

# **NCH Healthcare System, Inc. and Subsidiaries**

Consolidated Financial Report  
September 30, 2025

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## Independent Auditor's Report

RSM US LLP

Board of Trustees  
NCH Healthcare System, Inc.

### Opinion

We have audited the consolidated financial statements of NCH Healthcare System, Inc. and Subsidiaries (the System), which comprise the consolidated balance sheets as of September 30, 2025 and 2024, the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

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

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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 System's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

*RSM US LLP*

Coral Gables, Florida  
January 21, 2026

**NCH Healthcare System, Inc. and Subsidiaries**

**Consolidated Balance Sheets  
September 30, 2025 and 2024**

|   | 2025                    | 2024                    |
|---|-------------------------|-------------------------|
| <b>Assets</b>   |                         |                         |
| Current assets:   |                         |                         |
| Cash and cash equivalents   | \$ 60,164,807           | \$ 32,407,746           |
| Investments   | 3,769,815               | 3,992,217               |
| Due from patients and others, net   | 118,889,038             | 104,864,489             |
| Assets limited as to use  | 30,152,333              | 32,967,777              |
| Inventories   | 25,157,411              | 21,485,396              |
| Estimated third-party payor receivable                                      | 87,444,836              | 69,594,741              |
| Other current assets  | 17,551,272              | 18,071,848              |
| <b>Total current assets</b>   | <b>343,129,512</b>      | <b>283,384,214</b>      |
| Assets limited as to use:   |                         |                         |
| Self-insurance fund   | 23,291,680              | 23,127,068              |
| Board-designated assets   | 209,297,763             | 249,516,673             |
| Assets held by trustee under bond indentures                                | 32,013,895              | 111,593,938             |
| Donor receivables   | 109,150,089             | 93,871,356              |
| Trusts held by others   | 7,163,899               | 6,603,153               |
| Assets designated or restricted for donor intentions                        | 153,911,193             | 95,489,087              |
|   | <b>534,828,519</b>      | <b>580,201,275</b>      |
| Less assets limited as to use that are available to pay current liabilities | <b>(30,152,333)</b>     | <b>(32,967,777)</b>     |
|   | <b>504,676,186</b>      | <b>547,233,498</b>      |
| Investments   | 12,803,677              | 11,452,960              |
| Investment in partnerships  | 33,669,829              | 26,940,998              |
| Property and equipment, net of accumulated depreciation                     | 621,765,012             | 521,698,864             |
| Lease right-of-use assets for operating, net of accumulated amortization    | 11,856,558              | 16,617,809              |
| Lease right-of-use assets for finance, net of accumulated amortization      | 2,544,061               | 1,097,500               |
| Other assets  | 8,659,231               | 8,441,360               |
| <b>Total assets</b>   | <b>\$ 1,539,104,066</b> | <b>\$ 1,416,867,203</b> |

(Continued)

**NCH Healthcare System, Inc. and Subsidiaries**

**Consolidated Balance Sheets (Continued)  
September 30, 2025 and 2024**

|   | 2025                    | 2024                    |
|---|-------------------------|-------------------------|
| <b>Liabilities and Net Assets</b>                               |                         |                         |
| Current liabilities:  |                         |                         |
| Current portion of long-term debt                               | \$ 8,536,251            | \$ 8,383,571            |
| Current portion of estimated self-insurance liabilities         | 7,574,454               | 7,520,922               |
| Accounts payable  | 105,549,656             | 95,343,208              |
| Accrued expenses  | 71,449,780              | 56,119,120              |
| Accrued interest  | 6,049,305               | 6,416,265               |
| Current operating lease liability                               | 4,516,115               | 5,747,791               |
| Current finance lease liability                                 | 715,037                 | 465,160                 |
| <b>Total current liabilities</b>                                | <b>204,390,598</b>      | <b>179,996,037</b>      |
| Long-term debt, excluding current portion                       | 318,941,569             | 326,405,315             |
| Estimated self-insurance liabilities, excluding current portion | 32,773,241              | 29,973,515              |
| Long-term operating lease liability, excluding current portion  | 8,118,562               | 11,716,781              |
| Long-term finance lease liability, excluding current portion    | 1,163,091               | 650,380                 |
| Other liabilities   | 31,623,323              | 20,731,621              |
| <b>Total liabilities</b>  | <b>597,010,384</b>      | <b>569,473,649</b>      |
| Net assets:   |                         |                         |
| Net assets without donor restrictions                           | 676,206,006             | 637,764,024             |
| Noncontrolling interest in subsidiaries                         | -                       | 730,096                 |
| Net assets with donor restrictions                              | 265,887,676             | 208,899,434             |
| <b>Total net assets</b>   | <b>942,093,682</b>      | <b>847,393,554</b>      |
| <b>Total liabilities and net assets</b>                         | <b>\$ 1,539,104,066</b> | <b>\$ 1,416,867,203</b> |

See notes to the consolidated financial statements.

**NCH Healthcare System, Inc. and Subsidiaries**

**Consolidated Statements of Operations  
Years Ended September 30, 2025 and 2024**

|  | 2025                 | 2024                 |
|--|----------------------|----------------------|
| Revenues without donor restrictions:   |                      |                      |
| Patient service revenue  | \$ 965,010,492       | \$ 882,209,664       |
| Other revenue  | 18,788,305           | 16,584,416           |
| Charitable contributions without donor restrictions  | 8,570,798            | 6,214,916            |
| Net assets released from restrictions for operations   | 7,210,882            | 3,475,976            |
| <b>Total revenues</b>  | <b>999,580,477</b>   | <b>908,484,972</b>   |
| Expenses:  |                      |                      |
| Salaries and wages   | 418,009,357          | 412,131,820          |
| Employee benefits  | 51,351,839           | 52,851,103           |
| Supplies and other expenses  | 330,635,375          | 290,225,779          |
| Purchased services   | 161,394,073          | 149,867,476          |
| Depreciation and amortization  | 54,977,380           | 52,329,279           |
| Interest expense   | 3,648,276            | 2,857,010            |
| <b>Total expenses</b>  | <b>1,020,016,300</b> | <b>960,262,467</b>   |
| <b>Operating loss</b>  | <b>(20,435,823)</b>  | <b>(51,777,495)</b>  |
| Other income (loss):   |                      |                      |
| Investment income, net   | 29,569,665           | 67,018,670           |
| (Loss) gain on disposal of property and equipment  | (621,104)            | 8,039                |
| Gain on acquisition  | -                    | 1,724,305            |
| <b>Excess of revenues over expenses</b>  | <b>8,512,738</b>     | <b>16,973,519</b>    |
| Net assets released from restrictions for capital  | 29,493,243           | 21,951,689           |
| <b>Increase in net assets without donor restrictions</b>   | <b>38,005,981</b>    | <b>38,925,208</b>    |
| Excess of revenues under expenses attributable to noncontrolling interest in subsidiary                          | 436,001              | 167,879              |
| <b>Excess of revenues over expenses attributable to<br/>        NCH Healthcare System, Inc. and Subsidiaries</b> | <b>\$ 38,441,982</b> | <b>\$ 39,093,087</b> |

See notes to consolidated financial statements.

## NCH Healthcare System, Inc. and Subsidiaries

### Consolidated Statements of Changes in Net Assets Years Ended September 30, 2025 and 2024

|  | Net Assets Without<br>Donor Restrictions | Noncontrolling<br>Interest in<br>Subsidiaries | Net Assets With<br>Donor Restrictions | Total                 |
|--|--|---|---------------------------------------|-----------------------|
| Net assets at October 1, 2023  | \$ 598,670,937                           | \$ -  | \$ 148,990,408                        | \$ 747,661,345        |
| Acquisition of noncontrolling interest in Bonita ASC                                       | -  | 897,975                                       | -                                     | 897,975               |
| Excess of revenues over expenses   | 17,141,398                               | -   | -                                     | 17,141,398            |
| Excess of revenues under expenses attributable to<br>noncontrolling interest in subsidiary | -  | (167,879)                                     | -                                     | (167,879)             |
| Change in net unrealized gains on securities   | -  | -   | 9,284,555                             | 9,284,555             |
| Restricted gifts and bequests  | -  | -   | 74,747,377                            | 74,747,377            |
| Income from restricted investments   | -  | -   | 1,304,759                             | 1,304,759             |
| Net assets released from restrictions for operations                                       | -  | -   | (3,475,976)                           | (3,475,976)           |
| Net assets released from restrictions for capital  | 21,951,689                               | -   | (21,951,689)                          | -                     |
| <b>Change in net assets</b>  | <b>39,093,087</b>                        | <b>730,096</b>                                | <b>59,909,026</b>                     | <b>99,732,209</b>     |
| Net assets at September 30, 2024   | 637,764,024                              | 730,096                                       | 208,899,434                           | 847,393,554           |
| Excess of revenues over expenses   | 8,948,739                                | -   | -                                     | 8,948,739             |
| Excess of revenues under expenses attributable to<br>noncontrolling interest in subsidiary | -  | (436,001)                                     | -                                     | (436,001)             |
| Purchase of Bonita ASC non-controlling interest  | -  | (294,095)                                     | -                                     | (294,095)             |
| Change in net unrealized gains on securities   | -  | -   | 3,477,506                             | 3,477,506             |
| Restricted gifts and bequests  | -  | -   | 86,672,266                            | 86,672,266            |
| Income from restricted investments   | -  | -   | 3,542,595                             | 3,542,595             |
| Net assets released from restrictions for operations                                       | -  | -   | (7,210,882)                           | (7,210,882)           |
| Net assets released from restrictions for capital  | 29,493,243                               | -   | (29,493,243)                          | -                     |
| <b>Change in net assets</b>  | <b>38,441,982</b>                        | <b>(730,096)</b>                              | <b>56,988,242</b>                     | <b>94,700,128</b>     |
| <b>Net assets at September 30, 2025</b>  | <b>\$ 676,206,006</b>                    | <b>\$ -</b>                                   | <b>\$ 265,887,676</b>                 | <b>\$ 942,093,682</b> |

See notes to consolidated financial statements.

## NCH Healthcare System, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Years Ended September 30, 2025 and 2024

|   | 2025                | 2024                 |
|---|---------------------|----------------------|
| Cash flows from operating activities:   |                     |                      |
| Change in net assets  | \$ 94,700,128       | \$ 99,732,209        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                      |
| Restricted gifts and bequests for capital and endowment                                     | (79,296,684)        | (38,660,980)         |
| Net (gain) loss from partnerships   | (5,411,939)         | 122,551              |
| Net realized and unrealized gains on investments  | (21,529,361)        | (54,359,602)         |
| Income from restricted gifts and bequests   | (3,542,595)         | (1,304,759)          |
| Depreciation and amortization   | 54,977,380          | 52,165,909           |
| Provision for bad debts   | 444,920             | 308,236              |
| Loss (gain) on disposal of property and equipment   | 621,104             | (8,039)              |
| Valuation of noncontrolling interests   | -                   | (897,975)            |
| Gain on acquisition   | -                   | (1,724,305)          |
| Changes in assets and liabilities:  |                     |                      |
| Increase in due from patients and others  | (14,469,469)        | (267,650)            |
| Increase in estimated third-party payor receivable  | (17,850,095)        | (15,671,159)         |
| Increase in inventories   | (3,672,015)         | (1,954,145)          |
| Increase in trusts held by others   | (560,746)           | (325,287)            |
| Increase in donor receivables   | (15,278,733)        | (21,841,625)         |
| Decrease in other current assets  | 520,576             | 1,272,013            |
| (Increase) decrease in other assets   | (217,871)           | 221,377              |
| Increase in accounts payable  | 19,536,154          | 10,129,402           |
| Increase in accrued expenses and accrued interest   | 14,963,700          | 12,021,697           |
| Increase in estimated self-insurance liabilities  | 2,853,258           | 5,529,823            |
| Increase (decrease) in other liabilities  | 10,891,702          | (1,045,575)          |
| <b>Net cash provided by operating activities</b>  | <b>37,679,414</b>   | <b>43,442,116</b>    |
| Cash flows from investing activities:   |                     |                      |
| Purchases of property and equipment   | (165,885,747)       | (118,185,968)        |
| Proceeds from the sales of property and equipment   | 716,142             | 73,494               |
| Purchases of investments  | (77,458,592)        | (235,172,767)        |
| Sales of investments  | 159,365,968         | 87,801,258           |
| Net change in cash associated with acquisitions   | (294,095)           | (111,807)            |
| Increase in partnerships  | (1,316,892)         | (1,146,063)          |
| <b>Net cash used in investing activities</b>  | <b>(84,873,216)</b> | <b>(266,741,853)</b> |
| Cash flows from financing activities:   |                     |                      |
| Restricted gifts and bequests for capital and endowment                                     | 79,296,684          | 38,660,980           |
| Income from restricted gifts and bequests   | 3,542,595           | 1,304,759            |
| Repayment of long-term debt   | (6,725,589)         | (6,490,000)          |
| Premium on bond issuance  | (866,110)           | (2,700,738)          |
| Payment of finance lease  | (296,717)           | (512,428)            |
| Proceeds from issuance of bond payable  | -                   | 213,722,852          |
| <b>Net cash provided by financing activities</b>  | <b>74,950,863</b>   | <b>243,985,425</b>   |
| <b>Increase in cash and cash equivalents</b>  | <b>27,757,061</b>   | <b>20,685,688</b>    |
| Cash and cash equivalents:  |                     |                      |
| Beginning   | 32,407,746          | 11,722,058           |
| Ending  | \$ 60,164,807       | \$ 32,407,746        |
| Supplemental disclosures of cash flow information:  |                     |                      |
| Cash paid for interest  | \$ 4,015,234        | \$ 1,816,272         |
| Noncash additions to property and equipment   | 7,784,326           | 17,114,032           |
| Noncash contributions of property and equipment to partnerships                             | -                   | 2,605,733            |
| Noncash additions to right-of-use asset and lease finance liability                         | 2,422,089           | 863,451              |
| Noncash additions to right-of-use asset and lease operating liability                       | 3,385,542           | 828,796              |

See notes to consolidated financial statements.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies

**Nature of organization:** The NCH Healthcare System, Inc. (the Parent) was incorporated as a 501(c)(3) not-for-profit parent holding corporation in 1983 under a plan of reorganization to better serve the community's health care needs and to provide management with greater flexibility in providing services.

The NCH Healthcare System, Inc. and Subsidiaries (the System) consolidated financial statements consist of the following entities which are wholly owned subsidiaries unless otherwise noted:

Naples Community Hospital, Inc. (the Hospital), a not-for-profit corporation located in Collier County, Florida, consists of two hospitals with 713 beds. The Downtown Naples Hospital Campus is a 391-bed acute care facility and North Naples Hospital Campus is a 322-bed acute care facility. The Hospital also has a blood center and various other outpatient centers located throughout the community. The System's Board of Trustees also serve on the Board of Trustees of the Hospital.

NCH Healthcare System Limitada (the Call Center), was formed in July 2024 in Costa Rica to provide patient support. The Call Center is a subsidiary of Naples Community Hospital, Inc., however, not part of the Obligated Group.

NCHMD, Inc. (d/b/a NCH Healthcare Group), a not-for-profit corporation, owns and operates physician medical practices in Collier and Lee County, Florida.

The Obligated Group consists of the Hospital excluding the Call Center, NCHMD, Inc. and the Parent.

Marco Island Hospital, Inc. d/b/a Marco Healthcare Center (MIH), a not-for-profit corporation, operates an urgent care center and medical office building on Marco Island, Florida.

NCH ACO, LLC, a not-for-profit corporation was formed in May 2017, to participate in the Medicare Shared Savings Program.

Collier Health Care, Inc. (CHCI), a not-for-profit corporation, owns and leases healthcare facilities in Naples and Immokalee, Florida. On July 24, 2025, CHCI closed its operations.

Health Resources Corporation (HRC), a for-profit holding company, owns 100% of the proprietary subsidiary, Community Home Care, Inc.

Greater Collier Insurance, Ltd. (the Captive) was formed in March 2022 in the Cayman Islands to access various insurance markets. The Captive is a subsidiary of NCH Healthcare System, Inc.

On November 22, 2021, the Hospital entered into a joint venture with VH Naples Holdings, LLC (ValueHealth) by purchasing a 51% equity ownership interest in NCH – VH Joint Venture, LLC (NCH – VH). NCH – VH's purpose is to develop and operate ambulatory surgery centers in the local market. ValueHealth had substantive participating rights as it had equal representation on the Board, and the Board had the full, complete and exclusive authority to manage, direct and control the business, affairs and properties of the NCH – VH and perform any and all other acts or activities customary or incident to the management of the NCH – VH's activities. The System accounted for the investment in NCH – NH under the equity method of accounting.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

On February 17, 2023, a Notice, Joinder and Consent Agreement was executed resulting in ValueHealth transferring their ownership interests in the NCH – VH Joint Venture, LLC to NueHealth, and the entity was renamed as NCH – NH Bonita JV LLC (NCH – NH). On July 1, 2024, the Hospital purchased the remaining 49% ownership of NCH – NH from NueHealth. The step acquisition resulted in a gain of approximately \$1,724,000 which is reported within the consolidated statements of operations as gain on acquisition for the year ended September 30, 2024. An independent valuation was performed which estimated the fair value of the assets and liabilities. As of September 30, 2024, the System accounted for the investment in NCH – NH under the consolidated method of accounting.

NCH – NH had a 66.67% ownership in NCH Bonita Ambulatory Surgery Center LLC (Bonita ASC). As of September 30, 2024, the System accounted for the investment in NCH – NH under the consolidated method of accounting, and NCH – NH accounted for the investment in Bonita ASC under the consolidated method of accounting. On April 30, 2025, NCH – NH purchased the remaining 33.33% noncontrolling interest in Bonita ASC. As of September 30, 2025, the System accounted for the investment in Bonita ASC under the consolidated method of accounting.

On July 1, 2021, the System entered into a joint venture with ProScan Imaging, LLC (PSI) creating ProScan NCH Imaging, LLC (PNI). PNI was created to improve and expand upon the existing radiology services provided by the System. While the System owns a 51% interest in PNI, PSI has substantive participating rights that include among other matters equal rights in appointing and removing directors and officers, approval of the operating and capital budgets, amending the bylaws, incurring debt and any other Major Decisions as defined in the LLC agreement. The System accounts for the investment in PNI under the equity method of accounting.

On December 1, 2022, the System entered into a joint venture with Encompass Health Corporation creating Encompass Health Rehabilitation Hospital of Naples, LLC. The System owns a 50% interest in Encompass Health Rehabilitation Hospital of Naples, LLC. The joint venture operates an inpatient rehabilitation hospital in Collier County. The System accounts for the investment in Encompass Health Rehabilitation Hospital of Naples, LLC under the equity method of accounting.

On October 30, 2024, the System entered into a joint venture with Hospital for Special Surgery (HSS) creating HSS-NCH Surgery Center Holdings, LLC. The System has a 51% interest in HSS-NCH Surgery Center Holdings, LLC. HSS-NCH Surgery Center Holdings' purpose is to develop and operate a "single specialty" orthopedic outpatient surgical facility, HSS @ NCH Ambulatory Surgical Center, LLC (HSS @ NCH). HSS-NCH Surgery Center Holdings, LLC has a 74% interest in HSS @ NCH. While the System owns a 51% interest in HSS-NCH Surgery Center Holdings, LLC, HSS has substantive participating rights as it has equal representation on the Board. The Board has the full, complete and exclusive authority to manage, direct and control the business, affairs and properties of the HSS-NCH Surgery Center Holdings, LLC, and to perform any and all other acts or activities customary or incident to the management of the HSS-NCH Surgery Center Holdings, LLC. The System accounts for the investment in HSS-NCH Surgery Center Holdings, LLC under the equity method of accounting.

The Parent also owns a 50% interest in Naples Physician Hospital Organization d/b/a Community Health Partners (CHP), a not-for-profit taxable entity under the laws of the state of Florida. CHP contracts with various employers and other third-party payors for the provision of healthcare services by CHP members. The investment in CHP is accounted for under the equity method of accounting.

The System maintains the legal right to appoint trustees and directors of its wholly owned subsidiaries. In addition, the System maintains the right to approve: (1) the operating and capital budgets, (2) all amendments to the bylaws and articles of incorporation, and (3) all long-term debt obligations for all of the wholly owned subsidiaries.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Basis of presentation:** These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to report on the System as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net assets and transactions into two classes of net assets—net assets without donor restrictions or net assets with donor restrictions as follows:

**Net assets without donor restrictions:** Net assets without donor restrictions represent resources generated from operations, unrestricted donations and the satisfaction or lapse of donor restrictions that are no longer subject to donor-imposed stipulations.

**Net assets with donor restrictions:** Net assets with donor restrictions are subject to donor-imposed stipulations and/or time restrictions that will eventually be met by actions of the System and/or the passage of time or have been restricted by donors to be maintained in perpetuity by the System. Generally, the donor of the net assets restricted in perpetuity permits the System to use the income earned from these assets for general or specific purposes.

A summary of the Organization's significant accounting policies follows:

**Principles of consolidation:** The consolidated financial statements include the accounts of the System. All significant intercompany amounts and transactions have been eliminated in consolidation. The entities that are part of the System are all legally separate entities.

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

**Cash and cash equivalents:** Cash and cash equivalents include investments in highly liquid debt instruments with original maturities of three months or less at date of purchase but exclude amounts whose use is limited for specific purposes and self-insurance programs or by board designation and arrangements under trust agreements.

**Investments and investment income:** Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the consolidated balance sheets. Investments are recorded as current assets when they are available for current operations. Investments that are not available for current operations as a result of contractual obligations, restrictions, designations or for other reasons are not included in current assets. Investment income or loss including unrealized and realized gains and losses on investments, interest and dividends are reported as other income in the accompanying consolidated statements of operations, unless the income or loss is restricted by donor or law in which case the amounts are classified as increases or decreases in net assets with donor restrictions in the accompanying consolidated statements of changes in net assets. Interest and dividends are recorded when earned. Realized gains and losses are recorded when the investments are sold. Unrealized gains and losses represent the change in fair value between reporting periods.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### **Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)**

The System invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, U.S. government and agency obligations, mutual funds and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

**Due from patients and others:** Accounts receivable for medical services are recorded net of implicit and explicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions and other factors. Accounts are written off when collection efforts have been exhausted.

**Concentration of credit risk:** The System's concentration of credit risk relating to accounts receivable is limited to some extent by the diversity of the number of the System's clients and payors. The System receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers and patients. The System does not believe there are significant credit risks associated with these government agencies nor any other particular payer that would subject the System to any significant credit risks in the collection of accounts receivable. Changes in general economic conditions, revenue cycle operations, payer mix, payer claim processing or federal or state governmental health care coverage could affect collection of accounts receivable, cash flows and results of operations.

In addition, financial instruments that potentially subject the System to concentrations of credit risk consists principally of cash and cash equivalents and investments. The System maintains its cash and cash equivalents with financial institutions and although at times invested amounts exceed federally insured limits, management does not believe the System is exposed to any substantial credit risk. Although investments are subject to market fluctuation, the System has an investment policy that requires a diversified portfolio be maintained. The investment portfolio is monitored on a regular basis by management and certain members of the Board of Directors in conjunction with the investment consultants.

**Inventories:** Inventories consist primarily of operating supplies and are stated at the lower of cost or net realizable value, on a first-in, first-out basis.

**Assets limited as to use:** Assets limited as to use primarily include assets required to fund claims in the System's self-insurance programs, assets set aside by the Board of Trustees primarily for capital replacement, assets held by trustee under bond indenture agreements, donor receivables, trusts held by others and assets designated or restricted for donor intentions. Amounts required to meet current liabilities of the System have been classified as current assets. The assets held by trustee under bond indenture agreements are related to the bond issue and are held by U.S. Bank Trust Company National Association. The System has received gifts of beneficial interests in trusts held by bank trustees. Under some trusts, the System is named as the beneficiary in remainder trusts held by third parties. The beneficial interest in these trusts is carried at fair value. The System has other trusts whereby it has the irrevocable right to receive the income earned on its share of the trust assets in perpetuity, but never receives the trust assets. The System reports their interest in these trusts based on their pro rata share of the fair value of the assets in the trust. The beneficial interest in the trusts is reported as assets limited as to use as trust held by others.

**Donor receivables:** Pledges to make future donations are reported at net present value generally at the time the unconditional pledge is made, net of an allowance for estimated uncollectible pledges.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Donor contributions:** Unconditional donor promises to give and contributions are reported at fair value at the time of the gift. Conditional promises to give are recognized at fair value when the conditions on which they depend are substantially met or the probability that the condition will not be met is remote. Gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations and consolidated statements of changes in net assets as net assets released from restrictions for operations or capital.

**Property and equipment:** Property and equipment are recorded at cost or if donated, at fair market value at date of donation. Property and equipment donated for operations are recorded as additions to net assets without donor restrictions. Major asset classifications and useful lives are generally based on the estimated utility of the assets and considering the American Hospital Association guidelines. Depreciation is provided over the estimated useful life of each class of depreciable assets, which range from 3 to 40 years, and is computed on the straight-line method. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed, and any resulting gain or loss is included in other income within the consolidated statements of operations.

**Leases:** The System determines whether an arrangement is a lease at the inception of the arrangement based on the terms and conditions in the contract. A contract contains a lease if there is an identified asset, and the System has the right to control the asset.

Lease right-of-use (ROU) assets represent the System's right to use an underlying asset for the lease term and a lease liability represents the System's obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at the later of the commencement date or the lease inception date based on the present value of lease payments over the lease terms. The System has elected to use the rate implicit in the lease agreement in determining the present value of lease payments unless that rate cannot be readily determined. If the rate is not implicit in the lease, the System elected the practical expedient to use the risk-free rate, using a period comparable with that of the lease term, based on the U.S. Treasury yield curve rate. Lease terms include options to extend the lease when it is reasonably certain those options will be exercised. The System has elected to not recognize assets and liabilities for leases with a lease term of 12 months or less (short-term leases). Lease payments for short-term leases are recognized as expense on a straight-line basis and any variable lease payments are recognized as expense in the period for which the obligation is incurred. The System has lease agreements with lease and non-lease components, which the System has elected to account for as a single lease component for all asset classes. In the consolidated statements of operations and changes in net assets, lease expense for lease payments is recognized on a straight-line basis over the lease term.

**Goodwill and other identifiable intangible assets:** Goodwill and other identifiable intangible assets at September 30, 2025 and 2024, was \$6,670,373 for both years, respectively, and is included in other assets on the consolidated balance sheets. The System reviews goodwill for impairment annually or sooner if indications of possible impairment are identified. The indefinite-lived intangible assets are initially measured at fair value. The indefinite-lived intangible assets are evaluated for impairment at each annual reporting period and if events or circumstances indicate that the assets may be impaired. No goodwill or intangible asset impairment was recognized during the years ended September 30, 2025 and 2024.

**Debt issue costs:** Debt issue costs are amortized over the life of the related bonds using the effective interest method and are reported net of long-term debt in the consolidated balance sheets.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

**Estimated self-insurance liabilities:** The liability for estimated self-insured medical malpractice claims, workers' compensation claims, certain property claims and health and dental claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. Health and dental claim liabilities are included with accrued expenses. The liability for medical malpractice claims, workers' compensation claims and certain property claims have been actuarially determined.

**Other revenue:** The System's other revenue consists of revenue associated with cafeteria sales, rental income, pharmacy activities, and government grant funding. Revenues are recognized when the performance obligations identified within the individual contracts are satisfied and collections can be reasonably assured.

**Operating and nonoperating income (loss):** The consolidated statements of operations include an intermediate measure of operations, operating loss, which represents activities directly associated with the furtherance of the System's mission. Nonoperating activities that result in gains or losses peripheral to the System's primary mission are reflected as other income (loss). Other income (loss) activities include investment income, gains/losses on disposal of property and equipment, and gain on acquisition.

**Excess of revenues over expenses:** The consolidated statements of operations include excess of revenues over expenses, which is the System's performance indicator. Changes in net assets without donor restrictions include assets released from donor restrictions for capital in accordance with stipulations of a gift.

**Patient service revenue:** The System reports patient service revenue at the amount that reflects the consideration to which the System expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs) and others and includes variable consideration for retroactive adjustments due to settlement of audits and reviews. Revenue is recognized as performance obligations are satisfied.

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

As the System's performance obligations relate to contracts with a duration of less than one year, the System has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The System determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and/or implicit price concessions. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts expected to be collected based on the System's collection history with similar classes of patients. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended September 30, 2025 and 2024 was \$444,920 and \$308,236, respectively, and is included in supplies and other expenses in the consolidated statements of operations.

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

**Charity care:** The System provides care without charge or at amounts less than its established rates to patients who meet specific criteria under the State's charity care guidelines. Because the System does not pursue collection of accounts determined to qualify as charity care, these amounts are not reported as patient service revenue.

**Income taxes:** The System and all of its not-for-profit subsidiaries are exempt from federal income taxes on related income under Section 501(a) of the Internal Revenue Code (the Code). The System and all of its not-for-profit subsidiaries do not have significant unrelated business income; however, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. The System's for-profit subsidiaries are subject to income tax. The Captive is not subject to income taxes as no income taxes are levied in the Cayman Islands. The income tax expense was approximately \$0 for fiscal year 2024 and 2025. The System's practice is to recognize interest and/or penalties related to income tax matters as income tax expense in the consolidated statements of operations under supplies and other expenses. The System is generally no longer subject to tax examinations in the major U.S. taxing jurisdictions in which they operate for tax years prior to 2021.

**Fair value measurements:** The System follows the authoritative guidance for fair value measurements and the fair value option for financial assets and financial liabilities. The guidance for the fair value option for financial assets and financial liabilities provides companies the irrevocable option to measure many financial assets and liabilities at fair value on their acquisition or commitment date, with changes in fair value recognized in earnings. The System has not elected to measure any financial assets or liabilities at fair value that were not previously required to be measured at fair value.

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the System. Unobservable inputs are inputs that reflect the System's assumptions about the factors market participants would use in valuing the asset or liability.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1:** Includes financial instruments for which quoted market prices for identical instruments that are available in active markets. Level 1 assets consist of foreign and domestic equities and equity funds as they are traded in an active market with sufficient volume and frequency of transactions.
- Level 2:** Includes financial instruments for which there are inputs other than quoted prices included within Level 1 that are observable for the instrument such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets with insufficient volume or infrequent transactions (less active markets) or model-driven valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data, including market interest rate curves, referenced credit spreads and pre-payment rates. Level 2 assets and liabilities consist of money market funds, U.S. government and agency securities, mortgage-backed securities, corporate bonds, fixed income funds and foreign and domestic equities and equity funds.
- Level 3:** Includes financial instruments for which fair value is derived from valuation techniques including pricing models and discounted cash flow models in which one or more significant inputs are unobservable, including the System's own assumptions. The pricing models incorporate transaction details such as contractual terms, maturity and, in certain instances, timing and amount of future cash flows, as well as assumptions related to liquidity and credit valuation adjustments of marketplace participants. As it relates to Level 3 assets, the System reports their interest in perpetual trusts based on their pro rata share of the fair value of the assets in the trust. In addition, the fair value of the charitable remainder trusts is recorded at the discounted cash flow of the expected payment streams.

**Recent accounting pronouncements:** In August 2023, the FASB issued Accounting Standards Update (ASU) 2023-05, *Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*, which requires that a joint venture, upon formation, apply a new basis of accounting. The amendments in this ASU are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. The System will assess the impact of the new guidance on its consolidated financial statements upon entering into a new joint venture.

#### Note 2. Third-Party Payors

The System has agreements with third-party payors that provide for payment to the System at amounts different from its established rates. A summary of the basis of payments from the System's primary third-party payors follows:

**Medicare:** Most inpatient acute and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.

Certain Medicare services are paid under a cost reimbursement methodology. The System's Medicare cost reports have been filed for all years through September 30, 2024, and have been audited by the Medicare intermediary for all years through September 30, 2019. Retroactive adjustments for cost report settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Third-Party Payors (Continued)

**Medicaid:** Florida Inpatient Medicaid services are paid at prospectively determined rates based on All Patient Refined Diagnostic Related Groups methodology (APR DRG). Payments under APR DRG assignment are made on a per case basis and are not subject to retrospective rate adjustments. Florida Medicaid Outpatient services are paid at prospectively determined rates based on Enhanced Ambulatory Payment Group (EAPG) methodology.

The Florida Medicaid Program provides additional funding through the Low-Income Pool program which is intended to cover costs related to providing services to low income or uninsured patients. The System's Medicaid cost report review for low income pool has been completed through September 30, 2022.

Laws and regulations governing the Medicare and Medicaid Programs are complex and subject to interpretation. The System believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to audits, claims, inquiries and investigations from government authorities and agencies that occur in the ordinary course of business. Current audits, claims, inquiries and investigations and their ultimate resolutions, individually or in the aggregate, are not expected to have a material adverse effect on the System's business, financial condition, results of operations or cash flows. The System's classification of patients and the appropriateness of their care are subject to review by the fiscal intermediaries administering the Medicare and Medicaid programs.

**Other:** The System has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the System under these arrangements includes prospectively determined rates per discharge, per diem, discounts from established charges, and prospectively determined rates per procedure for outpatient services. Some of these arrangements provide for review of paid claims for compliance with the terms of the contract and can result in retroactive settlement with third parties. Any retroactive adjustments for other third-party claims are recorded in the period when final settlement is determined.

For the years ended September 30, 2025 and 2024, changes in estimated transaction price for performance obligations satisfied in prior years increased patient service revenue by approximately \$3,637,000 and \$7,694,000, respectively.

In 2019, a class action lawsuit that the Hospital is party to was made against U.S. Department of Health and Human Services (HHS). The lawsuit was brought as a result of CMS underpayments to Hospitals under the Disproportionate Share Program (DSH). The underpayments were a result of CMS exclusion of patient days eligible under Section 1115 Medicaid Demonstration Waivers. In 2022, the U.S. District Court ruled in the class's favor, and the decision was upheld by the U.S. District Court. As a result, CMS was required to recalculate the Hospital's DSH adjustments for the cost report periods impacted. The hospital has been paid for the years 2007, 2008 and 2016. Payment is pending for fiscal year 2011. The Hospital has updated the estimated underpayment from \$47,563,000 to \$45,784,000 for closed cost report periods from 2009 to 2014. The change in estimated underpayment of \$1,779,000 is recorded in patient service revenue during the year ended September 30, 2025. The net reimbursement estimated at \$35,100,000, which was recorded within estimated third-party payor receivable in the consolidated balance sheets for the year ended September 30, 2024 was decreased to \$31,300,000 during the year ended September 30, 2025. This was based on a reduction for fiscal year 2017 and completed audits of fiscal year 2007 through fiscal year 2011.

The Hospital has submitted inpatient listings for all remaining cost report years and those are currently being reviewed by the Medicare Administrative Contractor (MAC).

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 2. Third-Party Payors (Continued)

**Supplemental Payment Programs:** The System participates in a Medicaid supplemental program that is intended to cover costs of providing care to Medicaid HMO enrollees. The Hospital Directed Payment Program (DPP) is administered by region within the State of Florida. DPP payments are funded through the Medicaid Managed Care Plans (MCO) and provide funding for both inpatient and outpatient services based upon utilization for each MCO. The funding is a combination of Intergovernmental Transfers (IGTs) and federal dollars and must be authorized by CMS on an annual basis. The System recorded a receivable for DPP, Low Income Pool (LIP) and Graduate Medical Education (GME) of \$57,608,079 and \$34,237,000 in connection with these programs as of September 30, 2025 and 2024, respectively. The revenue associated with these programs is recorded within patient service revenue and approximated \$55,955,000 and \$32,400,000 for the years ended September 30, 2025 and 2024, respectively. Taxes and other program related costs, totaling approximately \$24,948,000 and \$14,941,000 for the years ended September 30, 2025 and 2024, respectively, are reflected within supplies and other expenses in the consolidated statements of operations. During the years ended September 30, 2025 and 2024, the System has made payments of approximately \$14,844,000 and \$8,132,000 with the remaining \$25,377,000 and \$15,273,000 in accrued expenses within the consolidated balance sheets. As of the date of these consolidated financial statements, the System is pending to receive Year 5 payments associated with these programs and the Year 4 payments have been fully collected.

#### Note 3. Patient Service Revenue and Due From Patients and Others

The composition of patient service revenue based on payor source for the years ended September 30, are as follows:

|                                     | 2025                  | 2024                  |
|-------------------------------------|-----------------------|-----------------------|
| Medicare and Medicaid including HMO | \$ 564,308,777        | \$ 543,408,665        |
| Commercial, Self Pay and other      | 400,701,715           | 338,800,999           |
| Patient service revenue             | <u>\$ 965,010,492</u> | <u>\$ 882,209,664</u> |

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment as well as emergency care. Physician revenue includes services primarily focused on the care of outpatients covering primary and specialty healthcare needs. The composition of patient service revenue based on services for the years ended September 30, are as follows:

|                         | 2025                  | 2024                  |
|-------------------------|-----------------------|-----------------------|
| Inpatient               | \$ 527,620,306        | \$ 490,330,047        |
| Outpatient              | 336,692,145           | 296,222,176           |
| Physician               | 100,698,041           | 95,657,441            |
| Patient service revenue | <u>\$ 965,010,492</u> | <u>\$ 882,209,664</u> |

**NCH Healthcare System, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 4. Uncompensated Care**

Uncompensated care represents either charges foregone or charges in excess of payment received for services provided to patients who are not covered under contracts with third-party payors. The major components of uncompensated care are categorized as charity, welfare and bad debts.

Charity care represents services and supplies furnished at no charge to patients who have qualified under the income criteria promulgated by the state of Florida. Patients who would otherwise be deemed as charity care can sometimes qualify under the Collier County Welfare Program. Payments under the County Welfare Program are limited by the amount appropriated by the County.

Uncompensated care for the years ended September 30, was as follows:

|   | 2025                  | 2024                  |
|---|-----------------------|-----------------------|
| Charity care – charges foregone, based on established rates               | \$ 110,515,018        | \$ 106,534,798        |
| Welfare – difference between established rates and reimbursement received | 47,824                | 286,914               |
| Total charity care and welfare  | 110,562,842           | 106,821,712           |
| Implicit price concession   | 105,638,988           | 117,925,947           |
| Bad debts – charges deemed uncollectible                                  | 444,920               | 308,237               |
| Total uncompensated care  | <u>\$ 216,646,750</u> | <u>\$ 225,055,896</u> |
| Estimated cost of providing uncompensated care                            | <u>\$ 49,608,177</u>  | <u>\$ 53,117,289</u>  |

The System applied adjusted expenses as a percent of revenues to the charity, welfare and bad debt charges written off to determine an estimated cost of uncompensated care.

**Note 5. Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at September 30:

|   | 2025                  | 2024                  |
|---|-----------------------|-----------------------|
| Health care services:                           |                       |                       |
| Building construction and purchase of equipment | \$ 159,550,785        | \$ 116,638,802        |
| Clinical  | 62,221,626            | 54,595,010            |
| Education                                       | 6,261,069             | 3,993,123             |
| Indigent  | 1,221,115             | 1,213,989             |
| Donor restricted endowment—historical cost:     |                       |                       |
| Clinical  | 26,084,539            | 22,470,714            |
| Education                                       | 1,529,372             | 1,529,372             |
| Indigent  | 1,855,271             | 1,855,271             |
| Trust held by others:                           |                       |                       |
| Building construction and purchase of equipment | 254,916               | 252,080               |
| Clinical  | 6,908,983             | 6,351,073             |
|   | <u>\$ 265,887,676</u> | <u>\$ 208,899,434</u> |

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Net Assets with Donor Restrictions (Continued)

At September 30, outstanding pledges from various corporations, foundations and individuals, included in donor receivables as assets limited as to use, were as follows:

|                                       | 2025                  | 2024                 |
|---------------------------------------|-----------------------|----------------------|
| Amounts due:                          |                       |                      |
| Within one year                       | \$ 22,577,879         | \$ 25,446,855        |
| In one to five years                  | 62,322,787            | 44,682,434           |
| In six to eight years                 | 27,892,167            | 27,244,370           |
| Over eight years                      | 9,111,792             | 6,728,190            |
|                                       | <u>121,904,625</u>    | <u>104,101,849</u>   |
| Less:                                 |                       |                      |
| Discounts for the time value of money | (12,754,536)          | (10,230,493)         |
|                                       | <u>\$ 109,150,089</u> | <u>\$ 93,871,356</u> |

Estimated cash flows from pledge receivables due after one year are discounted using a risk-adjusted rate and established in the year the pledge is received.

The System has not recognized as assets approximately \$35,844,000 and \$36,006,000 of conditional pledges to give related to the expansion of existing programs and facilities as of September 30, 2025 and 2024. Conditional pledges vary in nature and may include commitments contingent upon factors such as launching new programs, completing capital projects, or securing matching gifts. There are no group of promises to give that have similar conditional characteristics.

The System operates under the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). The FUPMIFA defines an endowment fund as an institutional fund, or any part thereof, not wholly expendable by the institution on a current basis under the terms of the applicable gift instrument. The System's interpretation of its fiduciary responsibilities for donor restricted endowments under FUPMIFA is that it is required to use reasonable care and caution as would be exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the System may expend so much of an endowment fund as the System determines to be prudent for the uses and purposes of which the endowment fund is established, consistent with the goal of conserving the long-term purchasing power of the endowment fund.

The System considers the following in expenditure decisions for its endowment funds:

- The program needs of the System
- The intent of the donors of the endowment fund
- The terms of the applicable instrument
- General economic conditions
- The possible effects of inflation or deflation
- The expected total return from income and the appreciation of investments
- Perpetuation of the endowment
- The other resources of the System

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 5. Net Assets with Donor Restrictions (Continued)

The System classifies amounts in its donor-restricted endowment funds as net assets with donor restriction because those net assets are time restricted until the Finance Committee of the Board of Trustees appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restriction. The Finance Committee of the Board of Trustees of the System has interpreted FUPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the System considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The System has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measure required under law.

The System's endowment investment policies are directed by the Finance Committee of the Board of Trustees. The System's policies establish a moderate risk posture with respect to both time and risk preference. These risk postures are developed to provide consistent return patterns over a moderate time horizon and are consistent with conserving the purchasing power of its endowment funds. Strategies employed for achieving the System's investment objectives include passively and actively managed funds invested in domestic and global equities, domestic and global fixed income, absolute return and real assets.

**Spending policy and how the investment objectives relate to spending policy:** The System has a policy of appropriating for distribution each year up to 6% of its endowment fund's average market value over the prior three years. Appropriation of donor restricted endowment earnings is allocated in proportion to the total investment portfolio. In establishing this policy, the System considered the long-term expected return on its endowment. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the years ended September 30, 2025 and 2024, consisted of the following:

|   |                             |
|---|-----------------------------|
| Endowment net assets at October 1, 2023           | \$ 27,645,746               |
| Investment income, net                            | 7,972,671                   |
| Gifts   | 8,690,857                   |
| Appropriation of endowment assets for expenditure | <u>(629,544)</u>            |
| Endowment net assets at September 30, 2024        | 43,679,730                  |
| Investment income, net                            | 5,817,983                   |
| Gifts   | 6,891,458                   |
| Appropriation of endowment assets for expenditure | <u>(4,710,484)</u>          |
| Endowment net assets at September 30, 2025        | <u><u>\$ 51,678,687</u></u> |

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 5. Net Assets with Donor Restrictions (Continued)

For the years ended September 30, 2025 and 2024, net assets were released from donor restrictions by satisfying the time restriction or incurring operating expenses satisfying the restricted purposes in the amounts of approximately \$7,211,000 and \$3,476,000, respectively. For the years ended September 30, 2025 and 2024, net assets were released from donor restrictions used for purchase of property and equipment in the amounts of approximately \$29,493,000 and \$21,952,000, respectively.

#### Note 6. Liquidity and Availability

The System regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The following table summarizes the System's financial assets available for general expenditure and endowment grant obligations within one year after September 30:

|   | 2025                  | 2024                  |
|---|-----------------------|-----------------------|
| Financial assets:   |                       |                       |
| Cash and cash equivalents   | \$ 60,164,807         | \$ 32,407,746         |
| Investments   | 16,573,492            | 15,445,177            |
| Estimated third-party payor receivable                                  | 87,444,836            | 69,594,741            |
| Board-designated assets   | 209,297,763           | 249,516,673           |
| Due from patients and others, net                                       | 118,889,038           | 104,864,489           |
| Self-insurance fund   | 23,291,680            | 23,127,068            |
| Donor receivables   | 109,150,089           | 93,871,356            |
| Trusts held by others   | 7,163,899             | 6,603,153             |
| Assets designated or restricted for donor intentions                    | 153,911,193           | 95,489,087            |
| Assets held by trustee under bond indentures                            | 32,013,895            | 111,593,938           |
| Other receivables included in other assets                              | 6,104,867             | 4,692,315             |
| Total financial assets  | <u>824,005,559</u>    | <u>807,205,743</u>    |
| Less amounts not available to be used within one year:                  |                       |                       |
| Board designated investments  | (209,297,763)         | (249,516,673)         |
| Investments   | (12,803,677)          | (11,452,960)          |
| Self-insurance fund   | (23,291,680)          | (23,127,068)          |
| Assets designated or restricted for donor intentions                    | (153,911,193)         | (95,489,087)          |
| Assets held by trustee under bond indentures                            | (32,013,895)          | (111,593,938)         |
| Donor receivables due over one year                                     | (86,572,210)          | (68,424,501)          |
| Trusts held by others due over one year                                 | (7,163,899)           | (6,603,153)           |
| Total financial assets not available to be used within one year         | <u>(525,054,317)</u>  | <u>(566,207,380)</u>  |
| Financial assets available to meet general expenditures within one year | <u>\$ 298,951,242</u> | <u>\$ 240,998,363</u> |

Board-designated investments could be sold to meet the System's operating needs and other contractual commitments.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7. Assets Limited as to Use and Investments

The composition of assets limited as to use and investments stated at fair value at September 30, are set forth in the following table:

|  | 2025                  | 2024                  |
|--|-----------------------|-----------------------|
| Assets limited as to use and investments:      |                       |                       |
| Cash and cash equivalents                      | \$ 89,132,926         | \$ 68,047,726         |
| Money market funds                             | 37,456,994            | 49,627,941            |
| U.S. government and agency securities          | 24,175,950            | 91,952,338            |
| Mortgage-backed securities                     | 19,049,231            | 21,400,241            |
| Corporate bonds                                | 12,274,109            | 13,915,078            |
| Fixed income funds                             | 26,420,190            | 25,448,940            |
| Equities and equity funds – domestic           | 164,997,121           | 152,063,183           |
| Equities and equity funds – foreign            | 54,220,819            | 67,022,642            |
| Self-insurance receivables                     | 7,360,683             | 5,693,854             |
| Donor receivables                              | 109,150,089           | 93,871,356            |
| Trusts held by others                          | 7,163,899             | 6,603,153             |
| Total assets limited as to use and investments | <u>\$ 551,402,011</u> | <u>\$ 595,646,452</u> |

Investment income and gains from unrestricted cash, assets limited as to use, and investments, excluding earnings reported in net assets with donor restrictions, are comprised of the following for the years ended September 30:

|                                     | 2025                 | 2024                 |
|-------------------------------------|----------------------|----------------------|
| Investment income, net              | \$ 11,517,810        | \$ 21,943,623        |
| Net change in unrealized gains, net | 17,094,798           | 26,135,263           |
| Net realized gains                  | 957,057              | 18,939,784           |
| Total investment income             | <u>\$ 29,569,665</u> | <u>\$ 67,018,670</u> |

Investment expenses are recorded as reductions to investment income and realized gains.

The fair value of debt securities classified by contractual maturity, as of September 30, 2025, are as follows:

|  | Amortized Cost       | Fair Value           |
|--|----------------------|----------------------|
| Due within one year                    | \$ 1,959,389         | \$ 1,994,680         |
| Due after one year through three years | 13,904,752           | 14,206,167           |
| Due after three years                  | 19,924,480           | 20,249,212           |
| Mortgage-backed securities             | 18,758,083           | 19,049,231           |
|  | <u>\$ 54,546,704</u> | <u>\$ 55,499,290</u> |

Expected maturities will differ from contractual maturities because the issuers of certain debt securities do have the right to call or prepay their obligations without any penalties.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 7. Assets Limited as to Use and Investments (Continued)

The System follows the authoritative guidance for fair value measurements as defined in Note 1 and the following tables present the System's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis at September 30, 2025 and 2024:

|                                       | 2025                  |                       |                     |                       |
|---------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|
|                                       | Level 1               | Level 2               | Level 3             | Total                 |
| Assets:                               |                       |                       |                     |                       |
| Money market funds                    | \$ -                  | \$ 37,456,994         | \$ -                | \$ 37,456,994         |
| U.S. government and agency securities | -                     | 24,175,950            | -                   | 24,175,950            |
| Mortgage-backed securities            | -                     | 19,049,231            | -                   | 19,049,231            |
| Corporate bonds                       | -                     | 12,274,109            | -                   | 12,274,109            |
| Fixed income funds                    | -                     | 26,420,190            | -                   | 26,420,190            |
| Equities and equity funds – domestic  | 149,020,808           | 15,976,313            | -                   | 164,997,121           |
| Equities and equity funds – foreign   | 53,046,078            | 1,174,741             | -                   | 54,220,819            |
|                                       | <u>202,066,886</u>    | <u>136,527,528</u>    | -                   | <u>338,594,414</u>    |
| Trusts held by others                 | -                     | -                     | 7,163,899           | 7,163,899             |
| Total assets at fair value            | <u>\$ 202,066,886</u> | <u>\$ 136,527,528</u> | <u>\$ 7,163,899</u> | <u>\$ 345,758,313</u> |
| Cash and cash equivalents             |                       |                       |                     | 89,132,926            |
|                                       |                       |                       |                     | <u>\$ 434,891,239</u> |

|                                       | 2024                  |                       |                     |                       |
|---------------------------------------|-----------------------|-----------------------|---------------------|-----------------------|
|                                       | Level 1               | Level 2               | Level 3             | Total                 |
| Assets:                               |                       |                       |                     |                       |
| Money market funds                    | \$ -                  | \$ 49,627,941         | \$ -                | \$ 49,627,941         |
| U.S. government and agency securities | -                     | 91,952,338            | -                   | 91,952,338            |
| Mortgage-backed securities            | -                     | 21,400,241            | -                   | 21,400,241            |
| Corporate bonds                       | -                     | 13,915,078            | -                   | 13,915,078            |
| Fixed income funds                    | -                     | 25,448,940            | -                   | 25,448,940            |
| Equities and equity funds – domestic  | 135,506,695           | 16,556,488            | -                   | 152,063,183           |
| Equities and equity funds – foreign   | 51,709,986            | 15,312,656            | -                   | 67,022,642            |
|                                       | <u>187,216,681</u>    | <u>234,213,682</u>    | -                   | <u>421,430,363</u>    |
| Trusts held by others                 | -                     | -                     | 6,603,153           | 6,603,153             |
| Total assets at fair value            | <u>\$ 187,216,681</u> | <u>\$ 234,213,682</u> | <u>\$ 6,603,153</u> | <u>\$ 428,033,516</u> |
| Cash and cash equivalents             |                       |                       |                     | 68,047,726            |
|                                       |                       |                       |                     | <u>\$ 496,081,242</u> |

The following table is a rollforward of the consolidated balance sheet amounts for financial instruments classified by the System within Level 3 of the valuation hierarchy as defined in Note 1:

|   | Trusts Held<br>by Others |
|---|--------------------------|
| Fair value October 1, 2023                    | \$ 6,277,866             |
| Change in fair value of trusts held by others | 1,013,112                |
| Distributions                                 | (687,825)                |
| Fair value September 30, 2024                 | 6,603,153                |
| Change in fair value of trusts held by others | 560,746                  |
| Fair value September 30, 2025                 | <u>\$ 7,163,899</u>      |

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 8. Property and Equipment

Property and equipment and accumulated depreciation and amortization consists of the following at September 30:

|  | 2025                  | 2024                  |
|--|-----------------------|-----------------------|
| Land   | \$ 41,583,870         | \$ 37,299,095         |
| Land improvements                              | 8,125,247             | 8,168,081             |
| Buildings                                      | 682,471,140           | 549,825,798           |
| Fixed equipment                                | 69,795,380            | 66,334,640            |
| Movable equipment                              | 455,691,803           | 413,233,174           |
| Leasehold improvements                         | 22,678,156            | 18,947,883            |
| Facilities expansion in progress               | 70,720,978            | 118,817,926           |
|  | <u>1,351,066,574</u>  | <u>1,212,626,597</u>  |
| Less accumulated depreciation and amortization | <u>(729,301,562)</u>  | <u>(690,927,733)</u>  |
|  | <u>\$ 621,765,012</u> | <u>\$ 521,698,864</u> |

The facilities expansion in progress at September 30, 2025, included the construction costs of various projects, which management estimates will cost an additional approximate amount of \$186,570,000 to complete during 2026. The System funds these construction projects through operations and contributions.

**Impairment:** Long-lived assets are tested for impairment based on undiscounted cash flows and, if impaired, written down to fair value based on either discounted cash flows or market values. To date, management has determined that no impairment of long-lived assets is required.

#### Note 9. Long-Term Debt

The System was obligated under long-term debt as follows at September 30:

|   | 2025          | 2024          |
|---|---------------|---------------|
| Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2020 (payable by the Hospital under an agreement with Collier County) with all series bond interest paid semi-annually at 1.64%. The bond issue consists of the following: \$1,460,000 series bond due October 2025. \$1,510,000 series bond due October 2026. \$5,465,000 series bond due October 2027. \$5,665,000 series bond due October 2028. \$5,875,000 series bond due October 2029 and \$28,520,000 series bonds due from October 2030 through October 2035. | \$ 48,495,000 | \$ 49,905,000 |
| Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2021 (payable by the Hospital under an agreement with Collier County) with all series bond interest paid semi-annually at 1.80%. The bond issue consists of the following: \$5,278,000 series bond due October 2025. \$5,354,000 series bond due October 2026. \$1,526,000 series bond due October 2027. \$1,451,000 series bond due October 2028. \$1,368,000 series bond due October 2029 and \$51,578,000 bond series due from October 2030 through October 2039.  | 66,555,000    | 71,758,000    |
| Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2024A (Fixed Mode) (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 5.00%. The bond issue consists of the following: \$92,710,000 series bond due from October 2040 through October 2054.   | 92,710,000    | 92,710,000    |

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 9. Long-Term Debt (Continued)

|  |                |                |
|--|----------------|----------------|
| Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2024B-1 (Term Mode) (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 5.00%. The bond issue consists of the following: \$30,000,000 series bond due from October 2040 through October 2054. | \$ 30,000,000  | \$ 30,000,000  |
| Collier County Industrial Development Authority Healthcare Facilities Revenue Bonds, Series 2024B-2 (Term Mode) (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 5.00%. The bond issue consists of the following: \$35,000,000 series bond due from October 2040 through October 2054. | 35,000,000     | 35,000,000     |
| Collier County Industrial Development Authority Taxable Healthcare Facilities Revenue Bonds, Series 2024C (Fixed Mode) (payable by the Hospital under an agreement with Collier County) with interest paid semi-annually at 5.249%. The bond issue consists of the following: \$42,290,000 series bond due October 2026.                   | 42,290,000     | 42,290,000     |
| Notes Payable in amounts between \$63,499 and \$1,300,000 with interest rates between 6.64% and 8.25%. Loan balances are due at various due dates between July 2026 and May 2031   | 2,380,315      | 2,492,905      |
| Total long-term debt   | 317,430,315    | 324,155,905    |
| Less:  |                |                |
| Unamortized debt issuance costs  | (2,365,188)    | (2,645,822)    |
| Unamortized debt premium   | 12,412,693     | 13,278,803     |
| Current maturities   | (8,536,251)    | (8,383,571)    |
|  | \$ 318,941,569 | \$ 326,405,315 |

On March 23, 2020, the Collier County Industrial Development Authority (the Authority) authorized the issuance of up to \$50,000,000 of its Healthcare Facilities Revenue Bond, Series 2020 (the 2020 Bonds) by the Authority on behalf of the Hospital. The purchaser of the 2020 Bonds is DNT Asset Trust, a Delaware statutory trust and wholly owned subsidiary of JP Morgan Chase Bank, N.A., its successors, assigns and transferees (the Purchaser). Pursuant to a financing agreement between the Hospital and the Purchaser, the Hospital is authorized to request, and the Purchaser is required to make, advances on this loan of up to a total of \$50,000,000. Such advances were completed by February 15, 2022. The Hospital pays interest only on the amount of the advances that have been made. The proceeds of the 2020 Bonds are to be used to finance the construction and equipping of various capital improvements to the Hospital's facilities and finance costs associated with the issuance of the 2020 Bond.

On March 30, 2021, the Authority issued Healthcare Facilities Revenue Bond, Series 2021 Bonds (2021 Bond) in the amount of \$90,767,000. The proceeds of the loan were used by the Hospital to pay the redemption price in order to redeem in full as of April 1, 2021, all of the remaining outstanding Series 2011 Bonds previously issued by the Issuer on behalf of the Hospital.

On March 20, 2024, the Authority issued Healthcare Facilities Revenue Bonds, Series 2024A (Fixed Mode) in the amount of \$92,710,000. The proceeds of the loan will be used to fund the construction and equipping of various capital improvements to the Hospital's facilities and finance costs associated with the issuance of the 2024A Bond.

On March 20, 2024, the Authority issued Healthcare Facilities Revenue Bonds, Series 2024B-1 and Series 2024B-2 (Term Mode) in the amount of \$30,000,000 and \$35,000,000, respectively. The proceeds of the loan will be used to fund the construction and equipping of various capital improvements to the Hospital's facilities and finance costs associated with the issuance of the 2024B Bond.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9. Long-Term Debt (Continued)

On March 20, 2024, the Authority issued Healthcare Facilities Revenue Bonds, Series 2024C (Fixed Mode) in the amount of \$42,290,000. The proceeds of the loan were used to fund the HSS Orthopedic Center and the NCH Heart, Vascular and Stroke Institute, finance the construction and equipping of various capital improvements to the Hospital's facilities, and finance costs with the issuance of the 2024C Bond.

The System intends to issue Series 2026A Revenue Bonds in 2026 to refund a portion of the outstanding Series 2024C Revenue Bonds, which have a remaining principal balance of \$42,290,000. The purpose of the refunding is to fund capital improvements to the System's health care facilities. As of the date these financial statements were issued, the refunding transaction has not yet occurred; therefore, no amounts related to the new bonds are reflected in the accompanying consolidated financial statements.

**Obligated group and other requirements:** The 2020, 2021 and 2024 bonds are subject to an Amended and Restated Master Trust Indenture dated as of March 1, 2024, with U.S. Bank Trust Company, National Association, as master trustee, as amended and supplemented from time to time (Master Indenture). Naples Community Hospital, Inc., as Obligated Group Representative, NCH Healthcare System, Inc. (NCH) and NCHMD, Inc. are currently the sole members of the Obligated Group. As security for the performance of its agreements contained in the Master Indenture and to secure Obligations issued pursuant to the Master Indenture, under the terms of the Master Indenture, the Obligated Group has pledged: (i) all of the Obligated Group's revenues, accounts, bank accounts, general intangibles, contract rights and related rights; and (ii) all proceeds, cash proceeds, cash equivalents, products, replacements, additions and improvements to substitutions for, and accessions of any and all property described in the foregoing (i), as more particularly described in Section 2.7 of the Master Indenture. In addition, pursuant to loan agreements related to the 2024 bonds, solely for the benefit of the holders of the applicable 2024 bonds, NCH has granted a security interest in certain money and securities held in the funds and accounts created under the bond trust indentures for the 2024 bonds. There are conditions and covenants required by the Master Indenture with which the Obligated Group must comply, including covenants that provide the maintenance of certain financial ratios, conditions for issuance of additional indebtedness and the transferability of funds. In addition, the Obligated Group is required to comply with certain other reporting and financial covenants pursuant to debt instruments related to the 2020 bonds and the 2021 bonds.

The aggregate principal maturities on long-term debt based on the debt outstanding as of September 30, 2025, in each of the next five years and thereafter are as follows:

|                            |                       |
|----------------------------|-----------------------|
| Years ending September 30: |                       |
| 2026                       | \$ 8,536,251          |
| 2027                       | 49,282,620            |
| 2028                       | 7,128,478             |
| 2029                       | 7,262,946             |
| 2030                       | 7,405,944             |
| Thereafter                 | 237,814,076           |
|                            | <u>\$ 317,430,315</u> |

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 9. Long-Term Debt (Continued)

As disclosed in Note 1, the System owns a 50% interest in Encompass Health Rehabilitation Hospital of Naples (Encompass or Borrower). Encompass obtained an unsecured term loan totaling \$20,000,000 on April 5, 2023. The loan bears interest at a fixed rate per annum of 5.50% and amortizes quarterly from June 2024 through March 2030, with a balloon payment of \$10,400,000 due on April 5, 2030. For no consideration, the System agreed to guaranty 50% of the loan on behalf of Encompass to enable it to obtain a more favorable interest rate.

As disclosed in Note 1, the System owns a 51% interest in HSS-NCH Surgery Center Holdings, LLC which has a 74% interest in HSS @ NCH Ambulatory Surgical Center, LLC (HSS @ NCH or Borrower). HSS @ NCH obtained an unsecured term loan totaling \$21,000,000 on March 12, 2025. The loan bears interest at a fixed rate per annum of 5.01% with monthly payments through February 2032, and a final payment of \$15,197,799 on March 1, 2032. In addition to enabling HSS @ NCH to obtain a more favorable interest rate, pursuant to the Guaranty Fee Agreement HSS @ NCH will pay the System an annual fee based on the outstanding balance on the term loan for a 51% guaranty.

For both guaranties the System can be required to perform only in the event of nonpayment of the debt by the Borrowers. Management evaluates the System's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary. No accruals were deemed necessary for the years ending September 30, 2025 and 2024, respectively. The System has recourse only to the general credit of the Borrowers should the System be required to perform under the guaranties, and only at such time that the term loan is paid in full. The guaranties are not secured by a master note under the Master Indenture but are considered long-term debt and balloon debt under the Master Indenture. In addition, the Borrowers are required to comply with certain reporting and financial covenants pursuant to the term loans.

#### Note 10. Self-Insured Claims

The System is self-insured for its professional liability, workers' compensation, certain property and employee health programs.

For 2025 and 2024 professional liability, respectively, the System had a \$5,000,000 per claim self-insured retention. To pay claims in excess of the self-insured retention, the System purchased an excess professional liability policy (claims-made basis).

Losses from asserted claims and from unasserted claims identified under the System's incident reporting system are accrued based on estimates that incorporate the System's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors and incidents that may have occurred but that have not been identified under the incident reporting system. Total expenses under this program were \$15,747,822 and \$15,695,258 during the years ended September 30, 2025 and 2024, respectively, and are included in supplies and other expenses in the consolidated statements of operations. As of September 30, 2025 and 2024, the System had accrued \$35,496,725 and \$32,379,222, respectively, which, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported. The accrued professional liability has been discounted at a rate of 3.5% in both 2025 and 2024. The discount on the accrual for professional liability was approximately \$1,697,000 and \$1,675,000 at September 30, 2025 and 2024, respectively. The System has recorded approximately \$6,003,000 and \$4,692,000 at September 30, 2025 and 2024, respectively, of estimated professional liability insurance recoveries which is included in the self-insurance fund in assets limited as to use on the accompanying consolidated balance sheets.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 10. Self-Insured Claims (Continued)

For 2025 and 2024 workers' compensation, the System had a \$500,000 per claim self-insured retention. To pay claims in excess of its self-insured retention, the System purchased an excess liability policy (occurrence-basis). As of September 30, 2025 and 2024, the System had accrued \$2,713,332 and \$2,712,590, respectively, which, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported. Total expenses under this program were \$2,436,615 and \$2,081,806 during the years ended September 30, 2025 and 2024, respectively, and are included in supplies and other expenses in the consolidated statements of operations. The accrued workers' compensation liability has been discounted at a rate of 3.5% in both 2025 and 2024. The discount on the accrued workers' compensation liability was approximately \$99,000 and \$116,000 at September 30, 2025 and 2024, respectively. The System has recorded \$1,342,848 and \$1,001,494 for September 30, 2025 and 2024, respectively, of estimated workers' compensation insurance recoveries which is included in the self-insurance fund in assets limited as to use on the accompanying consolidated balance sheets.

For 2025 and 2024, employee health coverage, the System had a \$600,000 per claim self-insured retention. The plan calls for an unlimited lifetime maximum benefit per covered life. As of September 30, 2025 and 2024, the System had accrued approximately \$10,124,000 and \$8,259,000, respectively, based on historical experience, which is sufficient to cover reported claims and claims incurred but not reported. Due to the short-term nature of these claims, the liability is included in accrued expenses and has not been discounted. The System recognizes patient service revenue for employees receiving medical care within the System. Employee health services provided by external services outside the System are included in employee benefits as an expense.

The Captive began writing property coverage under two policies on April 1, 2022. The property – all other peril has a per claim self-insured retention of \$100,000. The property – storm surge has a per claim self-insured retention of 5% of the insured value with a minimum of \$500,000. The property liability has been discounted at a rate of 3.5%, approximately \$13,000. As of September 30, 2025 and 2024, the System has recorded a liability of approximately \$818,000 and \$783,000, respectively, with a \$0 estimate of insurance recoveries for both years, which, based on historical experience and current actuarial analyses, is sufficient to cover reported claims and claims incurred but not reported.

The System is involved in litigation arising from the ordinary course of business. In the opinion of management and counsel, these matters will be resolved without a material adverse effect to the System's financial position, results of operations or cash flows.

#### Note 11. Defined Contribution Plan

The System has a defined contribution plan covering all eligible employees. The System, at its discretion, will match a percentage of each participant's salary reduction contributions after the participant has completed 12 months of employment. In the event the System chooses to make a matching contribution, the matching amount shall equal 100% of the first 2% of compensation contributed by the participant as salary reduction contributions plus 50% of the next 4% of compensation contributed by the participant as salary reduction contributions, up to a maximum of 4% of compensation.

The System's contributions, net of forfeitures, for the years ended September 30, 2025 and 2024, were approximately \$9,571,000 and \$8,842,000, respectively.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

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#### Note 12. Related-Party Transactions

One member of the Board of Trustees is an employee of the System. One member of the Board of Trustees is the President and Chairman of a company which NCH pays for rental space.

At September 30, 2025 and 2024, the System recorded receivables of approximately \$348,000 and \$355,000, respectively, from PNI for rent and expenses incurred by the System on behalf of PNI that is recorded in other current assets in the consolidated balance sheets. At September 30, 2025 and 2024, the System recorded rental income of approximately \$858,000 and \$905,000, respectively, which is recorded in other revenue and \$473,000 and \$561,000, respectively, as a reduction of various expenses in the consolidated statements of operations. At September 30, 2025 and 2024, the System recorded payables of approximately \$1,616,000 and \$1,290,000, respectively, to PSI for radiology reads for the Hospital that is recorded in accounts payable in the consolidated balance sheets, and expenses of approximately \$6,755,000 and \$4,371,000, respectively, that is recorded in purchased services in the consolidated statements of operations.

At September 30, 2025 and 2024, the System recorded rental revenue of approximately \$193,000 and \$397,000, respectively, from VH-Naples Holdings which is recorded in other revenue.

#### Note 13. Leases

The System has operating and finance leases that consist of medical equipment and medical office space agreements. The System's leases have remaining lease terms of one to ten years. For purposes of calculating operating lease liabilities, lease terms include options to extend the lease when it is reasonably certain those options will be exercised. For purposes of finance lease liabilities, the lease term represents the time at which ownership of the medical equipment will transfer to the System. Some leasing arrangements require variable payments that are dependent on usage or other measures. The variable lease payments are not presented as part of the initial ROU asset or lease liability. The System's lease agreements do not contain any material restrictive covenants.

The components of lease expense for operating and finance leases for the years ended September 30, are as follows:

|   | 2025                | 2024                |
|---|---------------------|---------------------|
| Operating lease expense                     | \$ 5,830,972        | \$ 5,789,023        |
| Finance lease expense:                      |                     |                     |
| Amortization of right to use asset          | 937,268             | 488,039             |
| Interest on lease liability                 | 34,205              | 49,886              |
| Short-term lease and variable lease expense | 597,758             | 583,599             |
| Total lease expense                         | <u>\$ 7,400,203</u> | <u>\$ 6,910,547</u> |

Lease expense for operating leases is reported in supplies and other expenses in the accompanying consolidated statements of operations. Lease expense for finance leases is reported in depreciation and amortization and interest expense in the accompanying consolidated statements of operations. The System has elected to use the rate implicit in the lease agreement in determining the present value of lease payments unless that rate cannot be readily determined. If the rate is not implicit in the lease, the System elected the practical expedient to use the risk-free rate, using a period comparable with that of the lease term, based on the U.S. Treasury yield curve rate for all of leases. Payments on operating leases approximate operating lease cost.

**NCH Healthcare System, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**Note 13. Leases (Continued)**

|   | <u>2025</u>         | <u>2024</u>         |
|---|---------------------|---------------------|
| Weighted average remaining lease term (years) |                     |                     |
| Finance leases                                | 1.19                | 1.14                |
| Operating leases                              | 1.49                | 12.03               |
| Weighted average discount rate                |                     |                     |
| Finance leases                                | 1.38%               | 1.31%               |
| Operating leases                              | 1.09%               | 6.24%               |
| Cash payments                                 |                     |                     |
| Finance leases                                | \$ 296,717          | \$ 512,428          |
| Operating leases                              | 5,853,287           | 5,672,668           |
|   | <u>\$ 6,150,004</u> | <u>\$ 6,185,096</u> |

The following table provides the maturities of lease liabilities at September 30, 2025:

|                              | <u>Finance</u>      | <u>Operating</u>    | <u>Total</u>        |
|------------------------------|---------------------|---------------------|---------------------|
| 2026                         | \$ 715,037          | \$ 4,516,115        | \$ 5,231,152        |
| 2027                         | 498,156             | 3,545,413           | 4,043,569           |
| 2028                         | 466,400             | 2,446,585           | 2,912,985           |
| 2029                         | 327,033             | 885,363             | 1,212,396           |
| 2030                         | -                   | 608,679             | 608,679             |
| Thereafter                   | -                   | 1,374,932           | 1,374,932           |
| Total                        | <u>2,006,626</u>    | <u>13,377,087</u>   | <u>15,383,713</u>   |
| Less present value discount: | <u>(128,498)</u>    | <u>(742,410)</u>    | <u>(870,908)</u>    |
| Lease liabilities            | 1,878,128           | 12,634,677          | 14,512,805          |
| Less current portion         | <u>(715,037)</u>    | <u>(4,516,115)</u>  | <u>(5,231,152)</u>  |
| Long-term portion            | <u>\$ 1,163,091</u> | <u>\$ 8,118,562</u> | <u>\$ 9,281,653</u> |

**Note 14. Concentrations of Credit Risk**

Financial instruments which potentially subject the System to concentrations of credit risk consist principally of cash and cash equivalents, investments and assets limited as to use.

The System places its cash and cash equivalents with what management believes to be high credit quality financial institutions. Included in cash and cash equivalents are bank deposits, certificates of deposit and other short-term investments in the amount of approximately \$60,165,000 and \$32,408,000 as of September 30, 2025 and 2024, respectively, which, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. The System's assets limited as to use and investments include cash and cash equivalents, U.S. government and agency securities, corporate bonds, preferred stock and common stock, which are subject to market risk, as listed in Note 7. The System limits the amount of credit exposure to any one company or financial institution by diversifying its investments.

## NCH Healthcare System, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

#### Note 14. Concentrations of Credit Risk (Continued)

The System's concentration of credit risk relating to patient accounts receivable and related revenue is limited by the diversity and number of the System's patients and payors. The System receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers and patients. The System does not believe there are significant credit risks associated with these government agencies, nor any other particular payer that would subject the System to any significant credit risks in the collection of accounts receivable. Changes in general economic conditions, revenue cycle operations, payer mix, payer claim processing, or federal or state governmental health care coverage could affect collection of accounts receivable, cash flows and results of operations. Note 3 details the concentration of revenue.

#### Note 15. Functional Expenses

The expenses reported in the consolidated statements of operations were incurred for the following for the years ended September 30:

|  | 2025                  |                            |                     |                         |
|--|-----------------------|----------------------------|---------------------|-------------------------|
|  | Healthcare Services   | General and Administrative | Fundraising         | Total                   |
| Salaries and wages and employee benefits           | \$ 416,925,140        | \$ 49,209,582              | \$ 3,226,474        | \$ 469,361,196          |
| Supplies and other expenses and purchased services | 342,679,219           | 97,658,761                 | 666,026             | 441,004,006             |
| Repairs, equipment rental and facility costs       | 47,141,721            | 3,851,920                  | 31,801              | 51,025,442              |
| Depreciation and amortization                      | 46,683,591            | 8,115,954                  | 177,835             | 54,977,380              |
| Interest expense                                   | 2,971,522             | 676,754                    | -                   | 3,648,276               |
| Total functional expenses                          | <u>\$ 856,401,193</u> | <u>\$ 159,512,971</u>      | <u>\$ 4,102,136</u> | <u>\$ 1,020,016,300</u> |

  

|  | 2024                  |                            |                     |                       |
|--|-----------------------|----------------------------|---------------------|-----------------------|
|  | Healthcare Services   | General and Administrative | Fundraising         | Total                 |
| Salaries and wages and employee benefits           | \$ 420,245,797        | \$ 42,235,756              | \$ 2,501,370        | \$ 464,982,923        |
| Supplies and other expenses and purchased services | 294,909,136           | 94,859,927                 | 861,520             | 390,630,583           |
| Repairs, equipment rental and facility costs       | 45,452,910            | 3,966,667                  | 43,095              | 49,462,672            |
| Depreciation and amortization                      | 45,628,296            | 6,570,806                  | 130,177             | 52,329,279            |
| Interest expense                                   | 2,434,727             | 422,283                    | -                   | 2,857,010             |
| Total functional expenses                          | <u>\$ 808,670,866</u> | <u>\$ 148,055,439</u>      | <u>\$ 3,536,162</u> | <u>\$ 960,262,467</u> |

#### Note 16. Subsequent Events

The System has performed a review of subsequent events through January 21, 2026, the date the consolidated financial statements were available to be issued.



RSM US LLP

## Independent Auditor's Report on the Supplementary Information

Board of Trustees  
NCH Healthcare System, Inc.

We have audited the consolidated financial statements of NCH Healthcare System, Inc. and Subsidiaries (the System) as of and for the years ended September 30, 2025 and 2024, and have issued our report thereon, dated January 16, 2026, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*RSM US LLP*

Coral Gables, Florida  
January 21, 2026

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Balance Sheet  
September 30, 2025

|   | Naples<br>Community<br>Hospital, Inc. | Other<br>Obligated<br>Group Entities | Obligated<br>Group      | All<br>Other<br>Entities | Eliminations           | System<br>Consolidated<br>Total |
|---|---------------------------------------|--------------------------------------|-------------------------|--------------------------|------------------------|---------------------------------|
| <b>Assets</b>   |                                       |                                      |                         |                          |                        |                                 |
| Current assets:   |                                       |                                      |                         |                          |                        |                                 |
| Cash and cash equivalents   | \$ 45,541,086                         | \$ 8,663,162                         | \$ 54,204,248           | \$ 5,960,559             | \$ -                   | \$ 60,164,807                   |
| Investments   | -                                     | -                                    | -                       | 3,769,815                | -                      | 3,769,815                       |
| Due from patients and others, net   | 111,364,982                           | 7,217,159                            | 118,582,141             | 306,897                  | -                      | 118,889,038                     |
| Assets limited as to use  | 10,780,364                            | 17,648,185                           | 28,428,549              | 1,723,784                | -                      | 30,152,333                      |
| Inventories   | 23,869,050                            | 963,624                              | 24,832,674              | 324,737                  | -                      | 25,157,411                      |
| Estimated third-party payor receivable                                      | 87,444,836                            | -                                    | 87,444,836              | -                        | -                      | 87,444,836                      |
| Other current assets  | 10,062,508                            | 7,356,457                            | 17,418,965              | 2,392,111                | (2,259,804)            | 17,551,272                      |
| <b>Total current assets</b>   | <b>289,062,826</b>                    | <b>41,848,587</b>                    | <b>330,911,413</b>      | <b>14,477,903</b>        | <b>(2,259,804)</b>     | <b>343,129,512</b>              |
| Assets limited as to use:   |                                       |                                      |                         |                          |                        |                                 |
| Self-insurance fund   | 12,689,048                            | 5,301,942                            | 17,990,990              | 5,300,690                | -                      | 23,291,680                      |
| Board-designated assets   | 209,297,763                           | -                                    | 209,297,763             | -                        | -                      | 209,297,763                     |
| Assets held by trustee under bond indentures                                | 32,013,895                            | -                                    | 32,013,895              | -                        | -                      | 32,013,895                      |
| Donor receivables   | 30,293,537                            | 78,856,552                           | 109,150,089             | -                        | -                      | 109,150,089                     |
| Trusts held by others   | 7,163,899                             | -                                    | 7,163,899               | -                        | -                      | 7,163,899                       |
| Assets designated or restricted for donor intentions                        | 99,450,219                            | 54,460,974                           | 153,911,193             | -                        | -                      | 153,911,193                     |
|   | 390,908,361                           | 138,619,468                          | 529,527,829             | 5,300,690                | -                      | 534,828,519                     |
| Less assets limited as to use that are available to pay current liabilities | (10,780,364)                          | (17,648,185)                         | (28,428,549)            | (1,723,784)              | -                      | (30,152,333)                    |
|   | 380,127,997                           | 120,971,283                          | 501,099,280             | 3,576,906                | -                      | 504,676,186                     |
| Investments   |                                       |                                      |                         |                          |                        |                                 |
| Investment in partnerships  | 2,807,866                             | 44,056,028                           | 46,863,894              | 12,803,677               | -                      | 12,803,677                      |
| Property and equipment, net of accumulated depreciation                     | 586,263,493                           | 19,621,603                           | 605,885,096             | 15,879,916               | (13,194,065)           | 33,669,829                      |
| Lease right-of-use assets for operating, net of accumulated amortization    | 11,856,558                            | -                                    | 11,856,558              | -                        | -                      | 11,856,558                      |
| Lease right-of-use assets for finance, net of accumulated amortization      | 2,544,061                             | -                                    | 2,544,061               | -                        | -                      | 2,544,061                       |
| Other assets  | 922,239                               | 3,424,405                            | 4,346,644               | 4,312,587                | -                      | 8,659,231                       |
| <b>Total assets</b>   | <b>\$ 1,273,585,040</b>               | <b>\$ 229,921,906</b>                | <b>\$ 1,503,506,946</b> | <b>\$ 51,050,989</b>     | <b>\$ (15,453,869)</b> | <b>\$ 1,539,104,066</b>         |
| <b>Liabilities and net assets</b>   |                                       |                                      |                         |                          |                        |                                 |
| Current liabilities:  |                                       |                                      |                         |                          |                        |                                 |
| Current portion of long-term debt   | \$ 6,738,000                          | \$ -                                 | \$ 6,738,000            | \$ 1,798,251             | \$ -                   | \$ 8,536,251                    |
| Current portion of estimated self-insurance liabilities                     | 4,126,478                             | 1,724,192                            | 5,850,670               | 1,723,784                | -                      | 7,574,454                       |
| Accounts payable  | 101,970,301                           | 3,531,850                            | 105,502,151             | 2,307,309                | (2,259,804)            | 105,549,656                     |
| Accrued expenses  | 58,253,295                            | 12,945,633                           | 71,198,928              | 250,852                  | -                      | 71,449,780                      |
| Accrued interest  | 6,049,305                             | -                                    | 6,049,305               | -                        | -                      | 6,049,305                       |
| Current operating lease liability   | 4,516,115                             | -                                    | 4,516,115               | -                        | -                      | 4,516,115                       |
| Current finance lease liability   | 715,037                               | -                                    | 715,037                 | -                        | -                      | 715,037                         |
| <b>Total current liabilities</b>  | <b>182,368,531</b>                    | <b>18,201,675</b>                    | <b>200,570,206</b>      | <b>6,080,196</b>         | <b>(2,259,804)</b>     | <b>204,390,598</b>              |
| Long-term debt, excluding current portion                                   |                                       |                                      |                         |                          |                        |                                 |
| Estimated self-insurance liabilities, excluding current portion             | 318,359,505                           | -                                    | 318,359,505             | 582,064                  | -                      | 318,941,569                     |
| Due to related organizations  | 8,562,570                             | 3,577,750                            | 12,140,320              | 20,632,921               | -                      | 32,773,241                      |
| Long-term operating lease liability, excluding current portion              | 11,029,687                            | (39,679)                             | 10,990,008              | (10,990,008)             | -                      | -                               |
| Long-term finance lease liability, excluding current portion                | 8,118,562                             | -                                    | 8,118,562               | -                        | -                      | 8,118,562                       |
| Other liabilities   | 1,163,091                             | -                                    | 1,163,091               | -                        | -                      | 1,163,091                       |
|   | 21,637,077                            | 5,051,215                            | 26,688,292              | 4,935,031                | -                      | 31,623,323                      |
| <b>Total liabilities</b>  | <b>551,239,023</b>                    | <b>26,790,961</b>                    | <b>578,029,984</b>      | <b>21,240,204</b>        | <b>(2,259,804)</b>     | <b>597,010,384</b>              |
| Net assets:   |                                       |                                      |                         |                          |                        |                                 |
| Net assets without donor restrictions                                       | 589,566,460                           | 70,022,826                           | 659,589,286             | 29,810,785               | (13,194,065)           | 676,206,006                     |
| Net assets with donor restrictions  | 132,779,557                           | 133,108,119                          | 265,887,676             | -                        | -                      | 265,887,676                     |
| <b>Total net assets</b>   | <b>722,346,017</b>                    | <b>203,130,945</b>                   | <b>925,476,962</b>      | <b>29,810,785</b>        | <b>(13,194,065)</b>    | <b>942,093,682</b>              |
| <b>Total liabilities and net assets</b>                                     | <b>\$ 1,273,585,040</b>               | <b>\$ 229,921,906</b>                | <b>\$ 1,503,506,946</b> | <b>\$ 51,050,989</b>     | <b>\$ (15,453,869)</b> | <b>\$ 1,539,104,066</b>         |

NCH Healthcare System, Inc. and Subsidiaries

Consolidating Balance Sheet  
September 30, 2024

|   | Naples<br>Community<br>Hospital, Inc. | Other<br>Obligated<br>Group Entities | Obligated<br>Group      | All<br>Other<br>Entities | Eliminations           | System<br>Consolidated<br>Total |
|---|---------------------------------------|--------------------------------------|-------------------------|--------------------------|------------------------|---------------------------------|
| <b>Assets</b>   |                                       |                                      |                         |                          |                        |                                 |
| Current assets:   |                                       |                                      |                         |                          |                        |                                 |
| Cash and cash equivalents   | \$ 28,648,084                         | \$ 3,080,789                         | \$ 31,728,873           | \$ 678,873               | \$ -                   | \$ 32,407,746                   |
| Investments   | -                                     | -                                    | -                       | 3,992,217                | -                      | 3,992,217                       |
| Due from patients and others, net   | 97,216,321                            | 7,032,247                            | 104,248,568             | 615,921                  | -                      | 104,864,489                     |
| Assets limited as to use  | 18,101,718                            | 13,329,749                           | 31,431,467              | 1,536,310                | -                      | 32,967,777                      |
| Inventories   | 20,194,999                            | 1,139,099                            | 21,334,098              | 151,298                  | -                      | 21,485,396                      |
| Estimated third-party payor receivable                                      | 69,594,741                            | -                                    | 69,594,741              | -                        | -                      | 69,594,741                      |
| Other current assets  | 11,548,166                            | 6,351,756                            | 17,899,922              | 1,241,915                | (1,069,989)            | 18,071,848                      |
| <b>Total current assets</b>   | <b>245,304,029</b>                    | <b>30,933,640</b>                    | <b>276,237,669</b>      | <b>8,216,534</b>         | <b>(1,069,989)</b>     | <b>283,384,214</b>              |
| Assets limited as to use:   |                                       |                                      |                         |                          |                        |                                 |
| Self-insurance fund   | 13,145,350                            | 5,257,516                            | 18,402,866              | 4,724,202                | -                      | 23,127,068                      |
| Board-designated assets   | 249,516,673                           | -                                    | 249,516,673             | -                        | -                      | 249,516,673                     |
| Assets held by trustee under bond indentures                                | 111,593,938                           | -                                    | 111,593,938             | -                        | -                      | 111,593,938                     |
| Donor receivables   | 28,655,119                            | 65,216,237                           | 93,871,356              | -                        | -                      | 93,871,356                      |
| Trusts held by others   | 6,603,153                             | -                                    | 6,603,153               | -                        | -                      | 6,603,153                       |
| Assets designated or restricted for donor intentions                        | 71,804,710                            | 23,684,377                           | 95,489,087              | -                        | -                      | 95,489,087                      |
|   | 481,318,943                           | 94,158,130                           | 575,477,073             | 4,724,202                | -                      | 580,201,275                     |
|   | (18,101,718)                          | (13,329,749)                         | (31,431,467)            | (1,536,310)              | -                      | (32,967,777)                    |
| Less assets limited as to use that are available to pay current liabilities | 463,217,225                           | 80,828,381                           | 544,045,606             | 3,187,892                | -                      | 547,233,498                     |
| Investments   |                                       |                                      |                         |                          |                        |                                 |
| Investment in partnerships  | 2,337,532                             | 37,803,437                           | 40,140,969              | 11,452,960               | -                      | 11,452,960                      |
| Property and equipment, net of accumulated depreciation                     | 494,942,849                           | 16,749,722                           | 511,692,571             | 10,006,293               | (13,199,971)           | 26,940,998                      |
| Lease right-of-use assets for operating, net of accumulated amortization    | 14,064,690                            | -                                    | 14,064,690              | 2,553,119                | -                      | 521,698,864                     |
| Lease right-of-use assets for finance, net of accumulated amortization      | 1,097,500                             | -                                    | 1,097,500               | -                        | -                      | 16,617,809                      |
| Other assets  | 1,159,093                             | 2,968,621                            | 4,127,714               | 4,313,646                | -                      | 1,097,500                       |
|   |                                       |                                      |                         |                          |                        | 8,441,360                       |
| <b>Total assets</b>   | <b>\$ 1,222,122,918</b>               | <b>\$ 169,283,801</b>                | <b>\$ 1,391,406,719</b> | <b>\$ 39,730,444</b>     | <b>\$ (14,269,960)</b> | <b>\$ 1,416,867,203</b>         |
| <b>Liabilities and net assets</b>   |                                       |                                      |                         |                          |                        |                                 |
| Current liabilities:  |                                       |                                      |                         |                          |                        |                                 |
| Current portion of long-term debt   | \$ 6,613,000                          | \$ -                                 | \$ 6,613,000            | \$ 1,770,571             | \$ -                   | \$ 8,383,571                    |
| Current portion of estimated self-insurance liabilities                     | 4,274,868                             | 1,709,744                            | 5,984,612               | 1,536,310                | -                      | 7,520,922                       |
| Accounts payable  | 91,422,827                            | 2,836,795                            | 94,259,622              | 2,153,575                | (1,069,989)            | 95,343,208                      |
| Accrued expenses  | 43,669,087                            | 11,751,359                           | 55,420,446              | 698,674                  | -                      | 56,119,120                      |
| Accrued interest  | 6,416,265                             | -                                    | 6,416,265               | -                        | -                      | 6,416,265                       |
| Current operating lease liability   | 5,373,654                             | -                                    | 5,373,654               | 374,137                  | -                      | 5,747,791                       |
| Current finance lease liability   | 465,160                               | -                                    | 465,160                 | -                        | -                      | 465,160                         |
| <b>Total current liabilities</b>  | <b>158,234,861</b>                    | <b>16,297,898</b>                    | <b>174,532,759</b>      | <b>6,533,267</b>         | <b>(1,069,989)</b>     | <b>179,996,037</b>              |
| Long-term debt, excluding current portion                                   | 325,682,981                           | -                                    | 325,682,981             | 722,334                  | -                      | 326,405,315                     |
| Estimated self-insurance liabilities, excluding current portion             | 8,870,481                             | 3,547,772                            | 12,418,253              | 17,555,262               | -                      | 29,973,515                      |
| Due to related organizations  | 12,809,802                            | -                                    | 12,809,802              | (12,809,802)             | -                      | -                               |
| Long-term operating lease liability, excluding current portion              | 9,522,725                             | -                                    | 9,522,725               | 2,194,056                | -                      | 11,716,781                      |
| Long-term finance lease liability, excluding current portion                | 650,380                               | -                                    | 650,380                 | -                        | -                      | 650,380                         |
| Other liabilities   | 14,174,504                            | 4,788,502                            | 18,963,006              | 1,768,615                | -                      | 20,731,621                      |
| <b>Total liabilities</b>  | <b>529,945,734</b>                    | <b>24,634,172</b>                    | <b>554,579,906</b>      | <b>15,963,732</b>        | <b>(1,069,989)</b>     | <b>569,473,649</b>              |
| Net assets:   |                                       |                                      |                         |                          |                        |                                 |
| Net assets without donor restrictions                                       | 569,881,058                           | 57,148,346                           | 627,029,404             | 23,934,591               | (13,199,971)           | 637,764,024                     |
| Noncontrolling interest in subsidiaries                                     | 897,975                               | -                                    | 897,975                 | (167,879)                | -                      | 730,096                         |
| Net assets with donor restrictions  | 121,398,151                           | 87,501,283                           | 208,899,434             | -                        | -                      | 208,899,434                     |
| <b>Total net assets</b>   | <b>692,177,184</b>                    | <b>144,649,629</b>                   | <b>836,826,813</b>      | <b>23,766,712</b>        | <b>(13,199,971)</b>    | <b>847,393,554</b>              |
| <b>Total liabilities and net assets</b>                                     | <b>\$ 1,222,122,918</b>               | <b>\$ 169,283,801</b>                | <b>\$ 1,391,406,719</b> | <b>\$ 39,730,444</b>     | <b>\$ (14,269,960)</b> | <b>\$ 1,416,867,203</b>         |

## NCH Healthcare System, Inc. and Subsidiaries

### Consolidating Statement of Operations Year Ended September 30, 2025

|  | Naples<br>Community<br>Hospital, Inc. | Other<br>Obligated<br>Group Entities | Total<br>Obligated<br>Group | All<br>Other<br>Entities | Eliminations        | System<br>Consolidated<br>Total |
|--|---------------------------------------|--------------------------------------|-----------------------------|--------------------------|---------------------|---------------------------------|
| Revenues without donor restrictions:   |                                       |                                      |                             |                          |                     |                                 |
| Patient service revenue  | \$ 859,053,830                        | \$ 100,698,041                       | \$ 959,751,871              | \$ 5,258,621             | \$ -                | \$ 965,010,492                  |
| Other revenue  | 13,186,969                            | 5,570,578                            | 18,757,547                  | 15,112,450               | (15,081,692)        | 18,788,305                      |
| Charitable contributions without donor restrictions  | 8,570,798                             | -                                    | 8,570,798                   | -                        | -                   | 8,570,798                       |
| Net assets released from restrictions for operations   | 6,959,300                             | 251,582                              | 7,210,882                   | -                        | -                   | 7,210,882                       |
| <b>Total revenues</b>  | <b>887,770,897</b>                    | <b>106,520,201</b>                   | <b>994,291,098</b>          | <b>20,371,071</b>        | <b>(15,081,692)</b> | <b>999,580,477</b>              |
| Expenses:  |                                       |                                      |                             |                          |                     |                                 |
| Salaries and wages   | 268,616,345                           | 144,309,295                          | 412,925,640                 | 5,083,717                | -                   | 418,009,357                     |
| Employee benefits  | 39,696,659                            | 10,561,936                           | 50,258,595                  | 1,093,244                | -                   | 51,351,839                      |
| Supplies and other expenses  | 315,519,305                           | 14,304,760                           | 329,824,065                 | 12,579,745               | (11,768,435)        | 330,635,375                     |
| Purchased services   | 154,067,691                           | 9,443,817                            | 163,511,508                 | 1,195,822                | (3,313,257)         | 161,394,073                     |
| Depreciation and amortization  | 52,053,758                            | 2,185,194                            | 54,238,952                  | 738,428                  | -                   | 54,977,380                      |
| Interest expense   | 3,508,447                             | -                                    | 3,508,447                   | 139,829                  | -                   | 3,648,276                       |
| <b>Total expenses</b>  | <b>833,462,205</b>                    | <b>180,805,002</b>                   | <b>1,014,267,207</b>        | <b>20,830,785</b>        | <b>(15,081,692)</b> | <b>1,020,016,300</b>            |
| <b>Operating loss</b>  | <b>54,308,692</b>                     | <b>(74,284,801)</b>                  | <b>(19,976,109)</b>         | <b>(459,714)</b>         | <b>-</b>            | <b>(20,435,823)</b>             |
| Other income (loss):   |                                       |                                      |                             |                          |                     |                                 |
| Investment income, net   | 21,719,481                            | 6,785,205                            | 28,504,686                  | 1,064,979                | -                   | 29,569,665                      |
| (Loss) gain on disposal of property and equipment  | (66,735)                              | 14,980                               | (51,755)                    | (569,349)                | -                   | (621,104)                       |
| <b>Excess of revenues over (under) expenses</b>  | <b>75,961,438</b>                     | <b>(67,484,616)</b>                  | <b>8,476,822</b>            | <b>35,916</b>            | <b>-</b>            | <b>8,512,738</b>                |
| Net assets released from restrictions for capital  | 29,493,243                            | -                                    | 29,493,243                  | -                        | -                   | 29,493,243                      |
| Transfers to related organizations   | (86,667,254)                          | 80,359,096                           | (6,308,158)                 | 6,308,158                | -                   | -                               |
| <b>Increase in net assets without donor restrictions</b>   | <b>18,787,427</b>                     | <b>12,874,480</b>                    | <b>31,661,907</b>           | <b>6,344,074</b>         | <b>-</b>            | <b>38,005,981</b>               |
| Excess of revenue under expenses attributable to noncontrolling interest in subsidiary               |                                       |                                      |                             |                          |                     |                                 |
|  | -                                     | -                                    | -                           | 436,001                  | -                   | 436,001                         |
| <b>Excess of revenues over expenses attributable to NCH Healthcare System, Inc. and Subsidiaries</b> | <b>\$ 18,787,427</b>                  | <b>\$ 12,874,480</b>                 | <b>\$ 31,661,907</b>        | <b>\$ 6,780,075</b>      | <b>\$ -</b>         | <b>\$ 38,441,982</b>            |

## NCH Healthcare System, Inc. and Subsidiaries

### Consolidating Statement of Operations Year Ended September 30, 2024

|  | Naples<br>Community<br>Hospital, Inc. | Other<br>Obligated<br>Group Entities | Total<br>Obligated<br>Group | All<br>Other<br>Entities | Eliminations          | System<br>Consolidated<br>Total |
|--|---------------------------------------|--------------------------------------|-----------------------------|--------------------------|-----------------------|---------------------------------|
| Revenues without donor restrictions:   |                                       |                                      |                             |                          |                       |                                 |
| Patient service revenue  | \$ 782,458,902                        | \$ 95,657,443                        | \$ 878,116,345              | \$ 4,093,319             | \$ -                  | \$ 882,209,664                  |
| Other revenue  | 11,551,439                            | 5,430,017                            | 16,981,456                  | 10,462,507               | (10,859,547)          | 16,584,416                      |
| Charitable contributions without donor restrictions  | 6,214,916                             | -                                    | 6,214,916                   | -                        | -                     | 6,214,916                       |
| Net assets released from restrictions for operations   | 3,251,800                             | 224,176                              | 3,475,976                   | -                        | -                     | 3,475,976                       |
| <b>Total revenues</b>  | <b>803,477,057</b>                    | <b>101,311,636</b>                   | <b>904,788,693</b>          | <b>14,555,826</b>        | <b>(10,859,547)</b>   | <b>908,484,972</b>              |
| Expenses:  |                                       |                                      |                             |                          |                       |                                 |
| Salaries and wages   | 278,021,498                           | 131,552,710                          | 409,574,208                 | 2,557,612                | -                     | 412,131,820                     |
| Employee benefits  | 41,642,588                            | 10,747,015                           | 52,389,603                  | 461,500                  | -                     | 52,851,103                      |
| Supplies and other expenses  | 272,665,301                           | 14,508,734                           | 287,174,035                 | 13,911,291               | (10,859,547)          | 290,225,779                     |
| Purchased services   | 141,350,784                           | 8,037,458                            | 149,388,242                 | 479,234                  | -                     | 149,867,476                     |
| Depreciation and amortization  | 50,022,238                            | 1,916,698                            | 51,938,936                  | 390,343                  | -                     | 52,329,279                      |
| Interest expense   | 2,815,217                             | -                                    | 2,815,217                   | 41,793                   | -                     | 2,857,010                       |
| <b>Total expenses</b>  | <b>786,517,626</b>                    | <b>166,762,615</b>                   | <b>953,280,241</b>          | <b>17,841,773</b>        | <b>(10,859,547)</b>   | <b>960,262,467</b>              |
| <b>Operating (loss) income</b>   | <b>16,959,431</b>                     | <b>(65,450,979)</b>                  | <b>(48,491,548)</b>         | <b>(3,285,947)</b>       | <b>-</b>              | <b>(51,777,495)</b>             |
| Other income (loss):   |                                       |                                      |                             |                          |                       |                                 |
| Investment income  | 63,747,346                            | 2,312,854                            | 66,060,200                  | 958,470                  | -                     | 67,018,670                      |
| Gain (loss) on disposal of property and equipment  | 87,439                                | (93,054)                             | (5,615)                     | 13,654                   | -                     | 8,039                           |
| Gain on acquisition  | 1,724,305                             | -                                    | 1,724,305                   | -                        | -                     | 1,724,305                       |
| <b>Excess of revenues over (under) expenses</b>  | <b>82,518,521</b>                     | <b>(63,231,179)</b>                  | <b>19,287,342</b>           | <b>(2,313,823)</b>       | <b>-</b>              | <b>16,973,519</b>               |
| Net assets released from restrictions for capital  | 21,951,689                            | -                                    | 21,951,689                  | -                        | -                     | 21,951,689                      |
| Transfers to related organizations   | (79,387,867)                          | 76,256,865                           | (3,131,002)                 | 9,901,992                | (6,770,990)           | -                               |
| <b>Increase (decrease) in net assets without donor restrictions</b>  | <b>25,082,343</b>                     | <b>13,025,686</b>                    | <b>38,108,029</b>           | <b>7,588,169</b>         | <b>(6,770,990)</b>    | <b>38,925,208</b>               |
| Excess of revenue under expenses attributable to noncontrolling interest in subsidiary                       |                                       |                                      |                             |                          |                       |                                 |
|  | -                                     | -                                    | -                           | 167,879                  | -                     | 167,879                         |
| <b>Excess of revenues over (under) expenses attributable to NCH Healthcare System, Inc. and Subsidiaries</b> | <b>\$ 25,082,343</b>                  | <b>\$ 13,025,686</b>                 | <b>\$ 38,108,029</b>        | <b>\$ 7,756,048</b>      | <b>\$ (6,770,990)</b> | <b>\$ 39,093,087</b>            |