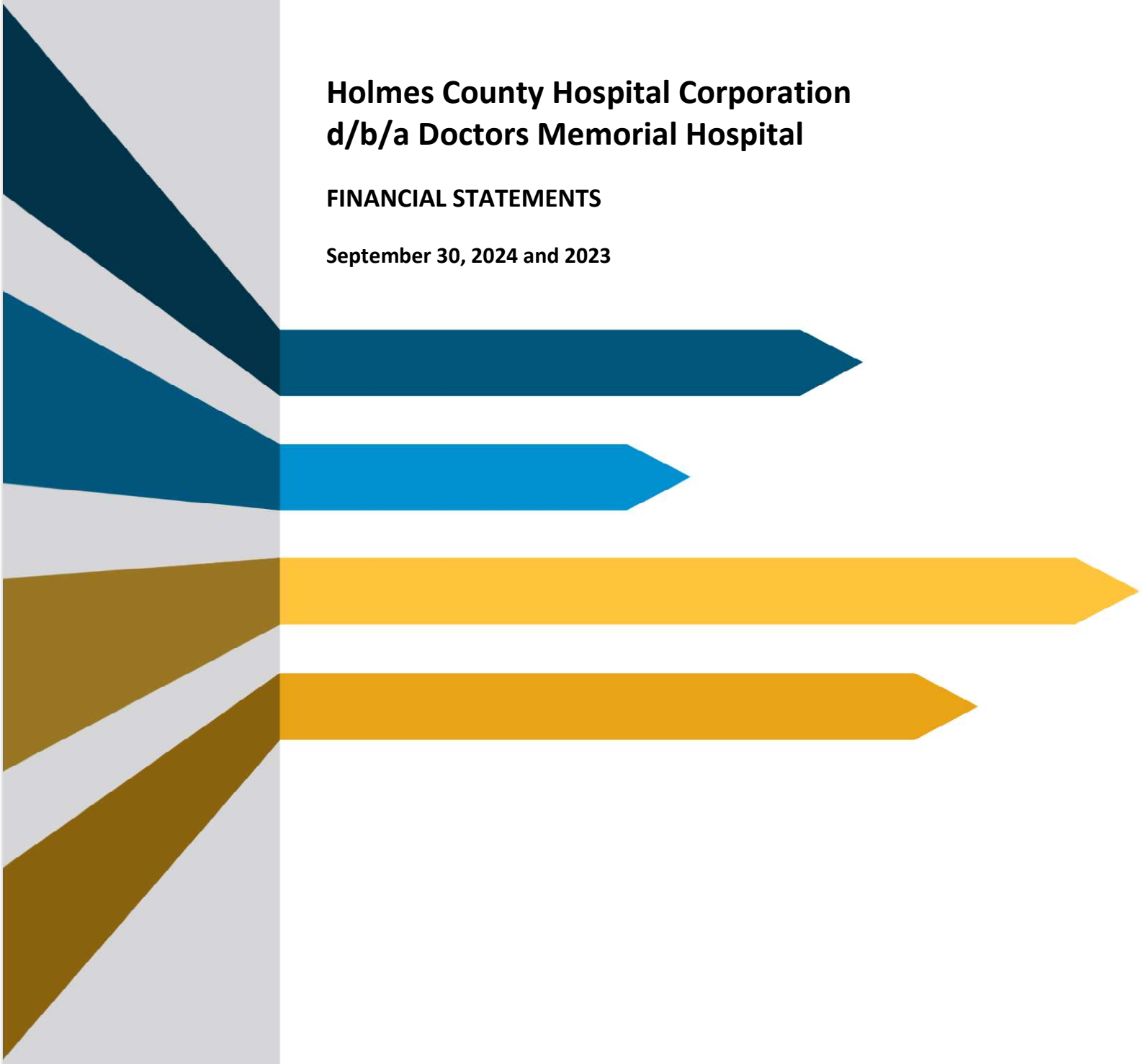
Holmes County Hospital Corporation
d/b/a Doctors Memorial Hospital

FINANCIAL STATEMENTS

September 30, 2024 and 2023



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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its financial position and, where applicable, cash flows thereof 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 opinions.

Substantial Doubt about the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Hospital will continue as a going concern. As discussed in Note 2 to the financial statements, the Hospital incurred net operating losses in both fiscal years 2024 and 2023 and has a negative equity (deficit) position. Additionally, the Hospital was unable to make regularly scheduled principal payments on the Series 2006 Revenue Bonds for several years, requiring forbearance agreements with the bondholders that have been amended annually thereafter. Further, the Hospital's current liabilities exceed its current assets at September 30, 2024. These conditions, among others discussed in Note 2, raise substantial doubt about the Hospital's ability to continue as a going concern. Management's evaluation of the

events and conditions and management's plans regarding those matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

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 opinions. 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 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 27, 2025, 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 27, 2025

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, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the Hospital.

Financial Highlights

- Cash and cash equivalents increased by approximately $1,389,000 and $510,000 in 2024 and 2023, respectively.
- The Hospital's net position increased by $227,047 in 2024 after a decrease of $1,733,361 in 2023.
- The Hospital reported an operating loss of $300,839 and $1,966,453 in 2024 and 2023, respectively.
- Operating expenses increased by $3,220,817 and $694,686 in 2024 and 2023, 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 $910,226 and $87,713 in 2024 and 2023, respectively. The increase in 2024 was due to the growth in cash collections with the addition of spinal surgeries and carpal tunnel procedures, along with LIP and DSH funds received in 2024. The offset to the increased collections was the increased cost of surgical equipment and supplies for these types of surgeries/procedures.

The Hospital's total liabilities increased $683,179 and $1,711,344 in 2024 and 2023, respectively. The 2024 increase was due to the high cost of surgical supplies and salary increases due to contract physician and CRNA converting to payroll. The 2023 increase was due to letters received from AHCA for a LIP payment recoupment from 2024-2015 years in the amount of $1,244,698. The letter received from AHCA for a LIP payment recoupment was settled with a repayment agreement reached with AHCA for a repayment of approximately $34,575 monthly for a period of 36 months. The Hospital is still paying Extended Repayment Plans for Medicare cost report years 2021 and 2022. The 2023 Cost Report was settled resulting in an overpayment of $246,740 and another Extended Repayment Plan approved by FCSO.

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

September 30,	**2024**	*Variance*	2023	*Variance*	2022
Assets					
Patient accounts receivable, net	**$ 3,173,407**	*$ 114,101*	$ 3,059,306	*$ (105,223)*	$ 3,164,529
Other current assets	**3,167,308**	*1,512,547*	1,654,761	*635,015*	1,019,746
Capital assets, net	**5,288,921**	*(649,627)*	5,938,548	*(896,662)*	6,835,210
Other noncurrent assets	**1,617,480**	*(66,795)*	1,684,275	*454,583*	1,229,692
Total assets	**$ 13,247,116**	*$ 910,226*	$ 12,336,890	*$ 87,713*	$ 12,249,177
Deferred Outflows of Resources					
Excess consideration provided for acquisition	**$ -**	*$ -*	$ -	$ (110,000)	$ 110,000
Liabilities					
Current liabilities	**$ 6,596,451**	*$ 1,034,183*	$ 5,562,268	*$ 1,729,387*	$ 3,832,881
Long-term liabilities	**14,699,254**	*(351,004)*	15,050,258	*(18,043)*	15,068,301
Total liabilities	**21,295,705**	*683,179*	20,612,526	*1,711,344*	18,901,182
Net Position (Deficit)					
Net investment in capital assets	**(8,850,944)**	*264,159*	(9,115,103)	*(440,418)*	(8,674,685)
Restricted expendable	**707,994**	*113,424*	594,570	*(12,768)*	607,338
Unrestricted	**94,361**	*(150,536)*	244,897	*(1,280,445)*	1,525,342
Total net position (deficit)	**(8,048,589)**	*227,047*	(8,275,636)	*(1,733,631)*	(6,542,005)
Total liabilities and net position	**$ 13,247,116**	*$ 910,226*	$ 12,336,890	*$ (22,287)*	$ 12,359,177

Operating Results and Changes in the Hospital's Net Position

As shown in *Table 2*, in 2024 the Hospital's net position increased $227,047. This can be attributed to the increased revenues and cash flows from the spinal and carpal tunnel surgeries performed. The FTEs increased in 2024 along with increased salaries/benefits in the amount of $2,023,523. The Hospital added a full-time physician in the Emergency Department and a full-time CRNA. Revenues increased $4,886,431 with expenses increasing by $3,220,817, resulting in operating income (loss) decreasing by $1,665,614, to total operating loss of $300,839.

Table 2: Operating Results and Changes in Net Position

For the years ended September 30,	**2024**	*Variance*	2023	*Variance*	2022
Operating Revenues					
Net patient service revenue	**$ 23,890,895**	*$ 4,832,010*	$ 19,058,885	*$ 357,004*	$ 18,701,881
Other operating revenue	**94,480**	*54,421*	40,059	*32,190*	7,869
Total operating revenues	**23,985,375**	*4,886,431*	19,098,944	*389,194*	18,709,750
Operating Expenses					
Salaries and wages and employee benefits	**12,118,109**	*2,023,523*	10,094,586	*802,895*	9,291,691
Physician and professional fees	**694,951**	*(239,440)*	934,391	*(229,639)*	1,164,030
Depreciation and amortization	**1,045,723**	*(68,080)*	1,113,803	*73,026*	1,040,777
Other operating expenses	**10,427,431**	*1,614,814*	8,812,617	*(61,596)*	8,874,213
Loss on impairment	**-**	*(110,000)*	110,000	*110,000*	-
Total operating expenses	**24,286,214**	*3,220,817*	21,065,397	*694,686*	20,370,711
Operating (loss) income	**(300,839)**	*1,665,614*	(1,966,453)	*(305,492)*	(1,660,961)
Nonoperating Revenues (Expenses)					
Investment income	**72,743**	*80,604*	(7,861)	*(22,413)*	14,552
Interest expense	**(838,629)**	*25,715*	(864,344)	*35,480*	(899,824)
Noncapital gifts and other	**1,293,772**	*188,745*	1,105,027	*(442,873)*	1,547,900
Total nonoperating revenues (expenses)	**527,886**	*295,064*	232,822	*(429,806)*	662,628
Increase (decrease) in net position	**$ 227,047**	*$ 1,960,678*	$ (1,733,631)	*$ (735,298)*	$ (998,333)

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 all of the past three years, the Hospital has reported operating losses. 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 loss for fiscal year 2024 was $300,839 compared to a loss of $1,966,453 in 2023, and an operating loss of $1,660,961 in 2022.

The primary components of the 2024 operating loss are:

- An increase in net patient service revenue of approximately $4,832,010 or 25.35%.
- An increase in other operating revenue of approximately $54,421, or 136%.
- An increase in operating expense of approximately $3,220,817, or 15.26%.

Revenues from spinal and carpal tunnel surgeries increased approximately $620,112 in 2024 as compared to 2024 totals.

Operating expense increased due to increases of salaries and wages of $2,023,523 and increases in other operating expenses of $1,614,814. The increases in operating expenses were offset by decreases in professional fees, contract labor and depreciation and amortization of $307,520. Additionally, a loss on impairment of asset of $110,000 was reported in 2023, no such impairment was reported in 2024.

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 $232,000 in 2023 to $528,000 in 2024. Non-operating revenue/expense increased in 2024 by $295,064. The change in 2023 compared to 2022 is mostly due to no CARES Act funds in 2023, which were $628,049 in 2022. Surtax monies received increased in 2024 by approximately $141,000 and 340B revenue increased by an immaterial amount.

Grants and Other

The Hospital received a State Grant for equipment in the amount of $476,190, for fixed capital equipment. Additionally, the Hospital received Capital Improvement Grant funds in the amount of $394,725 to replace the HVAC systems.

The Hospital's Cash Flows

As reflected in the statements of cash flows, the Hospital's cash increased in 2024 by $1,328,733, compared to the increase in 2023 by $958,475. The increase in cash flow in 2024 was due primarily to the increased surgical procedures for spine and carpal tunnel/tenex. These procedures offer higher reimbursement than the standard scopes originally focused on in prior years. The surgeries combined with the DSH/LIP and grant funds received provided in the increase in cash flow.

Capital Asset and Debt Administration

Capital Assets

The Hospital had $5,288,921 and $5,938,548 of capital assets, net of accumulated depreciation and amortization, at the end of 2024 and 2023, respectively. The decrease was largely due to the effects of depreciation and amortization, and the one time increase in current years for the adoption of GASB 96 and 87.

Debt

At September 30, 2024 and 2023, respectively, the Hospital had $14,139,865 and $15,050,377 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 telephoning (850) 547-8010.

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

September 30,	**2024**	2023
Assets		
Current assets		
Cash and cash equivalents	**$ 2,105,037**	$ 716,344
Patient accounts receivable, net of estimated uncollectibles of approximately $3,358,000 and $3,575,000 in 2024 and 2023, respectively	**3,173,407**	3,059,306
Supplies	**753,268**	654,342
Prepaid expenses and other	**309,003**	284,075
Total current assets	**6,340,715**	4,714,067
Noncurrent assets		
Restricted cash and cash equivalents		
Surtax account	**54,460**	51,368
Building fund	**30,274**	26,172
Grant fund	**1,749**	1,749
Bond interest fund	**823,003**	1,003,581
Debt reserve fund	**707,994**	594,570
Other receivables	**-**	6,835
Total noncurrent assets	**1,617,480**	1,684,275
Capital assets		
Nondepreciable capital assets	**741,732**	543,503
Right-of-use lease assets, net	**236,571**	485,692
Right-of-use subscription assets, net	**167,201**	255,172
Depreciable capital assets, net	**4,143,417**	4,654,181
Total capital assets, net	**5,288,921**	5,938,548
Total assets	**$ 13,247,116**	$ 12,336,890

(Continued)

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

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

September 30,	**2024**	2023
Liabilities and Net Position (Deficit)		
Current liabilities		
Current maturities of long-term debt		
Lease liability	**$ 149,438**	$ 255,207
Subscription liability	**87,508**	88,738
Bonds payable	**505,000**	58,561
Accounts payable	**1,591,981**	1,351,191
Accrued compensation and payroll taxes	**810,778**	718,833
Unearned revenue	**984,121**	214,909
Other accrued expenses	**889,128**	631,366
Accrued interest payable	**342,958**	336,063
Short-term debt	**33,731**	-
Estimated third-party settlements	**1,201,808**	1,907,400
Total current liabilities	**6,596,451**	5,562,268
Long-term liabilities		
Lease liability, less current portion	**94,269**	248,739
Subscription liability, less current portion	**88,841**	176,360
Estimated third-party settlements, less current portion	**1,301,335**	402,387
Bonds payable, net of current maturities	**13,214,809**	14,222,772
Total long-term liabilities	**14,699,254**	15,050,258
Total liabilities	**21,295,705**	20,612,526
Net position (deficit)		
Net investment in capital assets	**(8,850,944)**	(9,115,103)
Restricted for		
Debt service	**707,994**	594,570
Unrestricted	**94,361**	244,897
Total net position (deficit)	**(8,048,589)**	(8,275,636)
Total liabilities and net position (deficit)	**$ 13,247,116**	$ 12,336,890

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,	**2024**	2023
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	**$ 27,854,674**	$ 24,208,009
Provision for uncollectible accounts	**(3,963,779)**	(5,149,124)
Net patient service revenue	**23,890,895**	19,058,885
Other operating revenue	**94,480**	40,059
Total operating revenues	**23,985,375**	19,098,944
Operating Expenses		
Salaries and wages	**11,271,939**	9,419,786
Supplies and other operating expense	**9,213,358**	7,654,907
Insurance	**1,214,073**	1,157,710
Physician and professional fees	**694,951**	934,391
Depreciation and amortization	**1,045,723**	1,113,803
Employee benefits and payroll taxes	**846,170**	674,800
Loss on asset impairment	**-**	110,000
Total operating expenses	**24,286,214**	21,065,397
Operating income (loss)	**(300,839)**	(1,966,453)
Nonoperating Revenues (Expenses)		
Investment income (loss)	**72,743**	(7,861)
Interest expense	**(838,629)**	(864,344)
Tax revenues, donations and grants	**1,293,772**	1,105,027
Total nonoperating revenues (expenses)	**527,886**	232,822
Increase (decrease) in net position	**227,047**	(1,733,631)
Net position (deficit), beginning of year	**(8,275,636)**	(6,542,005)
Net position (deficit), end of year	**$ (8,048,589)**	$ (8,275,636)

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,	**2024**	2023
Operating Activities		
Receipts from and on behalf of patients	**$ 24,227,614**	$ 21,598,725
Payments to suppliers and contractors	**(10,996,183)**	(10,395,987)
Payments to and on behalf of employees	**(12,026,164)**	(9,979,789)
Other receipts (payments), net	**92,054**	35,633
Net cash provided by (used in) operating activities	**1,297,321**	1,258,582
Noncapital Financing Activities		
Receipt of grants, donations, other	**313,276**	6,448
Receipt of other noncapital grants	**770,961**	19,884
Tax revenues and other	**978,747**	922,979
Financing of insurance premiums	**56,219**	-
Principal paid on short-term debt	**(22,488)**	-
Interest and finance charges paid on trade payables	**(13,129)**	(17,356)
Net cash provided by (used in) noncapital financing activities	**2,083,586**	931,955
Capital and Related Financing Activities		
Receipt of capital related grants	**-**	155,716
Purchase of capital assets	**(396,096)**	(150,419)
Principal paid on lease liabilities	**(260,239)**	(240,181)
Principal paid on subscription liabilities	**(88,749)**	(85,906)
Interest paid	**(841,572)**	(846,988)
Principal paid on other long-term debt	**(538,561)**	(56,423)
Net cash provided by (used in) capital and related financing activities	**(2,125,217)**	(1,224,201)
Investing Activities		
Sale (purchase) of investments	**300**	-
Investment income (loss)	**72,743**	(7,861)
Net cash provided by (used in) investing activities	**73,043**	(7,861)
Net increase (decrease) in cash and cash equivalents	**1,328,733**	958,475
Cash and cash equivalents, beginning of year	**2,393,784**	1,435,309
Cash and cash equivalents, end of year	**$ 3,722,517**	$ 2,393,784

(Continued)

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 (Continued)

For the years ended September 30,		**2024**		2023
Reconciliation of Cash to Statements of Net Position				
Cash and cash equivalents	**$**	**2,105,037**	$	716,344
Restricted cash and cash equivalents, noncurrent				
Building fund		**30,274**		26,172
Grant fund		**1,749**		1,749
Bond interest fund		**823,003**		1,003,581
Surtax account		**54,460**		51,368
Debt reserve fund		**707,994**		594,570
Cash and cash equivalents, end of year	**$**	**3,722,517**	$	2,393,784
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating income (loss)	**$**	**(300,839)**	$	(1,966,453)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation and amortization		**1,045,723**		1,113,803
Provision for bad debts		**3,963,779**		5,149,124
Loss on asset impairment		**-**		110,000
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		**(4,077,880)**		(5,043,901)
Supplies		**(98,926)**		(88,454)
Prepaid expenses and other		**(24,928)**		(35,834)
Other noncurrent items		**6,837**		103,165
(Increase) decrease in liabilities and deferred inflows of resources				
Accounts payable		**240,790**		(679,723)
Accrued expenses		**349,409**		290,785
Estimated third-party settlements		**193,356**		2,306,070
Total adjustments		**1,598,160**		3,225,035
Net cash provided by (used in) operating activities	**$**	**1,297,321**	$	1,258,582
Noncash Investing, Capital and Financing Activities				
Purchase of equipment through accounts payable	**$**	**-**	$	3,274
Equipment acquired through capital grants	**$**	**-**	$	74,586
Amortization of bond premium included in interest expense	**$**	**22,963**	$	22,963

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.

Uncertainty Regarding Going Concern

As shown in the accompanying financial statements, the Hospital incurred net a operating loss of approximately $301,000 in fiscal year 2024, compared to net operating losses of approximately $1,966,000 and $1,661,000 in fiscal years 2023 and 2022, respectively. Net income of approximately $227,000, and net losses of approximately $1,734,000 and $998,000 were reported for the years ended September 30, 2024, 2023 and 2022, respectively, resulting in deficit net positions of approximately $8,049,000, $8,276,000, and $6,542,000, respectively, at September 30, 2024, 2023 and 2022.

During recent fiscal years, the Hospital was unable to meet its obligations to fund its bonds on a monthly basis and to make regularly scheduled principal and interest payments, resulting in a forbearance agreement with the bondholders, described further in Note 8. This agreement waived the defaults through December 2025, subject to compliance with the terms of the agreement. The terms of forbearance agreement also include monthly monitoring and required compliance with a budget, as well as several other restrictive terms. Failure to comply with the agreement in full may result in the bondholders calling the debt immediately and exercising any and all available remedies, up to and including seizure of assets.

Management's current plans are to continue to operate the Hospital and generate sufficient cash flow from operations to fund the business. Further, management continues to pursue a refinancing of the Series 2006 bonds with another lender, on terms more favorable to the Hospital, and also seeks additional grant funding. While the Hospital believes in the viability of its strategies to generate sufficient cash to fund its business and refinance its debt, there can be no assurances to that affect. The ability of the Hospital to continue as a going concern is dependent upon the Hospital's ability to successfully implement its plans and generate sufficient cash from operations and refinance its debt on favorable terms.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 a decrease in operating income of approximately $220,000 and $331,000 for the years ended September 30, 2024 and 2023, 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.

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 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**

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management (continued)

The activity for health insurance in 2023 is as follows:

Beginning of fiscal year liability	Current year claims and changes in estimate	Claim payments	Balance at fiscal year-end
$ -	$ 248,770	$ 201,329	$ 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, 2024 and 2023, 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.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Patient Accounts Receivable, Net (continued)

The Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2024 and did not have significant write-offs from third-party payers related to collectability in fiscal years 2024 or 2023.

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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets (continued)

appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. For the year ended September 30, 2023, impairment of long-lived assets recorded was $110,000. No material impairment charges to long-lived assets were recorded for the year ended September 30, 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, 2024 and 2023.

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, 2024 and 2023.

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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (continued)

A summary of changes in the Hospital's compensated absences for the years ended September 30, 2024 and 2023 follows:

	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**

	Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Compensated absences	$ 321,142	$ 402,850	$ 415,844	$ 308,148	$ 308,148

Lease Liability

GASB 87 was adopted October 1, 2021, retroactive to October 1, 2020. Under this new guidance, all 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 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements (continued)

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

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 $1,108,925 and $824,789 for the years ended September 2024 and 2023, respectively, and estimated costs and expenses incurred to provide charity care totaled $327,555 and $321,099, 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.

2024 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, 2024 and 2023 was $14,374 and $27,778, 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. 100, *Accounting Changes and Error Corrections* (GASB 100). GASB 100 prescribes accounting and financial reporting for (1) each category of accounting change and (2) error corrections. GASB 100 also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The requirements of GASB 100 are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Hospital adopted GASB 100 for the year ended September 30, 2024, and GASB 100 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 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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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. Earlier application is encouraged.

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 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

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.

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 27, 2025. 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, 2024 and 2023, the deposits of the Hospital consisted of the following:

September 30,		**2024**		2023
Petty cash and undeposited cash	**$**	**215**	$	215
Cash deposits with financial institutions		**3,722,302**		2,393,569
Total deposits and investments	**$**	**3,722,517**	$	2,393,784

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

September 30,	**2024**	2023
Cash and cash equivalents	**$ 2,105,037**	$ 716,344
Restricted cash and cash equivalents, noncurrent		
Building fund	**30,274**	26,172
Grant fund	**1,749**	1,749
Bond interest fund	**823,003**	1,003,581
Debt reserve fund	**707,994**	594,570
Surtax account	**54,460**	51,368
Total	**$ 3,722,517**	$ 2,393,784

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.

At September 30, 2024 and 2023, respectively, $1,530,997 and $1,598,151 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, 2024 and 2023 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.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (continued)

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, 2024 and 2023 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, 2024 and 2023 was:

September 30,	**2024**	2023
Medicare	**$ 579,252**	$ 909,559
Medicaid	**336,964**	273,046
Other third-party payers	**2,527,360**	1,613,388
Patients	**3,088,066**	3,838,149
Total patient accounts receivable	**6,531,642**	6,634,142
Less allowance for uncollectible accounts	**(3,358,235)**	(3,574,836)
Patient accounts receivable, net	**$ 3,173,407**	$ 3,059,306

Note 5: CAPITAL ASSETS

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**

Note 5: CAPITAL ASSETS (Continued)

Capital asset activity and balances for the year ended September 30, 2023, were as follows:

	Estimated Useful Lives (in years)	Restated Balance 10/1/2022	Additions	Reductions	Transfers	Balance 9/30/2023
Nondepreciable capital assets						
Land		$ 543,503	$ -	$ -	$ -	**$ 543,503**
Total nondepreciable		543,503	-	-	-	**543,503**
Depreciable capital assets						
Land improvements	5 - 40	1,856,984	-	-	-	**1,856,984**
Buildings and improvements	5 - 40	6,960,315	-	-	-	**6,960,315**
Furniture and fixtures	7 - 20	203,112	-	-	-	**203,112**
Machinery and equipment	7 - 20	13,505,560	217,141	-	-	**13,722,701**
ROU Assets - Equipment	2 - 7	936,215	-	-	-	**936,215**
ROU Assets - SBITA	3 - 5	387,576	-	-	-	**387,576**
Total depreciable, at cost		23,849,762	217,141	-	-	**24,066,903**
Less accumulated depreciation/amortization						
Land improvements		(1,500,623)	(49,243)	-	-	**(1,549,866)**
Buildings and improvements		(4,686,466)	(178,221)	-	-	**(4,864,687)**
Furniture and fixtures		(192,649)	(11,644)	-	-	**(204,293)**
Machinery and equipment		(10,932,479)	(537,606)	-	-	**(11,470,085)**
ROU Assets - Equipment		(201,402)	(249,121)	-	-	**(450,523)**
ROU Assets - SBITA		(44,436)	(87,968)	-	-	**(132,404)**
Total accumulated depreciation/amortization		(17,558,055)	(1,113,803)	-	-	**(18,671,858)**
Depreciable, net		6,291,707	(896,662)	-	-	**5,395,045**
Total capital assets, net		$ 6,835,210	$ (896,662)	$ -	$ -	**$ 5,938,548**

Depreciation expense, which includes amortization of right-of-use (ROU) assets, totaled $1,045,723, and $1,113,803, for the years ended September 30, 2024 and 2023 respectively.

Note 6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

September 30,	**2024**	2023
Payable to suppliers and contractors	**$ 1,639,422**	$ 1,398,632
Payable to employees (including payroll taxes and benefits)	**810,778**	718,833
Accrued interest payable	**342,958**	336,063
Due to patients and their insurers	**841,687**	583,925
	$ 3,634,845	$ 3,037,453

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 bears interest at 8.15%, principal and interest payments are due in 10 consecutive monthly installments of $5,834 beginning in June 2024. There were no such borrowings during fiscal year 2023.

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

	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,		**2024**		2023
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 $10,115,000 with an interest rate of 6.00%. Principal payments are due annually on November 1, and interest is payable semiannually on May 1 and November 1. Proceeds from the bonds were used to construct a replacement facility which was placed into service on April 1, 2008. The bonds mature in 2039.	**$**	**13,395,000**	$	13,875,000
Hospital Revenue Bonds Series 2017, original principal amount of $375,000, bearing an interest rate of 2.75%. Principal and interest payments in the amount of $59,625 are due annually beginning on February 22, 2018 through February 22, 2024. Proceeds from the bonds were used for the reimbursement and purchase of imaging equipment.		**-**		58,561
Plus: unamortized portion of premium on Series 2006 bonds		**324,809**		347,772
		13,719,809		14,281,333
Less: current portion		**(505,000)**		(58,561)
Total	**$**	**13,214,809**	$	14,222,772

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, 2024 and 2023, 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

Note 8: LONG-TERM LIABILITIES (Continued)

Bonds Payable (continued)

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.

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, 2024.

In February of 2022, a second amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through October of 2022. All other significant terms remain similar to the first amendment.

In April of 2023, a third amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through December of 2023. All other significant terms remain similar to the first amendment.

In February of 2024, a fourth amendment to the forbearance agreement was successfully executed, extending the period of time covered by the agreement through December of 2024. All other significant terms remain similar to the first amendment.

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. Further, a $200,000 supplemental (accelerated) principal payment is to be paid at the conclusion of the agreement, within 60 days after December 31, 2025.

These supplemental principal payments do not increase the total amount of principal outstanding – rather, the intention is to partially pay-down the principal balance, in light of the fiscal years during which the Hospital was unable to pay regularly scheduled principal payments.

The table below has been adjusted for the $200,000 payment, 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
2025	$ 505,000	$ 684,669
2026	735,000	654,769
2027	565,000	623,144
2028	600,000	588,900
2029	635,000	551,850
2030-2034	3,795,000	2,120,850
2035-2039	5,085,000	798,750
2040-2042	1,475,000	2,366,663
Total	$ 13,395,000	$ 8,389,595

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, 2024, the value of lease liability was $243,707. The Hospital is required to make monthly principal and interest payments totaling approximately $27,000. The leases have interest rates of approximately 6%.

Note 8: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

Minimum future lease payments under lease liability as of September 30, 2024 are as follows:

For the years ending September 30,	Principal Payments	Interest Expense	Total
2025	$ 149,438	$ 8,762	$ 158,200
2026	33,453	4,746	38,199
2027	35,517	2,683	38,200
2028	25,299	652	25,951
Total	$ 243,707	$ 16,843	$ 260,550

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, 2024 and 2023, the balance of the subscription liability was $176,349 and $265,098, 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, 2024, are as follows:

For the years ending September 30,	Payments	Expense	Total
2025	$ 87,508	$ 4,436	$ 91,944
2026	68,819	1,665	70,484
2027	20,022	187	20,209
Total	$ 176,349	$ 6,288	$ 182,637

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, 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**

A summary of changes in the Hospital's long-term debt, including lease obligations, for the years ended September 30, 2023 follows:

	Restated Balance 10/1/2022	Additions	Reductions	Balance 9/30/2023	Due Within One Year
Lease liability	$ 744,327	$ -	$ (240,381)	$ 503,946	$ 255,207
Subscription liability	351,004	-	(85,906)	265,098	88,738
Revenues bonds payable					
Series 2006	13,875,000	-	-	13,875,000	-
Series 2017	114,984	-	(56,423)	58,561	58,561
Premium on Series 2006	370,734	-	(22,962)	347,772	-
Revenues bonds payable	14,360,718	-	(79,385)	14,281,333	58,561
Total long-term debt	$ 15,456,049	$ -	$ (405,672)	$ 15,050,377	$ 402,506

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,	**2024**	2023
Capital assets, net	**$ 5,288,921**	$ 5,938,548
Less outstanding accounts payable related to capital assets	**-**	(3,274)
Less debt related to capital assets:		
Leases	**(243,707)**	(503,946)
Subscriptions	**(176,349)**	(265,098)
Bonds payable, net of premium	**(13,719,809)**	(14,281,333)
Net investment in capital assets	**$ (8,850,944)**	$ (9,115,103)

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,	**2024**	2023
Medicare	**27%**	28%
Medicaid (Traditional)	**4%**	3%
Blue Cross	**16%**	17%
Commercial/HMO/PPO	**53%**	50%

Note 10: NET PATIENT SERVICE REVENUE (Continued)

The composition of net patient service revenue was as follows:

For the years ended September 30,	**2024**	2023
Gross patient service revenue	**$ 87,749,109**	$ 71,371,087
Less provision for contractual adjustments under third-party reimbursement programs and other adjustments	**(59,894,435)**	(47,163,078)
Provision for bad debts	**(3,963,779)**	(5,149,124)
Net patient service revenue	**$ 23,890,895**	$ 19,058,885

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 $1,016,000 and $727,000 for fiscal years 2024 and 2023, respectively.

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 2024 or 2023, 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 accompanying 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 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

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

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.

At September 30, 2024, $345,750 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 $898,948 of noncurrent liabilities, included in "estimated third party settlements", noncurrent portion – such amounts totaling the payback demand of $1,244,698. Additionally, the $402,387 liability (estimated exposure for state fiscal years after 2018, as discussed above) recorded at September 30, 2023 remains at September 30, 2024, in the noncurrent portion of "estimated third party settlements."

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 not recorded any liabilities associated with state fiscal years after 2020, due to the significant uncertainties associated with estimating these amounts (if any).

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 as of September 30, 2024. 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.

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 2024 and 2023. Estimated assessments payable totaling $209,000 at both September 30, 2024 and 2023 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, 2024 and 2023.

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.

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.

Note 14: COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies (continued)

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 27% and 4%, respectively, of the Hospital's net patient revenue for the year ended 2024. Revenue from the Medicare and Medicaid programs accounted for approximately 26% and 3%, respectively, of the Hospital's net patient revenue for the year ended 2023. 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
- 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,	**2024**	2023
Holmes County tax revenues	**$ 978,747**	$ 942,863
Grants, donations and other miscellaneous	**315,025**	162,164
Grants, tax revenues, donations, and other	**$ 1,293,772**	$ 1,105,027

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 $194,000 and $185,000 was recorded as a receivable at September 30, 2024 and 2023, respectively, included in other current assets on the accompanying statements of net position.

Note 17: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after September 30, 2024 through June 27, 2025, the date the Hospital's financial statements were available to be issued. The following items occurred:

See Note 8 for discussion regarding the fifth amendment to the forbearance agreement, signed in June of 2025.

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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, 2024. 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, 2024.

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 27, 2025

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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, 2024, 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 27, 2025.

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 opinions 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 responses as items 2024-001, 2024-002, and 2024-003 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 2024 – 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 responses. 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 27, 2025

2024 – 001 Accruals and Net Position Presentation (Partial Repeat of 2023-001)

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, payroll accruals, accounts payable, County tax receivables / revenues, 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 will provide additional training 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.

2024 – 002 Public Deposit Act Compliance (Repeat of 2023-002)

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 2024.

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.

2024 – 003 Going Concern / Deteriorating Financial Condition (Repeat of 2023-003)

Criteria: Management should have a formalized process for evaluating risk factors challenging the Hospital's ability to continue as a going concern (as well as measurement of and response to Florida's required assessment of deteriorating financial condition) and for preparing a formalized response plan when substantial doubt about the Hospital's ability to continue as a going concern and/or financial deterioration exists.

Condition and Effect: During the course of our audit, we evaluated the Hospital's ability to continue as a going concern, as required of us by our professional standards. We also measured the Hospital's financial metrics, as required by the rules of the Florida Auditor General. The results of our procedures indicated the existence of multiple risk factors challenging the Hospital's ability to continue as a going concern, as well as a deteriorating financial condition, namely: failure during fiscal 2024 to meet bond funding obligations and recurring negative trends such as net losses and equity deficits. These factors raise substantial doubt about the Hospital's ability to continue as a going concern and indicate a deteriorating financial condition. As such, we added an explanatory paragraph to our audit opinion and management included disclosure in the notes to the financial statements addressing these factors. Additionally, lack of a formalized process could result in management not performing Florida's required assessment.

Recommendation: GASB Statement No. 56 states that "financial statement preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a going concern…" We recommend the Hospital develop a formal, written plan to identify, evaluate, and address each of the risk factors challenging the Hospital's ability to continue as a going concern.

We further recommend that the Hospital continue to work closely with its bondholders, trustee, vendors and lenders to alleviate their concerns and work towards a mutually beneficial solution that will result in the continued viability of the Hospital.

Views of Responsible Officials and Planned Corrective Actions: Hospital management is in the process of finalizing a Strategic Plan for 2026 that addresses the priorities and objectives summarized below.

Hospital management entered into a fifth amendment to the forbearance agreement with the bondholders to continue our financial agreement with them.

The Hospital's management plans to improve revenues by increasing the spinal surgery program, swing bed utilization and rehabilitation services, increasing emergency department volumes, expanding Rural Health Clinic services and increasing ancillary services through recruitment of additional physicians. The Hospital has been successful in having a ½ cent sales tax referendum passed in November 2020, which has generated over $978,000 per year. Although this surtax expires at the end of 2026, the Hospital has successfully won the election in November of 2024 which extends the surtax through 2032.

The Hospital is pursuing refinancing of the bonds to obtain a more favorable interest rate. The Hospital is currently working with a consultant to explore all refinancing options.

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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, 2024 and have issued our report thereon dated June 27, 2025.

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*; 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, which are dated June 27, 2025, 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.	2023 FY Finding No.	Description	Status
2024-001	2023-001	Accruals and Net Position Presentation	Not Cleared
2024-002	2023-002	Public Deposit Act Compliance	Not Cleared
2024-003	2023-003	Going Concern / Deteriorating Financial Condition	Not Cleared

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 met the following conditions in Section 218.503(1) as a result of deteriorating financial conditions.

(a) Failure within the same fiscal year in which due to pay short-term loans or failure to make bond debt service or other long-term debt payments when due, as a result of a lack of funds.

(b) Failure to pay uncontested claims from creditors within 90 days after the claim is presented, as a result of a lack of funds.

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. Of 7 key financial indicators, 3 indicated an unfavorable rating. 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.

As noted above, we concluded that the Hospital's financial condition was deteriorating. This determination was made based on the results of our assessment and the fact that the Hospital was not able to generate enough revenues to meet its expenditures without causing the occurrence of the two conditions described in s. 218.503(1)(a) and (b).

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 included recommendations in the accompanying schedule of findings and responses.

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 District employees compensated in the last pay period of the District's fiscal year was 217.

b) The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year was 19.

c) All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was $11,127,567.

d) All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency was $1,904,375.

e) Each construction project with a total cost of at least $65,000 approved by the District 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 District has or will receive grants totaling approximately $2,750,000, which represents the estimated cost of constructing a new medical office building on the Hospital's campus, which, when completed, will house a new rural health clinic and other clinical and administrative space. As of September 30, 2024, minimal costs have been incurred on this project. The project is expected to begin, in earnest, in fiscal year 2025, with a targeted completion date of February 28, 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 District 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 2024 from this surtax were $978,747. The amounts recorded as revenues for fiscal year 2024, including amounts receivable from Holmes County, Florida, totaled $975,357.

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 $13,395,000 (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 2024 – 002 in the accompanying schedule of findings and responses.

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 27, 2025