



Beaufort Memorial Hospital

Independent Auditor's Report, Financial Statements, Required Supplementary Information and Supplementary Information

Years Ended September 30, 2025 and 2024



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Independent Auditor's Report

To the Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation, its discretely presented component unit (the "Hospital"), as of and for the years ended September 30, 2025 and 2024, and related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of Beaufort Memorial Hospital and its discretely presented component unit as of September 30, 2025 and 2024, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Beaufort Memorial Hospital Endowment Foundation were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedules of Proportionate Share of the Net Pension Liability, and Schedules of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hospital's financial statements. The accompanying Statement of Net Position Information, Statement of Revenues, Expenses, and Changes in Net Position Information, Statement of Net Position Information – Obligated Group, Statement of Revenues, Expenses, and Changes in Net Position Information – Obligated Group and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying Statement of Net Position Information, Statement of Revenues, Expenses, and Changes in Net Position Information, Statement of Net Position Information – Obligated Group, Statement of Revenues, Expenses, and Changes in Net Position Information – Obligated Group and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2026, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**Greenville, South Carolina
April 20, 2026**

**Beaufort Memorial Hospital
Management's Discussion and Analysis
September 30, 2025 and 2024**

Annual Financial Report

The annual financial report of Beaufort Memorial Hospital ("BMH") and Other Blended Entity (collectively the "Hospital") provides an overview of the Hospital's financial activities for the fiscal years ended September 30, 2025 and 2024. The financial statements include: the independent auditor's report, required financial statements, accompanying explanatory notes, required supplementary information and other supplemental information. The required financial statements include: the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows. Management's discussion and analysis should be read in conjunction with the financial statements and notes.

Beaufort Memorial Hospital Endowment Foundation (the "Foundation") is a legally separate, tax-exempt discretely presented component unit of the Hospital. The Foundation is a South Carolina corporation whose purpose is to support and encourage, through financial and fundraising assistance, the healthcare services and interests of the Hospital. Complete financial statements for the Foundation can be obtained from the Beaufort Memorial Hospital Endowment Foundation.

Management's Discussion and Analysis

Mission and Organizational Structure

BMH is a not-for-profit, governmental hospital, with a sole community hospital (Medicare) designation, located in Beaufort, South Carolina. The Hospital has 201 licensed beds, of which 169 are medical/surgical acute, 14 are rehabilitation and 18 are mental health beds. The mission of the Hospital is to deliver superior healthcare services to our patients and to improve the health of our community. This mission embraces the charitable focus of the organization, which is to provide healthcare services regardless of the patient's ability to pay. The Hospital continues to be active in the community through its wellness and healthy community efforts. The Hospital's vision is to exceed expectations for quality and compassionate care.

In addition to the financial statements and operations of BMH, the "Other Blended Entity" includes the information and accounts of Broad River Healthcare, Inc. ("Broad River"), which is a blended component unit of BMH. Broad River is a private, not-for-profit South Carolina corporation organized to assist BMH to meet its mission and operational goals.

The financial statements include the operations of all physician clinics owned by the Hospital under the designation Beaufort Physician Partners ("BPP"). BPP operates 31 clinic locations consisting of specialists and primary care. BMH employs approximately 52 physicians and 51 mid-level providers with locations including northern Beaufort County, Okatie and Bluffton, as well as Hampton County. In January 2025, BMH took over the direct management of the Emergency Department physicians and mid-level providers and Hospitalists. These groups were previously managed by a third party company. BMH employs approximately 21 physicians and 14 mid-levels in these two groups.

Financial Highlights

Net position increased to \$83.9 million in 2025 from \$77.2 million in 2024, a \$6.7 million or 8.7% increase. The effects of Governmental Accounting Standards Board ("GASB") Statement No. 68 adjustments increased the Hospital's net position by \$9.2 million in 2025. GASB 68 requires each participant in the State Pension Plan to post its determined share of the underfunded amount of the pension program.

In 2025, operating revenues increased by 2.9% and operating expenses increased by 5.0% compared to 2024. Salaries and wages and physician fees were the driving factors in the increases of expenses, increasing by \$11.5 million and \$7.1 million, respectively.

**Beaufort Memorial Hospital
Management's Discussion and Analysis
September 30, 2025 and 2024**

Required Financial Statements

The required financial statements are presented on an "enterprise" basis. Entities accounted for on an enterprise basis are primarily financed by charges for services to their users rather than tax receipts.

The statement of net position is a statement of the investments in resources (assets and deferred outflows of resources) and obligations to creditors (liabilities and deferred inflows of resources) on the last day of the fiscal year. The net position balance is the value of the Hospital's assets plus deferred outflows of resources less its liabilities and deferred inflows of resources (net position). The statement of net position classifies assets and liabilities as current and non-current and can be used to evaluate the Hospital's liquidity and ability to meet its future financial obligations.

The statement of revenues, expenses, and changes in net position reports the revenue the Hospital generated from providing services to patients and the expenses required providing these services. Enterprise basis financial statements are prepared on an "accrual" basis, in which revenue is recorded for charges not yet received in cash and for obligations to creditors not yet paid in cash. Enterprise accounting requires that a portion of the cost of capital assets be recorded as depreciation expense. The statement also reports the changes in net position attributable to non-operating activities and from other transactions.

The statement of cash flows reports cash inflows and outflows from operations, capital and related financing activities, investing activities, and noncapital financing activities, and their effect on the change in cash from the statement of net position.

Analysis of Overall Financial Position and Results of Operations

A summary of the Hospital's condensed statements of net position at September 30 is presented below:

<i>(In thousands of dollars)</i>	2025	2024	2023
Current assets	\$ 95,768	\$ 100,221	\$ 98,807
Capital assets, net	161,736	134,863	117,501
Other non-current assets	149,296	60,455	54,531
Total Assets	406,800	295,539	270,839
Deferred outflows of resources	13,684	12,151	12,425
Total Assets and Deferred Outflows of Resources	420,484	307,690	283,264
Current liabilities	49,672	51,361	38,810
Long-term liabilities	275,468	164,375	173,823
Total Liabilities	325,140	215,736	212,633
Deferred inflows of resources	11,423	14,768	8,273
Net investment in capital assets	141,104	131,371	114,816
Restricted expendable, nonexpendable and unrestricted	(57,183)	(54,185)	(52,458)
Total Net Position	83,921	77,186	62,358
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 420,484	\$ 307,690	\$ 283,264

Current assets, which consist primarily of cash and cash equivalents, short-term investments and accounts receivable, totaled \$95.8 million in 2025 and \$100.2 million in 2024, representing a 4.4% decrease. The Hospital's total current assets cover current liabilities 1.9 times at September 30, 2025 and 2024. This indicates the Hospital's liquidity continues to remain sound. The Hospital maintains all investments in fully secured instruments such as

**Beaufort Memorial Hospital
Management's Discussion and Analysis
September 30, 2025 and 2024**

United States Treasury Notes. Due to the nature of these investments, the stock market will have no impact on the Hospital's cash position other than reduction in interest earnings. The Hospital's days cash on hand decreased from 84.7 days in 2024 to 61.5 days in 2025.

Net position represents the residual interest in the Hospital's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Total net position in 2025 increased \$6.7 million or 8.7% from 2024, and 2024 increased \$14.8 million or 23.7% from 2023. Net investment in capital assets increased from \$131.4 million in 2024 to \$141.1 million in 2025, an increase of 7.4%.

The Statements of Revenues, Expenses, and Changes in Net Position present the Hospital's resulting financial activity for each year. A summary of the Hospital's condensed combining statements of revenues, expenses, and changes in net position for the years ended September 30 is presented below:

<i>(In thousands of dollars)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 359,730	\$ 349,606	\$ 300,188
Operating expenses	<u>356,892</u>	<u>339,815</u>	<u>302,868</u>
Operating income (loss)	2,838	9,791	(2,680)
Non-operating revenues (expenses), net	<u>(958)</u>	<u>5,037</u>	<u>2,060</u>
Excess (deficit) of revenues over expenses before capital grants and contributions	1,880	14,828	(620)
Transfer of net position of Broad River Oncology	<u>4,855</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	6,735	14,828	(620)
Net Position			
Beginning of year	<u>77,186</u>	<u>62,358</u>	<u>62,978</u>
End of year	<u>\$ 83,921</u>	<u>\$ 77,186</u>	<u>\$ 62,358</u>

Patient service revenues account for 94.4% of the Hospital's operating revenues in 2025. Operating revenues for 2025 increased 2.9% from 2024. The increase during 2025 was driven primarily by increase in outpatient revenue due to growth in physician practice visits and hospital outpatient visits. The Hospital's average daily census increased in 2025 to 105.9 compared to 104.9 in 2024. Adult patient days increased slightly to 38,668 in 2025 compared to 38,384 in 2024. Bad debts increased 15.3% in 2025 to \$30.9 million compared to 2024 at \$26.8 million and charity care decreased 54.5% in 2025 to \$4.6 million from \$10.1 million in 2024. The percentage of gross bad debt and charity care to gross revenue was 3.1% in 2025 and 3.3% in 2024. Contractual adjustments increased from 69.2% of gross patient revenue in 2024 to 69.5% in 2025. The contractual model, which remained the same in both years, is a 'fluid' model that uses a recent rolling six months of payment data to estimate future payments and revenue therefore changes are expected and those reflected are within acceptable limits.

In 2025, the Hospital's total operating expenses increased 5.0% from 2024. Labor costs (salaries, benefits and contract labor) accounted for 51.9% of operating expenses during 2025, compared to 52.4% in 2024.

Overall, supply costs as a percentage of net patient revenues totaled 19.4% in 2025, a decrease from 19.6% in 2024.

Excess of revenues over expenses, before capital grants and contributions, decreased from \$12.6 million in 2024 to \$0.6 million in 2025.

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Management’s Discussion and Analysis
September 30, 2025 and 2024**

The Statement of Cash Flows provides additional information about the Hospital's financial results by reporting the major sources and uses of cash. A summary of the Hospital's condensed combining statements of cash flows for the years ended September 30 is presented below:

<i>(In thousands of dollars)</i>	<u>2025</u>	<u>2024</u>	<u>2023</u>
Cash Flows			
Operating activities	\$ (3,640)	\$ 33,334	\$ 12,751
Capital and related financing activities	81,829	(30,656)	(18,282)
Investing activities	(88,920)	5,499	(42)
Non-capital financing activities	1,261	2,244	1,459
Net increase (decrease) in cash	<u>(9,470)</u>	<u>10,421</u>	<u>(4,114)</u>
 Cash and Cash Equivalents			
Beginning of year	<u>17,365</u>	<u>6,944</u>	<u>11,058</u>
End of year	<u>\$ 7,895</u>	<u>\$ 17,365</u>	<u>\$ 6,944</u>

Budgets

Unlike other government facilities, budgets for entities accounted for on the enterprise basis are not legally binding authorizing documents. The budget for an enterprise fund is a guide for management and the Board in evaluating the success of the institution in meeting its financial goals.

Future Opportunities and Challenges

The Hospital's physician organization, Beaufort Physician Partners (“BPP”), currently employs 73 physicians and 65 mid-level practitioners from many different specialties. It is anticipated that fiscal year 2026 will continue to bring additional recruits in both specialty and primary care areas.

The workforce training program called People Achieving Their Highest (“PATH”) continues to be successful in training for various entry level positions such as Patient Care Technician (“PCT”), Certified Medical Assistants (“CMA”), Surgical Tech (“ST”), Endoscopy Tech, and Central Sterile Processing (“CSP”). We are also continuing to work with the University of South Carolina – Beaufort (“USCB”) to expand their capacity in their nursing program in an effort to help reduce contract labor by training more nurses in the local program.

We believe that care will continue to move to the outpatient environment therefore, we will continue to recruit providers and look for opportunities to open locations to expand access to services in Beaufort and surrounding counties. In addition to recruiting providers to meet future outpatient needs, we are currently in the process of building of a hybrid model Free Standing Emergency Department on Hilton Head that will be completed in late 2026.

Novant acquired Tenet facilities in the County in 2024. Novant’s strategy continues to be aggressive in the Bluffton and Hilton Head markets. They intend to build a facility close to our Bluffton location. They also appear to be more active in recruiting physicians and exploring other outpatient locations.

We broke ground on our Bluffton Community Hospital in May 2025. We expect construction to be substantially complete in Q4 2026, with first patients in Q1 2027. This 28-bed, \$103 million facility located at 10 Innovation Drive (on the corner of Bluffton and Buckwalter Parkways) will feature a full-service emergency department, surgery center, cath lab, inpatient acute nursing unit, and imaging services.

**Beaufort Memorial Hospital
Management's Discussion and Analysis
September 30, 2025 and 2024**

Regardless of what the future holds, our focus will remain on improving the quality and safety of the healthcare services we provide our community. In addition to this plan, there remains a renewed focus on operational improvements at both the hospital and the physician practices.

Contacting the Hospital's Financial Management

If you have questions about this report or need additional information, please contact the Hospital's Senior Vice President and Chief Financial Officer at Beaufort Memorial Hospital, 955 Ribaut Road, Beaufort, South Carolina 29902.

**Beaufort Memorial Hospital
Statements of Net Position
September 30, 2025 and 2024**

	2025			2024		
	Hospital	Component Unit	Total	Hospital	Component Unit	Total
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents	\$ 7,895,267	\$ 297,179	\$ 8,192,446	\$ 17,365,237	\$ -	\$ 17,365,237
Short-term investments	40,140,336	30,845,763	70,986,099	38,217,858	25,901,133	64,118,991
Patient accounts receivable, net of allowance for uncollectible accounts of \$45,857,775 in 2025 and \$37,916,358 in 2024	33,453,162	-	33,453,162	32,508,689	-	32,508,689
Other receivables	-	389,494	389,494	-	151,481	151,481
Other assets	62,488	313	62,801	544,020	313	544,333
Drugs and supplies	9,472,863	-	9,472,863	7,761,399	-	7,761,399
Prepaid expenses	4,738,274	-	4,738,274	3,659,516	-	3,659,516
Short-term leases receivable	5,735	-	5,735	163,889	-	163,889
Total current assets	95,768,125	31,532,749	127,300,874	100,220,608	26,052,927	126,273,535
Long-term investments	9,332,031	-	9,332,031	19,783,846	-	19,783,846
Investment in joint ventures	4,529,473	-	4,529,473	3,085,127	-	3,085,127
Assets limited as to use	104,344,201	-	104,344,201	-	-	-
Other receivables	-	300,000	300,000	-	-	-
Capital assets, net	161,736,187	-	161,736,187	134,862,833	-	134,862,833
Right-to-use assets- leases, net	27,500,201	-	27,500,201	30,154,655	-	30,154,655
Long-term leases receivable	1,723,321	-	1,723,321	6,412,022	-	6,412,022
Subscription-based IT assets, net	1,866,157	-	1,866,157	1,020,030	-	1,020,030
Total assets	406,799,696	31,832,749	438,632,445	295,539,121	26,052,927	321,592,048
Deferred outflows of resources:						
Excess consideration provided for acquisition	523,783	-	523,783	788,690	-	788,690
Pension deferrals	13,160,988	-	13,160,988	11,362,537	-	11,362,537
Total deferred outflows of resources	13,684,771	-	13,684,771	12,151,227	-	12,151,227
Total assets and deferred outflows of resources	\$ 420,484,467	\$ 31,832,749	\$ 452,317,216	\$ 307,690,348	\$ 26,052,927	\$ 333,743,275

(continued)

Beaufort Memorial Hospital
Statements of Net Position
September 30, 2025 and 2024

(Continued)

	2025			2024		
	Hospital	Component Unit	Total	Hospital	Component Unit	Total
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Current portion of long-term debt	\$ 136,606	\$ -	\$ 136,606	\$ -	\$ -	\$ -
Accounts payable	13,666,335	300,086	13,966,421	13,722,339	862,424	14,584,763
Accrued expenses	32,992,001	-	32,992,001	26,579,620	-	26,579,620
Estimated third-party payor settlements	252,029	-	252,029	8,362,320	-	8,362,320
Short-term lease liability	2,200,247	-	2,200,247	2,088,672	-	2,088,672
Short-term subscription-based IT liability	425,960	-	425,960	608,505	-	608,505
Total current liabilities	49,673,178	300,086	49,973,264	51,361,456	862,424	52,223,880
Net pension liability	123,398,548	-	123,398,548	131,762,149	-	131,762,149
Long-term debt	120,775,748	-	120,775,748	-	-	-
Other liabilities	489,451	-	489,451	643,168	-	643,168
Long-term lease liability	29,632,955	-	29,632,955	31,833,203	-	31,833,203
Long-term subscription-based IT liability	1,171,125	-	1,171,125	136,308	-	136,308
Total liabilities	325,141,005	300,086	325,441,091	215,736,284	862,424	216,598,708
Deferred inflows of resources:						
Leases	1,669,785	-	1,669,785	6,019,918	-	6,019,918
Pension related	9,752,723	-	9,752,723	8,748,553	-	8,748,553
Total deferred inflows of resources	11,422,508	-	11,422,508	14,768,471	-	14,768,471
Net position:						
Net investment in capital assets	141,104,105	-	141,104,105	131,370,830	-	131,370,830
Unrestricted	(162,873,980)	23,126,266	(139,747,714)	(54,185,237)	21,295,795	(32,889,442)
Restricted expendable	104,344,201	7,716,397	112,060,598	-	3,204,708	3,204,708
Restricted nonexpendable	1,346,628	690,000	2,036,628	-	690,000	690,000
Total net position	83,920,954	31,532,663	115,453,617	77,185,593	25,190,503	102,376,096
Total liabilities, deferred inflows of resources and net position	\$ 420,484,467	\$ 31,832,749	\$ 452,317,216	\$ 307,690,348	\$ 26,052,927	\$ 333,743,275

See accompanying notes.

Beaufort Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2025 and 2024

	2025			2024		
	Hospital	Component Unit	Total	Hospital	Component Unit	Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts of \$30,916,333 in 2025 and \$26,768,570 in 2024	\$ 339,663,594	\$ -	\$ 339,663,594	\$ 331,298,443	\$ -	\$ 331,298,443
Other operating revenue	20,066,337	42,150	20,108,487	18,307,383	36,954	18,344,337
Total operating revenues	359,729,931	42,150	359,772,081	349,605,826	36,954	349,642,780
Operating expenses:						
Salaries and wages	141,754,287	-	141,754,287	130,286,392	-	130,286,392
Employee benefits	34,842,302	-	34,842,302	38,839,067	-	38,839,067
Contract labor	8,538,048	-	8,538,048	8,854,590	-	8,854,590
Supplies	65,771,838	-	65,771,838	65,065,189	-	65,065,189
Purchased services	37,575,045	-	37,575,045	34,804,663	-	34,804,663
Physician fees	17,007,815	-	17,007,815	9,888,113	-	9,888,113
Depreciation and amortization	16,205,270	-	16,205,270	14,734,569	-	14,734,569
Other	35,197,703	2,904,328	38,102,031	37,342,858	3,002,715	40,345,573
Total operating expenses	356,892,308	2,904,328	359,796,636	339,815,441	3,002,715	342,818,156
Operating income (loss)	2,837,623	(2,862,178)	(24,555)	9,790,385	(2,965,761)	6,824,624
Nonoperating revenues (expenses):						
Investment income	6,340,721	3,305,853	9,646,574	3,179,684	4,479,579	7,659,263
Interest income - leases	262,242	-	262,242	268,699	-	268,699
Interest expense - leases	(1,311,973)	-	(1,311,973)	(1,377,001)	-	(1,377,001)
Interest expense - subscription-based IT arrangements	(57,939)	-	(57,939)	(45,609)	-	(45,609)
Interest expense - debt	(5,405,325)	-	(5,405,325)	-	-	-
Debt issuance costs	(1,669,419)	-	(1,669,419)	-	-	-
Share of gains (losses) of joint ventures, net	460,963	-	460,963	(233,166)	-	(233,166)
Provider relief funding	-	-	-	1,000,000	-	1,000,000
Loss on sale of capital assets	(5,319)	-	(5,319)	-	-	-
Loss on forgiveness of receivables	(832,752)	-	(832,752)	-	-	-
Noncapital gifts and bequests	1,261,496	5,898,485	7,159,981	2,244,432	3,084,937	5,329,369
Total nonoperating revenues (expenses)	(957,305)	9,204,338	8,247,033	5,037,039	7,564,516	12,601,555
Excess of revenues over expenses	1,880,318	6,342,160	8,222,478	14,827,424	4,598,755	19,426,179
Transfer of net position of Broad River Oncology, LLC (Note 1)	4,855,043	-	4,855,043	-	-	-
Increase in net position	6,735,361	6,342,160	13,077,521	14,827,424	4,598,755	19,426,179
Net position, beginning of year	77,185,593	25,190,503	102,376,096	62,358,169	20,591,748	82,949,917
Net position, end of year	\$ 83,920,954	\$ 31,532,663	\$ 115,453,617	\$ 77,185,593	\$ 25,190,503	\$ 102,376,096

See accompanying notes.

Beaufort Memorial Hospital
Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

	2025			2024		
	Hospital	Component Unit	Total	Hospital	Component Unit	Total
Cash flows from operating activities:						
Receipts from and on behalf of patients	\$ 331,620,206	\$ -	\$ 331,620,206	\$ 333,416,202	\$ -	\$ 333,416,202
Other receipts and payments, net	(15,284,388)	(3,962,529)	(19,246,917)	(19,759,578)	(2,950,397)	(22,709,975)
Payments to employees	(181,709,320)	-	(181,709,320)	(168,223,151)	-	(168,223,151)
Payments to suppliers	(138,266,720)	-	(138,266,720)	(112,099,524)	323,219	(111,776,305)
Net cash provided by (used in) operating activities	(3,640,222)	(3,962,529)	(7,602,751)	33,333,949	(2,627,178)	30,706,771
Cash flows from noncapital financing activities:						
Noncapital gifts and bequests	1,261,496	5,898,485	7,159,981	2,244,432	3,084,937	5,329,369
Net cash provided by noncapital financing activities	1,261,496	5,898,485	7,159,981	2,244,432	3,084,937	5,329,369
Cash flows from capital and related financing activities:						
Receipts on leases receivable	521,491	-	521,491	405,163	-	405,163
Proceeds from debt	120,929,943	-	120,929,943	-	-	-
Payments on lease obligations	(2,088,673)	-	(2,088,673)	(1,934,353)	-	(1,934,353)
Payments on subscription-based IT obligations	(1,101,039)	-	(1,101,039)	(1,037,699)	-	(1,037,699)
Principal paid on long-term debt	(806,929)	-	(806,929)	-	-	-
Interest paid on long-term debt	(3,441,608)	-	(3,441,608)	-	-	-
Payment of debt issuance costs	(1,669,419)	-	(1,669,419)	-	-	-
Interest paid on lease obligations	(1,311,973)	-	(1,311,973)	(1,377,001)	-	(1,377,001)
Interest paid on subscription-based IT arrangements	(57,939)	-	(57,939)	(45,609)	-	(45,609)
Purchases of capital assets	(29,188,663)	-	(29,188,663)	(26,666,729)	-	(26,666,729)
Proceeds from sale of capital assets	44,120	-	44,120	-	-	-
Net cash provided by (used in) capital and related financing activities	81,829,311	-	81,829,311	(30,656,228)	-	(30,656,228)
Cash flows from investing activities:						
Investment sales (purchases), net	14,499,094	(1,638,777)	12,860,317	5,179,381	(756,023)	4,423,358
Assets limited as to use	(104,344,201)	-	(104,344,201)	-	-	-
Consideration paid for Coastal Carolina Urology Group, LLC	-	-	-	(173,898)	-	(173,898)
Consideration paid for additional interest in Broad River Oncology, LLC	(75,000)	-	(75,000)	-	-	-
Cash and cash equivalents assumed in transfer of operations of Broad River Oncology, LLC	135,977	-	135,977	-	-	-
Share of operating results of joint ventures, net	460,963	-	460,963	(233,166)	-	(233,166)
Receipts of dividends from joint venture	402,612	-	402,612	726,809	-	726,809
Net cash provided by (used in) investing activities	(88,920,555)	(1,638,777)	(90,559,332)	5,499,126	(756,023)	4,743,103
Net increase (decrease) in cash and cash equivalents	(9,469,970)	297,179	(9,172,791)	10,421,279	(298,264)	10,123,015
Cash and cash equivalents, beginning of year	17,365,237	-	17,365,237	6,943,958	298,264	7,242,222
Cash and cash equivalents, end of year	\$ 7,895,267	\$ 297,179	\$ 8,192,446	\$ 17,365,237	\$ -	\$ 17,365,237

(continued)

See accompanying notes.

Beaufort Memorial Hospital
Statements of Cash Flows
For the Years Ended September 30, 2025 and 2024

(Continued)

	2025			2024		
	Hospital	Component Unit	Total	Hospital	Component Unit	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 2,837,623	\$ (2,862,178)	\$ (24,555)	\$ 9,790,385	\$ (2,965,761)	\$ 6,824,624
Depreciation and amortization	16,205,270	-	16,205,270	14,734,569	-	14,734,569
Provision for bad debts	30,916,333	-	30,916,333	26,768,570	-	26,768,570
Loss on forgiveness of receivables	(832,752)	-	(832,752)	-	-	-
Adjustments to pension	(8,363,601)	-	(8,363,601)	(8,198,038)	-	(8,198,038)
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:						
Patient accounts receivable, net	(30,695,713)	-	(30,695,713)	(29,103,122)	-	(29,103,122)
Other receivables	-	(538,013)	(538,013)	-	(27,943)	(27,943)
Other assets	481,532	-	481,532	(445,079)	43,307	(401,772)
Prepaid expenses, drugs and supplies	(2,757,678)	-	(2,757,678)	607,202	-	607,202
Pension related deferred outflows and inflows	(794,281)	-	(794,281)	6,042,498	-	6,042,498
Lease related deferred inflows	(364,140)	-	(364,140)	(279,024)	-	(279,024)
Accounts payable	(6,053,958)	(562,338)	(6,616,296)	5,905,829	323,219	6,229,048
Accrued expenses and estimated third-party payor settlements	(4,065,140)	-	(4,065,140)	7,286,601	-	7,286,601
Other liabilities	(153,717)	-	(153,717)	223,558	-	223,558
Net cash provided by (used in) operating activities	\$ <u>(3,640,222)</u>	\$ <u>(3,962,529)</u>	\$ <u>(7,602,751)</u>	\$ <u>33,333,949</u>	\$ <u>(2,627,178)</u>	\$ <u>30,706,771</u>
Schedule of non-cash investing and financing activities						
Capital assets included in accounts payable	\$ <u>5,949,009</u>	\$ <u>-</u>	\$ <u>5,949,009</u>	\$ <u>470,594</u>	\$ <u>-</u>	\$ <u>470,594</u>
Acquisition of right-to-use assets through lease	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,115,995</u>	\$ <u>-</u>	\$ <u>1,115,995</u>
Acquisition of subscription-based IT assets	\$ <u>1,953,311</u>	\$ <u>-</u>	\$ <u>1,953,311</u>	\$ <u>270,612</u>	\$ <u>-</u>	\$ <u>270,612</u>
Interest on long-term debt included in accrued expenses	\$ <u>2,117,912</u>	\$ <u>-</u>	\$ <u>2,117,912</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes.

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The financial statements of Beaufort Memorial Hospital (“BMH”) includes the accounts of Broad River Healthcare, Inc. (“Broad River”), which is a blended component unit of BMH (jointly the “Hospital”). Effective September 2021, Broad River fully acquired South of Broad Healthcare (“South of Broad”). Effective September 2025, Broad River acquired an additional ownership percentage in Broad River Oncology, LLC, increasing the total ownership percentage from 49% to 51% and resulting in majority control. The Hospital’s financial statements are prepared using the accrual basis of accounting. All significant intercompany accounts have been eliminated.

Beaufort Memorial Hospital Endowment Foundation (the “Foundation”) is a legally separate, tax-exempt component unit of the Hospital. The Foundation is a South Carolina corporation, the purpose of which is to support and encourage, through financial and fundraising assistance, the health care services and interests of the Hospital. The Foundation is governed by a self-perpetuating board of trustees. Although the Hospital does not control the timing or amount of receipts from the Foundation, a significant amount of the resources, or income thereon that the Foundation holds and invests are restricted to the activities of the Hospital by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital’s financial statements.

Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation are collectively referred to as the “Organizations” throughout the notes to the financial statements.

Effective September 1, 2025, Broad River Healthcare, Inc. and MUSC Health Cancer Care Network, LLC signed a formal agreement for the transfer of 2% of the membership interest held by MUSC Health Cancer Care Network, LLC in Broad River Oncology, LLC to Broad River Healthcare, Inc. The resulting membership interest in Broad River Oncology, LLC is 51% owned by Broad River Healthcare, Inc. and 49% owned by MUSC Health Cancer Care Network, LLC. This transaction constitutes a change in the reporting entity and accordingly, the following values of Broad River Oncology, LLC were recorded within these financial statements as of October 1, 2024:

Cash and cash equivalents	\$	135,977
Patient accounts receivable, net		1,165,093
Prepaid expenses		32,544
Capital assets, net		3,963,846
Right-to-use assets, net		4,042,683
Total assets	\$	<u>9,340,143</u>
Accounts payable	\$	48,945
Accrued expenses		249,318
Current and long-term portions of debt		943,535
Current and long-term portions of lease liability		4,644,296
Total liabilities		<u>5,886,094</u>
Net position		<u>3,454,049</u>
Total liabilities and net position	\$	<u>9,340,143</u>

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024**

Organization

BMH is a not-for-profit healthcare facility which owns and operates a 169-bed acute care community hospital, a 14-bed rehabilitation facility and 18 mental health beds located in Beaufort, South Carolina. BMH is governed by a nine member Board of Trustees (the "Board"), whose members are appointed by the County Council of Beaufort County. The Board appoints the Board of Directors for Broad River, which is a supporting organization for BMH. Broad River holds a 100% interest in South of Broad. Broad River holds a 51% interest in Broad River Oncology, LLC. BMH is a public agency as defined in Title 44, Chapter 7, of the Code of Laws of South Carolina, 1976, as amended, and is not included in the financial statements of Beaufort County.

Basis of Presentation

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Hospital will only recognize GASB statements as authoritative guidance. Financial Accounting Standards Board ("FASB") statements, including those issued after November 30, 1989, will no longer be authoritative, but may be used as non-authoritative guidance.

The Foundation is a private nonprofit organization that reports under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification. As part of the BMH reporting entity, presentation features and accounting have been aligned with GASB standards.

Use of Estimates

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

Assets Limited as to Use

Assets limited as to use consists of funds that are held for use for the South of Broad construction, debt service reserve and funded interest reserve.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less when purchased. The Organizations maintain bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (the "FDIC"). At times throughout the year, the Organizations may maintain bank account balances in excess of the FDIC insured limit. The Organizations have cash deposits which exceed the federally insured deposited amount. It is management's opinion that these financial institutions are financially sound and that the Organizations are not exposed to any significant credit risk related to cash.

Patient Accounts Receivable

Allowances for uncollectible accounts are computed based on historical collection experience and a review of the current status of existing accounts receivable. The Hospital grants credit to patients without collateral, substantially all of whom are from the surrounding area.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024**

Other Receivables

Other receivables include pledges receivable to the Foundation from donors. All pledges receivable are expected to be collected within one year of the balance sheet date, with the exception of a pledge of \$100,000 per year for each of the years ended September 30, 2026, 2027 and 2028.

Drugs and Supplies

Drugs and supplies are stated at the lower of cost (first-in, first-out) or net realizable value.

Investments

The Hospital's investments are carried at fair value except investments in debt securities with maturities less than one year at the time of purchase. These investments are carried at amortized cost, which approximates fair value. Investment income (loss) including realized and unrealized gains and losses are reported as nonoperating revenues (expenses).

The Foundation's investments in equity securities with readily determinable fair values and all other investments are measured at fair value on the statements of net position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in nonoperating revenues (expenses) on the statements of revenues, expenses and changes in net position. Securities or other investments donated are recorded at their market value at the date of the gift.

Investment in Joint Ventures

The Hospital records its interest in joint ventures where the Hospital maintains more than 20% ownership interest and exerts influence under the equity method of accounting. Under the equity method, original investments are recorded at cost and adjusted for the Hospital's share of undistributed earnings or losses, contributions, and distributions.

Capital Assets

Capital assets are recorded at cost or, in the case of donated property, at fair market value at the time of donation. It is the Organizations' policy not to capitalize any asset addition that costs less than \$1,000 or has a useful life of less than 3 years. Assets are depreciated using the straight-line method based on the estimated useful lives of the assets, which range from three to forty years. Additions and improvements are capitalized and depreciated over the estimated remaining lives of the related assets.

Land improvements	15 to 20 years
Buildings	20 to 40 years
Equipment	3 to 7 years

Right-to-use Assets – Leases

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription-based IT Assets

Subscription-based IT assets (“SBITA”) are initially recorded at the initial measurement of the subscription IT liability, which includes discounted future payments, plus subscription payments made at or before the commencement of the SBITA term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription IT assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Leases Receivable

Leases receivable are measured at the present value of the minimum lease payments to be received such that each receivable’s initial balance equals the related payment received from lessees less the amount attributable to interest accrued. The lease receivables are being amortized over the respective lease terms, which range from 1 to 74 years.

Lease Liability

Lease liabilities are measured at the present value of the minimum lease payments to be made such that each liability’s initial balance equals the related payment to be made to lessors less the amount attributable to interest accrued. The lease liabilities are being amortized over the respective lease terms, which range from 5 to 20 years.

Deferred Outflows and Inflows

Deferred outflows and inflows of resources represent a consumption or acquisition of net position that applies to a future period. The Hospital has excess consideration provided for acquisition, pension deferrals, and deferred inflows related to future lease payments receivable.

Net Position

Net position is classified in four components on its statements of net position:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and right-of-use assets net of accumulated amortization, reduced by the outstanding balances of any lease obligations and any borrowings used to finance the purchase, use, or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Organizations, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Organizations, such as permanent endowments, as well as the minority interest share of ownership in blended component units.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Unrestricted net position of the Hospital at September 30 included the following:

	<u>2025</u>	<u>2024</u>
Impacts of pension accruals	\$ (119,990,283)	\$ (129,148,165)
Other unrestricted net position	<u>(42,883,697)</u>	<u>74,962,928</u>
	<u>\$ (162,873,980)</u>	<u>\$ (54,185,237)</u>

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Third-party contractual revenue adjustments are accrued on an estimated basis in the period the related services are rendered. Such amounts are subject to audit by governmental agencies. Adjustments, if any, are included in contractual revenue adjustments in the year of determination. Net patient service revenue has been reduced by the amount of bad debt expense incurred by the Hospital.

The Hospital's policy does not require collateral or other security for patient accounts receivable. The Hospital routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance carriers.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Partial payments to which the Hospital is entitled from public assistance on behalf of patients that meet the Hospital's charity care criteria are reported as net patient service revenue.

Recognition of Revenue by Component Unit Foundation

Contributions are recognized as revenue when they are received or unconditionally pledged and are measured at their fair value and are reported as an increase in net position.

Operating Revenues and Expenses

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

Grants and Contributions

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

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024**

Under the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Foundation records contribution expense and a payable to the Hospital when the Foundation's board approves the future payment of funds to the Hospital for specified purposes. The Foundation considers these restricted contributions to the Hospital because the funds must be spent for the purposes specified by the Foundation. In accordance with GASB Statement No. 33, *Accounting and Reporting for Non-exchange Transactions*, the Hospital records contribution revenue when the funds are spent for the specified purpose, that is, when the reimbursable costs have been incurred. As a result of the different accounting treatment required under the FASB Accounting Standards Codification and GASB No. 33, the Foundation has recorded accounts payable of approximately \$285,000 and \$809,000 as of September 30, 2025 and 2024, respectively, for which a corresponding receivable has not been recorded by the Hospital.

Compensated Absences

The Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. A liability is accrued for compensated absences in accrued expenses on the statements of net position as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Certain Hospital employees earn paid days off ("PDO") at varying rates depending on years of service. Accumulated PDO may be carried over each year up to a maximum of 360 hours. The employee may elect to use PDOs or cash in PDO hours as earned.

If an employee has given proper notice, upon termination, the employee will receive pay at the regular hourly rate for all unused PDO, providing the employee has completed twelve months of service.

The Hospital's balances of compensated absences are summarized below as of September 30, 2025 and 2024:

	September 30, 2024	Net Change	September 30, 2025
Accrued compensated absences	\$ 4,582,046	\$ 405,689	\$ 4,987,735

	September 30, 2023	Net Change	September 30, 2024
Accrued compensated absences	\$ 4,355,157	\$ 226,889	\$ 4,582,046

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Income Taxes

Beaufort Memorial Hospital, Broad River Healthcare, Inc., South of Broad Healthcare, and Beaufort Memorial Hospital Endowment Foundation are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal or state income taxes. The Organizations have determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2025.

**Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024**

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for amounts up to a specified level for health and medical coverage for its employees. The estimated liability is the total estimated amount to be paid for all known claims or incidents and a reserve for incurred but not reported claims. The Hospital purchases professional and general liability insurance to cover medical malpractice claims. Claims under such coverage are covered based on the date of occurrence.

New Accounting Pronouncements

During the year ended September 30, 2025, the Hospital implemented GASB Statement No. 101, *Compensated Absences*, which established standards of accounting and financial reporting for compensated absences and associated salary-related payments. The adoption of this statement did not result in a material impact to the financial statements.

Uncertainties

On July 3, 2025, the U.S. Congress enacted the One Big Beautiful Bill Act (“OBBBA”), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has not had a material impact on the financial results to date as many aspects of the legislation are effective for future periods. The Hospital is currently evaluating what impact the OBBBA will have on the financial results, cash flows and financial position for future periods.

Note 2. Cash and Cash Equivalents, Assets Limited as to Use, and Investments

As required by state statutes, all of the Hospital’s cash and cash equivalents, assets limited as to use, and investments, which consist principally of overnight repurchase agreements and interest earning investment contracts, are covered by federal depository insurance, invested in U.S. Government obligations, or collateralized by U.S. governmental obligations held in the Hospital's name by a custodial bank.

Investments and assets limited as to use at September 30 consist of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 3,014,533	\$ 2,701,910
US Treasury notes maturing within one year	132,609,347	35,515,948
US Treasury notes maturing within two years	15,529,587	19,783,846
US Treasury notes maturing within three years	2,663,101	-
	<u>\$ 153,816,568</u>	<u>\$ 58,001,704</u>

Beaufort Memorial Hospital
Notes to Financial Statements
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Custodial credit risk for investments and assets limited as to use is the risk that, in the event of failure of the counterparty, the Hospital will not be able to recover the value of the investments and assets limited as to use or collateral securities that are in the possession of an outside party. Investments and assets limited as to use held with third party banks are invested primarily in US Treasury notes. Investments and assets limited as to use with third party banks are fully collateralized and insured as of September 30, 2025 with securities maintained by an outside party.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Hospital's investments and assets limited as to use in a single issuer. As of September 30, 2025 and 2024, 68% and 100% of investments are held with one financial institution.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The carrying values of cash and cash equivalents, assets limited as to use, and investments are included on the statements of net position as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 7,895,267	\$ 17,365,237
Assets limited as to use	104,344,201	-
Short-term investments	40,140,336	38,217,858
Long-term investments	9,332,031	19,783,846
	<u>\$ 161,711,835</u>	<u>\$ 75,366,941</u>

The Fair Value Measurements and Application Standard addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The Hospital categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following table provides fair value information as of September 30, 2025 and 2024:

	<u>Fair value measurements at September 30, 2025 using</u>			
	Fair value at September 30, 2025	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Assets measured at fair value</u>				
Cash and cash equivalents	\$ 3,014,533	\$ 3,014,533	\$ -	\$ -
US Treasury Notes	<u>150,802,035</u>	<u>150,802,035</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 153,816,568</u>	<u>\$ 153,816,568</u>	<u>-</u>	<u>-</u>

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024

	Fair value measurements at September 30, 2024 using			
	Fair value at September 30, 2024	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<i>Assets measured at fair value</i>				
Cash and cash equivalents	\$ 2,701,910	\$ 2,701,910	\$ -	\$ -
US Treasury Notes	<u>55,299,794</u>	<u>55,299,794</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 58,001,704</u>	<u>\$ 58,001,704</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Hospital at September 30, 2025 and 2024 consisted of the following amounts:

	<u>2025</u>	<u>2024</u>
<u>Patient Accounts Receivable</u>		
Receivable from patients	\$ 44,547,360	\$ 35,489,855
Receivable from third-party payors and other	7,982,371	7,071,752
Receivable from Medicare	20,513,605	19,027,346
Receivable from Medicaid	6,267,601	8,836,094
Total patient accounts receivable	<u>79,310,937</u>	<u>70,425,047</u>
Less: Allowance for uncollectible accounts	<u>(45,857,775)</u>	<u>(37,916,358)</u>
Net patient accounts receivable	<u>\$ 33,453,162</u>	<u>\$ 32,508,689</u>

	<u>2025</u>	<u>2024</u>
<u>Accounts Payable and Accrued Expenses</u>		
Payable to suppliers	\$ 33,586,373	\$ 26,243,685
Payable to employees (including payroll taxes)	<u>13,071,963</u>	<u>14,058,274</u>
Total accounts payable and accrued expenses	<u>\$ 46,658,336</u>	<u>\$ 40,301,959</u>

Note 4. Liquidity and Availability

The Foundation's liquidity management structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Foundation's financial assets available within one year of September 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 297,179	\$ -
Investments without donor restrictions	<u>22,439,366</u>	<u>22,006,425</u>
	<u>\$ 22,736,545</u>	<u>\$ 22,006,425</u>

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Note 5. Investments in Joint Ventures

The Hospital's ownership percentage and investments at September 30, 2025 and 2024 for entities recorded under the equity method are as follows:

	<u>Percentage of Ownership</u>		<u>Investment (Deficit)</u>		<u>Share of Gains (Losses)</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Broad River Oncology, LLC	51%**	49%	\$ -	\$ (1,475,994)	\$ -	\$ (791,403)
Beaufort Home Health Partners, LLC	30%	30%	<u>4,529,473</u>	<u>4,561,121</u>	<u>460,963</u>	<u>558,237</u>
			<u>\$ 4,529,473</u>	<u>\$ 3,085,127</u>	<u>\$ 460,963</u>	<u>\$ (233,166)</u>

The Hospital and Broad River Oncology, LLC entered into an agreement under which the Hospital provides billing services for the joint venture. Each month the Hospital bills and collects patient payments on behalf of Broad River Oncology, LLC, of which 95% is remitted to the joint venture. The remaining 5% is retained by the Hospital as an administrative billing fee and is recorded in other operating revenue on the statements of revenues, expenses, and changes in net position. As of September 30, 2025 and 2024, approximately \$- and \$171,000 is payable to Broad River Oncology, LLC, respectively.

**As noted in Note 1, Broad River acquired an additional ownership percentage in Broad River Oncology, LLC effective September 1, 2025, increasing the total ownership percentage from 49% to 51% and resulting in majority control.

Effective August 2022, Broad River entered into an agreement with Amedisys to form a joint venture, Beaufort Home Health Partners, LLC. The purpose of the joint venture is to provide skilled nursing services and other therapeutic services to the community. Broad River owns 30% of the joint venture with Amedisys owning the remaining 70%.

Note 6. Foundation Investments

The *Fair Value Measurements* standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard does not require any new fair value measurements, but clarifies and standardizes some divergent practices that have emerged since prior guidance was issued. The standard creates a three-level hierarchy under which individual fair value estimates are to be ranked based on the relative reliability of the inputs used in the valuation.

The standard defines fair value as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, the Foundation considers the principal or most advantageous market in which those assets or liabilities are sold and considers assumptions that market participants would use when pricing those assets or liabilities. Fair values determined using level 1 inputs rely on active and observable markets to price identical assets or liabilities. In situations where identical assets and liabilities are not traded in active markets, fair values may be determined based on level 2 inputs, which exist when observable data exists for similar assets and liabilities. Fair values for assets and liabilities that are not actively traded in observable markets are based on level 3 inputs, which are considered to be unobservable.

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Among the Foundation's assets, various investments were reported at their fair values on a recurring basis. For assets carried at fair value, the following table provides fair value information as of September 30, 2025 and 2024:

	<u>Fair value measurements at September 30, 2025 using</u>			
	Fair value at September 30, 2025	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<i><u>Assets measured at fair value</u></i>				
Cash and cash equivalents	\$ 2,062,661	\$ 2,062,661	\$ -	\$ -
Equities	8,902,463	8,902,463	-	-
Mutual funds	19,733,962	19,733,962	-	-
Other	<u>146,677</u>	<u>146,677</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 30,845,763</u>	<u>\$ 30,845,763</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Fair value measurements at September 30, 2024 using</u>			
	Fair value at September 30, 2024	Quoted prices in active markets for identical assets and liabilities (Level 1 inputs)	Quoted prices for similar assets and liabilities (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<i><u>Assets measured at fair value</u></i>				
Cash and cash equivalents	\$ 1,897,166	\$ 1,897,166	\$ -	\$ -
Equities	8,861,413	8,861,413	-	-
Mutual funds	15,003,641	15,003,641	-	-
Other	<u>138,913</u>	<u>138,913</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 25,901,133</u>	<u>\$ 25,901,133</u>	<u>\$ -</u>	<u>\$ -</u>

Prices for assets are readily available in the active markets in which those securities are traded, and the resulting fair values are shown in the "Level 1 inputs" column.

Investment income is comprised of the following at September 30:

	<u>2025</u>	<u>2024</u>
Interest and dividends	\$ 1,038,936	\$ 521,658
Net unrealized gains	1,670,609	1,111,157
Net realized gains	<u>596,308</u>	<u>2,846,764</u>
Total investment income	<u>\$ 3,305,853</u>	<u>\$ 4,479,579</u>

**Beaufort Memorial Hospital
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Note 7. Capital Assets

Capital asset additions, retirements, transfers, and balances for the years ended September 30 are as follows:

	September 30, 2024	Additions**	Retirements	Transfers	September 30, 2025
Land	\$ 22,880,776	\$ -	\$ -	\$ 3,049,871	\$ 25,930,647
Land improvements	2,276,192	-	-	-	2,276,192
Buildings	124,617,919	2,871,000	(82,399)	5,374,657	132,781,177
Equipment	56,523,092	3,492,110	(27,925)	4,828,141	64,815,418
Construction in progress	24,862,347	33,834,909	-	(13,252,669)	45,444,587
Total at historical cost	<u>231,160,326</u>	<u>40,198,019</u>	<u>(110,324)</u>	<u>-</u>	<u>271,248,021</u>
Less accumulated depreciation:					
Land improvements	2,093,702	13,117	-	-	2,106,819
Buildings	65,218,570	6,382,106	(32,960)	-	71,567,716
Equipment	28,985,221	6,880,003	(27,925)	-	35,837,299
Total accumulated depreciation	<u>96,297,493</u>	<u>13,275,226</u>	<u>(60,885)</u>	<u>-</u>	<u>109,511,834</u>
Capital assets, net	<u>\$ 134,862,833</u>	<u>\$ 26,922,793</u>	<u>\$ (49,439)</u>	<u>\$ -</u>	<u>\$ 161,736,187</u>

	September 30, 2023	Additions	Retirements	Transfers	September 30, 2024
Land	\$ 22,616,776	\$ 264,000	\$ -	\$ -	\$ 22,880,776
Land improvements	2,276,192	-	-	-	2,276,192
Buildings	121,413,981	889,657	-	2,314,281	124,617,919
Equipment	47,932,159	2,338,769	-	6,252,164	56,523,092
Construction in progress	9,758,480	23,670,312	-	(8,566,445)	24,862,347
Total at historical cost	<u>203,997,588</u>	<u>27,162,738</u>	<u>-</u>	<u>-</u>	<u>231,160,326</u>
Less accumulated depreciation:					
Land improvements	2,064,864	28,838	-	-	2,093,702
Buildings	60,339,906	4,878,664	-	-	65,218,570
Equipment	24,092,070	4,893,151	-	-	28,985,221
Total accumulated depreciation	<u>86,496,840</u>	<u>9,800,653</u>	<u>-</u>	<u>-</u>	<u>96,297,493</u>
Capital assets, net	<u>\$ 117,500,748</u>	<u>\$ 17,362,085</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,862,833</u>

** As noted in Note 1, Broad River acquired an additional ownership percentage in Broad River Oncology, LLC effective September 1, 2025, increasing the total ownership percentage from 49% to 51% and resulting in majority control. Capital asset balances brought on at October 1, 2024 as a result of the transaction are recorded as additions in the above table.

As of September 30, 2025, construction in progress consists primarily of operating room suite renovations and South of Broad hospital construction. Estimated future commitments for capital expenditures related to these projects activity as of September 30, 2025 is approximately \$65,800,000.

Note 8. Leases Receivable

The Hospital leases a portion of its office space and land to various third parties, the terms of which expire October 2026 through October 2094.

The Hospital subleases a portion of its leased space (see Note 11) with terms expiring over the next twenty-five years. The space being subleased represents approximately \$6,000 and \$3,957,000 of the lease receivable balance and approximately \$5,000 and \$3,541,000 of deferred lease inflows as of September 30, 2025 and 2024, respectively.

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Revenue recognized under lease contracts during the years ended September 30, 2025 and 2024, was approximately \$519,000 and \$563,000, respectively, which includes both lease revenue and interest.

Note 9. Excess Consideration Provided for Acquisition

Effective December 1, 2014, Broad River acquired the remaining 60% of the Surgery Center of Beaufort, LLC for approximately \$9,912,000 in cash. Broad River then transferred its ownership of the Surgery Center of Beaufort, LLC to BMH. This transaction resulted in a gain on the Hospital's investment in the Surgery Center of Beaufort, LLC of approximately \$5,455,000 as of the transaction date. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$10,722,000 which is included in deferred outflows of resources on the statements of net position. This amount is being amortized into future periods over a period of 10 years.

Effective July 1, 2020, the Hospital acquired Palmetto Medical Group, LLC for approximately \$503,000 in cash to grow its physician practices. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$409,000, which is included in deferred outflows of resources on the statements of net position. This amount is being amortized into future periods over a period of 10 years. The remaining \$94,000 was recorded to capital assets, net.

Effective July 10, 2023, the Hospital acquired Island Imaging, LLC for approximately \$1,246,000 in cash to grow its physician practices. The total net position acquired consists of approximately \$972,000 of equipment, \$10,000 of medical supplies, and \$264,000 of intangibles. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$264,000, which is included in deferred outflows of resources on the statements of net position. The amount is being amortized into future periods over a period of 10 years.

Effective December 1, 2023, the Hospital acquired Coastal Carolina Urology Group, LLC for approximately \$176,000 in cash to grow its physician practices. The total net position acquired consists of approximately \$26,000 of equipment, \$2,000 of medical supplies, and \$148,000 of intangibles. Consideration in excess of the assets acquired resulted in a deferred outflow of resources of approximately \$148,000, which is included in deferred outflows of resources on the statements of net position. The amount is being amortized into future periods over a period of 10 years.

Note 10. Long-term Debt

Effective October 14, 2021, the Hospital entered into a \$20,000,000 non-revolving credit agreement for an initial term of one year. Effective October 12, 2023, the Hospital entered into a one-year extension on the agreement which expired on October 11, 2024 and was not renewed. Interest on the borrowings is based on Term SOFR rate plus 1.37%. No draws were made on the agreement, and no balance owed at September 30, 2024.

At September 30, long-term debt included the following:

	September 30, 2024	Additions**	Reductions	September 30, 2025	Amounts due within one year
Broad River Oncology, LLC loan	\$ -	\$ 943,535	\$ (806,929)	\$ 136,606	\$ 136,606
Revenue bonds	-	<u>120,929,943</u>	<u>(154,195)</u>	<u>120,775,748</u>	-
	<u>\$ -</u>	<u>\$ 121,873,478</u>	<u>\$ (961,124)</u>	<u>\$ 120,912,354</u>	<u>\$ 136,606</u>

**Debt balances brought on at October 1, 2024 as a result of the Broad River Oncology, LLC transaction discussed in Note 1 are recorded as additions in the above table.

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In October 2024, the Obligated Group (defined as Beaufort Memorial Hospital, Broad River Healthcare, Inc., and South of Broad Healthcare) issued \$115,135,000 of Series 2024 Bonds with premium on issuance of \$5,794,943. The net proceeds were used to (i) finance acquisition, development, construction, and equipping of a medical office building to include an ambulatory surgery center, office space, an emergency room and other medical facilities to be owned by South of Broad in order to provide outpatient and acute care healthcare services, (ii) finance capitalized interest, (iii) fund a debt service reserve fund, and (iv) finance costs of issuance of the Series 2024 Bonds. The Series 2024 Bonds were secured by revenues of the Obligated Group and a mortgage on the real property comprising the land on which the project will be located. Interest is payable semiannually starting May 2025 and principal is payable annually starting in November 2027 through November 2035 with three term bonds being due in November 2039, November 2044, and November 2054. Interest rates range from 5% to 5.75%.

On October 1, 2024, the Foundation entered into a Guaranty and Negative Pledge Agreement in connection with the issuance of the Series 2024 Bonds. Under the terms of the agreement, the Foundation has agreed to make funds available if the Obligated Group fails to meet certain debt service payment requirements on the Series 2024 Bonds. The guaranty remains in effect until the Series 2024 Bonds are retired, defeased, or otherwise paid in full in accordance with the related bond documents. As of September 30, 2025, no amounts have been paid, and management has determined it is not more likely than not that the Foundation will be required to make payments on behalf of the Obligated Group. Accordingly, no liability has been recorded in the accompanying financial statements.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets limited to use for capital acquisitions, debt service reserve, and funded interest in the statements of net position. The indenture agreements also require the Obligated Group to comply with certain restrictive covenants, the most restrictive of which requires the Obligated Group to maintain certain debt service coverage ratios. The Obligated Group is not required to report on these financial covenants until the year ended September 30, 2027.

Future payments under the Hospital's long-term debt agreements are as follows:

Year Ending September 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 136,606	\$ 6,353,738	\$ 6,490,344
2027	-	6,353,738	6,353,738
2028	1,850,000	6,307,488	8,157,488
2029	1,940,000	6,212,738	8,152,738
2030	2,040,000	6,113,238	8,153,238
2031 – 2035	11,885,000	28,885,065	40,770,065
2036 – 2040	15,325,000	25,443,526	40,768,526
2041 – 2045	20,060,000	20,714,313	40,774,313
2046 – 2050	26,590,000	14,188,125	40,778,125
2051 – 2055	<u>35,445,000</u>	<u>5,328,957</u>	<u>40,773,957</u>
	115,271,606	125,900,926	241,172,532
Unamortized premium	<u>5,640,748</u>	-	<u>5,640,748</u>
Total	<u>\$ 120,912,354</u>	<u>\$ 125,900,926</u>	<u>\$ 246,813,280</u>

Beaufort Memorial Hospital
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Note 11. Right-to-use Assets and Lease Obligations

The Hospital has entered into agreements to lease certain equipment and real property. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, the assets and related liabilities have been recorded. The lease liabilities have been measured at the present value of minimum lease payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs made to the lessor on or before the start of the lease term. The right-to-use assets are being amortized on a straight-line basis over their respective lease terms, which range from 5 to 20 years.

Right-to-use asset additions, retirements, and balances for the years ended September 30, 2025 and 2024 are as follows:

	<u>September 30,</u> <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30,</u> <u>2025</u>
Buildings	\$ 37,888,673	\$ -	\$ -	\$ 37,888,673
Equipment	1,878,691	-	(212,649)	1,666,042
	<u>39,767,364</u>	<u>-</u>	<u>(212,649)</u>	<u>39,554,715</u>
Less accumulated amortization	(9,612,709)	(2,654,454)	212,649	(12,054,514)
Right-to-use assets	<u>\$ 30,154,655</u>	<u>\$ (2,654,454)</u>	<u>\$ -</u>	<u>\$ 27,500,201</u>

	<u>September 30,</u> <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>September 30,</u> <u>2024</u>
Buildings	\$ 36,782,985	\$ 1,115,995	\$ (10,307)	\$ 37,888,673
Equipment	2,361,840	-	(483,149)	1,878,691
	<u>39,144,825</u>	<u>1,115,995</u>	<u>(493,456)</u>	<u>39,767,364</u>
Less accumulated amortization	(7,468,886)	(2,637,279)	493,456	(9,612,709)
Right-to-use assets	<u>\$ 31,675,939</u>	<u>\$ (1,521,284)</u>	<u>\$ -</u>	<u>\$ 30,154,655</u>

Lease liability additions, retirements, and balances for the years ended September 30, 2025 and 2024 are as follows:

	<u>September 30,</u> <u>2024</u>	<u>Additions</u>	<u>Repayments</u>	<u>September 30,</u> <u>2025</u>
Lease liability	\$ 33,921,875	\$ -	\$ (2,088,673)	\$ 31,833,202

	<u>September 30,</u> <u>2023</u>	<u>Additions</u>	<u>Repayments</u>	<u>September 30,</u> <u>2024</u>
Lease liability	\$ 34,740,233	\$ 1,115,995	\$ (1,934,353)	\$ 33,921,875

The future minimum lease obligations for the lease obligations for the year ended September 30, 2025 are as follows:

Year ending September 30	<u>Principal</u> <u>Payments</u>	<u>Interest</u> <u>Payments</u>	<u>Total</u> <u>Payment</u>
2026	\$ 2,200,247	\$ 1,224,355	\$ 3,424,602
2027	2,207,293	1,136,124	3,343,417
2028	2,057,508	1,056,145	3,113,653
2029	2,203,796	967,719	3,171,515
2030	2,280,084	876,901	3,156,985
2031-2035	10,211,284	3,084,493	13,295,777
2036-2040	10,274,502	1,147,729	11,422,231
2041-2045	398,488	722	399,210
	<u>\$ 31,833,202</u>	<u>\$ 9,494,188</u>	<u>\$ 41,327,390</u>

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Note 12. Subscription-based IT Assets and Liabilities

The Hospital has various SBITAs, the terms of which expire in various years through 2030. The arrangements qualify as other than short-term arrangements under GASB 96 and, therefore, the assets and related liabilities have been recognized on the statements of net position. The liabilities have been measured at the present value of minimum future payments such that each asset's initial balance equals the related liability plus any additional payments for initial direct costs on or before the start of the lease term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

Subscription-based IT asset activity for the years ended September 30, 2025 and 2024 was as follows:

	September 30, <u>2024</u>	<u>Additions</u>	<u>Retirements</u>	September 30, <u>2025</u>
Subscription-based IT asset	\$ 4,094,216	\$ 1,971,861	\$ (582,286)	\$ 5,483,791
Less accumulated amortization	(3,074,186)	(1,125,734)	582,286	(3,617,634)
Subscription-based arrangements, net	<u>\$ 1,020,030</u>	<u>\$ 846,127</u>	<u>\$ -</u>	<u>\$ 1,866,157</u>

	September 30, <u>2023</u>	<u>Additions</u>	<u>Retirements</u>	September 30, <u>2024</u>
Subscription-based IT asset	\$ 4,426,986	\$ 270,612	\$ (603,382)	\$ 4,094,216
Less accumulated amortization	(2,535,613)	(1,141,955)	603,382	(3,074,186)
Subscription-based arrangements, net	<u>\$ 1,891,373</u>	<u>\$ (871,343)</u>	<u>\$ -</u>	<u>\$ 1,020,030</u>

A schedule of changes in the Hospital's subscription-based IT liability for the years ended September 30, 2025 and 2024 is as follows:

	September 30, <u>2024</u>	<u>Additions</u>	<u>Repayments</u>	September 30, <u>2025</u>
Subscription-based IT liability	\$ 744,813	\$ 1,953,311	\$ (1,101,039)	\$ 1,597,085

	September 30, <u>2023</u>	<u>Additions</u>	<u>Repayments</u>	September 30, <u>2024</u>
Subscription-based IT liability	\$ 1,511,900	\$ 270,612	\$ (1,037,699)	\$ 744,813

The future minimum obligations for the SBITA obligations for the year ended September 30, 2025 are as follows:

Year ending September 30	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payment</u>
2026	\$ 425,960	\$ 59,990	\$ 485,950
2027	266,423	46,007	312,430
2028	278,741	33,500	312,241
2029	301,076	19,963	321,039
2030	<u>324,885</u>	<u>5,434</u>	<u>330,319</u>
	<u>\$ 1,597,085</u>	<u>\$ 164,894</u>	<u>\$ 1,761,979</u>

Note 13. Endowment Funds

Unrestricted net position includes a subset of funds that have been designated by the Foundation Board of Trustees, consisting of two board designated endowment funds. The endowments are to be used at the discretion of the Foundation's Board of Trustees for the benefit of the Hospital.

The Foundation's donor restricted endowment is classified as restricted nonexpendable net position and consists of one individual fund established to support blood related disease programs and education, including sickle cell. Net position associated with the endowment fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation has interpreted the South Carolina Uniform Prudent Management of Institutional Funds Act ("SCUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted nonexpendable net position to be held in perpetuity (a) the original value of gifts donated to the endowment held in perpetuity, (b) the original value of subsequent gifts to the endowment held in perpetuity, and (c) accumulations to the endowment held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as restricted expendable net position with a time or donor restriction until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SCUPMIFA.

In accordance with SCUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Foundation and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The investment policies of the Foundation.

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Endowed Net Position Composition

Endowed net position composition and changes in endowment net position for the years ended September 30, 2025 and 2024 are as follows:

	Board Designated Unrestricted	Donor Restricted	Total
Endowment net position, September 30, 2023	\$ 15,998,185	\$ 690,000	\$ 16,688,185
Investment return, net	4,265,537	186,086	4,451,623
Contributions	164,238	-	164,238
Amount appropriated for expenditures	<u>(984,106)</u>	<u>-</u>	<u>(984,106)</u>
Changes in endowment net position	<u>3,445,669</u>	<u>186,086</u>	<u>3,631,755</u>
Endowment net position, September 30, 2024	<u>\$ 19,443,854</u>	<u>\$ 876,086</u>	<u>\$ 20,319,940</u>
Investment return, net	3,219,717	95,573	3,315,290
Contributions	30,482	-	30,482
Amount appropriated for expenditures	<u>(984,718)</u>	<u>-</u>	<u>(984,718)</u>
Changes in endowment net position	<u>2,265,481</u>	<u>95,573</u>	<u>2,361,054</u>
Endowment net position, September 30, 2025	<u>\$ 21,709,335</u>	<u>\$ 971,659</u>	<u>\$ 22,680,994</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SCUPMIFA requires the Foundation to retain as a fund of perpetual duration. The Foundation has interpreted SCUPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At September 30, 2025 and 2024, there were no funds with deficiencies reported within the Foundation's restricted net position.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation has a policy of requesting annual withdrawals of 5% of the three year running average of the fiscal year end total value of the endowment unless otherwise approved by the Foundation Board of Trustees.

**Beaufort Memorial Hospital
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Note 14. Restricted Expendable and Nonexpendable Net Position

At September 30, 2025 and 2024, net position was restricted as expendable and nonexpendable for the following purposes:

	<u>2025</u>	<u>2024</u>
Restricted expendable net position:		
Debt service	\$ 8,282,241	\$ -
Funded interest	9,677,917	-
Capital acquisitions	86,384,043	-
Specific operating activities:		
ER Critical Care	7,226	4,950
Cardiovascular Fund	1,863	513,885
HOPE Fund	3,186	4,186
Healthlink Fund	22,145	17,948
Healthy Community Fund	8,393	4,113
Pharmacy Assistance Fund	2,859	4,693
Cancer Services Fund	156,048	190,839
Research Fund Keyserling	40,215	40,215
Breast Cancer	122,663	114,840
Surgical Pavilion Renovations	661,162	1,005,210
Children's Fund	2,545	2,545
Donor Designated Fund	11,670	83,629
Vaux Fund	101,077	102,077
Pat Fougler Quality Scholar Fund	44,215	44,215
Asthma Camp Fund	166	166
Diabetes	6,939	6,939
Healing Arts General Fund	7,617	8,090
Healing Arts	1,020	1,020
P Williams Breast Cancer Support Group	4,520	4,520
Women's Fund	850	300
Women's Imaging	303	303
Addiction Medicine	100,000	100,000
PATH Program	357,365	455,355
Mammography Nursing	24,000	76,000
Vision	4,242,637	25,010
Beaufort Jasper Housing Trust	13,833	45,000
Rural Healthcare	107,574	107,574
GME Duke	55,000	55,000
Parkinson's	1,000	-
Virtual Nursing	460,000	-
Adaptive Transportation	10,000	-
Mental Health Services	290,738	-
Health Workforce Development and Education	565,909	-
Coastal Blood Endowed Fund	<u>281,659</u>	<u>186,086</u>
Total restricted expendable net position	<u>\$ 112,060,598</u>	<u>\$ 3,204,708</u>

**Beaufort Memorial Hospital
Notes to Financial Statements
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At September 30, 2025 and 2024, restricted nonexpendable net position was available for the following purposes:

	<u>2025</u>	<u>2024</u>
Restricted nonexpendable net position:		
Coastal Blood Endowed Fund	\$ 690,000	\$ 690,000
Broad River Oncology, LLC – noncontrolling interest	<u>1,346,628</u>	<u>-</u>
Total restricted nonexpendable net position	<u>\$ 2,036,628</u>	<u>\$ 690,000</u>

Note 15. Net Patient Service Revenue

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

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services are reimbursed under a prospective payment system called the Ambulatory Payment Classification System (“APCs”). Inpatient non-acute services and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital’s Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2021.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services are reimbursed at prospectively determined rates per procedures. The Hospital’s Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2013.

Revenue from Medicare and Medicaid programs accounted for approximately 56% and 7%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2025, and 55% and 8%, respectively, of the Hospital's net patient service revenue for the year ended September 30, 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term as a result of third party reviews. The 2025 and 2024 net patient service revenue did not change significantly due to changes in the allowances previously estimated for tentative cost report settlements.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers and provider organizations. The bases for payment to the Hospital under these agreements include established Hospital charges, prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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Net patient service revenue is comprised of the following at September 30:

	<u>2025</u>	<u>2024</u>
Gross patient charges at established rates	\$ 1,133,660,150	\$ 1,109,967,749
Medicaid disproportionate share	-	3,277,314
Health Access, Workforce and Quality program	29,054,758	23,424,859
Contractual adjustments	(787,493,926)	(768,499,037)
Provision for bad debts	(30,916,333)	(26,768,570)
Charity care	(4,641,055)	(10,103,872)
Net patient service revenue	<u>\$ 339,663,594</u>	<u>\$ 331,298,443</u>

Effective July 1, 2023, the South Carolina Department of Health and Human Services implemented the Health Access, Workforce and Quality ("HAWQ") program to provide uniform rate increases on inpatient and outpatient acute care hospitals providing in-network services to Medicaid beneficiaries, which will be paid to hospitals quarterly. These quarterly payments are estimates based on historical data and will later be reconciled to actual encounter data. As a result of the implementation of the HAWQ program, reserves that were placed on funding for the Disproportionate Share Hospital ("DSH") Program (the "Program") for years 2019 through 2023 of approximately \$3,277,000 were reversed for the year ended September 30, 2024. For the years ended September 30, 2025 and 2024, the Hospital received approximately \$29,055,000 and \$30,924,000 in HAWQ funding, respectively. Of this amount, \$- and approximately \$7,499,000 is reported in estimated third-party payor settlements on the statements of net position as of September 30, 2025 and 2024, respectively. The Hospital paid approximately \$13,902,000 and \$14,772,000 in South Carolina hospital license fees in 2025 and 2024, respectively, included in other expenses.

Note 16. Professional Liability and Workers' Compensation Insurance

The Hospital purchases professional medical liability insurance with coverage up to \$300,000 per individual and an aggregate of \$600,000 on an occurrence basis. The coverage for physicians employed by the Hospital is \$1,200,000 per occurrence. Management believes that any pending claims or unasserted claims would be settled within the limits of coverage and is not aware of any potential claims not filed with the carrier as of September 30, 2025.

The laws of the state limit the amount that can be recovered from certain governmental medical facilities, including the Hospital, for damages for medical services rendered by the Hospital or the Hospital's employees to \$300,000 per individual and an aggregate of \$600,000 per occurrence and \$1,200,000 for physicians employed by the facility.

There is no litigation pending, or to the knowledge of management of the Hospital threatened, which if decided adversely to the Hospital would have a material adverse effect on the business operations, financial position or operations of the Hospital. Furthermore, there is no litigation pending, or to management's knowledge threatened, involving professional liability claims in which the amount sought by the plaintiff exceeds applicable professional liability or excess insurance policy coverage limits.

The Hospital obtained commercial workers' compensation insurance subject to a deductible provision of \$250,000 per claim and has a limit on liability of \$750,000 per occurrence. The Hospital is responsible for all costs associated with each incident until the deductible limit is reached.

Note 17. Deferred Compensation Plan

Effective October 1, 2019, the Hospital established the 2024 Deferred Compensation Plan (“2024 Plan”) and the 2029 Deferred Compensation Plan (“2029 Plan”) which are unfunded plans for the benefit of management. Under the 2024 Plan, the Hospital will contribute an amount equal to seven and one-half percent (7.5%) of the participant’s annual base salary to the deferred compensation account. Under the 2029 Plan, the Hospital will contribute an amount equal to seven and one-half percent (7.5%) of the participant’s annual base salary for plan years one through five and fifteen percent (15%) of the participant’s annual base salary for plan years six through ten. Earnings on the deferred compensation accounts shall be determined based on the annual rate of return of the Hospital’s endowment fund.

For the years ended September 30, 2025 and 2024, the Hospital contributed approximately \$168,000 and \$224,000, respectively, to these plans. During 2025, approximately \$322,000 was paid out to the participant for the 2024 Plan. The remaining liability totaling approximately \$426,000 and \$643,000 is recorded in other liabilities on the statements of net position as of September 30, 2025 and 2024, respectively.

Note 18. Pension Plan

Plan Description and Benefits Provided

The Hospital contributes to the South Carolina Retirement System (“SCRS”). SCRS is a cost-sharing multiple-employer defined-benefit pension plan administered by South Carolina Retirement Systems, a Division of the State Budget and Control Board. Under SCRS, employees who retire at or after age sixty-five (65) or have twenty eight (28) years of service are entitled to an annual retirement benefit, payable monthly for life equal to 1.82% of their Average Final Compensation times years of credited service. Benefits are fully vested on reaching five (5) years of earned service. Vested employees may retire at or after age sixty (60) and receive reduced retirement benefits. SCRS also provides death and disability benefits. Benefits are established by state statute. A Comprehensive Annual Financial Report containing financial statements and required supplementary information of SCRS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960 or at www.peba.sc.gov.

Contributions

The employee and employer contribution rates are actuarially determined for SCRS. Covered employees are required by state statute to contribute 9.00% of their total earnings for the plan years ended June 30, 2025 and 2024. The Hospital is required to contribute 18.41% of earnable compensation for the plan years ended June 30, 2025 and 2024, respectively. In addition, the Hospital is required by the same statute to contribute an additional 0.15% for group life insurance coverage for the plan years ended June 30, 2025 and 2024. Contributions to the pension plan from the Hospital were approximately \$15,684,000 and \$14,626,000 for the plan years ended June 30, 2025 and 2024, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2025, the Hospital reported a liability of approximately \$123,399,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. The total pension liability was then rolled forward to the measurement date of June 30, 2025 utilizing updated procedures incorporating the actuarial assumptions. The Hospital’s proportion of the net pension liability was calculated on the basis of historical employer contributions. At June 30, 2025 and June 30, 2024, the Hospital’s proportion was 0.51% and 0.50%, respectively.

For the years ended September 30, 2025 and 2024, the Hospital recognized pension expense of approximately \$6,528,000 and \$12,487,000, respectively.

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The Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at September 30, 2025:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 4,096,997	\$ -
Liability experience	5,789,581	-
Assumption changes	1,458,399	-
Change in proportion and differences between employer contributions and proportionate share of plan	1,816,011	(1,830,079)
Investment experience	-	(7,922,644)
Total	\$ 13,160,988	\$ (9,752,723)

The Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at September 30, 2024:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,990,253	\$ -
Liability experience	4,333,311	(163,756)
Assumption changes	2,323,156	-
Change in proportion and differences between employer contributions and proportionate share of plan	715,817	(3,507,063)
Investment experience	-	(5,077,734)
Total	\$ 11,362,537	\$ (8,748,553)

\$4,096,997 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date that will be recognized as a decrease of the net pension liability in the year ended September 30, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30:

2026	\$ 4,130,277
2027	\$ (667,667)
2028	\$ (2,324,840)
2029	\$ (1,826,502)

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Actuarial Assumptions

The total pension liability in the July 1, 2025 and 2024 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2025</u>	<u>2024</u>
Inflation	2.25 percent	2.25 percent
Salary increases	Levels off at 3.0% - 11.25%	Levels off at 3.0% - 11.0%
Investment rate of return	7.00 percent	7.00 percent

The mortality assumption is dependent upon the member’s job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using 80% of the published Scale UMP projected from the year 2020.

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market outlook. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (“RSIC”) using a building block approach, reflecting observable inflations and interest rate information available in the fixed income markets as well a Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgement. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2025 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	46%	2.70%
Bonds	26%	.83%
Private Equity	9%	.77%
Private Debt	7%	.52%
Real Assets	12%	.23% - .45%
Totals	100%	

For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized above. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State code of Laws. Based on those assumptions, each plan member’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital’s Proportionate Share of the Net Pension Asset to Changes in Discount Rate

The following presents the Hospital’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Hospital’s proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
Hospital’s proportionate share of the net pension liability	\$166,753,714	\$ 123,398,548	\$ 87,320,523

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Annual Comprehensive Financial Report (“ACFR”) for the State of South Carolina.

Note 19. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than their established rates. The Hospital does not pursue collection of amounts determined to qualify as charity care so they are not reported as net patient service revenue. The amounts of direct and indirect costs incurred for services and supplies furnished under the Hospital’s charity care policy totaled approximately \$931,000 and \$2,144,000 the years ended September 30, 2025 and 2024, respectively. The Hospital uses a cost to charge ratio to estimate the cost of charity care.

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Note 20. Condensed Combining Information

The following tables include condensed combining statement of net position information for the Hospital and its blended component units as of September 30, 2025 and 2024:

	As of September 30, 2025					
	BMH	Broad River	South of Broad	Broad River Oncology	Eliminating Entries	Total
Assets						
Current assets	\$ 94,668,782	\$ -	\$ 95,282	\$ 1,004,061	\$ -	\$ 95,768,125
Capital assets, net	133,908,462	537,620	24,818,838	2,471,267	-	161,736,187
Other assets	45,877,765	2,769,036	104,344,201	-	(3,695,618)	149,295,384
Total assets	<u>274,455,009</u>	<u>3,306,656</u>	<u>129,258,321</u>	<u>3,475,328</u>	<u>(3,695,618)</u>	<u>406,799,696</u>
Deferred outflows of resources	<u>13,684,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,684,771</u>
Total assets and deferred outflows of resources	<u>\$ 288,139,780</u>	<u>\$ 3,306,656</u>	<u>\$ 129,258,321</u>	<u>\$ 3,475,328</u>	<u>\$ (3,695,618)</u>	<u>\$ 420,484,467</u>
Liabilities						
Current liabilities	\$ 42,839,384	\$ 2,829,130	\$ 8,665,058	\$ 822,461	\$ (5,482,855)	\$ 49,673,178
Noncurrent liabilities	154,692,079	-	120,775,748	-	-	275,467,827
Total liabilities	<u>197,531,463</u>	<u>2,829,130</u>	<u>129,440,806</u>	<u>822,461</u>	<u>(5,482,855)</u>	<u>325,141,005</u>
Deferred inflows of resources	<u>11,422,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,422,508</u>
Net position						
Net investment in capital assets	129,844,533	537,620	8,387,291	2,334,661	-	141,104,105
Unrestricted	(50,658,724)	(60,094)	(112,913,977)	(1,028,422)	1,787,237	(162,873,980)
Restricted expendable	-	-	104,344,201	-	-	104,344,201
Restricted nonexpendable	-	-	-	1,346,628	-	1,346,628
Total net position	<u>79,185,809</u>	<u>477,526</u>	<u>(182,485)</u>	<u>2,652,867</u>	<u>1,787,237</u>	<u>83,920,954</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 288,139,780</u>	<u>\$ 3,306,656</u>	<u>\$ 129,258,321</u>	<u>\$ 3,475,328</u>	<u>\$ (3,695,618)</u>	<u>\$ 420,484,467</u>

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	As of September 30, 2024				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
Assets					
Current assets	\$ 100,123,889	\$ 1,100	\$ 95,619	\$ -	\$ 100,220,608
Capital assets, net	128,098,594	537,620	6,226,619	-	134,862,833
Other assets	63,725,791	5,826,503	-	(9,096,614)	60,455,680
Total assets	<u>291,948,274</u>	<u>6,365,223</u>	<u>6,322,238</u>	<u>(9,096,614)</u>	<u>295,539,121</u>
Deferred outflows of resources	<u>12,151,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,151,227</u>
Total assets and deferred outflows of resources	<u>\$ 304,099,501</u>	<u>\$ 6,365,223</u>	<u>\$ 6,322,238</u>	<u>\$ (9,096,614)</u>	<u>\$ 307,690,348</u>
Liabilities					
Current liabilities	\$ 51,240,031	\$ 2,895,804	\$ 3,580,859	\$ (6,355,238)	\$ 51,361,456
Noncurrent liabilities	164,374,828	-	-	-	164,374,828
Total liabilities	<u>215,614,859</u>	<u>2,895,804</u>	<u>3,580,859</u>	<u>(6,355,238)</u>	<u>215,736,284</u>
Deferred inflows of resources	<u>14,768,471</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,768,471</u>
Net position					
Net investment in capital assets	124,606,591	537,620	6,226,619	-	131,370,830
Unrestricted	(50,890,420)	2,931,799	(3,485,240)	(2,741,376)	(54,185,237)
Total net position	<u>73,716,171</u>	<u>3,469,419</u>	<u>2,741,379</u>	<u>(2,741,376)</u>	<u>77,185,593</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 304,099,501</u>	<u>\$ 6,365,223</u>	<u>\$ 6,322,238</u>	<u>\$ (9,096,614)</u>	<u>\$ 307,690,348</u>

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The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended September 30, 2025 and 2024:

	For the year ended September 30, 2025					
	BMH	Broad River	South of Broad	Broad River Oncology	Eliminating Entries	Total
Operating revenues:						
Net patient service revenue, net of provision for bad debts	\$ 339,663,594	\$ -	\$ -	\$ 6,520,983	\$ (6,520,983)	\$ 339,663,594
Other operating revenue	20,040,637	25,700	-	-	-	20,066,337
Total operating revenues	359,704,231	25,700	-	6,520,983	(6,520,983)	359,729,931
Operating expenses:						
Salaries and wages	139,480,149	-	-	2,274,138	-	141,754,287
Employee benefits	34,790,359	-	-	51,943	-	34,842,302
Contract labor	7,851,634	-	-	686,414	-	8,538,048
Supplies	65,578,327	-	-	193,511	-	65,771,838
Purchased services	36,278,062	16,128	4,995	1,275,860	-	37,575,045
Physician fees	17,007,815	-	-	-	-	17,007,815
Depreciation and amortization	14,811,738	-	-	1,393,532	-	16,205,270
Other	40,069,105	334,809	55,339	1,259,433	(6,520,983)	35,197,703
Total operating expenses	355,867,189	350,937	60,334	7,134,831	(6,520,983)	356,892,308
Operating income (loss)	3,837,042	(325,237)	(60,334)	(613,848)	-	2,837,623
Nonoperating revenues (expenses):						
Investment income	2,129,507	-	4,211,214	-	-	6,340,721
Interest income - leases	262,242	-	-	-	-	262,242
Interest expense - leases	(1,311,973)	-	-	-	-	(1,311,973)
Interest expense - subscription-based IT arrangements	(57,939)	-	-	-	-	(57,939)
Interest expense - debt	-	-	(5,405,325)	-	-	(5,405,325)
Gain (loss) on lease termination	(645,418)	-	-	645,418	-	-
Share of gains of joint ventures, net	-	74,720	-	-	386,243	460,963
Debt issuance costs	-	-	(1,669,419)	-	-	(1,669,419)
Loss on sale of assets	(5,319)	-	-	-	-	(5,319)
Loss on forgiveness of receivables	-	-	-	(832,752)	-	(832,752)
Noncapital gifts and bequests	1,261,496	-	-	-	-	1,261,496
Total nonoperating revenues (expenses)	1,632,596	74,720	(2,863,530)	(187,334)	386,243	(957,305)
Excess (deficit) of revenues over expenses	5,469,638	(250,517)	(2,923,864)	(801,182)	386,243	1,880,318
Transfer of net position of Broad River Oncology, LLC (Note 1)	-	-	-	3,454,049	1,400,994	4,855,043
Transfer of net position of South of Broad	-	(2,741,376)	-	-	2,741,376	-
Increase (decrease) in net position	5,469,638	(2,991,893)	(2,923,864)	2,652,867	4,528,613	6,735,361
Net position, beginning of the year	73,716,171	3,469,419	2,741,379	-	(2,741,376)	77,185,593
Net position, end of the year	\$ 79,185,809	\$ 477,526	\$ (182,485)	\$ 2,652,867	\$ 1,787,237	\$ 83,920,954

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	For the year ended September 30, 2024				
	BMH	Broad River	South of Broad	Eliminating Entries	Total
Operating revenues:					
Net patient service revenue, net of provision for bad debts	\$ 331,298,443	\$ -	\$ -	\$ -	\$ 331,298,443
Other operating revenue	18,295,033	12,350	-	-	18,307,383
Total operating revenues	349,593,476	12,350	-	-	349,605,826
Operating expenses:					
Salaries and wages	130,286,392	-	-	-	130,286,392
Employee benefits	38,839,067	-	-	-	38,839,067
Contract labor	8,854,590	-	-	-	8,854,590
Supplies	65,065,189	-	-	-	65,065,189
Purchased services	34,801,064	3,599	-	-	34,804,663
Physician fees	9,888,113	-	-	-	9,888,113
Depreciation and amortization	14,734,569	-	-	-	14,734,569
Other	36,911,889	45,484	385,485	-	37,342,858
Total operating expenses	339,380,873	49,083	385,485	-	339,815,441
Operating income (loss)	10,212,603	(36,733)	(385,485)	-	9,790,385
Nonoperating revenues (expenses):					
Investment income	3,179,684	-	-	-	3,179,684
Interest income - leases	268,699	-	-	-	268,699
Interest expense - leases	(1,377,001)	-	-	-	(1,377,001)
Interest expense - subscription-based IT arrangements	(45,609)	-	-	-	(45,609)
Share of losses of joint ventures, net	-	(618,654)	-	385,488	(233,166)
Provider relief funding	1,000,000	-	-	-	1,000,000
Noncapital gifts and bequests	2,244,432	-	-	-	2,244,432
Total nonoperating revenues (expenses)	5,270,205	(618,654)	-	385,488	5,037,039
Increase (decrease) in net position	15,482,808	(655,387)	(385,485)	385,488	14,827,424
Net position, beginning of the year	58,233,363	4,124,806	3,126,864	(3,126,864)	62,358,169
Net position, end of the year	\$ 73,716,171	\$ 3,469,419	\$ 2,741,379	\$ (2,741,376)	\$ 77,185,593

Beaufort Memorial Hospital
Notes to Financial Statements
September 30, 2025 and 2024

The following tables include condensed combining statements of cash flow information for the Hospital and its blended component units for the years ended September 30, 2025 and 2024:

For the year ended September 30, 2025						
	BMH	Broad River	South of Broad	Broad River Oncology	Eliminating Entries	Total
Net cash provided by (used in):						
Operating activities	\$ (9,073,135)	\$ (417,611)	\$ 4,869,670	\$ 980,854	\$ -	\$ (3,640,222)
Noncapital financing activities	1,261,496	-	-	-	-	1,261,496
Capital and related financing activities	(9,419,095)	-	95,262,980	(4,014,574)	-	81,829,311
Investing activities	7,340,772	417,611	(100,132,987)	3,454,049	-	(88,920,555)
Increase (decrease) in cash and cash equivalents	\$ (9,889,962)	\$ -	\$ (337)	\$ 420,329	\$ -	\$ (9,469,970)
Cash and cash equivalents, beginning of year	17,269,618	-	95,619	-	-	17,365,237
Cash and cash equivalents, end of year	\$ 7,379,656	\$ -	\$ 95,282	\$ 420,329	\$ -	\$ 7,895,267

For the year ended September 30, 2024						
	BMH	Broad River	South of Broad	Eliminating Entries	Total	
Net cash provided by (used in):						
Operating activities	\$ 31,328,082	\$ (1,161,434)	\$ 3,167,301	\$ -	\$ 33,333,949	
Noncapital financing activities	2,244,432	-	-	-	2,244,432	
Capital and related financing activities	(27,403,825)	-	(3,252,403)	-	(30,656,228)	
Investing activities	4,772,317	726,809	-	-	5,499,126	
Increase (decrease) in cash and cash equivalents	\$ 10,941,006	\$ (434,625)	\$ (85,102)	\$ -	\$ 10,421,279	
Cash and cash equivalents, beginning of year	6,328,612	434,625	180,721	-	6,943,958	
Cash and cash equivalents, end of year	\$ 17,269,618	\$ -	\$ 95,619	\$ -	\$ 17,365,237	

Note 21. Subsequent Events

Subsequent events have been evaluated through April 20, 2026, which is the date the financial statements were issued.

Required Supplementary Information

Beaufort Memorial Hospital
Schedules of Proportionate Share of the Net Pension Liability
For the Years Ended September 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability	0.506%	0.498%	0.510%	0.510%	0.520%	0.500%	0.510%	0.540%	0.640%	0.590%
Proportionate share of the net pension liability	\$ 123,398,548	\$ 131,762,149	\$ 139,960,187	\$ 138,719,908	\$ 126,546,158	\$ 143,646,806	\$ 130,961,085	\$ 136,331,879	\$ 161,610,434	\$ 141,068,727
Covered-employee payroll	\$ 83,927,936	\$ 78,799,117	\$ 73,198,243	\$ 68,156,354	\$ 65,898,611	\$ 62,686,304	\$ 60,570,604	\$ 71,656,661	\$ 71,656,661	\$ 63,952,905
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	147.0%	167.2%	191.2%	203.5%	192.0%	229.2%	216.2%	190.3%	225.5%	220.6%
Plan fiduciary net position as a percentage of total pension liability	66.2%	61.8%	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%

* The amounts presented for each fiscal year were determined as of the plan's fiscal year ended June 30

Beaufort Memorial Hospital
Schedules of Contributions
For the Years Ended September 30

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 15,579,312	\$ 14,332,101	\$ 12,853,751	\$ 11,285,530	\$ 10,290,063	\$ 9,762,212	\$ 8,821,480	\$ 7,900,913	\$ 8,377,787	\$ 7,333,988
Contributions in relation to the contractually required contribution	<u>15,579,312</u>	<u>14,332,101</u>	<u>12,853,751</u>	<u>11,285,530</u>	<u>10,290,063</u>	<u>9,762,212</u>	<u>8,821,480</u>	<u>7,900,913</u>	<u>8,377,787</u>	<u>7,333,988</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 84,503,065	\$ 77,127,553	\$ 73,928,987	\$ 72,091,020	\$ 66,693,677	\$ 63,468,335	\$ 60,685,025	\$ 62,137,975	\$ 68,032,670	\$ 65,497,061
Contribution as a percentage of the covered-employee payroll	18.44%	18.58%	17.39%	15.65%	15.43%	15.38%	14.54%	12.72%	12.31%	11.20%

Supplementary Information

Beaufort Memorial Hospital
Statement of Net Position Information
September 30, 2025

Assets and Deferred Outflows of Resources	BMH	Broad River	South of Broad	Broad River Oncology	Eliminations	Combined
Current assets:						
Cash and cash equivalents	\$ 7,379,656	\$ -	\$ 95,282	\$ 420,329	\$ -	\$ 7,895,267
Short-term investments	40,140,336	-	-	-	-	40,140,336
Patient accounts receivable, net of allowance for uncollectible accounts of \$45,857,775	32,869,430	-	-	583,732	-	33,453,162
Other assets	62,488	-	-	-	-	62,488
Drugs and supplies	9,472,863	-	-	-	-	9,472,863
Prepaid expenses	4,738,274	-	-	-	-	4,738,274
Short-term lease receivable	5,735	-	-	-	-	5,735
Total current assets	94,668,782	-	95,282	1,004,061	-	95,768,125
Long-term investments	9,332,031	-	-	-	-	9,332,031
Investments in joint ventures	-	2,742,236	-	-	1,787,237	4,529,473
Assets limited as to use	-	-	104,344,201	-	-	104,344,201
Capital assets, net	133,908,462	537,620	24,818,838	2,471,267	-	161,736,187
Right to use assets - leases, net	27,500,201	-	-	-	-	27,500,201
Long-term lease receivable	1,723,321	-	-	-	-	1,723,321
Subscription-based IT assets, net	1,866,157	-	-	-	-	1,866,157
Intercompany receivables	5,456,055	26,800	-	-	(5,482,855)	-
Total assets	274,455,009	3,306,656	129,258,321	3,475,328	(3,695,618)	406,799,696
Deferred outflows of resources:						
Excess consideration provided for acquisition	523,783	-	-	-	-	523,783
Pension deferrals	13,160,988	-	-	-	-	13,160,988
Total deferred outflows of resources	13,684,771	-	-	-	-	13,684,771
Total assets and deferred outflows of resources	\$ 288,139,780	\$ 3,306,656	\$ 129,258,321	\$ 3,475,328	\$ (3,695,618)	\$ 420,484,467
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Current portion of long-term debt	\$ -	\$ -	\$ -	\$ 136,606	\$ -	\$ 136,606
Accounts payable	13,117,883	381	-	548,071	-	13,666,335
Accrued expenses	25,441,840	-	7,544,026	6,135	-	32,992,001
Estimated third-party payor settlements	252,029	-	-	-	-	252,029
Short-term lease liability	2,200,247	-	-	-	-	2,200,247
Short-term subscription-based IT liability	425,960	-	-	-	-	425,960
Intercompany payables	1,401,425	2,828,749	1,121,032	131,649	(5,482,855)	-
Total current liabilities	42,839,384	2,829,130	8,665,058	822,461	(5,482,855)	49,673,178
Net pension liability	123,398,548	-	-	-	-	123,398,548
Long-term debt	-	-	120,775,748	-	-	120,775,748
Other liabilities	489,451	-	-	-	-	489,451
Long-term lease liability	29,632,955	-	-	-	-	29,632,955
Long-term subscription-based IT liability	1,171,125	-	-	-	-	1,171,125
Total liabilities	197,531,463	2,829,130	129,440,806	822,461	(5,482,855)	325,141,005
Deferred inflows of resources:						
Deferred lease inflows	1,669,785	-	-	-	-	1,669,785
Deferred pension inflows	9,752,723	-	-	-	-	9,752,723
Total deferred inflows of resources	11,422,508	-	-	-	-	11,422,508
Net position:						
Net investment in capital assets	129,844,533	537,620	8,387,291	2,334,661	-	141,104,105
Unrestricted	(50,658,724)	(60,094)	(112,913,977)	(1,028,422)	1,787,237	(162,873,980)
Restricted expendable	-	-	104,344,201	-	-	104,344,201
Restricted nonexpendable	-	-	-	1,346,628	-	1,346,628
Total net position	79,185,809	477,526	(182,485)	2,652,867	1,787,237	83,920,954
Total liabilities, deferred inflows of resources and net position	\$ 288,139,780	\$ 3,306,656	\$ 129,258,321	\$ 3,475,328	\$ (3,695,618)	\$ 420,484,467

Beaufort Memorial Hospital
Statement of Revenues, Expenses, and Changes in Net Position Information
For the Year Ended September 30, 2025

	<u>BMH</u>	<u>Broad River</u>	<u>South of Broad</u>	<u>Broad River Oncology</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues:						
Net patient service revenue, net of provision for bad debts of \$30,916,333	\$ 339,663,594	\$ -	\$ -	\$ 6,520,983	\$ (6,520,983)	\$ 339,663,594
Other operating revenue	20,040,637	25,700	-	-	-	20,066,337
Total operating revenues	<u>359,704,231</u>	<u>25,700</u>	<u>-</u>	<u>6,520,983</u>	<u>(6,520,983)</u>	<u>359,729,931</u>
Operating expenses:						
Salaries and wages	139,480,149	-	-	2,274,138	-	141,754,287
Employee benefits	34,790,359	-	-	51,943	-	34,842,302
Contract labor	7,851,634	-	-	686,414	-	8,538,048
Supplies	65,578,327	-	-	193,511	-	65,771,838
Purchased services	36,278,062	16,128	4,995	1,275,860	-	37,575,045
Physician fees	17,007,815	-	-	-	-	17,007,815
Depreciation and amortization	14,811,738	-	-	1,393,532	-	16,205,270
Other	40,069,105	334,809	55,339	1,259,433	(6,520,983)	35,197,703
Total operating expenses	<u>355,867,189</u>	<u>350,937</u>	<u>60,334</u>	<u>7,134,831</u>	<u>(6,520,983)</u>	<u>356,892,308</u>
Operating income (loss)	<u>3,837,042</u>	<u>(325,237)</u>	<u>(60,334)</u>	<u>(613,848)</u>	<u>-</u>	<u>2,837,623</u>
Nonoperating revenues (expenses):						
Investment income	2,129,507	-	4,211,214	-	-	6,340,721
Interest income - leases	262,242	-	-	-	-	262,242
Interest expense - leases	(1,311,973)	-	-	-	-	(1,311,973)
Interest expense - subscription-based IT arrangements	(57,939)	-	-	-	-	(57,939)
Interest expense - debt	-	-	(5,405,325)	-	-	(5,405,325)
Gain (loss) on lease termination	(645,418)	-	-	645,418	-	-
Debt issuance costs	-	-	(1,669,419)	-	-	(1,669,419)
Share of loss of joint ventures, net	-	74,720	-	-	386,243	460,963
Loss on sale of capital assets	(5,319)	-	-	-	-	(5,319)
Loss on forgiveness of receivables	-	-	-	(832,752)	-	(832,752)
Noncapital gifts and bequests	1,261,496	-	-	-	-	1,261,496
Total nonoperating revenues (expenses)	<u>1,632,596</u>	<u>74,720</u>	<u>(2,863,530)</u>	<u>(187,334)</u>	<u>386,243</u>	<u>(957,305)</u>
Excess (deficit) of revenues over expenses	<u>5,469,638</u>	<u>(250,517)</u>	<u>(2,923,864)</u>	<u>(801,182)</u>	<u>386,243</u>	<u>1,880,318</u>
Transfer of net position of Broad River Oncology, LLC (Note 1)	-	-	-	3,454,049	1,400,994	4,855,043
Transfer of net position of South of Broad	-	(2,741,376)	-	-	2,741,376	-
Increase (decrease) in net position	5,469,638	(2,991,893)	(2,923,864)	2,652,867	4,528,613	6,735,361
Net position, beginning of year	73,716,171	3,469,419	2,741,379	-	(2,741,376)	77,185,593
Net position, end of year	<u>\$ 79,185,809</u>	<u>\$ 477,526</u>	<u>\$ (182,485)</u>	<u>\$ 2,652,867</u>	<u>\$ 1,787,237</u>	<u>\$ 83,920,954</u>

Beaufort Memorial Hospital
Statement of Net Position Information - Obligated Group
September 30, 2025

Assets and Deferred Outflows of Resources	BMH	Broad River	South of Broad	Eliminations	Total Obligated Group
Current assets:					
Cash and cash equivalents	\$ 7,379,656	\$ -	\$ 95,282	\$ -	\$ 7,474,938
Short-term investments	40,140,336	-	-	-	40,140,336
Patient accounts receivable, net of allowance for uncollectible accounts of \$45,857,775	32,869,430	-	-	-	32,869,430
Other assets	62,488	-	-	-	62,488
Drugs and supplies	9,472,863	-	-	-	9,472,863
Prepaid expenses	4,738,274	-	-	-	4,738,274
Short-term lease receivable	5,735	-	-	-	5,735
Total current assets	<u>94,668,782</u>	<u>-</u>	<u>95,282</u>	<u>-</u>	<u>94,764,064</u>
Long-term investments	9,332,031	-	-	-	9,332,031
Investments in joint ventures	-	2,742,236	-	-	2,742,236
Assets limited as to use	-	-	104,344,201	-	104,344,201
Capital assets, net	133,908,462	537,620	24,818,838	-	159,264,920
Right to use assets - leases, net	27,500,201	-	-	-	27,500,201
Long-term lease receivable	1,723,321	-	-	-	1,723,321
Subscription-based IT assets, net	1,866,157	-	-	-	1,866,157
Intercompany receivables	5,456,055	26,800	-	(5,351,206)	131,649
Total assets	<u>274,455,009</u>	<u>3,306,656</u>	<u>129,258,321</u>	<u>(5,351,206)</u>	<u>401,668,780</u>
Deferred outflows of resources:					
Excess consideration provided for acquisition	523,783	-	-	-	523,783
Pension deferrals	13,160,988	-	-	-	13,160,988
Total deferred outflows of resources	<u>13,684,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,684,771</u>
Total assets and deferred outflows of resources	<u>\$ 288,139,780</u>	<u>\$ 3,306,656</u>	<u>\$ 129,258,321</u>	<u>\$ (5,351,206)</u>	<u>\$ 415,353,551</u>
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable	\$ 13,117,883	\$ 381	\$ -	\$ -	\$ 13,118,264
Accrued expenses	25,441,840	-	7,544,026	-	32,985,866
Estimated third-party payor settlements	252,029	-	-	-	252,029
Short-term lease liability	2,200,247	-	-	-	2,200,247
Short-term subscription-based IT liability	425,960	-	-	-	425,960
Intercompany payables	1,401,425	2,828,749	1,121,032	(5,351,206)	-
Total current liabilities	<u>42,839,384</u>	<u>2,829,130</u>	<u>8,665,058</u>	<u>(5,351,206)</u>	<u>48,982,366</u>
Net pension liability	123,398,548	-	-	-	123,398,548
Long-term debt	-	-	120,775,748	-	120,775,748
Other liabilities	489,451	-	-	-	489,451
Long-term lease liability	29,632,955	-	-	-	29,632,955
Long-term subscription-based IT liability	1,171,125	-	-	-	1,171,125
Total liabilities	<u>197,531,463</u>	<u>2,829,130</u>	<u>129,440,806</u>	<u>(5,351,206)</u>	<u>324,450,193</u>
Deferred inflows of resources:					
Deferred lease inflows	1,669,785	-	-	-	1,669,785
Deferred pension inflows	9,752,723	-	-	-	9,752,723
Total deferred inflows of resources	<u>11,422,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,422,508</u>
Net position:					
Net investment in capital assets	129,844,533	537,620	8,387,291	-	138,769,444
Unrestricted	(50,658,724)	(60,094)	(112,913,977)	-	(163,632,795)
Restricted expendable	-	-	104,344,201	-	104,344,201
Total net position	<u>79,185,809</u>	<u>477,526</u>	<u>(182,485)</u>	<u>-</u>	<u>79,480,850</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 288,139,780</u>	<u>\$ 3,306,656</u>	<u>\$ 129,258,321</u>	<u>\$ (5,351,206)</u>	<u>\$ 415,353,551</u>

Beaufort Memorial Hospital
Statement of Revenues, Expenses, and Changes in Net Position Information - Obligated Group
For the Year Ended September 30, 2025

	<u>BMH</u>	<u>Broad River</u>	<u>South of Broad</u>	<u>Eliminations</u>	<u>Total Obligated Group</u>
Operating revenues:					
Net patient service revenue, net of provision for bad debts of \$30,916,333	\$ 339,663,594	\$ -	\$ -	\$ -	\$ 339,663,594
Other operating revenue	20,040,637	25,700	-	-	20,066,337
Total operating revenues	<u>359,704,231</u>	<u>25,700</u>	<u>-</u>	<u>-</u>	<u>359,729,931</u>
Operating expenses:					
Salaries and wages	139,480,149	-	-	-	139,480,149
Employee benefits	34,790,359	-	-	-	34,790,359
Contract labor	7,851,634	-	-	-	7,851,634
Supplies	65,578,327	-	-	-	65,578,327
Purchased services	36,278,062	16,128	4,995	-	36,299,185
Physician fees	17,007,815	-	-	-	17,007,815
Depreciation and amortization	14,811,738	-	-	-	14,811,738
Other	40,069,105	334,809	55,339	-	40,459,253
Total operating expenses	<u>355,867,189</u>	<u>350,937</u>	<u>60,334</u>	<u>-</u>	<u>356,278,460</u>
Operating income (loss)	<u>3,837,042</u>	<u>(325,237)</u>	<u>(60,334)</u>	<u>-</u>	<u>3,451,471</u>
Nonoperating revenues (expenses):					
Investment income	2,129,507	-	4,211,214	-	6,340,721
Interest income - leases	262,242	-	-	-	262,242
Interest expense - leases	(1,311,973)	-	-	-	(1,311,973)
Interest expense - subscription-based IT arrangements	(57,939)	-	-	-	(57,939)
Interest expense - debt	-	-	(5,405,325)	-	(5,405,325)
Loss on lease termination	(645,418)	-	-	-	(645,418)
Debt issuance costs	-	-	(1,669,419)	-	(1,669,419)
Share of loss of joint ventures, net	-	74,720	-	-	74,720
Loss on sale of capital assets	(5,319)	-	-	-	(5,319)
Noncapital gifts and bequests	1,261,496	-	-	-	1,261,496
Total nonoperating revenues (expenses)	<u>1,632,596</u>	<u>74,720</u>	<u>(2,863,530)</u>	<u>-</u>	<u>(1,156,214)</u>
Excess (deficit) of revenues over expenses	<u>5,469,638</u>	<u>(250,517)</u>	<u>(2,923,864)</u>	<u>-</u>	<u>2,295,257</u>
Transfer of net position of South of Broad	-	<u>(2,741,376)</u>	<u>-</u>	<u>2,741,376</u>	<u>-</u>
Increase (decrease) in net position	5,469,638	(2,991,893)	(2,923,864)	2,741,376	2,295,257
Net position, beginning of year	<u>73,716,171</u>	<u>3,469,419</u>	<u>2,741,379</u>	<u>(2,741,376)</u>	<u>77,185,593</u>
Net position, end of year	\$ <u>79,185,809</u>	\$ <u>477,526</u>	\$ <u>(182,485)</u>	\$ <u>-</u>	\$ <u>79,480,850</u>

**Beaufort Memorial Hospital
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<i>U.S. Department of Health and Human Services</i>			
<u>Direct Program:</u>			
Congressional Directives	93.493	N/A	\$ <u>5,398,353</u>
Total U.S. Department of Health and Human Services			\$ <u>5,398,353</u>
<i>U.S. Department of the Treasury</i>			
<u>Passed through the Beaufort County Government:</u>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ <u>1,273,510</u>
Total U.S. Department of the Treasury			\$ <u>1,273,510</u>
Total Expenditures of Federal Awards			\$ <u><u>6,671,863</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation, its discretely presented component unit (the Hospital) under programs of the federal government for the year ended September 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Hospital has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Contingencies

The Hospital's federal programs are subject to financial and compliance audits by grantor agencies which, if instances of material noncompliance are found, may result in disallowed expenditures and affect its continued participation in specific programs. The amount, if any, of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time. However, the Hospital expects such amounts, if any, to be immaterial.

Note 5. Categorization of Expenses

The categorization of expenditures by program included in the SEFA is based upon the grant documents. Changes in the categorization of expenditures occur based upon revisions to the Assistance Listing, which is typically issued in June and December of each year. The SEFA for the year ended September 30, 2025 reflects Assistance Listing changes issued through November 2025.

Compliance

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

The Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation, its discretely presented component unit (the Hospital), which collectively comprise the Hospital's basic financial statements as listed in the table of contents and related notes to the financial statements, and have issued our report thereon dated April 20, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Management's Response to Findings

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

Purpose of This Report

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

Forvis Mazars, LLP

**Greenville, South Carolina
April 20, 2026**

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

The Board of Trustees
Beaufort Memorial Hospital
Beaufort, South Carolina

Report on Compliance for the Major Federal Program

Opinion on The Major Federal Program

We have audited Beaufort Memorial Hospital and Beaufort Memorial Hospital Endowment Foundation, its discretely presented component unit (the Hospital) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended September 30, 2025. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Forvis Mazars, LLP

**Greenville, South Carolina
April 20, 2026**

**Beaufort Memorial Hospital
 Schedule of Findings and Questioned Costs
 Year Ended September 30, 2025**

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None reported

5. Type of auditor’s report issued on compliance for major federal programs:
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7. Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.493	Congressional Directives

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000.

9. Auditee qualified as a low-risk auditee? Yes No

**Beaufort Memorial Hospital
Schedule of Findings and Questioned Costs
Year Ended September 30, 2025**

Section II – Financial Statement Findings

No matters reportable.

Section III – Federal Award Findings and Questioned Costs

No matters reportable.

**Beaufort Memorial Hospital
 Schedule of Prior Year Findings and Questioned Costs
 Year Ended September 30, 2025**

Reference Number	Summary of Finding	Status
2024-001	<p data-bbox="337 333 850 359">Significant Deficiency in Financial Reporting</p> <p data-bbox="337 390 1211 541">Criteria: The Hospital's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles (GAAP).</p> <p data-bbox="337 569 1211 653">Condition: The 2024 financial statements required a significant audit entry to record restricted earnings on the Beaufort Memorial Hospital Endowment Foundation's restricted net position.</p> <p data-bbox="337 680 1211 764">Cause: The Hospital has limited controls over the financial reporting process including the preparation of the financial statements and note disclosures in accordance with GAAP.</p> <p data-bbox="337 791 1211 854">Effect: The audit required a significant adjustment to restrict investment earnings.</p> <p data-bbox="337 882 1211 940">Recommendation: Management should design and implement effective controls over financial reporting to prevent future misstatement.</p>	Resolved