

# **Tallahassee Memorial HealthCare, Inc. and Subsidiaries**

**Consolidated Financial Statements and  
Supplemental Information  
September 30, 2025 and 2024  
(Unaudited)**

# Tallahassee Memorial HealthCare, Inc. and Subsidiaries

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September 30, 2025 and 2024

(Unaudited)

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**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
**September 30, 2025 and 2024**  
**(Unaudited)**

	2025	2024
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 235,765,913	\$ 219,413,582
Short-term investments	27,695,693	26,359,229
Assets limited as to use	17,350,970	16,649,670
Accounts receivable, net	135,155,887	161,652,882
Inventories	23,922,961	18,174,207
Estimated third-party payor settlement receivable	57,145,194	8,359,043
Other current assets	46,122,235	88,289,264
Total current assets	<u>543,158,853</u>	<u>538,897,877</u>
Assets limited as to use		
Held by trustee	17,350,970	16,649,670
Less: Amount required to meet current obligations	<u>(17,350,970)</u>	<u>(16,649,670)</u>
Total assets limited as to use	<u>-</u>	<u>-</u>
Long-term investments	7,596,081	10,145,507
Property and equipment, net	565,013,768	535,979,328
Operating lease right-of-use assets, net	3,278,934	5,237,475
Pension assets, net	143,197,869	134,639,098
Other assets	60,389,604	38,866,097
Total assets	<u>\$ 1,322,635,109</u>	<u>\$ 1,263,765,382</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 119,043,560	\$ 117,564,504
Current portion of long-term debt	10,985,431	5,780,673
Current portion of operating lease liabilities	1,011,680	2,011,612
Other current liabilities	9,142,656	8,457,620
Total current liabilities	<u>140,183,327</u>	<u>133,814,409</u>
Long-term debt, net of current portion	425,346,595	386,798,570
Operating lease liabilities, net of current portion	2,312,762	3,179,482
Other liabilities	45,378,619	43,696,484
Total liabilities	<u>613,221,303</u>	<u>567,488,945</u>
Net assets		
Without donor restrictions	678,575,720	666,321,393
With donor restrictions	30,838,086	29,955,044
Total net assets	<u>709,413,806</u>	<u>696,276,437</u>
Total liabilities and net assets	<u>\$ 1,322,635,109</u>	<u>\$ 1,263,765,382</u>

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidated Statements of Operations**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

	2025	2024
<b>Operating Revenues</b>		
Net patient service revenues	\$ 1,096,715,249	\$ 1,044,090,187
Other revenue	84,680,559	56,000,391
Total operating revenues	<u>1,181,395,808</u>	<u>1,100,090,578</u>
<b>Operating Expenses</b>		
Salaries, wages and benefits	518,773,464	498,437,614
Supplies and other	571,756,176	392,485,129
Professional fees	61,010,521	139,695,333
Depreciation and amortization	42,717,498	41,669,471
Interest expense	18,636,003	16,383,753
Total operating expenses	<u>1,212,893,662</u>	<u>1,088,671,300</u>
Operating (loss) income	(31,497,854)	11,419,278
Other revenues and expenses, net	38,323,613	23,502,600
Contribution received in acquisition	-	24,215,317
Excess of revenues over expenses	<u>6,825,759</u>	<u>59,137,195</u>
Net assets released from restrictions used for program services and purchase of equipment	1,632,029	3,721,274
Change in pension liability	<u>2,504,540</u>	<u>(4,191,500)</u>
Change in net assets without donor restrictions	<u>\$ 10,962,328</u>	<u>\$ 58,666,969</u>

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidated Statements of Changes in Net Assets**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

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	2025	2024
<b>Net assets without donor restrictions</b>		
Excess of revenues over expenses	\$ 6,825,759	\$ 59,137,195
Net assets released from restrictions used for program services and purchase of equipment	1,632,029	3,721,274
Change in pension liability	2,504,540	(4,191,500)
Change in net assets without donor restrictions	<u>10,962,328</u>	<u>58,666,969</u>
<b>Net assets with donor restrictions</b>		
Contributions	2,635,360	4,313,298
Investment return, net	1,171,710	2,670,620
Net assets released from restrictions used for program services and purchases of equipment	(1,632,029)	(3,721,274)
Contribution received in acquisition	-	4,552,912
Change in net assets with donor restrictions	<u>2,175,041</u>	<u>7,815,556</u>
Change in net assets	13,137,369	66,482,525
<b>Net assets</b>		
Beginning of year	<u>696,276,437</u>	<u>629,793,912</u>
End of year	<u>\$ 709,413,806</u>	<u>\$ 696,276,437</u>

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

	2025	2024
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 13,137,369	\$ 66,482,525
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	42,717,501	41,669,471
Depreciation on office space rental property	1,150,895	1,054,356
Contribution received in acquisition	-	(28,768,229)
Amortization of right-of-use asset	91,889	2,818,162
Amortization of bond premium and bond issue costs	(590,074)	(662,263)
Net realized and unrealized gain on investments	(1,102,817)	(4,513,847)
Contribution of stock	-	(315,418)
Change in fair value of derivatives	(1,126,895)	901,433
Change in pension assets	(8,558,771)	(3,556,041)
Gain on sale of property and equipment	(23,784,520)	-
Endowment contributions	-	(584,385)
Other non-cash changes	-	(2,015,829)
(Increase) decrease in		
Patient accounts receivable	26,496,995	(31,286,351)
Supplies	(5,748,755)	(3,822,886)
Estimated third-party payor settlement receivable	(48,786,151)	4,369,980
Other current assets	42,167,029	(25,325,147)
Other assets	(18,015,710)	(30,140,820)
Increase (decrease) in		
Accounts payable and accrued expenses	1,479,056	16,134,301
Other current liabilities	685,036	(1,410,858)
Other liabilities	1,682,135	(3,961,332)
Net cash provided by (used in) operating activities	<u>21,894,211</u>	<u>(2,933,178)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(84,858,329)	(45,445,065)
Proceeds from disposals of equipment	35,740,013	-
Cash acquired in acquisition	-	5,132,134
Investments		
Purchases of investments	(5,114,321)	(9,807,881)
Proceeds from sales and maturities of investments	5,541,788	13,164,630
Assets limited as to use		
Purchases of investments	(1,466,498)	(1,046,326)
Proceeds from sales and maturities of investments	1,393,064	1,221,502
Payments for physician guarantee contracts	-	(910,033)
Proceeds from physician guarantee contracts	-	445,620
Change in notes receivable and deposits	(2,380,901)	2,177,754
Net cash used in investing activities	<u>(51,145,184)</u>	<u>(35,067,665)</u>

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

	<b>2025</b>	<b>2024</b>
<b>Cash flows from financing activities</b>		
Payments on finance lease obligations	(2,352,143)	(1,400,981)
Payments on long-term debt	(3,305,000)	(3,190,000)
Proceeds from line of credit	-	850,000
Payments on line of credit	-	(380,000)
Receipts of endowment contributions	-	584,385
Proceeds on the issuance of debt	50,000,000	-
Net cash provided by (used in) financing activities	<u>44,342,857</u>	<u>(3,536,596)</u>
Change in cash, cash equivalents and restricted cash	15,091,884	(41,537,439)
<b>Cash, cash equivalents and restricted cash</b>		
Beginning of year	<u>232,745,074</u>	<u>274,282,512</u>
End of year	<u>\$ 247,836,958</u>	<u>\$ 232,745,073</u>

The following table reconciles cash and cash equivalents on the consolidated balance sheets to cash, cash equivalents and restricted cash on the consolidated statements of cash flows:

	<b>2025</b>	<b>2024</b>
Cash and cash equivalents	\$ 235,765,913	\$ 219,413,582
Restricted cash included in assets limited as to use - current portion		
Held by trustee under bond indenture	9,447,319	9,417,076
Self-insured arrangements	571,171	484,398
Restricted cash included in assets limited as to use - noncurrent portion		
Held by trustee under bond indenture	-	-
Cash and cash equivalents included in short-term investments	<u>2,052,555</u>	<u>3,430,017</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$ 247,836,958</u>	<u>\$ 232,745,073</u>

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

# **Tallahassee Memorial HealthCare, Inc. and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **September 30, 2025 and 2024**

#### **(Unaudited)**

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## **1. Summary of Significant Accounting Policies**

### **Organization and Reporting Entity**

Tallahassee Memorial HealthCare, Inc. and Subsidiaries ("TMH, Inc.") is a not-for-profit parent holding corporation which manages and operates a health delivery system. Tallahassee Memorial Hospital (the "Hospital"), a not-for-profit health care facility, is the hospital division of TMH, Inc. Through common board control, provision of bylaws and direct stock ownership, TMH, Inc. is the parent corporation of Southeast Community Health Services, Inc. ("SECHS"), Tallahassee Memorial Health Ventures, Inc. ("TMHV"), Tallahassee Memorial HealthCare Foundation, Inc. ("Foundation"), 7 Oaks Inc. and Medicus Select, LLC ("Medicus"). SECHS is a not-for-profit property holding company. TMHV is a for-profit corporation which manages activities which are not tax exempt. The Foundation is a not-for-profit organization which promotes the educational training and research programs of TMH, Inc. Medicus is a disregarded entity that provides the Hospital with leased labor.

In 2021, TMH, Inc. entered into a master agreement with The St. Joe Company to develop a health care campus in Panama City Beach, Florida in cooperation with the Florida State University College of Medicine. The intent of the agreement is to jointly plan and develop the campus to initially include an ambulatory and urgent care center, and professional office building. Future development plans include the construction of an emergency center and inpatient hospital facility.

The accompanying consolidating financial statements include the accounts of TMH, Inc. and all of the above-mentioned controlled subsidiaries or divisions and are prepared in a manner consistent with accounting principles generally accepted in the United States of America and are presented only for purposes of additional analysis and are not required as part of the consolidated financial statements. The information is presented on the accrual basis of accounting and all significant intercompany accounts and transactions are eliminated in consolidation. The consolidating financial information was derived from the accounting records used to prepare the consolidated financial statements.

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Certain balances in the prior fiscal year have been reclassified to conform to the current presentation.

### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include, but are not limited to, accounts receivable price concessions, payables/receivables from third-party payor settlements, self-insurance liabilities, accrued pension liability and depreciation and amortization expense.

### **Cash and Cash Equivalents**

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



**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
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**Restricted Cash**

TMH, Inc. holds cash that is restricted to purchase investments, fund certain self-insurance claims and fund expenditures which were financed by the issuance of the Series 2015A, 2016A and 2016B bonds.

**Accounts Receivable**

Accounts receivable consist primarily of amounts owed by various governmental agencies, insurance companies and patients. TMH, Inc. manages these receivables by regularly reviewing the accounts and contracts and by recording appropriate price concessions. Amounts TMH, Inc. receives for treatment of patients covered by governmental programs and third-party payors as well as directly from patients are subject to both explicit and implicit price concessions. TMH, Inc. estimates these price concessions using contractual agreements, discount policies, and historical experience. TMH, Inc. records price concessions in the period of service based on the analysis and consideration of these factors.

**Investments**

Short-term investments consist primarily of certificates of deposit with maturities of less than one year, money market funds, corporate obligations, mutual funds, U.S. government and agency obligations and private real estate funds. Long-term investments consist primarily of private equities. All investments in debt securities and marketable equity securities with readily determinable fair values are measured at fair value in the accompanying consolidated balance sheets. Investment income or loss (including unrealized gains and losses on investments, interest and dividends) is included in the excess (deficit) of revenues over expenses except for income or loss that is restricted by donor or law. Unrealized gains and losses on short-term and long-term investments classified as other than trading securities are excluded from the excess (deficit) of revenues over expenses. TMH, Inc. evaluates the nature and classification of securities on a periodic basis under Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities* ("ASC 958"). Such securities are classified as trading securities.

**Assets Limited as to Use**

Assets limited as to use include assets held by trustees under indenture agreements and self-insurance trust arrangements. Amounts required to meet current liabilities of the Hospital have been presented as current assets in the accompanying consolidated balance sheets. Assets limited as to use held by trustees under self-insurance trust arrangements are classified as trading securities and stated at fair market value. Amounts consist of cash and cash equivalents, U.S. government and agency obligations, mutual funds, corporate bonds and equities. The Hospital evaluates the nature and classification of securities on a periodic basis and has designated all securities as trading.

**Inventories**

Inventories consist principally of unused supplies and are stated at the lower of cost (first-in, first-out method) or net realizable value.

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
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**Property and Equipment**

Property and equipment are stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets generally as follows:

	<b>Estimated Useful Lives</b>
Building and building improvements	5–40
Leasehold improvements	5–25
Equipment	3–20

Expenditures for additions and improvements are capitalized. Costs incurred to acquire material and services associated with obtaining and installing internal-use software and payroll costs directly spent on the installation of such software are capitalized. Training and maintenance fees are expensed as incurred. Expenditures for maintenance and repairs are charged to operations as incurred. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss is included in other revenues and expenses, net.

**Lease Accounting**

TMH, Inc. leases property and equipment under finance and operating leases and determines if an arrangement is a lease at the inception of the contract. Right-of-use (“ROU”) assets represent the right to use an underlying asset for the term of the agreement and lease liabilities represent our obligation to make lease payments arising from the agreement. For leases with terms greater than 12 months, ROU assets and liabilities are recognized at the commencement date at the present value of periodic payments over the lease term. The ROU asset includes periodic payments and excludes incentives. The term of the agreement may include renewal or termination options when it is reasonably certain such options will be exercised.

**Debt Issuance Costs**

Debt issuance costs incurred in connection with the bond issuances are amortized over their respective terms utilizing the straight-line method, which approximates the effective interest method. Debt issuance costs of approximately \$2,938,000, net of accumulated amortization of approximately \$845,000 and \$760,000 at September 30, 2025 and 2024, respectively, remain to be amortized over future periods and are included in long-term debt in the accompanying consolidated balance sheets.

**Accrued Self-Insurance Liabilities**

The provisions for estimated self-insured professional liability (malpractice), workers’ compensation and employee health include estimates of the ultimate costs for both reported claims and claims incurred but not reported. The current portion of professional liability, workers’ compensation and employee health are included in other current liabilities and the long-term portion is included in other liabilities in the consolidated balance sheets.

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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**Net Assets**

Net assets without donor restrictions include undesignated amounts as well as amounts designated by the board for a specific purpose. Net assets with donor restrictions are held by the Foundation and consist primarily of amounts contributed to the Foundation by donors with purpose and/or time restrictions. The Company also has net assets with donor restrictions that are perpetual in nature. Earnings on these assets are available for use as specified by the donors.

**Net Patient Service Revenues**

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. 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.

**Deficit of Revenues Over Expenses**

The consolidated statements of operations include the (deficit) excess of revenues over expenses. Changes in net assets without donor restrictions which are excluded from (deficit) excess of revenues over expenses, consistent with industry practice, include net assets released from restrictions used for program services and purchases of equipment and the change in pension liability.

**Charity Care**

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

**Contributions Received**

The Foundation reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions, other than for equipment, whose restrictions are met within the same year as received are reported as net assets without donor restrictions in the accompanying consolidated financial statements.

The Foundation reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. The Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**Other Revenues and Expenses, Net**

Other revenues and expenses, net consist primarily of interest income, components of net periodic pension benefits other than the service cost component, rental income and the related rental expenses incurred to maintain rental property and the total change in the fair value of the derivative instruments and self-insurance trust fund.

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
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**Derivatives**

On March 22, 2001, the Hospital entered into a "Basis Rate Swap" agreement with a financial institution to receive or pay the spread between two variable interest rates for a notional amount equal to the outstanding principal on the Series 2000 Bonds. The Series 2000 Bonds were refunded with the proceeds from the Series 2015A Health Facilities Revenue Refunding Bonds; consequently, the Basis Rate Swap agreement was amended effective May 28, 2015 with a financial institution on the same terms and conditions as the original agreement dated March 22, 2001.

On January 7, 2016, the Hospital entered into a "Total Return Swap" agreement with a financial institution, to pay a floating rate amount defined as 70% of the one month maturity USD-LIBOR-BBA plus the Spread and receive a fixed amount of 5.25% on the notional amount based on the Series 2016B Health Facilities Revenue Bonds. Effective July 25, 2019, the Hospital and the financial institution amended the terms of Total Return Swap agreement to extend the termination date to July 25, 2024 from February 2, 2021 and change the floating rate to the weighted average USD-SIFMA Municipal Swap Index plus the Spread. Effective December 20, 2023, the Hospital and the financial institution amended the terms of Total Return Swap agreement to further extend the termination date to December 20, 2028.

The purpose of the swap agreements is to reduce interest costs over the life of the debt obligations. However, the swap agreements do not meet the definition of a hedge. Consequently, changes in the fair value of the instruments are required to be recorded in other revenues and expenses, net in the accompanying consolidated statements of operations.

TMH, Inc. recognizes the asset or liability for the derivative instruments on the consolidated balance sheets at fair value. At September 30, 2025 and 2024, the fair value of the Basis Rate Swap was an asset of approximately \$213,000 and \$300,000, respectively. The fair value of the Total Return Swap was an asset of approximately \$744,000 and a liability of approximately \$470,000 at September 30, 2025 and 2024, respectively. The net fair value of the derivative instruments at September 30, 2025 and 2024 was an asset of approximately \$957,000 and a liability of approximately \$170,000, respectively, which is included in other assets and other liabilities in the accompanying consolidated balance sheets. The fair values of the derivatives were estimated using the present value of expected discounted future cash flows based on the maturity date. The changes in the fair value of the derivative instruments required the recording of a gain of approximately \$1,127,000 and a loss of approximately \$902,000 in other revenues and expenses, net, in the accompanying consolidated statements of operations for the years ended 2025 and 2024, respectively.

The Hospital received funds related to the Basis Rate Swap of approximately \$386,000 and \$445,000 for the years ended 2025 and 2025, respectively, which is recorded in other revenues and expenses, net in the accompanying consolidated statements of operations. The Hospital received funds related to the Total Return Swap of approximately \$1,320,000 and \$943,000 for the years ended 2025 and 2024, respectively, which is recorded as a reduction to net interest expense in the accompanying consolidated statements of operations. Furthermore, the Hospital was required to post collateral in the amount of approximately \$1,130,000 at September 30, 2025 and 2024 as part of the margin call related to the Basis Rate Swap. The cash collateral is recorded in assets limited as to use in the accompanying consolidated balance sheets.

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**2. Net Patient Service Revenue**

The components of net patient service revenues for the years ended September 30, 2025 and 2024 are as follows:

	<b>2025</b>	<b>2024</b>
Gross patient service revenue	\$ 4,995,906,361	\$ 4,942,195,765
Contractual adjustments and other deductions	<u>\$ (3,899,191,112)</u>	<u>(3,898,105,578)</u>
Net patient service revenue	<u>\$ 1,096,715,249</u>	<u>\$ 1,044,090,187</u>

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

Performance obligations are determined based on the nature of the services provided by TMH, Inc. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. TMH, Inc. believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in our hospital receiving inpatient acute care services. TMH, Inc. measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and TMH, Inc. does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, TMH, Inc. has elected to apply the practical expedient provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. These performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

TMH, Inc. determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with TMH, Inc.'s policies, and/or implicit price concessions provided to uninsured patients. TMH, Inc. determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. TMH, Inc. determines its estimate of implicit price concessions based on historical collection experience.

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Agreements with third-party payors typically provide for payment at amounts less than established charges. For services provided under Medicare and Medicaid programs, inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per diagnosis. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain outpatient services rendered to Medicare beneficiaries, and direct graduate medical education costs are paid based upon a cost reimbursement methodology. Outpatient services are paid at a prospectively determined rate. Physician services are paid based upon established fee schedules. TMH, Inc. is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by TMH, Inc. and audits thereof by the fiscal intermediary. Payment arrangements with commercial insurance carriers included prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare, Medicaid and Provider Relief Funds, are complex and subject to interpretation. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and potential exclusion from related programs. There can be no assurance that regulatory authorities will not challenge TMH, Inc.'s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon TMH, Inc. In addition, the contracts TMH, Inc. has with the commercial payors also provide for retroactive audit and review of claims.

Cost report settlements under reimbursement agreements with Medicare and Medicaid for retroactive adjustments due to audits, reviews or investigations are variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and TMH, Inc.'s historical experience. Estimated settlements are adjusted in future periods as final settlements are determined. There is a reasonable possibility that recorded estimates could change by a material amount in the near term.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. TMH, Inc. also provides services to uninsured patients. The transaction price for both uninsured patients and as well as insured patients with deductibles and coinsurance is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense is reported as reduction of Net patient service revenues in the consolidated statements of operations and was not significant for the years ended 2025 and 2024.

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2025 and 2024**  
**(Unaudited)**

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In addition to patient service revenues, TMH, Inc. also recognizes revenue related to other, nonpatient related transactions. These transactions primarily include rental income, parking deck revenue, donations, grants, investment income from subsidiaries and CARES Act Provider Relief Funding. Revenue from these transactions is recognized when obligations under the terms of the respective contract are satisfied. Revenue from these transactions is measured as the amount of consideration TMH, Inc. expects to receive from those services. TMH, Inc. recognizes rental income in accordance with GAAP on a straight-line basis over the lease term.

**3. Charity Care**

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The direct and in-direct costs estimated by the Hospital related to charity care were approximately \$18,155,000 and \$19,924,000 as of September 30, 2025 and 2024, respectively. The costs were estimated using the best information available to management using the cost to charge ratio. There were no funds received related to offsetting or subsidizing charity care.

**4. Leases**

The Hospital leases substantially all of its property and equipment from the City of Tallahassee under the terms of a lease, as amended, which expires in September 2064. The lease is automatically extended one year each September 30 unless the City of Tallahassee or the Hospital elects to nullify that year's extension. Any such election will not affect automatic renewals in future years. Property and equipment acquired by the Hospital becomes a part of the leased properties but are owned by the City of Tallahassee and are subject to the terms of the lease agreement. Obligations incurred for such acquisitions are the direct responsibility and liability of the Hospital. The Hospital leases the facility for \$1 per year and is responsible for payment of related taxes, insurance, operating expenses and capital improvements of the property and equipment.

The Hospital leases certain property and equipment subject to various leases and service agreements. Agreements with an initial term of twelve months or less are not recorded on the balance sheet; the expense from these agreements are recognized as lease expense over the term of the agreement. Some agreements include options to renew that can extend the agreement term from one to ten years. The exercise of the renewal term is at the Hospital's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected term of the agreement unless there is a transfer of title or purchase option that is reasonably certain of exercise. The agreements do not contain any material residual value guarantees or material restrictive covenants.

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2025 and 2024**  
**(Unaudited)**

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**5. Other Liabilities**

Other liabilities consist of the following at September 30, 2025 and 2024:

	<b>2025</b>	<b>2024</b>
Workers' compensation liability	\$ 2,894,325	\$ 3,063,535
Self-insured professional liability	26,612,578	25,351,615
Agency for HealthCare Administration statutory liability	8,424,000	8,001,000
Deferred compensation arrangement	4,743,868	4,030,742
Line of credit	-	470,000
Fair value of interest rate swap	-	169,917
Obligation for supplemental executive retirement benefits	2,703,848	2,609,675
	<u>\$ 45,378,619</u>	<u>\$ 43,696,484</u>

**6. Long-Term Debt**

A summary of long-term debt obligations at September 30, 2025 and 2024 follows:

	<b>2025</b>	<b>2024</b>
Healthcare Facilities Revenue Refunding Bonds, Series 2015A, interest of 4.0% to 5.25% at September 30, 2025 and 2024, final maturity December 2044.	\$ 107,290,000	\$ 107,290,000
Healthcare Facilities Revenue Bonds, Series 2016A, interest of 4.0% to 5.25% at September 30, 2025 and 2024, final maturity December 2055.	123,955,000	127,260,000
Healthcare Facilities Revenue Bonds, Series 2016B, interest of 5.25% at September 30, 2025 and 2024, final maturity December 2051.	100,000,000	100,000,000
Other long-term debt	50,091,594	-
Finance lease obligations	48,111,276	50,555,013
	<u>429,447,870</u>	<u>385,105,013</u>
Add: Net amortized bond premium and bond issuance costs	6,884,156	7,474,230
Total long-term debt	436,332,026	392,579,243
Less: Current portion	(10,985,431)	(5,780,673)
Long-term portion	<u>\$ 425,346,595</u>	<u>\$ 386,798,570</u>

On May 28, 2015, the Obligated Group, with the City of Tallahassee acting as a conduit, issued HealthCare Facilities Revenue Refunding Bonds, Series 2015A, in the amount of \$107,290,000, the proceeds of which were used for the refunding of the outstanding (a) Health Facilities Revenue Bonds, Series 1992B, (b) Health Facilities Revenue Bonds, Series 2000, (c) Series 2015 Notes, and (d) to pay the costs of issuance of the Series 2015A Bonds. The Series 2015A Bonds are collateralized by the revenues of the Hospital.



**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**September 30, 2025 and 2024**  
**(Unaudited)**

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On February 2, 2016, the Obligated Group, with the City of Tallahassee acting as a conduit, issued Health Facility Revenue Bonds, Series 2016A, in the amount of \$150,000,000, the proceeds have been used for providing funds, together with other available funds, for the construction of the M.T. Mustian Center. The Series 2016A Bonds are collateralized by the revenues of the Hospital.

On February 2, 2016, the Obligated Group, with the City of Tallahassee acting as a conduit, issued Health Facility Revenue Bonds, Series 2016B, in the amount of \$100,000,000, the proceeds have been used for providing funds, together with other available funds, for the construction of the M.T. Mustian Center. The Series 2016B Bonds are collateralized by the revenues of the Hospital.

All entities under TMH, Inc., apart from SECHS, TMHV, Medicus and the Foundation, are part of the Obligated Group responsible for the repayment of these bonds per the bond indentures.

**7. Contingencies**

In the normal course of business, the Hospital is subject to various litigation and claims such as labor-related and other matters. Management has analyzed such pending unresolved disputes and estimated the potential cost of settlements, legal fees and other costs associated with an unfavorable outcome. The consolidated financial statements include accruals related to these disputes. In the opinion of management, after consultation with legal counsel, no other material liabilities are likely to result from the ultimate disposition of such matters.

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**September 30, 2025 and 2024**  
**(Unaudited)**

**Schedule I**

	Hospital	SECHS	TMHV	Foundation	Medicus	7 Oaks	Eliminations	2025 TMH, Inc.	2024 TMH, Inc.
<b>Assets</b>									
Current assets									
Cash and cash equivalents	\$ 195,321,613	\$ 4,614,122	\$ 25,693,347	\$ 3,814,556	\$ -	\$ 6,322,275	\$ -	\$ 235,765,913	\$ 219,413,582
Short-term investments	1,459,149	-	-	26,236,544	-	-	-	27,695,693	26,359,229
Assets limited as to use	17,350,970	-	-	-	-	-	-	17,350,970	16,649,670
Patient accounts receivable, net	132,328,690	-	-	-	-	2,827,197	-	135,155,887	161,652,882
Inventories	23,616,945	-	306,016	-	-	-	-	23,922,961	18,174,207
Estimated third-party payor receivable	57,145,194	-	-	-	-	-	-	57,145,194	8,359,043
Other current assets	30,141,085	99,231	14,378,256	802,973	-	700,690	-	46,122,235	88,289,264
Total current assets	457,363,646	4,713,353	40,377,619	30,854,073	-	9,850,162	-	543,158,853	538,897,877
Assets limited as to use									
Held by trustee	17,350,970	-	-	-	-	-	-	17,350,970	16,649,670
Less amount required to meet current obligations	(17,350,970)	-	-	-	-	-	-	(17,350,970)	(16,649,670)
Total assets limited as to use	-	-	-	-	-	-	-	-	-
Long-term investments	27,300	-	-	-	-	7,568,781	-	7,596,081	10,145,507
Property and equipment, net	536,554,730	8,142,011	4,996,888	185,726	-	15,134,413	-	565,013,768	535,979,328
Operating lease right-of-use assets, net	3,278,934	-	-	-	-	3,990,324	(3,990,324)	3,278,934	5,237,475
Due from TMH, Inc.	6,858,572	-	-	-	-	-	(6,858,572)	-	-
Pension assets, net	143,197,869	-	-	-	-	-	-	143,197,869	134,639,098
Other assets	57,660,753	-	-	1,634,100	-	1,094,751	-	60,389,604	38,866,097
Total assets	\$ 1,204,941,804	\$ 12,855,364	\$ 45,374,507	\$ 32,673,899	\$ -	\$ 37,638,431	\$ (10,848,896)	\$ 1,322,635,109	\$ 1,263,765,382

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidating Balance Sheet**  
**September 30, 2025 and 2024**  
**(Unaudited)**

**Schedule I**

	Hospital	SECHS	TMHV	Foundation	Medicus	7 Oaks	Eliminations	2025 TMH, Inc.	2024 TMH, Inc.
<b>Liabilities and Net Assets</b>									
<b>Current liabilities</b>									
Accounts payable and accrued expenses	\$ 115,001,546	\$ 140,575	\$ 719,254	\$ 12,100	\$ -	\$ 3,227,949	\$ (57,864)	\$ 119,043,560	\$ 117,564,504
Current portion of long-term debt	10,928,075	-	-	-	-	57,356	-	10,985,431	5,780,673
Current portion of operating lease liabilities	1,011,680	-	-	-	-	124,053	(124,053)	1,011,680	2,011,612
Other current liabilities	9,043,037	-	-	99,619	-	-	-	9,142,656	8,457,620
Due to TMH, Inc.	-	212,739	2,253,643	1,744,176	-	-	(4,210,558)	-	-
Total current liabilities	135,984,338	353,314	2,972,897	1,855,895	-	3,409,358	(4,392,475)	140,183,327	133,814,409
Long-term debt, net of current portion	425,312,357	-	-	-	-	1,974,405	(1,940,167)	425,346,595	386,798,570
Operating lease liabilities, net of current portion	2,312,762	-	-	-	-	4,516,254	(4,516,254)	2,312,762	3,179,482
Other liabilities	45,378,619	-	-	-	-	-	-	45,378,619	43,696,484
Total liabilities	608,988,076	353,314	2,972,897	1,855,895	-	9,900,017	(10,848,896)	613,221,303	567,488,945
<b>Net assets</b>									
Without donor restrictions	595,953,728	12,502,050	42,401,610	4,773,656	-	22,944,676	-	678,575,720	666,321,393
With donor restrictions	-	-	-	26,044,348	-	4,793,738	-	30,838,086	29,955,044
Total net assets	595,953,728	12,502,050	42,401,610	30,818,004	-	27,738,414	-	709,413,806	696,276,437
Total liabilities and net assets	\$ 1,204,941,804	\$ 12,855,364	\$ 45,374,507	\$ 32,673,899	\$ -	\$ 37,638,431	\$ (10,848,896)	\$ 1,322,635,109	\$ 1,263,765,382

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidating Statement of Operations**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

**Schedule II**

	Hospital	SECHS	TMHV	Foundation	Medicus	7 Oaks	Eliminations	2025 TMH, Inc.	2024 TMH, Inc.
<b>Operating Revenues</b>									
Net patient service revenues	\$ 1,068,485,691	\$ -	\$ -	\$ -	\$ -	\$ 28,229,558	\$ -	\$ 1,096,715,249	\$ 1,044,090,187
Other revenue	69,246,608	794,490	11,463,928	3,647,567	-	1,911,197	(2,383,231)	84,680,559	56,000,391
Total operating revenues	<u>1,137,732,299</u>	<u>794,490</u>	<u>11,463,928</u>	<u>3,647,567</u>	<u>-</u>	<u>30,140,755</u>	<u>(2,383,231)</u>	<u>1,181,395,808</u>	<u>1,100,090,578</u>
<b>Operating Expenses</b>									
Salaries, wages and benefits	492,524,741	58,783	2,905,508	1,135,937	-	22,216,666	(68,171)	518,773,464	498,437,614
Supplies and other	560,624,150	13,617	4,112,150	3,403,074	-	7,539,309	(3,936,124)	571,756,176	392,485,129
Professional fees	60,034,376	12,600	-	71,628	-	891,917	-	61,010,521	139,695,333
Depreciation and amortization	41,244,038	40,594	238,546	6,794	-	1,187,526	-	42,717,498	41,669,471
Interest expense	18,611,929	-	-	-	-	148,671	(124,597)	18,636,003	16,383,753
Total operating expenses	<u>1,173,039,234</u>	<u>125,594</u>	<u>7,256,204</u>	<u>4,617,433</u>	<u>-</u>	<u>31,984,089</u>	<u>(4,128,892)</u>	<u>1,212,893,662</u>	<u>1,088,671,300</u>
Operating (loss) income	(35,306,935)	668,896	4,207,724	(969,866)	-	(1,843,334)	1,745,661	(31,497,854)	11,419,278
Other revenues and expenses, net	40,444,397	58,971	37,270	-	-	85,230	(2,302,255)	38,323,613	23,502,600
Contribution received in acquisition	-	-	-	-	-	-	-	-	24,215,317
Excess of revenues over expenses	5,137,462	727,867	4,244,994	(969,866)	-	(1,758,104)	(556,594)	6,825,759	59,137,195
Net assets released from restrictions used for program services and purchase of equipment	-	-	-	1,632,029	-	-	-	1,632,029	3,721,274
Change in pension liability	2,504,540	-	-	-	-	-	-	2,504,540	(4,191,500)
Change in net assets without donor restrictions	<u>\$ 7,642,002</u>	<u>\$ 727,867</u>	<u>\$ 4,244,994</u>	<u>\$ 662,163</u>	<u>\$ -</u>	<u>\$ (1,758,104)</u>	<u>\$ (556,594)</u>	<u>\$ 10,962,328</u>	<u>\$ 58,666,969</u>

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

**Tallahassee Memorial HealthCare, Inc. and Subsidiaries**  
**Consolidating Statement of Changes in Net Assets**  
**Years Ended September 30, 2025 and 2024**  
**(Unaudited)**

**Schedule III**

	Hospital	SECHS	TMHV	Foundation	Medicus	7 Oaks	Eliminations	2025 TMH, Inc.	2024 TMH, Inc.
<b>Net assets without donor restrictions</b>									
Excess of revenues over expenses	\$ 5,137,462	\$ 727,867	\$ 4,244,994	\$ (969,866)	\$ -	\$ (1,758,104)	\$ (556,594)	\$ 6,825,759	\$ 59,137,195
Net assets released from restrictions used for program services and purchase of equipment	-	-	-	1,632,029	-	-	-	1,632,029	3,721,274
Change in pension liability	2,504,540	-	-	-	-	-	-	2,504,540	(4,191,500)
Change in net assets without donor restrictions	7,642,002	727,867	4,244,994	662,163	-	(1,758,104)	(556,594)	10,962,328	58,666,969
<b>Net assets with donor restrictions</b>									
Contributions	-	-	-	1,865,227	-	770,133	-	2,635,360	4,313,298
Investment return, net	-	-	-	649,844	-	521,866	-	1,171,710	2,670,620
Net assets released from restrictions used for program services and purchases of equipment	-	-	-	(1,632,029)	-	-	-	(1,632,029)	(3,721,274)
Contribution received in acquisition	-	-	-	-	-	-	-	-	4,552,912
Change in net assets with donor restrictions	-	-	-	883,042	-	1,291,999	-	2,175,041	7,815,556
Change in net assets	7,642,002	727,867	4,244,994	1,545,205	-	(466,105)	(556,594)	13,137,369	66,482,525
<b>Net assets</b>									
Beginning of year	588,311,726	11,774,183	38,156,616	29,272,799	-	28,204,519	556,594	696,276,437	629,793,912
End of year	\$ 595,953,728	\$ 12,502,050	\$ 42,401,610	\$ 30,818,004	\$ -	\$ 27,738,414	\$ -	\$ 709,413,806	\$ 696,276,437

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

# **Tallahassee Memorial HealthCare, Inc. and Subsidiaries**

## **Select Operating Statistics**

### **(Unaudited)**

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The following tables summarizes certain operating and utilization statistics of TMH for the past three fiscal years ended September 30, 2025, 2024, and 2023:

	<b>2025</b>	<b>2024</b>	<b>2023</b>
Licensed Acute Beds (Adult)	659	659	659
Skilled Nursing Beds	113	113	113
Acute Patient Days	130,941	123,319	134,493
Newborn Patient Days	5,382	5,523	5,588
Acute Discharges	30,885	27,164	28,507
Adjusted Discharges	64,730	62,167	57,980
Acute Average Length of Stay (Days)	4.24	4.54	4.72
Medical/Surgical Patient Days	101,386	94,612	104,398
Medical/Surgical Discharges	23,706	20,318	21,678
Medical/Surgical Average Length of Stay (Days)	4.28	4.66	4.82
Skilled Nursing Unit Patient Days	16,808	17,325	17,469
Average Daily Patient Census			
Acute Care	358.7	336.9	368.5
Skilled Nursing Unit	46.0	47.3	47.9
Occupancy (Licensed beds):			
Acute Care	54%	51%	56%
Skilled Nursing Unit	41%	42%	42%
Deliveries	3,249	3,222	3,126
Operating Room - Number of Cases			
Inpatient	7,396	6,959	6,968
Outpatient	20,480	21,142	21,134
Total - Number of Operations	27,876	28,101	28,102
Emergency Room Outpatient Visits	127,199	128,261	113,354
Urgent Care Visits	52,427	26,778	29,288
Hospital Outpatient Visits	179,179	171,808	164,613
Physician Group Visits	821,220	739,984	716,654
Average no. of FT equivalent employees	4,584	4,879	4,840

Source: TMH Internal Records

# **Tallahassee Memorial HealthCare, Inc. and Subsidiaries**

## **Select Ancillary Statistics**

### **(Unaudited)**

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Payments are made to TMH by patients, by various issuing organization (including self-insured employers), and by the federal and state governments under Medicare, Medicaid and other programs. TMH is certified by the State of Florida to participate in the Medicaid Program and by the U.S. Department of Health Services to participate in the Medicare program. The approximate percentages of gross patient charges for the past three fiscal years ended September 30, 2025, 2024, and 2023:

	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>Percentage Revenue by Payer</b>			
Medicare	46.3%	44.3%	44.1%
Medicaid	8.5%	8.6%	10.8%
HMO, Commercial	34.3%	32.9%	32.0%
Self- Pay	8.9%	10.9%	10.2%
Other	2.0%	3.3%	2.9%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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Source: TMH Internal Records