

**BAY MEDICAL CENTER**

**d/b/a BAY HEALTH FOUNDATION**

**PANAMA CITY, FLORIDA**

**FINANCIAL STATEMENTS**

**AND SUPPLEMENTARY INFORMATION**

**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**



**Tipton, Marler, Garner & Chastain**  
*The CPA Group*

**BAY MEDICAL CENTER**  
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**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Bay Medical Center  
d/b/a Bay Health Foundation  
Panama City, Florida

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the Bay Medical Center d/b/a Bay Health Foundation, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Bay Medical Center d/b/a Bay Health Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bay Medical Center d/b/a Bay Health Foundation, 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bay Medical Center d/b/a Bay Health Foundation 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.

#### *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 Bay Medical Center d/b/a Bay Health Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bay Medical Center d/b/a/ Bay Health Foundation'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 Bay Medical Center d/b/a Bay Health Foundation'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, budgetary comparison information, and pension schedules

on pages 4-7 and 31-34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Bay Medical Center d/b/a Bay Health Foundation's basic financial statements. The accompanying 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*, is presented for purposes of additional analysis and is 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 audits 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 auditing standards generally accepted in the United States of America. In our opinion, 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 May 19, 2026 on our consideration of the Bay Medical Center d/b/a Bay Health Foundation'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 Bay Medical Center d/b/a Bay Health Foundation'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 Bay Medical Center d/b/a Bay Health Foundation's internal control over financial reporting and compliance.

*Lipton, Mauler, Garner & Chastain*

Panama City, Florida  
May 19, 2026

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2025 AND 2024**

**Introduction**

This section of the annual financial report presents management's discussion and analysis of the financial position and performance of Bay Medical Center, a Special District, (the "District") for the year ended September 30, 2025. The District's management has prepared this analysis, which should be read in conjunction with the financial statements and related footnote disclosures.

**Overview**

The District is a non-taxable, governmental health care entity created by the Florida legislature as a special district and located in Panama City, Florida. The hospital associated with the District was originally established in 1946 as a community hospital and has been the subject of various special acts of the Florida legislature from 1946 through the present. Currently, the District operates under Chapter 2005-343, Laws of Florida, which superseded and amended all prior special acts relating to the District and the community hospital.

Effective April 1, 2012, the District leased its hospital and other health care facilities to a for profit joint venture between Sacred Heart Health System, Inc. and LHP Hospital Group, Inc. (the "Joint Venture"). The lease is for 40 years with two optional 10-year extensions. The Joint Venture also purchased most of the District's other health care assets and agreed to operate the hospital for the duration of the lease. The District remains intact, but its role has changed. Instead of managing a hospital, the District now primarily provides oversight of the lease, manages the remaining liabilities of the District (including the pension fund), and awards community health care grants from the proceeds of the transaction. To reflect its new purpose and to avoid confusion with the Joint Venture hospital, the District changed its trade name to "Bay Health Foundation." In 2017, LHP Hospital Group merged with Ardent Health Services, and Ardent replaced LHP as the partner in the Joint Venture with Sacred Heart. The Joint Venture entity remained unchanged. In March 2019, LHP transferred its interest in the Lease to Ascension Florida as an assignment to a related entity (see note below on Hurricane Michael).

**Hurricane Michael**

Hurricane Michael struck Panama City on October 10, 2018. The Hospital sustained significant damage - enough damage to qualify as a casualty loss under the Lease. Immediately after Hurricane Michael, the JV operator of the hospital, LHP Hospital Systems, took steps to mitigate damage and return the hospital to operational status as best as it could under the circumstances at significant cost. As the owner of the hospital, the District worked with LHP to complete emergency remediation measures. By January 2019, the District and LHP were able to restore the North Tower to limited operational status.

Also, in January 2019, the District filed an application with FEMA (Federal Emergency Management Act) for federal aid. As a local government public entity and owner of the hospital facility, the District is an eligible applicant for federal FEMA grants. FEMA representatives have

reviewed the Lease and other documents and has agreed that the District, as owner of the hospital, is an eligible applicant. The District continues to work through the FEMA process with LHP and Ascension to restore the hospital to its pre-disaster condition.

In March 2019, LHP transferred its interest in the Lease to Ascension Florida as an assignment to a related entity. As part of the assignment, Ascension agreed that it would not terminate the Lease based on the casualty provision in the Lease, which was a risk after Hurricane Michael. The District also acknowledged that damage to the hospital had made it impossible to continue obstetric services as previously offered for the foreseeable future. Ascension agreed to continue to provide the other services in the Lease according to the Lease. Ascension Florida transferred the previously for-profit entity to an LLC, which provides the hospital with not for profit status now.

In sum, post Hurricane Michael the 2012 Lease continues to be in effect. Ascension Florida has purchased the interest of the LHP and is now the sole Lessee partner. All other provisions of the 2012 Lease remain except that the District has agreed that obstetrics cannot be provided at this time due to damage to the hospital. The District has applied for FEMA grants to rebuild the hospital and is working with the Lessee on the reconstruction plan.

## **Governance**

The District is governed by a nine-member Board of Trustees (the “Board”). One Board member is nominated and confirmed by the Board of County Commissioners of Bay County, six Board members are nominated by the Board itself and confirmed by the Board of County Commissioners, and two Board members are nominated by the medical staff of the hospital owned (and now leased to the Joint Venture) by the Board and confirmed by the Board of County Commissioners. Each Board member can serve two consecutive four-year terms. This allows for continuity of leadership by the Board members. In addition, the terms are staggered so experienced Board members are on the Board at all times.

## **Mission**

The mission of Bay Health Foundation is to promote the health and well-being of Bay County residents.

## **Vision**

The Board’s vision is to ensure Bay County residents have access to diverse and effective services whereby each person, irrespective of income or life circumstances, is able to achieve a healthy lifestyle and a life of health.

## **Objectives**

The Board’s major objectives are: (i) to ensure the security of the Bay Medical Pension Fund through prudent investments and conservative actuarial assumptions; (ii) to satisfy and manage all post-transaction liabilities; (iii) to collaborate with other health care organizations to strengthen health care services in the community; (iv) to monitor the covenants related to the lease of the hospital and health care facilities and to ensure the fidelity of all agreements; (v) and to continue to provide for the orderly transition of the operation and management of the hospital.

## **Pension**

The District Board is keenly aware that the greatest responsibility it manages is the Bay Medical Pension Fund that as of the January 1, 2025 Actuarial Valuation, the Pension had 1,369 participants and an actuarial market value of assets of \$102.6 million resulting in a Plan funding level of 92.4% compared to 89.9% the previous year. For the calendar year 2024, the actuarial market value investment return gain of 8.45% was more than the investment return assumption of 6.75%. Actuarial market value return was the major source of actuarial gain during 2024. The three, five and ten-year average annual investment return has been 2.55%, 6.15% and 6.5% respectively and on an actuarial market value basis. Another material source of funding for the Pension comes from the Board in the form of annual required contributions. For fiscal year 2025, those contributions totaled \$1,801,214. For fiscal year 2024, those contributions totaled \$2,860,377.

## **Other**

Not including the Bay Medical Pension Fund, the post-transaction liabilities with the longest time horizon for settling and greatest potential impact on the District's assets are open Medicare Cost Reports and Recovery Audit Contractor (RAC) audits. It is the District's responsibility to finalize all open Medicare, Medicaid, and Champus cost reports which can take the Agency for Healthcare Administration (ACHA) and Centers for Medicare & Medicaid Services (CMS) a number of years to settle. In 2015, the District settled all outstanding Medicare cost reports that took all the Medicare cost reports accounts (except for a Medicaid liability) to a zero balance. This change did not have a material effect on the net position of the financial statements, however it's important from management's perspective that the reader of these financial statements be aware that even though the District took the accounts to a zero balance, the District is involved in several Medicare and Medicaid appeals including group appeals with the Florida Hospital Association. In 2017, the District in conjunction with the lessee of the Joint Venture entered a settlement with CMS on all outstanding RAC claims, which resulted in a net payment of \$1.2 million to the District in 2019. Also in 2019, the District received the final Medicaid rate sheets for all periods up to March 31, 2012 and the District was able to write the Medicaid liability of \$1.9 million (being recorded since 4/1/2012) to equity due to receipt of final rate sheets.

Through its grant making program, the District is funding health care organizations in Bay County through various contracts and grants, which support may include, but is not limited to, the Bay Cares program, St. Andrew's Clinic, Avicenna Clinic, chronic disease management programs, and other local health improvement initiatives. In 2025, the District awarded \$500,000 in grants to fifteen local organizations, bringing the total awarded since 2012 inception to \$6.3 million. The goal of these grants is to continuously improve health care for the citizens of Bay County and foster collaborations between agencies.

## **Overview of the Combined Financial Statements for Fiscal Year Ended September 30, 2025**

Our annual report consists of a series of financial statements prepared in accordance with accounting standards generally accepted in the United States of America, including Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

## 2025 Statement of Revenues, Expenses and Changes in Net Position

A summary of the District's Statement of Revenues, Expenses and Changes in Net Position is presented below:

	2025	2024
Operating revenues	\$ 7,273,418	\$ 6,798,946
Operating expenses	4,496,038	1,379,592
Operating income (loss)	2,777,380	5,419,354
Non-operating revenue	2,898,022	3,294,597
Change in net position	\$ 5,675,402	\$ 8,713,951

Net position increased \$5.7 million during fiscal year 2025. Non-operating revenue of \$2.9 million was mainly the revenue of \$1.6 million expected from FEMA for damages to the hospital sustained from Hurricane Michael on Oct. 10, 2018. The non-operating revenue also included the gain on investments of \$1.3 million or 7.25%.

The \$7.3 million operating revenues was comprised of a \$5.6 million FY2011 Medicare Settlement, \$1.4 million FY2012 Medicare Settlement and a \$0.3 million in operating revenues for reimbursement for management costs from FEMA due to Hurricane Michael.

The net \$4.5 million operating expenses included \$1.8 million in FEMA expenses for funds expended to rebuild the hospital; \$1.1 million related to grants to the community and other operating expenses; and the operating expenses included a pension expense that was \$1.5 million due mostly to a 8.45% pension investment gain for calendar year 2024 and the annual required contribution of \$1.8 million.

Net position increased \$8.7 million during fiscal year 2024. Non-operating revenue of \$3.3 million was mainly the revenue of \$0.2 million expected from FEMA for damages to the hospital sustained from Hurricane Michael on Oct. 10, 2018. The non-operating revenue also included the gain on investments of \$3.1 million or 20.64%.

For the most part, the FEMA related expenses and FEMA revenue offset each other on the financial statements.

The \$6.8 million operating revenues was comprised of a \$6.5 million FY2008 Medicare Settlement and a \$0.27 million in operating revenues for reimbursement for management costs from FEMA due to Hurricane Michael.

The net \$1.4 million operating expenses included \$0.5 million in FEMA expenses for funds expended to rebuild the hospital; \$1.1 million related to grants to the community and other operating expenses; and the operating expenses included a pension expense that was a gain of \$0.3 million due mostly to a 14.83% pension investment gain for calendar year 2023 and the annual required contribution of \$2.9 million.

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**STATEMENTS OF NET POSITION**  
**SEPTEMBER 30, 2025 AND 2024**

	2025	2024
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 447,044	\$ 432,160
Cash and cash equivalents - restricted	10,021,700	9,620,400
FEMA receivable	1,683,723	3,430,756
Ardent receivable	-	153,665
Ascension receivable	150,854	1,909,506
Medicare settlement receivable	7,012,060	6,525,458
Investments	19,955,658	15,249,207
Total current assets	39,271,039	37,321,152
Noncurrent assets:		
FEMA receivable, less current portion	8,525,335	7,490,380
Ardent receivable, less current portion	7,069,650	6,915,984
Ascension receivable, less current portion	7,409,651	5,185,640
Prepaid expenses	20,567	21,334
Cash surrender value of life insurance	39,889	39,491
Capital assets, net	6,571,381	6,572,871
Total noncurrent assets	29,636,473	26,225,700
<b>Total Assets</b>	68,907,512	63,546,852
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows - pension	2,257,512	4,768,191
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	185,517	41,543
Payable to Ardent	1,560,617	1,797,377
Payable to Ascension	635,196	1,360,149
Other current liabilities	65,713	65,713
Total current liabilities	2,447,043	3,264,782
Noncurrent liabilities:		
Payable to Ardent, less current portion	7,234,342	7,048,876
Payable to Ascension, less current portion	14,453,742	14,263,691
Pension liability, net	8,693,219	11,477,718
Long term payable, Ardent escrow	10,021,700	9,620,400
Total noncurrent liabilities	40,403,003	42,410,685
<b>Total Liabilities</b>	42,850,046	45,675,467
<b>NET POSITION</b>		
Restricted:		
Education programs	8,135	8,135
Invested in capital assets, net of related debt	6,571,381	6,572,871
Unrestricted	21,735,462	16,058,570
<b>Total Net Position</b>	\$ 28,314,978	\$ 22,639,576

See the accompanying notes.

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<b>Operating revenues:</b>		
Operating revenue	\$ 7,273,418	\$ 6,798,946
<b>Operating expenses:</b>		
Salaries	187,251	169,397
Pension (income) expense	1,527,394	(276,211)
Supplies	4,691	7,776
Other expenses	796,935	831,289
Indigent assessments, insurance, and fees	133,913	131,267
Storm related expenditures	1,844,363	513,262
Depreciation	1,491	2,812
Total operating expenses	<u>4,496,038</u>	<u>1,379,592</u>
Operating income (loss)	<u>2,777,380</u>	<u>5,419,354</u>
<b>Nonoperating revenues (expenses):</b>		
Net investment income	1,343,326	3,076,074
FEMA revenue	1,583,001	244,503
Other nonoperating expenses	(28,305)	(25,980)
Total nonoperating revenues (expenses)	<u>2,898,022</u>	<u>3,294,597</u>
<b>Change in net position</b>	<u>5,675,402</u>	<u>8,713,951</u>
<b>Net position, beginning of year</b>	<u>22,639,576</u>	<u>13,925,625</u>
<b>Net position, end of year</b>	<u>\$ 28,314,978</u>	<u>\$ 22,639,576</u>

See the accompanying notes.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
<b>Cash Flows from Operating Activities:</b>		
Payments to employees (salaries and benefits)	\$ (1,988,463)	\$ (3,029,772)
Payments to vendors	(4,691)	(7,776)
Other services recorded	3,690,983	(1,424,366)
Net cash provided by (used in) operating activities	1,697,829	(4,461,914)
<b>Cash Flows from Investing Activities:</b>		
Net change in investments	(4,706,451)	1,003,571
Net investment income (loss)	1,343,326	3,076,074
Net cash provided by (used in) investing activities	(3,363,125)	4,079,645
<b>Cash Flows from Noncapital Financing Activities:</b>		
Noncapital grants	2,295,079	2,955,606
Loans from others	(184,896)	(1,926,472)
Other nonoperating revenues (expenses)	(28,703)	(26,197)
Net cash provided by noncapital financing activities	2,081,480	1,002,937
<b>Net Increase in Cash and Cash Equivalents</b>	416,184	620,668
<b>Cash, Cash Equivalents, and Restricted Cash, Beginning of Year</b>	10,052,560	9,431,892
<b>Cash, Cash Equivalents, and Restricted Cash, End of Year</b>	\$ 10,468,744	\$ 10,052,560
<b>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities</b>		
Operating income	\$ 2,777,380	\$ 5,419,354
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	1,491	2,812
(Increase) decrease in -		
Prepaid expenses	767	794
Accounts receivable and other receivables	(951,959)	(6,597,890)
Deferred outflows - pension	2,510,679	6,536,853
Increase (decrease) in -		
Accounts payable	143,974	(150,397)
Pension liability, net	(2,784,503)	(9,673,440)
Net cash provided by (used in) operating activities	\$ 1,697,829	\$ (4,461,914)

See the accompanying notes.

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**SEPTEMBER 30, 2025 AND 2024**

	2025	2024
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,142,876	\$ 2,826,237
General investments:		
U.S. Government and Agency Bonds	4,811,824	4,660,900
Corporate Bonds	2,458,951	2,464,353
Equities	14,221,509	12,714,381
Mutual Funds - Fixed Income	27,668,082	23,674,423
Mutual Funds - Equities	52,318,658	55,537,754
Total general investments	101,479,024	99,051,811
Receivables:		
Accrued income	64,596	63,054
<b>Total Assets</b>	<b>102,686,496</b>	<b>101,941,102</b>
<b>LIABILITIES</b>		
Payables	90,476	81,467
<b>NET POSITION</b>		
Restricted for pension benefits	<b>\$ 102,596,020</b>	<b>\$ 101,859,635</b>

See the accompanying notes.

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
<b>Additions</b>		
Contributions	\$ 1,801,214	\$ 2,860,377
Other receipts	-	12,800
Investment earnings:		
Net appreciation in fair value of investments	6,875,055	12,287,477
Interest and dividends	1,773,321	1,590,895
Total investment earnings	8,648,376	13,878,372
Less investment expense	(359,071)	(321,574)
Net investment earnings	8,289,305	13,556,798
Total additions	10,090,519	16,429,975
 <b>Deductions</b>		
Pension payments	9,354,134	9,086,670
 <b>Change in net position</b>	736,385	7,343,305
 <b>Net position, beginning of year</b>	101,859,635	94,516,330
 <b>Net position, end of year</b>	\$ 102,596,020	\$ 101,859,635

See the accompanying notes.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025 AND 2024**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization*

Bay Medical Center d/b/a Bay Health Foundation (the "District") owns an acute care general hospital, located in Panama City, Florida. The hospital associated with the District was originally established in 1946 as a community hospital and has been the subject of various special acts of the Florida legislature from 1946 through the present. Currently, the District operates under Chapter 2005-343, Laws of Florida, which superseded and amended all prior special acts relating to the District and the community hospital. The District is governed by a Board of Trustees (the "Board"). The Board is sanctioned by a special act of the Florida Legislature, which bestows it with certain powers of a corporate and political nature. One of the Board members is nominated and confirmed by the Board of County Commissioners of Bay County ("County Commission"), other Board members are nominated by the Board and confirmed by the County Commission. Each Board member can serve two consecutive four-year terms, with a minimum of two members' terms expiring each year. This allows for continuity of leadership by the Board members.

Effective April 1, 2012, the District entered into a lease with Bay County Sacred Heart Leasing Co., Inc. ("BCSHL") a wholly owned subsidiary of Bay County Health System, LLC ("BCHS") that owns, manages, and operates hospitals and health systems. The initial term of the lease is for 40 years, and BCSHL shall have the option to extend the initial term for a period of 10 years, and the option to extend the first extension for a period of 10 years. In exchange for renting and occupying the leased premises, BCSHL paid the District \$123,200,000 on April 1, 2012.

Effective April 1, 2012, the District entered into an asset purchase agreement with BCSHL and LHP Hospital Group, Inc. (the "Joint Venture") where the Joint Venture purchased certain assets and assumed certain liabilities of the District for \$30,800,000. The Joint Venture will continue the District's mission of providing health care to the citizens of Bay County and the surrounding areas regardless of ability to pay.

In March 2019, LHP Hospital Group, Inc. transferred its interest in the lease to BCSHL as an assignment to a related entity. BCSHL, a wholly-owned subsidiary of Ascension Sacred Heart Health System, Inc., is now the sole lessee partner.

*Reporting Entity*

The accompanying financial statements include financial statements for a related organization in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the District, or the nature and significance of their relationship with the District are such that exclusion would cause the financial statements to

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

be misleading or incomplete. Inclusion is determined on the basis of the District's ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the District (as distinct from legal relationship).

Component units are related organizations to the primary government. They are legally separate, independently audited, and are incorporated into the Annual Comprehensive Financial Report ("Annual Report"). Factors for determining if an entity should be treated as a component unit of a primary government are as follows:

Fiscal dependency: does the primary government appoint a voting majority of the governing body

Financial benefit or burden relationship or the ability for the primary government to impose its will

Financial presentation: the potential that exclusion would result in misleading financial reporting

There are two classifications of component units: blended and discretely presented.

A blended component unit functions, for all practical purposes, as an integral part of the primary government, much like a department. The following criteria is utilized to determine if a component unit is blended:

Substantively the same governing body and a financial benefit or burden relationship exists

Substantively the same governing body and operational responsibility falls with the primary government

(Almost) exclusive service or benefit to the primary government itself rather than its citizens

Total debt of the component unit repayable (almost) entirely from resources of the primary government

If a component unit does not function as an integral part of the primary government, it is reported as a discretely presented component unit.

The following component unit was included, by blended presentation for 2025 based on the criteria noted above:

Bay Medical Center Pension Plan

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The Bay Medical Center Pension Plan is responsible for the administration, management, and operation of the pension system. All members of the Board are appointed by the District. There is a fiscal dependency on the District, and there is the potential that exclusion would result in misleading financial reporting.

The District does not have any discretely presented component units.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include but are not limited to the collectability of the FEMA funds receivable, estimates based on historical experience, current economic conditions, and other relevant factors, and represents management's best estimate of the amount that will ultimately be collected. Actual results could differ from those estimates. The District will continue to monitor the status of all estimates and will record any necessary adjustments in the period the adjustment is identified.

*Enterprise Fund Accounting*

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

*Cash and Cash Equivalents*

Cash and cash equivalents include all highly liquid investments maturing within three months of the date when purchased, excluding amounts included in assets whose use is limited and short-term investments.

*Assets Whose Use is Limited*

Assets whose use is limited include assets designated by the District for insurance reserves, over which the District retains control and may at its discretion subsequently use for other purposes, and assets designated under the asset purchase agreement.

*Investments*

Investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels; Level 1 – quoted prices for identical instruments in active markets; Level 2 – significant inputs that are observable; Level 3 – significant inputs that are unobservable.

*Capital Assets*

Capital assets are stated at cost or, if donated, at fair value on the date donated. Depreciation is provided by using the straight-line method over the estimated life of each class of depreciable assets. Useful lives average 3 to 20 years for furniture and equipment.

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

When properties are retired or otherwise disposed of, the cost of the assets and related allowances for depreciation are removed from the accounts, and any resulting gain or loss is recognized as an operating activity on the statements of revenues, expenses, and changes in net position.

*Cash Surrender Value of Life Insurance*

The District is the owner of one life insurance policy with a face amount of \$50,000 and net cash surrender value of \$39,889 and \$39,491 at September 30, 2025 and 2024, respectively.

*Net Position*

Net position of the District is classified in three components. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net positions are noncapital assets that must be used for a particular purpose, as specified by grantors or contributors external to the District. Unrestricted net positions are remaining assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

*Operating Revenues and Expenses*

The District's 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 District's principal activity. Nonexchange revenues, including taxes, 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.

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Grants and Contributions*

From time to time, the District receives federal and state grants, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted 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 and expenses.

*Income Taxes*

The District is exempt from federal and state income taxes under the Internal Revenue Code and the Florida Statutes. The financial statements do not reflect a provision for federal or state income taxes. The District has determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2025 and 2024.

*Risk Management*

The District 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; and natural disasters. The District is self-insured for professional liability, workers' compensation, and health insurance up to a certain level and commercial insurance coverage is purchased for claims arising from all other matters.

*Recently Issued Accounting Pronouncements*

In June 2022, the GASB issued Statement No. 101, Compensated Absences. This statement clarifies the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2023. The District has implemented GASB Statement No. 101 in this report, however, it does not have any current impact on the District.

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures. This statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess (1) whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue

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debt vulnerable to the risk of a substantial impact and (2) whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The District has implemented GASB Statement No. 102 in this report, however, it does not have any current impact on the District.

In May 2024, the GASB issued statement No. 103, *Financial Reporting Model Improvements*. This statement outlines new regulations regarding governmental accounting, focusing on enhancing the effectiveness of the financial reporting model for state and local governments. The targeted improvements contained in this statement establish or modify existing accounting and financial reporting requirements related to: 1) management’s discussion and analysis 2) unusual or infrequent items 3) presentation of the proprietary fund statements of revenues, expenses, and changes in fund net position 4) major component unit information 5) budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In September 2024, the GASB issued statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2025, the GASB issued statement No. 105, *Subsequent Events*. The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this statement are effective for fiscal years beginning after June 15, 2026. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flow upon adoption.

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**NOTE 2 – DEPOSITS AND INVESTMENTS**

The District's investments are reported at fair value, as discussed in Note 1, and included in assets whose use is limited and investments on the statements of net position. At September 30, 2025 and 2024 the District had the following investments:

<u>September 30, 2025</u>	Carrying Amount	<b>Investment Maturities (in years)</b>			
		Less Than 1	1 - 2	3 - 5	More Than 5
<u>Investment Type</u>					
Short-term investments	\$ 1,073,162	\$ 1,073,162	\$ -	\$ -	\$ -
Exchange traded funds	4,928,872	4,928,872	-	-	-
Equities	8,930,170	8,930,170	-	-	-
Fixed income funds	5,023,454	1,264	15,064	420,107	4,587,019
<b>Total</b>	<b>\$ 19,955,658</b>	<b>\$ 14,933,468</b>	<b>\$ 15,064</b>	<b>\$ 420,107</b>	<b>\$ 4,587,019</b>

<u>September 30, 2024</u>	Carrying Amount	<b>Investment Maturities (in years)</b>			
		Less Than 1	1 - 2	3 - 5	More Than 5
<u>Investment Type</u>					
Short-term investments	\$ 119,130	\$ 119,130	\$ -	\$ -	\$ -
Exchange traded funds	4,746,802	4,746,802	-	-	-
Equities	5,909,632	5,909,632	-	-	-
Fixed income funds	3,325,816	-	42,062	434,595	2,849,159
Mutual funds	1,147,827	1,147,827	-	-	-
<b>Total</b>	<b>\$ 15,249,207</b>	<b>\$ 11,923,391</b>	<b>\$ 42,062</b>	<b>\$ 434,595</b>	<b>\$ 2,849,159</b>

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**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

*Interest Rate Risk*

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the District's investment horizon within the District's risk tolerance and cash requirements.

*Credit Risk*

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy provides guidelines for allowable investments.

*Custodial Credit Risk*

For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or with securities held by the pledging financial institution's trust department or agent but not held in the District's name.

Included in the District's cash balances are amounts deposited with banks in interest-bearing accounts, non-interest-bearing demand accounts, and interest-bearing time deposit accounts. The bank balance is entirely insured by federal depository insurance or by collateral pursuant to the Security for Public Deposits Act of the State of Florida.

*Concentration of Credit Risk*

This is the risk of loss attributed to the magnitude of the District's investment with a single issuer.

The carrying amounts of deposits, assets whose use is limited, and investments are included on the District's statements of net position as follows at September 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents - unrestricted	\$ 447,044	\$ 432,160
Cash and cash equivalents - restricted	10,021,700	9,620,400
Investments	19,955,658	15,249,207
	<u>\$ 30,424,402</u>	<u>\$ 25,301,767</u>

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**NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)**

Net investment income (loss) for assets whose use is limited and investments is comprised of the following for the years ended September 30, 2025 and 2024:

Net investment income (loss):	2025	2024
Interest and dividend income	\$ 532,019	\$ 545,627
Net realized and unrealized gains (losses) on investments	811,307	2,530,447
Total net investment income (loss)	<u>1,343,326</u>	<u>\$ 3,076,074</u>

**NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS**

GASB Statement No. 72, *Fair Value Measurement and Application*, 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 standard provides guidance for determining a fair value measurement for financial reporting purposes. This standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The standard 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 District categorizes its fair value measurements within the fair value hierarchy established by this standard.

	Fair value at September 30, 2025	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Investments</u>				
Exchange traded funds	\$ 4,928,872	\$ 4,928,872	\$ -	\$ -
Equities	8,930,170	8,930,170	-	-
Fixed income funds	<u>5,023,454</u>	<u>1,486,472</u>	<u>3,536,982</u>	-
Total	<u>\$ 18,882,496</u>	<u>\$ 15,345,514</u>	<u>\$ 3,536,982</u>	<u>\$ -</u>

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**NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)**

Deposits and investments, described in Note 2, are held at fair value and included in the table above except short-term investments totaling \$1,073,162, which are recorded at cost.

	Fair value at September 30, 2024	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Investments</u>				
Exchange traded funds	\$ 4,746,802	\$ 4,746,802	\$ -	\$ -
Equities	5,909,632	5,909,632	-	-
Fixed income funds	3,325,816	2,038,979	1,286,837	-
Mutual funds	1,147,827	1,147,827	-	-
 Total	 <u>\$ 15,130,077</u>	 <u>\$ 13,843,240</u>	 <u>\$ 1,286,837</u>	 <u>\$ -</u>

Deposits and investments, described in Note 2, are held at fair value and included in the table above except short-term investments totaling \$119,130, which are recorded at cost.

**NOTE 4 – ACCOUNTS PAYABLE AND OTHER PAYABLES**

	2025	2024
Accounts payable	\$ 185,517	\$ 41,543
Payable to Ardent	18,816,659	18,466,653
Payable to Ascension	15,088,938	15,623,840
Total	<u>\$ 34,091,114</u>	<u>\$ 34,132,036</u>

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**NOTE 5 – CAPITAL ASSETS**

Capital asset additions, retirements, transfers, and balances for the years ended September 30, 2025 and 2024 were as follows:

	Balance September 30, 2024	Increases	Decreases	Balance September 30, 2025
Land	\$ 6,570,000	\$ -	\$ -	\$ 6,570,000
Furniture and equipment	61,420	-	-	61,420
Total	6,631,420	-	-	6,631,420
Accumulated depreciation	(58,549)	(1,490)	-	(60,039)
Capital assets, net	<u>\$ 6,572,871</u>	<u>\$ (1,490)</u>	<u>\$ -</u>	<u>\$ 6,571,381</u>

	Balance September 30, 2023	Increases	Decreases	Balance September 30, 2024
Land	\$ 6,570,000	\$ -	\$ -	\$ 6,570,000
Furniture and equipment	61,420	-	-	61,420
Total	6,631,420	-	-	6,631,420
Accumulated depreciation	(55,737)	(2,812)	-	(58,549)
Capital assets, net	<u>\$ 6,575,683</u>	<u>\$ (2,812)</u>	<u>\$ -</u>	<u>\$ 6,572,871</u>

**NOTE 6 – RETIREMENT AND HEALTH PLANS**

*Pension Plan Description*

Effective June 23, 1996, Bay Medical Center employees, who were previously participating in Florida Retirement System ("FRS"), began participating in the BayMed Staffing, Inc. ("BMSI") d/b/a Bay Health Foundation, (the "Plan"), created and sponsored by BMSI. The Plan was a noncontributory, single-employer defined benefit plan, administered by a committee appointed by BMSI. Under the provisions of the Plan, BMSI has the authority to amend the Plan. All employees hired on or after January 1, 1996 participate in the Plan after meeting the eligibility requirements including one year of service and attaining a minimum age of 21 years. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

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**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

On December 31, 2003, the assets and obligations of the Plan were merged into Bay Medical Center d/b/a Bay Health Foundation. The District changed the status of the Plan from an ERISA (Employee Retirement Income Security Act of 1974) plan to a governmental plan under the Florida Statutes, thereby eliminating various ERISA requirements. The Plan administrator believes the Plan is designed and is currently being operated in compliance with applicable requirements of the Internal Revenue Code ("IRC").

The District issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the District.

The District's funding policy for the Plan is to contribute each year an amount that is not less than the minimum required contribution. The minimum required contribution is actuarially determined under Chapter 112 of the Florida Statutes.

Effective March 31, 2012, the Plan was frozen and no new entrants were allowed into the Plan.

*Pension Benefits*

Participants with five or more years of service, as defined by the Plan, are entitled to pension benefits beginning at normal retirement age (62) equal to 1.6% of the participant's final average eligible earnings for each year of service. If employees terminate before rendering five years of continuous service, they forfeit the right to receive pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities.

*Death and Disability Benefits*

If an active employee died after normal retirement age (62), a death benefit equal to the value of the employee's accumulated pension benefits is paid to the employee's beneficiary. Active employees who became totally disabled after 10 years of service receive annual disability benefits that were equal to the normal retirement benefits they have accumulated as of the time they became disabled.

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**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

*Employees Covered by Benefit Terms*

At the measurement date, December 31, 2024 and 2023, the following employees were covered by the benefit terms:

	<u>09/30/2025</u>	<u>09/30/2024</u>
Inactive employees or beneficiaries currently receiving benefits	665	703
Inactive employees entitled to but not yet receiving benefits	704	700
	<u>1,369</u>	<u>1,403</u>

*Contributions*

Contributions to provide benefits under the Plan are made solely by the District. The entire cost of the Plan is borne by the District. Plan members are not required to contribute to the Plan.

The District contributes at an actuarially determined rate. The District contributed \$1,801,214 and \$2,860,377 to the Plan for the District's fiscal years ended September 30, 2025 and 2024, respectively.

Although it has not expressed any intent to do so, the District has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth by state law.

*Net Pension Liability (Asset)*

The net pension liability (asset) of the defined benefit pension plan was determined based on the January 1, 2024 actuarial valuations, using membership data as of January 1, 2025 and financial information of the pension funds as of December 31, 2024, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the consulting actuary, Gabriel, Roeder, Smith & Company.

At September 30, 2025 and 2024, the District reported a net pension liability of \$8,693,219 and \$11,477,718, respectively. The net pension liability was measured as of December 31, 2024 and 2023, respectively. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2024 and 2023. The total pension liability was then rolled forward to the measurement dates of December 31, 2024 and 2023 utilizing updated procedures incorporating the actuarial assumptions.

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**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

The following represents the changes in the net pension liability (asset) as of September 30, 2025 and 2024:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2024	\$ 113,337,352	\$ 101,859,635	\$ 11,477,717
Changes for the year:			
Interest	7,332,764	-	7,332,764
Differences between expected and actual experience	(26,744)	-	(26,744)
Contributions - employer	-	1,801,214	(1,801,214)
Net investment income (loss)	-	8,289,305	(8,289,305)
Benefits paid	(9,354,134)	(9,354,134)	-
Net changes	(2,048,114)	736,385	(2,784,499)
Balances at September 30, 2025	\$ 111,289,238	\$ 102,596,020	\$ 8,693,218

  

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2023	\$ 115,667,489	\$ 94,516,330	\$ 21,151,159
Changes for the year:			
Interest	7,453,814	-	7,453,814
Differences between expected and actual experience	(697,280)	-	(697,280)
Contributions - employer	-	2,860,377	(2,860,377)
Net investment income (loss)	-	13,556,799	(13,556,799)
Other	-	12,800	(12,800)
Benefits paid	(9,086,671)	(9,086,671)	-
Net changes	(2,330,137)	7,343,305	(9,673,442)
Balances at September 30, 2024	\$ 113,337,352	\$ 101,859,635	\$ 11,477,717

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**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

*Sensitivity Analysis*

The following represents the sensitivity of the net pension liability (asset) to changes in the discount rate based on values as of September 30, 2025 and 2024, respectively:

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
September 30, 2025	\$ 18,219,851	\$ 8,693,219	\$ 479,403
September 30, 2024	\$ 21,450,564	\$ 11,477,718	\$ 2,904,679

*Actuarial Assumptions and Methods*

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The total pension liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	6.75%
Inflation	2.50%
Expected return on plan assets	6.75%
Mortality	

For healthy male participants, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, setback 1 year for males, with fully generational mortality improvement projected to each future decrement date with Scale MP-2018.

For disabled male participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.

The discount rate adopted by the District for valuing plan liabilities was determined by the methods prescribed under GASB Statement No. 68 which requires the use of a long-term rate of return on plan assets unless a projection of the net fiduciary position will not be sufficient to provide for projected benefit payments of the covered current and former employees.

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**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

The projected return on plan assets and inflation assumptions are developed through review of current and historical capital markets data and historical performance of investment strategies. These projections are to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

As of September 30, 2025:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Fixed income	35.0%	2.42%
Equities	65.0%	6.36%

As of September 30, 2024:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Fixed income	30.0%	2.20%
Equities	70.0%	6.28%

**Changes in Assumptions**

2025: Cash balance interest crediting rate assumption updated (immaterial impact).

2024: None

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At September 30, 2025, the District reported deferred outflows of resources related to pensions from the following sources:

Difference between expected and actual return on plan assets	<u>\$ 2,257,512</u>
--	---------------------

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025 AND 2024**

**NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)**

The amounts reported as deferred outflows related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2026	\$ 1,652,326
2027	2,776,004
2028	(1,829,919)
2029	<u>(340,899)</u>
Deferred Outflows of Resources	<u>\$ 2,257,512</u>

At September 30, 2024, the District reported deferred inflows of resources related to pensions from the following sources:

Difference between expected and actual return on plan assets	<u>\$ 4,768,191</u>
--	---------------------

**NOTE 7 – WORKERS' COMPENSATION**

The District has maintained commercial workers' compensation insurance subject to an incurred loss retro premium. The District is responsible for all costs associated with each incident until the deductible limit is reached. Losses in excess of the deductible are infrequent, essentially establishing a self-funded workers' compensation program. The estimated accrual for identified claims and unreported but incurred claims was \$0 and \$0 and are included in other current liabilities at September 30, 2025 and 2024, respectively.

**NOTE 8 – OPERATING LEASES**

The District is the lessee in an agreement with Drew Station, Inc, for the lease of its commercial office space. The lease is for the period May 2025 through April 2027. The terms of the lease included a minimum monthly payment of \$2,630. The operating lease expense for the years ended September 30, 2025, and 2024 was \$28,305 and \$25,980, respectively.

Future minimum rental payments according to the lease agreement are as follows:

<u>September 30,</u>	<u>Committed</u>	<u>Prepaid</u>	<u>Net</u>
2026	\$ 31,560	\$ 2,165	\$ 29,395
2027	18,410	-	18,410
	<u>\$ 49,970</u>	<u>\$ 2,165</u>	<u>\$ 47,805</u>

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025 AND 2024**

**NOTE 9 – HURRICANE MICHAEL DISASTER**

The hospital facilities that the District owns suffered significant damage during Hurricane Michael in October 2018. Although the tenant has insurance, the reconstruction after a casualty loss remains the ultimate responsibility of the District. The District has filed a FEMA (Federal Emergency Management Act) claim with the cooperation of the tenant to repair and restore the hospital facilities. FEMA has determined that the District is eligible for reimbursement. The District will continue to coordinate with the tenant to rebuild the facilities, but since the District owns the facilities and is ultimately responsible for repair and restoration, there is an additional liability risk during the restoration. Total damages could reach up to \$125 million. Repairs are underway and assessments regarding structures and improvements are ongoing. The estimated costs will be determined in due course and will be reported as eligible expenditures are incurred, of the \$67,407,717 that has been incurred, \$63,321,105 was obligated as of September 30, 2025. The reimbursement percentages depend on the different FEMA categories of work which range from 87.5% to 100% reimbursed. The largest category of permanent work is expected to be reimbursed at 75% by FEMA and 12.5% by the State of Florida. Under the agreements, the amounts not reimbursable by FEMA will be paid by Ascension and Ardent.

**NOTE 10 – SUBSEQUENT EVENTS**

The District evaluated the effect subsequent events would have on the financial statements through May 19, 2026, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>Total Pension Liability</b>										
Interest	\$ 7,332,764	\$ 7,453,814	\$ 7,597,920	\$ 7,955,649	\$ 8,061,503	\$ 8,264,052	\$ 8,316,988	\$ 8,399,414	\$ 8,380,457	\$ 7,966,699
Differences between expected and actual experience	(26,744)	(697,280)	(1,078,267)	(797,299)	(720,990)	(815,143)	(433,106)	(368,553)	53,646	566,504
Assumption changes	-	-	4,859,306	-	(1,820,023)	-	2,738,431	2,857	5,111,076	-
Benefits paid	(9,354,134)	(9,086,671)	(8,984,425)	(8,831,556)	(8,616,982)	(8,416,639)	(8,047,374)	(7,912,306)	(7,611,704)	(7,617,588)
Net change in total pension liability	(2,048,114)	(2,330,137)	2,394,534	(1,673,206)	(3,096,492)	(967,730)	2,574,939	121,412	5,933,475	915,615
Total pension liability - beginning	113,337,352	115,667,489	113,272,955	114,946,161	118,042,653	119,010,383	116,435,444	116,314,032	110,380,557	109,464,942
Total pension liability - ending (a)	<u>\$ 111,289,238</u>	<u>\$ 113,337,352</u>	<u>\$ 115,667,489</u>	<u>\$ 113,272,955</u>	<u>\$ 114,946,161</u>	<u>\$ 118,042,653</u>	<u>\$ 119,010,383</u>	<u>\$ 116,435,444</u>	<u>\$ 116,314,032</u>	<u>\$ 110,380,557</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	\$ 1,801,214	\$ 2,860,377	\$ -	\$ 13,163	\$ 1,245,996	\$ 4,304,011	\$ 6,354,376	\$ 2,980,173	\$ 3,007,355	\$ 1,625,102
Net investment income (loss)	8,289,305	13,556,799	(15,312,926)	13,568,067	11,878,958	17,046,485	(4,768,988)	14,327,633	6,349,221	126,484
Benefits paid	(9,354,134)	(9,086,671)	(8,984,425)	(8,831,556)	(8,616,982)	(8,416,639)	(8,047,374)	(7,912,306)	(7,611,704)	(7,617,588)
Other	-	12,800	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	736,385	7,343,305	(24,297,351)	4,749,674	4,507,972	12,933,857	(6,461,986)	9,395,500	1,744,872	(5,866,002)
Total plan fiduciary net position - beginning	101,859,635	94,516,330	118,813,681	114,064,007	109,556,035	96,622,178	103,084,164	93,688,664	91,943,792	97,809,794
Total plan fiduciary net position - ending (b)	<u>\$ 102,596,020</u>	<u>\$ 101,859,635</u>	<u>\$ 94,516,330</u>	<u>\$ 118,813,681</u>	<u>\$ 114,064,007</u>	<u>\$ 109,556,035</u>	<u>\$ 96,622,178</u>	<u>\$ 103,084,164</u>	<u>\$ 93,688,664</u>	<u>\$ 91,943,792</u>
Net pension liability - ending (a) - (b)	\$ 8,693,218	\$ 11,477,717	\$ 21,151,159	\$ (5,540,726)	\$ 882,154	\$ 8,486,618	\$ 22,388,205	\$ 13,351,280	\$ 22,625,368	\$ 18,436,765
Plan fiduciary net position as a percentage of the total pension liability	92.19%	89.87%	81.71%	104.89%	99.23%	92.81%	81.19%	88.53%	80.55%	83.30%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

Valuation Date	01/01/2024	01/01/2023	01/01/2022	01/01/2021	01/01/2020	01/01/2019	01/01/2018	01/01/2017	01/01/2016	01/01/2015
Reporting Date (GASB No. 68)	09/30/2025	09/30/2024	09/30/2023	09/30/2022	09/30/2021	09/30/2020	09/30/2019	09/30/2018	09/30/2017	09/30/2016

Update procedures were used to roll forward the TPL to the measurement dates.

See Notes to Schedules of Contributions for assumption changes.

See the independent auditor's report.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,801,214	\$ 2,860,377	\$ -	\$ 13,163	\$ 1,245,996	\$ 2,904,011	\$ 2,354,376	\$ 2,980,173	\$ 3,007,355	\$ 1,625,062
Contributions in relation to the actuarially determined contributions	1,801,214	2,860,377	-	13,163	1,245,996	4,304,011	6,354,376	2,980,173	3,007,355	1,625,102
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,400,000)	\$ (4,000,000)	\$ -	\$ -	\$ (40)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule**

Measurement Date	December 31 prior to end of reporting period
Valuation Date	January 1 prior to the measurement date
Salary Increases	N/A, plan frozen in 2012
Discount Rates	6.75%
Expected Rate of Return on Plan Assets	6.75%
Inflation Rate	2.50%
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, closed
Amortization Period	10 years
Asset Valuation Method	Market Value
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition

See the independent auditor's report.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED SEPTEMBER 30, 2025**

**Notes to Schedule (Continued)**

Mortality Rate:	For healthy participants, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.
	For disabled participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.
Cost-of-Living Increases	0% or 3% for retirees and beneficiaries in payment status of a conversion benefit on September 1, 2009.
<b>Other Information:</b>	
Benefit Changes	2012: Effective March 31, 2012, the cash balance plan was frozen and interest credits were applied to the retirement account on the last day of each Plan year, one year of credited service will be earned if the employee had worked 1,000 hours through March 31, 2012 and one month of imputed credit service will be earned on the first day of each month ending on the date of death, disability benefits are no longer provided under the Plan, the Plan was closed to new entrants and no compensation will be considered after March 31, 2012, no retirement credits will be earned after March 31, 2012 and one year of vesting service will be earned upon survival to December 31, 2011: The Conversion Benefit formula was frozen effective December 31, 2010 and participants will continue to earn additional benefits under the Cash Balance formula. Additional service accruals may be earned towards the unreduced early retirement option at 30 years but will not be counted towards the increased multiplier under the Special Postponed Retirement Benefit or due to working past 30 years.
Assumption Changes	2024: Cash balance interest crediting rate assumption updated (immaterial impact). 2022: Investment return was updated to 6.75%, compounded annually. 2020: Mortality assumption updated. 2018: Investment return was updated to 7.25%, compounded annual. Form and timing of payment, lump sum conversion basis and retirement rates were updated. 2017: Cash balance interest crediting rate assumption updated. 2016: Mortality assumption updated. 2014: Assumed retirement ages were updated. 2013: The method used for determining the actuarial value of assets was updated to market value. 2012: Investment return was updated to 7.5%, compounded annually. Employee withdrawal rates, salary increase factors, disability rates and assumed retirement ages were updated. 2011: Healthy lives mortality table was updated to project mortality improvements to 2018.

See the independent auditor's report.

**BAY MEDICAL CENTER**  
**d/b/a BAY HEALTH FOUNDATION**  
**SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES**  
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025		2024
	Budget	Actual	Actual
<b>Operating revenues:</b>			
Operating revenue	\$ -	\$ 7,273,418	\$ 6,798,946
<b>Operating expenses:</b>			
Salaries	347,000	187,251	169,397
Pension expense	195,000	1,527,394	(276,211)
Supplies	67,000	4,691	7,776
Other expenses	577,495	796,935	831,289
Indigent assessments, insurance, and fees	154,700	133,913	131,267
Storm related expenditures	-	1,844,363	513,262
Depreciation	2,448	1,491	2,812
Total operating expenses	<u>1,343,643</u>	<u>4,496,038</u>	<u>1,379,592</u>
Operating income (loss)	<u>(1,343,643)</u>	<u>2,777,380</u>	<u>5,419,354</u>
<b>Nonoperating revenues (expenses):</b>			
Net investment income	924,750	1,343,326	3,076,074
FEMA revenue	-	1,583,001	244,503
Other nonoperating expenses	-	(28,305)	(25,980)
Total nonoperating revenues (expenses)	<u>924,750</u>	<u>2,898,022</u>	<u>3,294,597</u>
<b>Net Income</b>	<u>\$ (418,893)</u>	<u>\$ 5,675,402</u>	<u>\$ 8,713,951</u>

See the independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
Bay Medical Center  
d/b/a Bay Health Foundation  
Panama City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bay Medical Center d/b/a Bay Health Foundation, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Bay Medical Center d/b/a Bay Health Foundation's basic financial statements and have issued our report thereon dated May 19, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bay Medical Center d/b/a Bay Health Foundation'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bay Medical Center d/b/a Bay Health Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Medical Center d/b/a Bay Health Foundation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bay Medical Center d/b/a Bay Health Foundation'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*.

## **Bay Medical Center d/b/a Bay Health Foundation's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Bay Medical Center d/b/a Bay Health Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bay Medical Center d/b/a Bay Health Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of This Report**

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

*Lipton, Mauler, Garner & Chastain*

Panama City, Florida  
May 19, 2026



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Trustees  
Bay Medical Center  
d/b/a Bay Health Foundation  
Panama City, Florida

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Bay Medical Center d/b/a Bay Health Foundation's 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 each of Bay Medical Center d/b/a Bay Health Foundation's major federal programs for the year ended September 30, 2025. Bay Medical Center d/b/a Bay Health Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bay Medical Center d/b/a Bay Health Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of 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 Bay Medical Center d/b/a Bay Health Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bay Medical Center d/b/a Bay Health Foundation'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, regulation, rules, and provisions of contracts or grant agreements applicable to Bay Medical Center d/b/a Bay Health Foundation's federal programs.

## ***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 Bay Medical Center d/b/a Bay Health Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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 Bay Medical Center d/b/a/ Bay Health Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Bay Medical Center d/b/a/ Bay Health Foundation'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 Bay Medical Center d/b/a/ Bay Health Foundation'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 Bay Medical Center d/b/a/ Bay Health Foundation'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.

*Lipton, Mauler, Garner & Chastain*

Panama City, Florida  
May 19, 2026

**SUPPLEMENTARY  
INFORMATION**

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2025**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Disbursements/ Expenditures</u>
<b>U.S. Department of Homeland Security:</b>		
Passed through State of Florida Division of Emergency Management		
Disaster Grants - Public Assistance (Presidential Declared Disasters)	97.036	<u>\$ 1,413,395</u>

See the accompanying notes to the schedule of expenditures of federal awards.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2025**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bay Medical Center d/b/a Bay Health Foundation 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). The amounts reported as federal expenditures were obtained from Bay Medical Center d/b/a Bay Health Foundation's general ledger. Because the Schedule presents only a selected portion of the operations of Bay Medical Center d/b/a Bay Health Foundation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Bay Medical Center d/b/a Bay Health Foundation.

For purposes of this Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Bay Medical Center d/b/a Bay Health Foundation has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance.

*Disaster Grants – Public Assistance (CFDA No. 97.036)*

After a Presidential-Declared disaster, FEMA provided a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal government reimburses in the form of cost-shared grants which requires state matching funds. For the fiscal year ended September 30, 2025, \$38,967 of approved eligible expenditures that were incurred in a prior year are included on the Schedule.

**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**

Bay Medical Center d/b/a Bay Health Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2025**

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Bay Medical Center d/b/a Bay Health Foundation were prepared in accordance with GAAP.
2. One material weakness and no significant deficiencies were disclosed during the audit of the financial statements. It is reported in the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Bay Medical Center d/b/a Bay Health Foundation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit is reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Bay Medical Center d/b/a Bay Health Foundation expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

<u><b>Federal Program</b></u>	<u><b>Federal CFDA No.</b></u>
Disaster Grants – Public Assistance (Presidential Declared Disasters)	97.036

8. The threshold used for distinguishing between Type A and B programs was \$1,000,000.
9. Bay Medical Center d/b/a Bay Health Foundation did not qualify to be a low-risk auditee.

**BAY MEDICAL CENTER  
d/b/a BAY HEALTH FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2025**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**Bay Medical Center d/b/a Bay Health Foundation 2025-001, 2024-001, 2023-001, 2022-001, 2021-001, 2020-002**

Condition: The District does not have adequate segregation of duties regarding their accounting procedures.

Criteria: Auditing standards state that a lack of adequate segregation of duties is a weakness in internal control.

Cause: The District lacks the personnel necessary to adequately segregate financial and accounting duties.

Effect: Financial records and transactions without adequate segregation of duties are more at risk for misstatement due to fraud or errors.

Recommendation: We recommend that the Board of Trustees of the District should remain involved in the financial affairs of the Bay Medical Center d/b/a Bay Health Foundation to provide oversight and independent review functions.

Response: See Corrective Action Plan on page 48.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**PRIOR YEAR FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Trustees  
Bay Medical Center  
d/b/a Bay Health Foundation  
Panama City, Florida

### Report on the Financial Statements

We have audited the financial statements of the Bay Medical Center d/b/a Bay Health Foundation, Florida, as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 19, 2026.

### Auditor's Responsibility

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

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 19, 2026, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See prior year findings and recommendations below for the findings and recommendations made in the current and preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report for finding 2024-001.

The following finding has been included in this report since September 30, 2018:

## **Prior Year Findings and Recommendations**

### Segregation of Responsibilities 2024-001

Due to the limited number of people working in the office and the size, Bay Medical Center d/b/a Bay Health Foundation's accounting function precludes certain internal controls that would be preferred for segregation of duties. Oversight provided by the Board of Trustees has been a mitigating factor.

#### Bay Medical Center d/b/a Bay Health Foundation's Response to Findings

The Board of Trustees will continue to provide oversight.

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. We determined that Bay Medical Center d/b/a Bay Health Foundation compiled this information in Note 1 to the financial statements.

## **Financial Condition and Management**

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

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

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

## **Special District Component Units**

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida

Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7., Rules of the Auditor General, the Bay Medical Center d/b/a Bay Health Foundation reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 2.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$360,198.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$18,340.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

<u>Project Name</u>	<u>FY25 Expenditures</u>
EMS Demo	<u>\$ 162,128</u>

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

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

*Lipton, Mauler, Garner & Chastain*

Panama City, Florida  
May 19, 2026



## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees  
Bay Medical Center  
d/b/a Bay Health Foundation  
Panama City, Florida

We have examined Bay Medical Center d/b/a Bay Health Foundation's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2025. Management of Bay Medical Center d/b/a Bay Health Foundation is responsible for Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements. Our responsibility is to express an opinion on Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements.

In our opinion, Bay Medical Center d/b/a Bay Health Foundation complied, in all material respects, with the requirements specified in the first paragraph during the year ended September 30, 2025.

This report is intended solely for the information and use of Bay Medical Center d/b/a Bay Health Foundation and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than the specified parties.

*Tipton, Marler, Garner & Chastain*

Panama City, Florida  
May 19, 2026

<b>Board of Trustees</b>	<i>Chairman—Andrew W. Stein</i>	<i>Gregory M. Brudnicki</i>	<i>Ashraf Khan, M.D.</i>
	<i>Vice Chairman—Steven M. Johnson</i>	<i>Kristian B. Chapman</i>	<i>Kelly L. Littleton</i>
	<i>Secretary/Treasurer—Sylvester L. Griffin</i>	<i>Eric R. Claussen, D.M.D.</i>	<i>Alexandra R. Murphy</i>

May 19, 2026

**Bay Medical Center d/b/a Bay Health Foundation  
Management's Corrective Action Plan  
For the Fiscal Year Ended September 30, 2025**

**Finding Number: 2025-001**

**Planned Corrective Action:**

The size of Bay Health Foundation's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Board and staff understand that this situation dictates that the Board remain involved in the financial affairs of the Bay Health Foundation to provide oversight and independent review functions. The Board of Directors currently and will continue to maintain the following review functions:

- 1) Financial statements are prepared and presented to the Board of Directors monthly.
- 2) Two members of the Board signs checks and reviews invoices.
- 3) An officer of the Board opens operating bank statements monthly and reviews for any irregularities.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Karen Thomason



Karen Thomason, Executive Director