorded in the amount of $42,736 (October 1, 2020). As of September 30, 2025, the value of lease liability was $524,119. The Hospital is required to make monthly principal and interest payments totaling approximately $18,000. The leases have interest rates of approximately 5%.

Minimum future lease payments under lease liability as of September 30, 2025 are as follows:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2026	$ 192,512	$ 17,778	$ 210,290
2027	200,574	9,716	210,290
2028	117,599	2,284	119,883
2029	13,434	304	13,738
Total	$ 524,119	$ 30,082	$ 554,201

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted for periods beginning July 1, 2022. Under this new guidance, nearly all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months must be recorded as both a ROU asset and a subscription liability. The liability is measured using the present value of expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Amortization of the ROU asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

The right-of-use assets and related subscription liabilities largely involve the following:

- Licensing and remote hosting agreements with global suppliers of health information technology solutions which provide software/applications, managed/shared services, and remote hosting services. The contracts end in fiscal years 2025 – 2027.

With the implementation of GASB 96, the initial subscription liability was recorded in the amount of $387,577. As of September 30, 2025 and 2024, the balance of the subscription liability was $88,852 and $176,349, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately $10,000. The subscriptions do not have stated interest rates. The Hospital used an estimate of its incremental borrowing rate, 3.25%.

Minimum future subscription payments under lease liability as of September 30, 2025, are as follows:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2026	$ 68,819	$ 1,665	$ 70,484
2027	20,033	187	20,220
Total	$ 88,852	$ 1,852	$ 90,704

Note 8: LONG-TERM LIABILITIES (Continued)

A summary of changes in the Hospital's long-term debt, including lease obligations, for the years ended September 30, 2025 follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Lease liability	**$ 243,707**	**$ 468,169**	**$ (187,757)**	**$ 524,119**	**$ 192,512**
Subscription liability	**176,349**	**-**	**(87,497)**	**88,852**	**68,819**
Revenues bonds payable					
Series 2006	**13,395,000**	**-**	**(505,000)**	**12,890,000**	**745,000**
Premium on Series 2006	**324,809**	**-**	**(22,962)**	**301,847**	**-**
Revenues bonds payable	**13,719,809**	**-**	**(527,962)**	**13,191,847**	**745,000**
Total long-term debt	**$ 14,139,865**	**$ 468,169**	**$ (803,216)**	**$ 13,804,818**	**$ 1,006,331**

A summary of changes in the Hospital's long-term debt, including lease obligations, for the years ended September 30, 2024 follows:

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Lease liability	$ 503,946	$ -	$ (260,239)	$ 243,707	$ 149,438
Subscription liability	265,098	-	(88,749)	176,349	87,508
Revenues bonds payable					
Series 2006	13,875,000	-	(480,000)	13,395,000	505,000
Series 2017	58,561	-	(58,561)	-	-
Premium on Series 2006	347,772	-	(22,963)	324,809	-
Revenues bonds payable	14,281,333	-	(561,524)	13,719,809	505,000
Total long-term debt	$ 15,050,377	$ -	$ (910,512)	$ 14,139,865	$ 741,946

Note 9: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position, is calculated as follows:

September 30,		**2025**		2024
Capital assets, net	**$**	**7,101,727**	$	5,288,921
Less outstanding accounts payable related to capital assets		**(93,437)**		-
Less debt related to capital assets:				
Leases		**(524,119)**		(243,707)
Subscriptions		**(88,852)**		(176,349)
Bonds payable, net of premium		**(13,191,847)**		(13,719,809)
Net investment in capital assets	**$**	**(6,796,528)**	$	(8,850,944)

Note 10: NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration ("AHCA") for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

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

A summary of gross revenue from patient services provided under contracts with third-party payers follows:

For the years ended September 30,	**2025**	2024
Medicare	**25%**	27%
Medicaid (Traditional)	**2%**	4%
Blue Cross	**16%**	16%
Commercial/HMO/PPO	**57%**	53%

Note 10: NET PATIENT SERVICE REVENUE (Continued)

The composition of net patient service revenue was as follows:

For the years ended September 30,	**2025**	2024
Gross patient service revenue	**$ 138,515,735**	$ 87,749,109
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	**(95,585,701)**	(59,894,435)
Provision for bad debts	**(5,374,424)**	(3,963,779)
Net patient service revenue	**$ 37,555,610**	$ 23,890,895

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

The Agency for Health Care Administration ("AHCA") is the entity designated by the State of Florida to administer its Medicaid program. AHCA and the State of Florida have established various programs that provide additional payments from the state to qualifying Florida hospitals that service a disproportionate share of Medicaid, underinsured, uninsured and low-income patients. Notably, these programs include Medicaid disproportionate share ("DSH") and the low income pool ("LIP"). The Hospital generally qualifies as a DSH and LIP provider and receives payments based on formulas established by AHCA. The possibility exists that the formulas may continue to change, pending federal and/or state legislation. Total proceeds of DSH and LIP payments (net of required IGTs) were approximately $233,000 and $1,016,000 for fiscal years 2025 and 2024, respectively. At September 30, 2025, substantially all of the allotment related to State Fiscal Year 2025 remained unpaid, resulting in an amount totaling approximately $1,477,000 included in "due from third party payors" on the accompanying balance sheet. The State began paying this amount in 2026.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. Under this program, no material amounts were received by the Hospital in either fiscal year 2025 or 2024, respectively (net of required IGTs).

These program payments, in connection with other payments received from the State of Florida for providing health services to Medicaid, uninsured and underinsured people of the State of Florida, are subject to audit, and payments received in excess of costs may be required to be refunded to the State of Florida.

In February of 2024, the Hospital received a demand letter from AHCA totaling $1,244,698 related to calculated overpayments of LIP for state fiscal years ended June 30, 2014 – June 30, 2018. This issue was pursuant to a settlement agreement between CMS and AHCA, signed on September 28, 2023.

As a result of that settlement agreement, the share of alleged LIP overpayments representing the federal financial participation (FFP) are to be repaid from AHCA to CMS. In turn, AHCA has demanded these monies back from the participating, affected hospitals.

At September 30, 2023, the Hospital recorded $1,244,698 of current liabilities, presented in "estimated third party settlements" on the statement of net position, and an additional $402,387 of non-current liabilities, presented in "estimated third party settlements", noncurrent. The additional $402,387 represented management's best estimate of the potential payback related to LIP funding

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

for years after state fiscal year 2018, for which no demand letter has yet been received. The Hospital estimated the repayment for state fiscal years 2019 and 2020, using the third party examination results letters received (LIP paid in excess of costs), multiplied by the estimated FFP.

During fiscal year 2024, no payments were made on the LIP liabilities discussed above. In December of 2024, a repayment agreement was reached between the Hospital and AHCA, wherein the amount due would be repaid in 36 equal payments, with no interest, beginning in December of 2024 and ending in November of 2026. The monthly amounts due are $34,575.

In fiscal year 2025, scheduled payments were made on the initial payback demand. Additionally, a separate demand was received related to State fiscal year 2019-2020 in the amount of $73,086. This amount is included in accounts payable on the accompanying statement of net position and was paid in full in fiscal year 2026.

At September 30, 2025 and 2024, $425,169 and $345,750, respectively, is included in current liabilities, presented in “estimated third party settlements” on the accompanying statement of net position, net of receivables (payables) associated with Medicare cost reports, AHCA assessments and DSH/UPL/LIP, and $862,200 and $898,948, respectively, of noncurrent liabilities, included in “estimated third party settlements”, noncurrent portion. These amounts include the payback demand of $1,244,698, less amounts paid during fiscal year 2025, plus estimated amounts for potential exposure on years yet to be received.

For state fiscal years ending after June 30, 2020, an exposure exists related to any potential LIP overpayments. The third-party examinations of the LIP program are conducted three years in arrears, and, as such, the actual overpayments, if any, will not be known until such examinations are completed. The Hospital has estimated liabilities associated with state fiscal years 2021 - 2024, included in the figures above.

It is possible that this matter is not limited only to LIP. After September 30, 2024, other hospitals throughout the State of Florida received demands for repayments related to DSH, which appeared to begin with State fiscal year 2020. As of the date these financials were available for release, the Hospital’s management has not received a DSH demand letter, and, accordingly, the Hospital’s management has determined that neither the likelihood of a potential liability nor the amount of any such liability can be reasonably estimated. No amounts are recorded on the accompanying financial statements related to any potential liabilities associated with DSH recoveries from previous fiscal years.

These matters are complex and fluid. It is possible that additional information may arise in the future, such as a future settlement agreement between CMS and AHCA that could result in additional repayments from the Hospital to AHCA, and such amounts could be significant to the financial statements. Likewise, it is possible that negotiations between CMS and AHCA may result in lower liabilities than were originally estimated and recorded by the Hospital.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA’s definition). The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state.

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

Approximately $209,000 of expenses related to these assessments are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position for each of the fiscal years 2025 and 2024. Estimated assessments payable totaling $209,000 at both September 30, 2025 and 2024 are included in estimated third-party payer settlements on the accompanying statements of net position.

Note 12: MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

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, if any. It is reasonably possible that this estimate could change materially in the near term.

Note 13: 403(B) DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan, which qualifies as a tax-sheltered annuity plan under Section 403(b) of the Internal Revenue Code. The Plan covers all employees who elect to participate. The plan allows participants to defer a portion of their annual compensation. The amount of annual contributions to the plan by participants is subject to certain limitations as defined in the plan document. Plan participants vest 100% immediately in their contributions and investment earnings thereon. The plan does not require or provide for employer contributions, and, accordingly, no contribution expense was recognized for the years ended September 30, 2025 and 2024.

Note 14: COMMITMENTS AND CONTINGENCIES

Contracts

The Hospital has various contracts with health care service providers. These contracts allow the various providers to perform their services at the Hospital under the terms of each agreement.

Litigation

The Hospital is involved with litigation and regulatory investigations arising in the normal course of business. Based on consultations with legal counsel, management is of the opinion that these matters will be resolved without material adverse effect on the Hospital's future financial position or on the results of its future operations.

Note 14: COMMITMENTS AND CONTINGENCIES (Continued)

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Florida.

Contingencies

The Hospital may be subject to some financial risk associated with potential violations of certain healthcare laws. The potential amount of exposure to the Hospital as a result of this matter cannot be estimated at this time, but it is not expected to be material.

Net patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Current Healthcare Environment

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 2%, respectively, of the Hospital’s net patient revenue for the year ended 2025. Revenue from the Medicare and Medicaid programs accounted for approximately 27% and 4%, respectively, of the Hospital’s net patient revenue for the year ended 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 15: UNCERTAINTIES

Current Healthcare Environment

The Hospital monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Hospital in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of the federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity

Note 15: UNCERTAINTIES (Continued)

Current Healthcare Environment (continued)

- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payer industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Hospital's financial position and operating results.

Note 16: GRANTS, TAX REVENUES, DONATIONS AND OTHERS

For the years ended September 30,	**2025**	2024
Holmes County tax revenues	**$ 1,037,882**	$ 978,747
Grants, donations and other miscellaneous	**2,285,198**	315,025
Grants, tax revenues, donations, and other	**$ 3,323,080**	$ 1,293,772

Effective January 1, 2021, the Hospital began receiving sales tax funds from Holmes County, via voter approval of an indigent care one-half cent sales surtax. Proceeds of these taxes are recorded as nonoperating income, in the amounts shown in the table above. Additionally, due to timing differences between when the taxes are received by Holmes County and remitted to the Hospital, an amount totaling approximately $207,000 and $194,000 was recorded as a receivable at September 30, 2025 and 2024, respectively, included in other current assets on the accompanying statements of net position.

Substantially beginning in fiscal year 2025, the Hospital expended significant amounts of State of Florida grants and appropriations related to the new medical office building and health clinic, located on the Hospital's grounds. This project, described further in Note 5, is anticipated to be materially completed in fiscal year 2026.

Note 17: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2025 through June 5, 2026, the date the Hospital's financial statements were available to be issued. The following items occurred:

See Note 8 for discussion regarding the sixth amendment to the forbearance agreement, signed in April of 2026.

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INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS, AT-C SECTION 315, REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

We have examined Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") compliance with the Section 218.415, Florida Statutes, during the year ended September 30, 2025. Management is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Hospital complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Hospital's compliance with specified requirements.

In our opinion, the Hospital complied, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2025.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 5, 2026

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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*

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

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 financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated June 5, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing the 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 Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2025-001 and 2025-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as findings 2025 – 002.

Hospital's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Hospital's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Hospital's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 5, 2026

2025 – 001 Accruals and Net Position Presentation (Partial Repeat of 2024-001)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition: Audit adjustments were required to adjust estimated amounts due from Medicaid supplemental payments, accounts payable, County tax receivables / revenues, prepaids, grants, and others.

Cause: Internal controls were not sufficient to detect certain misstatements in the financial statements.

Effect: Material audit adjustments were required to properly state the accounts.

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to reconcile and record all assets and liabilities.

Views of Responsible Officials and Planned Corrective Actions: We agree with the above recommendation and will continue to try to eliminate the occurrence of these issues in the future. In May of 2025 the Hospital implemented a new program for the general ledger, ordering, receiving and processing invoices through the Multiview system. This new reporting program will improve the month end process. The Hospital will be strengthening internal controls surrounding financial reporting and proper presentation of financial statements in accordance with GAAP. The Hospital has hired a degreed accountant to ensure that appropriate measures are taken to record all balances. The Hospital is also consulting with other hospitals in the area for best practices to improve upon current closing procedures.

2025 – 002 Public Deposit Act Compliance (Repeat of 2024-002)

Criteria: The State of Florida's Public Deposit Act requires that public deposits may only be made at qualified public depositories.

Condition: During the year ended September 30, 2019, the Hospital transferred its Series 2006 bond reserve and interest and sinking fund cash accounts to a new financial institution which is not a qualified public depository of the State of Florida. This condition remains in fiscal year 2025.

Cause: Cash balances related to the Series 2006 revenue bond were transferred to a new financial institution at the time the financial institution became the new custodian of the related bonds.

Internal controls were not sufficient to detect potential noncompliance before this transaction was finalized.

Effect: The Hospital is not in compliance with the requirements of the State of Florida's Public Deposit Act.

Recommendation: Management should consult with bondholders and financial institution representatives to ensure that all public deposits are held in qualified public depositories, as required.

Views of Responsible Officials and Planned Corrective Actions: The Hospital attorney has communicated to the bond holders the necessity to transfer funds from the account to a qualified public depository with the State of Florida; however, we do not control this decision. Future transfers will include an analysis of the bank status regarding its qualification as a public depository with the State of Florida.

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MANAGEMENT LETTER

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on the Financial Statements

We have audited the financial statements of Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital" or "District"), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated June 5, 2026.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for the Major State Project and Report on Internal Control Over Compliance; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 5, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of each finding and recommendation made in the preceding annual financial audit report is noted below:

Finding No.	2024 FY Finding No.	2023 FY Finding No.	Description	Status
2025-001	2024-001	2023-001	Accruals and Net Position Presentation	Not Cleared
2025-002	2024-002	2023-002	Public Deposit Act Compliance	Not Cleared
N/A	2024-003	2023-003	Going Concern / Deteriorating Financial Condition	Cleared

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes of the financial statements.

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions(s) met. In connection with our audit, we determined that the Hospital did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Hospital. It is management's responsibility to monitor the Hospital's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Hospital reported:

a) The total number of Hospital employees compensated in the last pay period of the Hospital's fiscal year was 214.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Hospital's fiscal year was 26.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was $12,063,207.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was $2,436,882.

e) Each construction project with a total cost of at least $65,000 approved by the Hospital that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

- Medical Office Building - The Hospital has been awarded grants totaling approximately $1,750,000, representing the estimated cost of constructing a new medical office building on the Hospital's campus. Upon completion, the facility will house a new rural health clinic, as well as additional clinical and administrative space. As of September 30, 2025, approximately $1,250,000 in project costs have been incurred. The project is expected to be completed by June 2026.

f) A budget variance report based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes. As the Hospital did not amend their budget, this is not applicable.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the Hospital reported:

a) Currently, there are no taxes imposed by the District. The District is the recipient of a half-cent sales tax ($0.005 for each $1.00 of the sale price or actual value received) imposed by Holmes County, Florida. The total amounts received in fiscal year 2025 from this surtax were $812,647. The amounts recorded as revenues for fiscal year 2025, including amounts receivable from Holmes County, Florida, totaled $1,037,882.

b) There were no ad valorem taxes collected by or on behalf of the District.

c) The amount of outstanding bonds issued by the District total $12,890,000 (Series 2006, excluding unamortized premium). The terms of this outstanding bond is fully described in Note 8 to the accompanying financial statements.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted that certain deposits were not held at a Qualified Public Depository in accordance with the Public Deposit Act Compliance. This is described in finding 2025 – 002 in the accompanying schedule of findings and questioned costs.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Trustees, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 5, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA*

Board of Trustees
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Bonifay, Florida

Report on Compliance for the Major State Project

Opinion on the Major State Project

We have audited Holmes County Hospital Corporation d/b/a Doctors Memorial Hospital (the "Hospital") compliance with the types of compliance requirements identified in the Florida Department of Financial Services *State Projects Compliance Supplement* that could have a direct and material effect on the Hospital's major state project for the year ended September 30, 2025. The Hospital's major state project is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2025.

Basis for Opinion on the Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Section 215.97 Florida Statutes (Florida Single Audit Act), and Chapter 10.550, Rules of the Auditor General of the State of Florida (Chapter 10.550). Our responsibilities under those standards and Chapter 10.550 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Hospital and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the Hospital's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Hospital's state projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion about the Hospital's compliance based on our audit. 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, *Government Auditing Standards*, the Florida Single Audit Act, and Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of each major state project as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Florida Single Audit Act, and Rules of the Auditor General, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Florida Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Projects Required by the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General

We have audited the financial statements of the Hospital as of and for the year ended September 30, 2025, and have issued our report thereon dated June 5, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Florida Single Audit Act, and Chapter 10.550, Rules of the Auditor General, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
June 5, 2026

Section I – Summary of Auditor's Results

Financial Statements

1.	Type of auditor's report issued	Unmodified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified not considered to be material weaknesses?	None reported
	c. Noncompliance material to the financial statements noted?	Yes

State Projects

1.	Type of auditor's report issued on compliance for major State projects	Unmodified
2.	Internal control over major State projects:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies identified not considered to be material weaknesses?	None reported
3.	Any audit findings disclosed that are required to be reported in accordance with Chapter 10.557, Rules of the Auditor General?	No
4.	Identification of major State projects	

CSFA	State Project
64.106	Rural Hospital Capital Improvement Grant Program

5.	Dollar threshold used to distinguish between type A and type B programs	$300,000

Section II – Financial Statements Findings

2025 – 001 <u>**Accruals and Net Position Presentation (Partial Repeat of 2024-001)**</u>

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles.

Condition: Audit adjustments were required to adjust estimated amounts due from Medicaid supplemental payments, accounts payable, County tax receivables / revenues, prepaids, grants, and others.

Cause: Internal controls were not sufficient to detect certain misstatements in the financial statements.

Effect: Material audit adjustments were required to properly state the accounts.

Recommendation: Management should continue to focus on strengthening internal controls surrounding financial reporting and the proper presentation of financial statements in accordance with GAAP and ensure that appropriate measures are taken to reconcile and record all assets and liabilities.

Views of Responsible Officials and Planned Corrective Actions: We agree with the above recommendation and will continue to try to eliminate the occurrence of these issues in the future. In May of 2025 the Hospital implemented a new program for the general ledger, ordering, receiving and processing invoices through the Multiview system. This new reporting program will improve the month end process. The Hospital will be strengthening internal controls surrounding financial reporting and proper presentation of financial statements in accordance with GAAP. The Hospital has hired a degreed accountant to ensure that appropriate measures are taken to record all balances. The Hospital is also consulting with other hospitals in the area for best practices to improve upon current closing procedures.

2025 – 002 <u>Public Deposit Act Compliance (Repeat of 2024-002)</u>

Criteria: The State of Florida's Public Deposit Act requires that public deposits may only be made at qualified public depositories.

Condition: During the year ended September 30, 2019, the Hospital transferred its Series 2006 bond reserve and interest and sinking fund cash accounts to a new financial institution which is not a qualified public depository of the State of Florida. This condition remains in fiscal year 2025.

Cause: Cash balances related to the Series 2006 revenue bond were transferred to a new financial institution at the time the financial institution became the new custodian of the related bonds. Internal controls were not sufficient to detect potential noncompliance before this transaction was finalized.

Effect: The Hospital is not in compliance with the requirements of the State of Florida's Public Deposit Act.

Recommendation: Management should consult with bondholders and financial institution representatives to ensure that all public deposits are held in qualified public depositories, as required.

Views of Responsible Officials and Planned Corrective Actions: The Hospital attorney has communicated to the bond holders the necessity to transfer funds from the account to a qualified public depository with the State of Florida; however, we do not control this decision. Future transfers will include an analysis of the bank status regarding its qualification as a public depository with the State of Florida.

Section III – Major State Projects Findings and Questioned Costs

No items reported.

Financial Statement Findings

2024-001 – Uncorrected

2024-002 – Uncorrected

2024-003 – Corrected

State Project Findings

There were no findings reported in the prior year.

Doctors Memorial
HOSPITAL

Financial Statement Findings

2025 – 001 Accruals and Net Position Presentation (Partial Repeat of 2024-001)

Views of Responsible Officials and Planned Corrective Actions: We agree with the above recommendation and will continue to try to eliminate the occurrence of these issues in the future. In May of 2025 the Hospital implemented a new program for the general ledger, ordering, receiving and processing invoices through the Multiview system. This new reporting program will improve the month end process. The Hospital will be strengthening internal controls surrounding financial reporting and proper presentation of financial statements in accordance with GAAP. The Hospital has hired a degreed accountant to ensure that appropriate measures are taken to record all balances. The Hospital is also consulting with other hospitals in the area for best practices to improve upon current closing procedures.

Anticipated Completion – Immediately; Responsible Party – Ron Jamison, Chief Financial Officer

2025 – 002 Public Deposit Act Compliance (Repeat of 2024-002)

Views of Responsible Officials and Planned Corrective Actions: The Hospital attorney has communicated to the bond holders the necessity to transfer funds from the account to a qualified public depository with the State of Florida; however, we do not control this decision. Future transfers will include an analysis of the bank status regarding its qualification as a public depository with the State of Florida.

Anticipated Completion – Immediately; Responsible Party – Ron Jamison, Chief Financial Officer

Post Office Box 188 2600 Hospital Drive Bonifay, FL 32425 (850) 547-8000

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2025

State Agency/Pass-Through Grantor/Program Title	CSFA Number	Contract/ Grantor No.	Payments to Subrecipients	Expenditures
Florida Department of Health				
Rural Hospital Capital Improvement Grant Program	64.106	EP033	$ -	$ 420,400
Rural Hospital Capital Improvement Grant Program	64.106	MOE52	-	476,190
Total Florida Department of Health/ ALN 64.106			-	896,590
Total Expenditures of State Financial Assistance			$ -	$ 896,590

Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital
Notes to Schedule of Expenditures of State Financial Assistance
For the Year Ended September 30, 2025

Note 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance (the "Schedule") includes state grant activity of the Hospital for state projects for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of the Florida Single Audit Act and Chapter 10.550, Rules of the Auditor General. Because the schedule presents only a selected portion of the operation of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

Note 2: BASIS OF ACCOUNTING

Expenditures reported in the Schedule are reported on the accrual basis of accounting.

Note 3: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding state and/or pass-through agency and the Schedule may differ. Some of the factors that may account for any difference include the following:

- The Hospital's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as property and equipment, net in the Hospital's financial statements and as expenditures in the program financial reports.

Note 4: CONTINGENCIES

Grant monies received and disbursed by the Hospital are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon experience, the Hospital does not believe that such disallowance, if any, would have a material effect on the financial position of the Hospital. As of September 30, 2025, there were no known material questioned or disallowed costs as a result of grant audits in process or completed.

Note 5: NONCASH ASSISTANCE

The Hospital did not receive any material state noncash assistance for the fiscal year ended September 30, 2025.

Note 6: SUBRECIPIENTS

The Hospital did not provide state funds to subrecipients for the fiscal year ended September 30, 2025.