

**The Health Care
Authority for Baptist
Health, An Affiliate of
UAB Health System**
Consolidated Financial Statements,
Required Supplementary Information
and Additional Information
June 30, 2025 and 2024

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-9
Consolidated Financial Statements	
Consolidated Statements of Net Position.....	10
Consolidated Statements of Revenues, Expenses and Changes in Net Position	11
Consolidated Statements of Cash Flows	12-13
Statements of Fiduciary Net Position – Pension Trust Fund	14
Statements of Changes in Fiduciary Net Position – Pension Trust Fund	15
Notes to the Consolidated Financial Statements	16-45
Required Supplementary Information	
Schedule of Changes in the Net Pension Asset and Related Ratios (Unaudited).....	46
Schedule of Investment Returns – Defined Benefit Pension Plan (Unaudited)	47
Additional Information	
Board Members and Officials (Unaudited)	48
Independent Auditors' 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.....	49-50

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Montgomery, Alabama

Opinion

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System (the Authority), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority'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 business-type activities and fiduciary activities of the Authority, as of June 30, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority'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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Authority'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 Authority'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 (unaudited) information on pages 4 through 9, the schedule of changes in the net pension asset and related ratios (unaudited) on page 46, and the schedule of investment returns – defined benefit pension plan (unaudited) on page 47 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The board members and officials (unaudited) on page 48 has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and, accordingly, we do not express an opinion on them or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2025, on our consideration of the Authority'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 Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Warren Averett, LLC

Birmingham, Alabama
September 25, 2025

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

Introduction

The following discussion and analysis provides an overview of the consolidated financial position and activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System, and its subsidiaries (the "Authority"). The Authority is a stand-alone entity and does not consolidate into any other entity. This discussion has been prepared by management and should be read in conjunction with the Authority's consolidated financial statements and notes thereto, which begin on page 10.

The Authority is one of the leading providers of health care to residents of central Alabama. The faith-based health system has nearly 60% inpatient market share in its primary service area, with services centering around three acute care facilities. With 432 licensed beds, Baptist Medical Center South is Montgomery's largest health care facility and serves as a regional tertiary referral center, providing trauma, cardiac, orthopedic and neurosurgical services. This facility is also the owner of Crossbridge Behavioral Health, a freestanding psychiatric facility with an additional 60 licensed beds, as well as the Montgomery Cancer Center and its related entities, which includes oncology infusion and diagnostic imaging services. Baptist Medical Center East is a 176 licensed bed, full-service hospital providing acute care, specializing in women and children's services. This facility is the third highest in total deliveries in the State of Alabama. Prattville Baptist Hospital is licensed for 107 beds and provides emergency, medical, surgical, and geriatric behavioral health services for the communities north of the City of Montgomery. The three acute care facilities achieved the 2025 Women's Choice Award for Minimally Invasive Surgery, Obstetrics, Women's Services, Outpatient Experience and Mammogram Imaging, 2025 Blue Cross Blue Shield Blue Distinction Center Hip and Knee Replacement, 2025 Joint Commission Nationally Certified Stroke Center, 2025 American Heart Association Get With the Guidelines Gold Plus for Stroke, and the Chime award for 2019-2025. Complementary to the hospitals are a diverse array of activities and services provided by employed physicians, a free-standing ambulatory surgical center, institute for patient safety and medical simulation, residency teaching programs, hospice services, joint ventures and various disease management programs. Management continues to guide the development of core services and programs that leverage the strengths, unique attributes and market needs for each entity within the context of the Authority's strategic goals.

Consolidated Statements of Net Position

The consolidated statements of net position present the financial position of the Authority at the end of the fiscal year and include all assets and deferred outflows and liabilities and deferred inflows of the Authority. The difference between total assets and deferred outflows and total liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Authority, while the change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

In fiscal year 2025, the Authority has been focused on managing volume, throughput, staffing constraints, costs of labor and the impacts of inflation. Compared to the prior year, patient and observation days grew .5% with outpatient volume increasing 7.2%. Overall adjusted patient days ("APD") grew 4.7%. Salaries per APD were lower than prior year due to the formation of a new internal recruiting agency in June 2024. Baptist Health was able to hire internal agency nurses at a lower rate than the costly external agency nurses. Inflation negatively impacted the cost of supplies and pharmaceuticals. Fiscal year 2025 included increases in outside service expenses, professional fees and an increase in health insurance costs offset by favorable pension termination cost reduction.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024**

A summary of the Authority's consolidated statements of net position is presented below:

	2025	2024	2023
Cash and cash equivalents	\$ 25,955,501	\$ 12,453,076	\$ 4,116,353
Other current assets	<u>146,945,695</u>	<u>153,996,282</u>	<u>147,786,826</u>
Total current assets	172,901,196	166,449,358	151,903,179
Assets whose use is limited			
Under bond indenture agreements - held by trustee	198,327	244,934	1,324,706
By Board for capital replacement and other discretionary purposes	467,158,171	434,107,023	379,953,429
Capital assets, net	281,423,103	268,307,478	268,545,108
Other noncurrent assets	<u>43,335,092</u>	<u>55,856,894</u>	<u>63,066,552</u>
Total assets	965,015,889	924,965,687	864,792,974
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>6,055,339</u>
Total assets and deferred outflows of resources	<u>\$ 965,015,889</u>	<u>\$ 924,965,687</u>	<u>\$ 870,848,313</u>
Current liabilities	\$ 156,137,008	\$ 154,257,614	\$ 141,476,916
Long-term debt, less current installments	295,616,110	304,730,551	311,887,692
Other noncurrent liabilities	<u>24,227,547</u>	<u>23,759,824</u>	<u>24,742,175</u>
Total liabilities	475,980,665	482,747,989	478,106,783
Deferred inflows of resources	3,249,375	4,495,918	9,318,570
Minority interest	2,338,550	2,783,289	3,083,490
Net position			
Net investment in capital assets	(20,799,680)	(42,479,669)	(47,908,638)
Restricted - expendable for specific operating activities	13,297,382	12,373,843	11,942,762
Restricted - expendable for pension plan	-	14,341,891	20,256,252
Unrestricted	<u>490,949,597</u>	<u>450,702,426</u>	<u>396,049,094</u>
Total net position	<u>483,447,299</u>	<u>434,938,491</u>	<u>380,339,470</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 965,015,889</u>	<u>\$ 924,965,687</u>	<u>\$ 870,848,313</u>

Unrestricted cash and investments (which includes cash/cash equivalents and assets whose use is limited by the Board) increased \$46.6 million in fiscal year 2025 and \$62.5 million in fiscal year 2024, producing a balance of \$493.1 million as of June 30, 2025. The increase in investments in fiscal years 2025 and 2024 is due to favorable investment results and the impact by CARES Act and other funding received totaling \$2.3 million in fiscal year 2024.

The Authority's cash position is 168 days cash on hand. The Authority calculates days cash on hand to exclude the noncash expense of bad debt to follow guidelines published by the bond rating agencies that follow accounting treatment for bad debt in health care organizations.

Other current assets which include patient accounts receivable and other prepaid expenses totaled \$146.9 million and \$154.0 million in fiscal years 2025 and 2024, respectively.

Capital assets, net totaled \$281.4 million as of June 30, 2025. An estimated future commitment for capital expenditures related to construction in progress as of June 30, 2025, is approximately \$32.1 million. The anticipated source of funds needed to fulfill this commitment is funding from operations.

Other noncurrent assets includes right-of-use assets related to GASB Statement No. 87, *Leases*, of \$19.0 million, and \$15.1 million of subscription-based assets related to GASB Statement No. 96, *Subscription-Based*

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024**

Information Technology Arrangements. In fiscal year 2025, net pension asset decreased \$14.3 million due to termination of the pension plan.

Current liabilities increased \$1.9 million in fiscal year 2025 due to an increase in medical malpractice claims, salaries and scheduled principal debt payments offset by decrease in agency nurse expense.

Current liabilities increased \$12.8 million in fiscal year 2024 due to an increase in agency nurse expense, medical malpractice claims, and scheduled principal debt payments.

Long-term debt, less current installments, decreased \$9.1 million in fiscal year 2025 and \$7.2 million in fiscal year 2024 as a result of regularly scheduled principal debt payments due within one year.

Debt Activity

The Authority did not issue any new debt or restructure debt in fiscal years 2025 or 2024.

The Authority's credit ratings are affirmed as follows:

- BBB+ bond rating affirmed by Standard & Poor's Rating Services on September 24, 2024, the outlook is stable
- A3 bond rating affirmed by Moody's Investors Service on February 24, 2025, the outlook is stable

The Authority's statement of net position continues to improve with total net position increasing by \$48.5 million to \$483.4 million as of June 30, 2025. This is after an additional \$54.6 million increase in fiscal year 2024 to \$434.9 million.

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The consolidated statements of revenues, expenses and changes in net position present the extent to which the Authority's overall net position increased or decreased during the year as a result of operations or other reasons.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024**

A summary of the Authority's consolidated statements of revenues, expenses and changes in net position is presented below:

	2025	2024	2023
Operating revenues			
Net patient service revenue	\$ 1,118,319,756	\$ 1,072,205,881	\$ 963,062,182
Other revenue	8,187,550	7,542,828	8,756,498
Total operating revenues	<u>1,126,507,306</u>	<u>1,079,748,709</u>	<u>971,818,680</u>
Operating expenses			
Salaries, wages and benefits	504,757,344	492,035,715	446,000,171
Supplies	126,177,535	123,643,701	120,546,626
Pharmaceuticals	174,010,810	156,774,070	144,566,808
Professional fees	72,219,119	58,369,493	46,894,708
Taxes and licenses	2,425,507	2,222,894	1,938,960
Depreciation and amortization	51,554,184	47,517,338	43,909,508
Other	175,080,710	171,203,487	153,762,747
Total operating expenses	<u>1,106,225,209</u>	<u>1,051,766,698</u>	<u>957,619,528</u>
Operating income	20,282,097	27,982,011	14,199,152
Nonoperating revenues			
Net investment income	16,535,660	12,386,607	9,931,707
Minority interest in joint venture	(1,965,296)	(2,348,419)	(2,766,941)
Realized and unrealized gains on investments	26,973,071	30,790,082	16,339,105
Interest expense	(15,572,201)	(15,971,674)	(13,441,918)
COVID-19 funding	-	2,258,633	5,072,332
Other nonoperating gain - joint ventures	95,993	263,022	238,470
Extinguishment of debt	1,799,980	-	-
Other nonoperating gains (losses)	233,831	(972,869)	(512,910)
Total nonoperating revenues	<u>28,101,038</u>	<u>26,405,382</u>	<u>14,859,845</u>
Grants and contributions, net of cost and fund transfers	48,383,135	54,387,393	29,058,997
	<u>125,673</u>	<u>211,628</u>	<u>831,034</u>
Revenues in excess of expenses	<u>\$ 48,508,808</u>	<u>\$ 54,599,021</u>	<u>\$ 29,890,031</u>

The Authority's net patient service revenue, net of allowances for contractual discounts, charity care and bad debts, totaled \$1.1 billion as of June 30, 2025. The Authority has seen consistent growth in fiscal years 2023, 2024 and 2025. Fiscal year 2025 increased \$46.1 million over fiscal year 2024 and fiscal year 2024 demonstrated growth of \$109.1 million over fiscal year 2023. The growth in net patient revenue in the past two fiscal years has been driven by growth in inpatient and outpatient volume, high acuity of services, continued growth at the Montgomery Cancer Center, and improved payor rates. Embedded in fiscal years 2025, 2024, and 2023 are additional Medicaid Disproportionate Share ("DSH") payments and favorable restored reimbursement rates related to 340B. In 2018, U.S. Department of Health and Human Services ("HHS") lowered reimbursement rates on 340B drugs. The Supreme Court ruled that HHS did not have the authority to lower reimbursement rates; therefore, the Authority received an additional \$3.5 million in fiscal year 2025, \$37.5 million in fiscal year 2024 and \$3.2 million in fiscal year 2023 related to prior years. The rates were restored in fiscal year 2023.

The Authority's operating expenses increased by \$54.5 million or 5.2% in fiscal year 2025. Salaries, wages, and benefits increased by \$12.7 million or 2.6% in fiscal year 2025 due to volume, market adjustments, and health insurance costs offset by favorable reductions related to cost of agency nurses and termination of pension plan. Supply expense increase of \$2.5 million or 2.0% is attributed to increase in volume and continued high acuity.

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System Management's Discussion and Analysis (Unaudited) June 30, 2025 and 2024

The unfavorable impact of supply shortages, and inflation was offset by achieved saving initiatives. Pharmacy expense impacted by volume, acuity, inflation, and impact of new oncology drugs increased costs by \$17.2 million or 11.0%. The remaining expense growth in fiscal year 2025 resulted from increases in professional fees, insurance, maintenance and repairs, and information technology. Depreciation and amortization expense increased \$4.0 million in fiscal year 2025.

The Authority's operating expenses increased by \$94.1 million or 9.8% in fiscal year 2024. Salaries, wages, and benefits increased by \$46.0 million or 10.3% in fiscal year 2024 due to inpatient volume, market adjustments, cost of agency nurse and employee health insurance costs. Supply expense increase of \$3.1 million or 2.6% is attributed to increase in volume along with continued high acuity, shortages, and inflation offset by achieved saving initiatives. Pharmacy expense grew by \$12.2 million or 8.4% due to increase in patient days, higher acuity patients and mix of oncology drugs. The remaining expense growth in fiscal year 2024 resulted from increases in professional fees, insurance, maintenance and repairs, utilities, and information technology. Depreciation and amortization expense increased \$3.6 million in fiscal year 2024. Interest expense increased \$2.5 million primarily related to higher interest rates due to the market.

Management has reviewed its assumptions associated with all ongoing governmental audits and investigations and has embedded a reserve of \$1.2 million, \$1.4 million and \$1.2 million for fiscal years 2025, 2024 and 2023, respectively.

Pursuant to the Affiliation Agreement, as amended, originally entered into by Baptist Health, UA Board and UAB Health System effective July 1, 2005, the Authority is required to make a payment to University of Alabama Hospital based on operating results to support the academic and research missions of the UAB Health System and University of Alabama School of Medicine. The payment is an amount equal to 25% of the Authority's operating income. The parties intend that the calculations with respect to the contributions shall be made in a manner consistent with accounting principles in effect for Baptist Health prior to the execution of the Affiliation Agreement, and no payment is due if the Authority has an operating loss. The parties may, by separate written agreement, adopt calculation conventions to be consistent with this intent. The payment required by the Authority was \$1.6 million, \$4.0 million and \$252.4 thousand for fiscal years 2025, 2024 and 2023, respectively.

The Authority's net investment income was \$16.5 million in fiscal year 2025, an increase from \$12.4 million in fiscal year 2024 and an increase from \$9.9 million in fiscal year 2023. The realized and unrealized gain on investments was \$27.0 million which decreased from a gain on investments of \$30.8 million in fiscal year 2024 and increased from a gain on investments of \$16.3 million in fiscal year 2023.

The CARES Act and other funding provided various forms of federal assistance for hospitals, including \$175 billion in relief funds to hospitals and other healthcare providers on the front line of the pandemic. As long as certain terms and conditions are met by the Authority, all funds received to date from the CARES Act and other funding are not required to be repaid by the Authority. Resources received under the CARES Act and other funding are recognized as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures and/or loss of revenues. Revenue is recognized when the applicable eligibility requirements are met. The Authority recognized \$2.3 million and \$5.1 million as nonoperating revenue for the fiscal years ended June 30, 2024, and 2023, respectively.

Consolidated Statements of Cash Flows

The consolidated statements of cash flows provide additional information to the Authority's financial results by reporting the major sources and uses of cash.

Cautionary Note Regarding Forward-Looking Statements

All statements, other than the statement of historical facts, which addresses activities, events or developments that the Authority expects or anticipates will or may occur in the future, contain forward-looking information. In

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Management's Discussion and Analysis (Unaudited)
June 30, 2025 and 2024**

reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and is derived using various assumptions. The Authority does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

Requests for Information

This financial report is designed and intended to provide a general overview of the Authority's financial position and results from operations. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the Chief Financial Officer, The Health Care Authority for Baptist Health, An Affiliate of UAB Health System, 301 Brown Springs Road, Montgomery, Alabama 36117.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Consolidated Statements of Net Position
June 30, 2025 and 2024**

	2025	2024
Assets		
Current assets		
Cash and cash equivalents	\$ 25,955,501	\$ 12,453,076
Patient accounts receivable, net of allowance for uncollectible accounts of \$53,247,724 and \$50,328,014 at June 30, 2025 and 2024, respectively	109,716,911	115,100,897
Due from third-party payors	7,060,447	7,865,002
Inventories	10,393,630	9,860,680
Prepaid expenses and other current assets	19,774,707	21,169,703
Total current assets	172,901,196	166,449,358
Noncurrent assets		
Assets whose use is limited		
Under bond indenture agreements - held by trustee	198,327	244,934
By Board for capital replacement and other discretionary purposes	467,158,171	434,107,023
Total assets whose use is limited	467,356,498	434,351,957
Net pension asset	-	14,341,891
Right-of-use assets, net	18,968,063	21,210,465
Subscription assets, net	15,112,413	9,939,213
Lease receivable	3,396,278	4,642,611
Investment in joint ventures	273,042	349,523
Capital assets, net	281,423,103	268,307,478
Other assets	5,585,296	5,373,191
Total noncurrent assets	792,114,693	758,516,329
Total assets	\$ 965,015,889	\$ 924,965,687
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities		
Accounts payable and accrued expenses	\$ 66,578,952	\$ 71,940,847
Accrued malpractice	31,558,196	27,984,403
Salaries, wages and employee benefits payable	39,934,637	38,405,577
Due to third-party payors	1,324,036	1,894,875
Unearned revenue	159,893	-
Current lease liability	4,113,669	3,558,344
Current subscription liability	5,662,625	4,172,038
Current installments of long-term debt	6,805,000	6,301,530
Total current liabilities	156,137,008	154,257,614
Noncurrent liabilities		
Long-term lease liability	15,689,136	17,875,991
Long-term subscription liability	6,435,257	3,310,038
Other liabilities	2,103,154	2,573,795
Long-term debt, less current installments	295,616,110	304,730,551
Total liabilities	475,980,665	482,747,989
Deferred inflows of resources - leases	3,249,375	4,495,918
Minority interest	2,338,550	2,783,289
Net position		
Net investment in capital assets	(20,799,680)	(42,479,669)
Restricted - expendable for specific operating activities	13,297,382	12,373,843
Restricted - expendable for pension plan	-	14,341,891
Unrestricted	490,949,597	450,702,426
Total net position	483,447,299	434,938,491
Total liabilities, deferred inflows of resources and net position	\$ 965,015,889	\$ 924,965,687

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Consolidated Statements of Revenues, Expenses and Changes in Net Position
June 30, 2025 and 2024**

	2025	2024
Operating revenues		
Net patient service revenue, net of provision for bad debts of \$104,733,857 and \$108,036,281 for the years ended June 30, 2025 and 2024, respectively	\$ 1,118,319,756	\$ 1,072,205,881
Other revenue	<u>8,187,550</u>	<u>7,542,828</u>
Total operating revenues	1,126,507,306	1,079,748,709
Operating expenses		
Salaries, wages and benefits	504,757,344	492,035,715
Supplies	126,177,535	123,643,701
Pharmaceuticals	174,010,810	156,774,070
Contracted services	41,095,940	39,142,615
Services - health care and general and administrative	52,050,499	52,329,058
Repairs and maintenance	28,141,637	25,895,288
Professional fees	72,219,119	58,369,493
Utilities	14,686,008	14,520,566
Insurance	16,635,220	14,075,000
Lease and rental	3,608,225	3,519,301
Taxes and licenses	2,425,507	2,222,894
Advertising	2,097,236	2,050,610
Depreciation and amortization	51,554,184	47,517,338
Other	<u>16,765,945</u>	<u>19,671,049</u>
Total operating expenses	<u>1,106,225,209</u>	<u>1,051,766,698</u>
Operating income	20,282,097	27,982,011
Nonoperating revenues		
Net investment income	16,535,660	12,386,607
Minority interest in joint venture	(1,965,296)	(2,348,419)
Realized and unrealized gain on investments	26,973,071	30,790,082
COVID-19 funding	-	2,258,633
Interest expense	(15,572,201)	(15,971,674)
Other nonoperating gain - joint ventures	95,993	263,022
Other nonoperating gains (losses)	<u>2,033,811</u>	<u>(972,869)</u>
Total nonoperating revenues	<u>28,101,038</u>	<u>26,405,382</u>
	48,383,135	54,387,393
Noncapital grants and contributions, net of cost and fund transfers	<u>125,673</u>	<u>211,628</u>
Excess of revenues over expenses	48,508,808	54,599,021
Net position		
Beginning of year	<u>434,938,491</u>	<u>380,339,470</u>
End of year	<u>\$ 483,447,299</u>	<u>\$ 434,938,491</u>

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Consolidated Statements of Cash Flows
June 30, 2025 and 2024**

	2025	2024
Cash flows from operating activities		
Receipts from and on behalf of patients and third-party payors	\$ 1,132,284,901	\$ 1,072,142,410
Payments to employees and related benefits	(487,905,300)	(474,929,640)
Payments to suppliers	(553,490,391)	(511,101,354)
Net cash provided by operating activities	90,889,210	86,111,416
Cash flows from noncapital financing activities		
Noncapital contributions	125,673	211,628
COVID-19 funding	-	2,258,633
Distributions to minority interest and from joint ventures, net	(2,237,561)	(2,392,628)
Net cash (used in) provided by noncapital financing activities	(2,111,888)	77,633
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	37,239	111,422
Purchases of capital assets	(51,613,579)	(36,537,558)
Right-of-use lease and subscription asset payments	(13,227,915)	(9,805,927)
Principal payments on debt	(6,024,610)	(5,959,990)
Interest payments on debt	(14,950,224)	(15,763,139)
Net cash used in capital and related financing activities	(85,779,089)	(67,955,192)
Cash flows from investing activities		
Net investment income	37,753,861	15,927,328
Interest income from lease receivable	124,941	142,295
Purchases of investment securities	(62,477,640)	(53,729,534)
Proceeds from sale of investment securities	18,000,000	45,700,751
Net cash (used in) provided by investing activities	(6,598,838)	8,040,840
Net change in cash and cash equivalents	(3,600,605)	26,274,697
Cash and cash equivalents		
Beginning of year	42,026,589	15,751,892
End of year	\$ 38,425,984	\$ 42,026,589

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Consolidated Statements of Cash Flows
June 30, 2025 and 2024**

	2025	2024
Reconciliation of cash and cash equivalents to statement of net position		
Cash and cash equivalents	\$ 25,955,501	\$ 12,453,076
Cash and cash equivalents included in assets whose use is limited	<u>12,470,483</u>	<u>29,573,513</u>
Total cash and cash equivalents	<u>\$ 38,425,984</u>	<u>\$ 42,026,589</u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 20,282,097	\$ 27,982,011
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	51,554,184	47,517,338
Other noncash items	1,228,331	44,593
Changes in operating assets and liabilities		
Patient accounts receivable, net	5,383,986	(9,707,660)
Inventories, prepaid expenses and other current assets	862,045	1,774,013
Other assets	15,376,120	4,268,214
Accounts payable and accrued expenses	(2,309,234)	11,982,731
Due to/from third-party payors	233,716	2,125,880
Unearned revenue	159,893	(24,519)
Other long-term liabilities	<u>(1,881,928)</u>	<u>148,815</u>
Net cash provided by operating activities	<u>\$ 90,889,210</u>	<u>\$ 86,111,416</u>
Supplemental noncash investing, capital, and financing activities information		
Increase in capital asset purchases accrued in accounts payable and accrued expenses	<u>\$ 851,289</u>	<u>\$ 1,390,182</u>
Increase in fair value of investments	<u>\$ 5,629,930</u>	<u>\$ 27,107,066</u>

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Statements of Fiduciary Net Position – Pension Trust Fund
June 30, 2025 and 2024**

	2025	2024
Assets		
Cash and cash equivalents	\$ -	\$ 34,206,254
Investments:		
Fixed income	-	52,653,449
Total assets	<u>\$ -</u>	<u>\$ 86,859,703</u>
Liabilities and Net Position		
Net position restricted for pension	<u>\$ -</u>	<u>\$ 86,859,703</u>

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Statements of Changes in Fiduciary Net Position – Pension Trust Fund
June 30, 2025 and 2024**

	2025	2024
Additions		
Net investment income	\$ 2,705,128	\$ 6,549,362
Total additions	<u>2,705,128</u>	<u>6,549,362</u>
Deductions		
Distribution to employer	(19,718,711)	-
Benefit payments	(69,260,636)	(4,281,348)
Administrative expenses	(585,484)	(162,764)
Total deductions	<u>(89,564,831)</u>	<u>(4,444,112)</u>
Net change in plan fiduciary net position	(86,859,703)	2,105,250
Plan fiduciary net position beginning of year	<u>86,859,703</u>	<u>84,754,453</u>
Plan fiduciary net position end of year	<u>\$ -</u>	<u>\$ 86,859,703</u>

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

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

1. Summary of Significant Accounting Policies

Organization

The Authority is a public corporation organized under The Health Care Authorities Act of 1982, as amended (the "Enabling Law"), Code of Alabama 1975, Section 22-21-310, *et seq.* The Authority was organized under the Enabling Law on July 1, 2005, by The Board of Trustees of The University of Alabama, a public corporation and constitutional entity of the State of Alabama (the "UA Board"). The Authority is a stand-alone entity and does not consolidate into any other entity. The Authority is the owner and operator of a health care delivery system (the "System") in the Montgomery, Alabama area. The UAB Health System, an Alabama nonprofit corporation, manages the System for the Authority. UAB Health System is affiliated with the UA Board, including University of Alabama Hospital in Birmingham, Alabama, which is the primary teaching hospital for the medical school at the University of Alabama in Birmingham.

Prior to the organization of the Authority, the System was owned and operated by Baptist Health, an Alabama nonprofit corporation and a 501(c)(3) organization. Baptist Health, UA Board and UAB Health System entered into an Affiliation Agreement dated July 1, 2005 (the "Affiliation Agreement"), that provided for, among other things, the reorganization of the ownership of the System. Pursuant to the Affiliation Agreement, the Authority was organized to be the owner and operator of the System. UA Board is the sponsor for the Authority under the Enabling Law in which UA Board elects 7 of the 13 directors of the Authority, and Baptist Health elects the remaining directors. As of July 1, 2005, all of the System's assets, liabilities and operations were transferred from Baptist Health to the Authority, and the Authority assumed the liabilities of Baptist Health. The Authority also became the owner or controlling entity for the former subsidiaries of Baptist Health. Although the reorganization was effective July 1, 2005, the operations of the Authority are a continuation of the System operations that had been conducted by Baptist Health prior to the reorganization.

Although Baptist Health remains in existence as a corporation, it no longer has significant assets or operations. All of its significant assets, liabilities and operations have been transferred to the Authority. The primary function of Baptist Health after entering into the Affiliation Agreement is to elect directors to the Authority and monitor the results of operations of the System and the use of payments made by the Authority pursuant to the Affiliation Agreement. Baptist Health also retains its right of approval for certain actions of the Authority, the obligation to resume ownership, operation of the System and assume outstanding debt of the Authority if the Affiliation Agreement is terminated. The Affiliation Agreement has an indefinite term but can be terminated by either party without cause on each three-year anniversary. The next anniversary will occur on July 1, 2026.

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

Principles of Consolidation

The consolidated financial statements of the Authority include the accounts of Baptist Medical Center South ("BMCS"), Baptist Medical Center East ("BMCE"), Prattville Baptist Hospital ("PBH"), Baptist Health Professional Services and Baptist Health Corporate Administration; its consolidated subsidiaries are listed as follows:

Subsidiary	Tax Status
Baptist Health Care Foundation of Montgomery ("BHCF")	Not-For-Profit
Montgomery Baptist Outreach Services Corporation ("BOSC")	Not-For-Profit
Outreach Management Services, Inc. ("OMSI")	Not-For-Profit
Baptist Ventures, Inc. ("BVI")	For-Profit

BVI is the general partner of Montgomery Surgical Center, LLC ("MSC").

East Montgomery Health Facilities Development, Inc. ("EMHFD") is included in the consolidated financial statements because of its fiscal dependency on the Authority to cover losses, and the exclusion of EMHFD from the financial reporting entity would render the Authority's consolidated financial statements incomplete or misleading.

BHCF, BOSC, OMSI, BVI, MSC and EMHFD are considered blended component units under Governmental Accounting Standards Board ("GASB") Statement No. 61. Condensed financial information of these entities is presented in Note 18.

All significant intercompany accounts and transactions have been eliminated from the accompanying consolidated financial statements.

Within the consolidated financial statements, the Authority has certain investments in joint ventures, which are accounted for under the equity method.

Enterprise Fund Accounting

The Authority utilizes the enterprise fund method of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. As a governmental entity, the Authority follows the accounting standards promulgated by GASB.

Use of Estimates

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

The estimates susceptible to significant changes primarily include those used in determining the collectability of receivables, the reserves for self-insured employee health claims, malpractice reserves, CARES Act funds recognized, estimated third-party payor settlements, pension assumptions and the useful lives and recoverability of capital and intangible assets. Although some variability is inherent in these estimates, management believes that the amounts provided are adequate.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Donor Pledges

The Authority receives gift pledges and bequests of financial support. Revenue is recognized when a pledge, representing an unconditional promise to give, is received and all eligibility requirements, including time requirements, have been met. In the absence of such a promise, revenue is recognized when the gift is received. At June 30, 2025 and 2024, restricted net assets attributable to BHCF in the accompanying consolidated statements of net position were \$13,297,382 and \$12,373,843, respectively. In fiscal years 2025 and 2024, expenses incurred by BHCF in soliciting contributions were \$160,627 and \$140,055, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, interest-bearing and noninterest-bearing checking accounts and highly liquid debt instruments with maturity dates of less than three months, excluding amounts whose use is limited under bond indenture agreements held by trustee or by Board designation. The carrying amounts reported in the consolidated statements of net position for these instruments approximate their fair value.

The Authority's deposits were held by financial institutions that participate in the State of Alabama's Security of Alabama Funds Enhancement ("SAFE") Program. The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program, all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation ("FDIC"). If the securities pledged failed to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

Certain balances consolidated by the Authority for nongovernmental entities (BHCF, BOSC, BVI and MSC) are not eligible to participate in the SAFE Program. These funds are covered by FDIC limits, and no material amounts were over established limits.

Patient Accounts Receivable, Net

Patient accounts receivable, net, reflect patient accounts receivable less allowances for doubtful accounts and contractual adjustments. (Note 3.)

Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined using the average cost method of accounting.

Assets Whose Use is Limited

Securities held in trust by trustee are for debt service. Securities held in trust by trustee and investment securities designated by the Board for capital replacement and other discretionary purposes are carried at fair value plus accrued interest as of June 30, 2025 and 2024. The fair value at the time of sale of the specific investment security is used to compute realized gains or losses. (Notes 4 and 5.)

Defined Benefit Pension Plan

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Baptist Health Retirement Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose,

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. (Note 11.)

Right-of-Use Assets, Net / Lease Liability

The Authority recognizes an intangible right-of-use asset and a corresponding lease liability for lessee lease arrangements that fall under the scope of GASB Statement No. 87, *Leases*.

Subscription Assets, Net / Subscription Liability

The Authority recognizes an intangible subscription asset and a corresponding subscription liability for subscription arrangements that fall under the scope of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

Lease Receivable

The Authority recognizes a lease receivable and a corresponding deferred inflows of resources for lessor lease arrangements that fall under the scope of GASB Statement No. 87, *Leases*. (Note 9.)

Other Assets

Other assets consist primarily of assets associated with deferred compensation arrangements and nonpatient accounts receivable.

Capital Assets, Net

Capital asset acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method over the useful lives, which range from 1 to 40 years. (Note 6.)

Charity Care

The Authority provides charity care to patients who meet certain criteria under its charity care policy. Because the Authority does not pursue collection of amounts determined to qualify as charity care, it is not reported as net patient service revenue. (Note 2.)

Debt Financing Costs

Debt financing costs are expensed as incurred.

Claims Incurred But Not Reported

The consolidated financial statements include an accrual for incurred but not reported claims ("IBNR") for the Authority's portion of self-insured claims. The IBNR calculation is actuarially determined based on the Authority's specific experience.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Income Taxes

The Authority has been determined to be exempt from income taxes due to being considered a political subdivision of the State of Alabama, created pursuant to Section 22-21-310 of the Code of Alabama and, as such, a governmental entity.

BHCF, BOSC and OMSI are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3). These entities have evaluated their tax positions as required under the relevant accounting standards and have determined that they do not have any uncertain tax positions that they would be unable to substantiate upon examination. Returns have been filed for all years through June 30, 2024. Years June 30, 2022, and subsequent remain subject to audit by taxing authorities.

BVI is a for-profit corporation and is subject to federal and state income tax. Federal income taxes are assessed to BVI on one consolidated federal income tax return. State income taxes are assessed to BVI on an unconsolidated, separate state income tax return basis. Income tax expense is recorded in other nonoperating losses. Net operating loss carry forwards and investment tax credit carry forwards are recognized when realized due to full valuation allowances being provided against these amounts. During the years ended June 30, 2025 and 2024, BVI paid cash for income taxes in the amounts of approximately \$660,000 and \$1,159,000, respectively.

EMHFD is a for-profit corporation and is subject to federal and state income tax. Net operating loss carry forwards are recognized when realized due to full valuation allowances being provided against these amounts. During the years ended June 30, 2025 and 2024, EMHFD had no tax liability due to net losses.

BVI and EMHFD have evaluated their tax positions as required under the relevant accounting standards and have determined that they do not have any uncertain tax positions that they would be unable to substantiate upon examination. BVI and EMHFD have filed their tax returns for all years through June 30, 2024. Years June 30, 2022, and subsequent remain subject to audit by taxing authorities.

Unearned Revenue

Unearned revenue consists of amounts received from Medicaid for disproportionate share and other payments which are recognized into income evenly based on Medicaid's fiscal year ending September 30th.

Deferred Outflows/Inflows of Resources

In addition to assets, the consolidated statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Authority has no items that qualify for reporting in this category.

In addition to liabilities, the consolidated statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expenses) until that time. The Authority has one item that qualifies for reporting in this category, deferred inflows related to lease receivables.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Net Position

Net position of the Authority is classified in four components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets and any applicable reserve fund balances. *Restricted - expendable for specific operating activities* are net amounts related to BHCF. *Restricted - expendable for pension plan* are net amounts related to the defined benefit pension plan. *Unrestricted* are remaining net amounts that do not meet the definition of *net investment in capital assets* or *restricted*.

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments at amounts different from the Authority's established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Additionally, pursuant to GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, net patient service revenue is reported net of the provision for bad debts. (Note 2.)

Other Operating Revenue

Other operating revenue consists of miscellaneous service revenue that is central to the provision of health care services.

Other Operating Expenses

Expenses include printing, postage, travel, recruitment, medical education and other miscellaneous items.

Revenues, Expenses and Changes in Net Position

The Authority's consolidated 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 Authority's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

The consolidated statements of revenues, expenses and changes in net position include income from noncapital grants and contributions, net of cost and fund transfers.

Accrued Malpractice

The accrual relates to the Authority's risks involving general and professional liability, which is a self-insurance program. The risks are subject to various claims and aggregate limits, with excess liability coverage provided by independent commercial insurers. An actuary annually reviews the adequacy of the coverage.

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

Recent Accounting Pronouncements

In June 2022, the GASB issued GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. This statement did not have a material impact on the Authority's consolidated financial statements.

In June 2022, the GASB issued GASB Statement No. 101, *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. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. This statement did not have a material impact on the Authority's consolidated financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement requires that specific GASB entities disclose items that cause a variety of risks that could adversely effect the level of service provided or ability to meet obligations as they are due. This statement requires exposure to some risks; and essential information about other risks that are prevalent but not routinely disclosed because it is not explicitly required. The statement's objective is to provide users of financial statements with essential information about risks related to an entity's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged. This statement did not have a material impact on the Authority's consolidated financial statements.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The requirements for this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

The requirements of this statement that are effective as follows:

- This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis which is presented as required supplementary information. Comparisons between current and prior year should be limited to the related topic discussions in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Unnecessary duplication should be avoided by presenting only the most relevant information.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

- This statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Inflows and outflows related to each infrequent item should be presented separately.
- This statement requires that proprietary fund statement of revenues, expenses and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. It is also required that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses.
- The statement requires entities to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If readability would be reduced, combining statements of major component units should be presented after the fund financial statements.
- This statement requires entities to present budgetary comparison information using a single method of communication-RSI. Entities are required to present variances between original and final budget amounts; and variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

This statement is not expected to have a material impact on the Authority's consolidated financial statements.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The requirements for this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The objective of this statement is to improve financial reporting by providing additional disclosures for capital assets held for sale. This Statement also requires certain types of capital assets other than Lease Assets, Intangible Right-to-Use, and Subscription-Based Assets to be disclosed separately by major class. This statement is not expected to have a material impact on the Authority's consolidated financial statements.

Subsequent Events

The Authority has evaluated the impact of subsequent events through September 25, 2025, representing the date on which the consolidated financial statements were issued.

2. Net Patient Service Revenue

The composition of net patient service revenue for the years ended June 30, 2025 and 2024, is as follows:

	2025	2024
Gross patient service revenue	\$ 3,133,838,556	\$ 2,983,628,721
Less: Contractual adjustments	(1,871,348,428)	(1,768,897,879)
Less: Charity care	<u>(39,436,515)</u>	<u>(34,488,680)</u>
	1,223,053,613	1,180,242,162
Less: Provision for bad debts	<u>(104,733,857)</u>	<u>(108,036,281)</u>
Net patient service revenue	<u>\$ 1,118,319,756</u>	<u>\$ 1,072,205,881</u>

The Authority has agreements with governmental and other third-party payors that provide for reimbursement to the Authority at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Authority's billings at established rates for services and amounts reimbursed by third-party payors. Charity care includes the amount of charges foregone for services and supplies furnished under the charity care policy, the

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

estimated costs of those services and supplies and equivalent service statistics. Charity care as a percent of total charges was 1.3% and 1.2% for fiscal years 2025 and 2024, respectively. For the year ended June 30, 2025, \$3.5 million was included as a reduction in contractual adjustments due to a remedy related to a court decision regarding 340B acquired drug payment policy (\$37.5 million for 2024).

A summary of the basis of reimbursement with major third-party payors follows:

Medicare

Substantially all acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to the patient classification systems that are based on clinical, diagnostic and other factors. Additionally, the Authority is reimbursed for both its direct and indirect medical education costs (as defined), principally based on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Authority generally is reimbursed for certain retroactively settled items at tentative rates, with final settlement determined after submission of annual cost reports by the Authority and audits by the Medicare fiscal intermediary. Baptist Medical Center East cost reports have been settled through 2022 and tentative final settlements have been received for fiscal years 2023 and 2024. Prattville Baptist Hospital cost reports have been audited and settled through 2022 and tentative final settlements have been received for fiscal years 2023 and 2024. Baptist Medical Center South cost reports have been audited and settled through 2022. For fiscal years 2023 and 2024, tentative final settlements have been received.

Revenue from the Medicare program and commercial insurance programs that administer Medicare programs (Medicare HMOs) accounted for approximately 44% and 43% of the Authority's gross patient service revenue for fiscal years ended June 30, 2025 and 2024, respectively.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at all-inclusive prospectively determined per diem rates. Outpatient services are reimbursed based on encounter rates. Revenue from the Medicaid program accounted for approximately 12% and 14% of the Authority's gross patient service revenue for fiscal years ended June 30, 2025 and 2024, respectively.

Blue Cross

Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined per diem rates. Outpatient services rendered to Blue Cross subscribers are reimbursed using Enhanced Ambulatory Patient Grouping ("EAPG") with the exception of certain departments of Montgomery Cancer Center, which represent approximately 36% of the total outpatient charges for BMCS, which are reimbursed based upon CPT code and a fixed all-inclusion rate. EAPG groups procedures and medical visits sharing similar characteristics and resource utilization, and generates payments based on a multiple of average resource utilization (determined by the EAPG model) and the provider base rate. EAPG eliminates cost report settlements. Revenue from the Blue Cross program accounted for approximately 25% and 24% of the Authority's gross patient service revenue for fiscal years ended June 30, 2025 and 2024, respectively.

Other

The Authority has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payments to the Authority under these agreements includes discounts from established charges and prospectively determined daily and case rates.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

3. Patient Accounts Receivable, Net

A summary of patient accounts receivable, net of allowances for uncollectible accounts, for the years ended June 30, 2025 and 2024, is as follows:

	2025	2024
Patients and insurers	\$ 104,354,591	\$ 101,692,650
Medicare	80,045,431	78,829,245
Medicaid	57,788,193	59,020,184
Blue Cross	42,130,966	46,723,883
Total patient accounts receivable	<u>284,319,181</u>	<u>286,265,962</u>
Less: Allowance for doubtful accounts and contractual adjustments	<u>(174,602,270)</u>	<u>(171,165,065)</u>
Patient accounts receivable, net	<u>\$ 109,716,911</u>	<u>\$ 115,100,897</u>

4. Assets Whose Use Is Limited under Bond Indenture Agreements – Held by Trustee

Assets whose use is limited under bond indenture agreements – held by trustee consist of the following as of June 30, 2025 and 2024:

	2025	2024
Debt service, reserve funds and required deposits		
2013 Series A Bonds	\$ 1	\$ 1
2013 Series B Bonds	198,325	244,932
2023 Series A Bonds	1	1
	<u>\$ 198,327</u>	<u>\$ 244,934</u>

At June 30, 2025 and 2024, the investments included in assets whose use is limited under bond indenture agreements – held by trustee consist of cash and cash equivalents and are stated at fair value plus accrued interest.

Interest income on unexpended debt proceeds whose use is limited under bond indenture agreements – held by trustee was \$0 and \$9,359 for the years ended June 30, 2025 and 2024, respectively, and is reported in net investment income in the accompanying consolidated statements of revenues, expenses and changes in net position.

5. Assets Whose Use Is Limited by Board for Capital Replacement and Other Discretionary Purposes

The Authority has the responsibility for the oversight of its investments and has established an Investment Policy for the Corporate Plan and a separate policy for the Funded Depreciation Plan. The objectives of the portfolio are to provide consistent, above average rates of return, while mitigating investment risk.

The Authority recognizes that risk and volatility are present to some degree with all types of investments. High levels of risk are to be avoided at the total fund level through diversification by asset class and style

The Health Care Authority for Baptist Health, An Affiliate of UAB Health System

Notes to the Consolidated Financial Statements

June 30, 2025 and 2024

of each manager, as well as sector and industry limits. The Authority also considers the risks and benefits of the active versus passive management approach.

Managers are retained to manage pools of assets, and mutual/commingled funds are allocated to such managers in order to achieve an appropriate, diversified and balanced asset mix.

The Authority has constructed a diversified portfolio that invests in a variety of mutual/commingled funds with differing investment objectives. It is understood that due to this implementation through the purchase of a mutual or commingled fund, it is not possible for the Authority to place restrictions on any aspect of mutual fund management. The portfolio is a widely diversified portfolio and is actively managed within an asset allocation framework that encompasses the full range of market exposures within the capital markets. The portfolio is designed to provide the Authority with a broadly diversified portfolio that participates in the major world markets. In addition to the benefits of diversification, asset allocation strategies should enhance the long-term returns and reduce the risk of the portfolio. This portfolio seeks capital appreciation and current income. The following is a list of the different types of asset classes that will be utilized to accomplish the long-term goals of the Authority.

Foreign Equity

The funds in the foreign equity category invest in companies located outside of the United States. Most of these funds invest in developed countries, such as Japan, Britain, France and Germany. Many foreign equity funds also allocate a percentage of assets in emerging markets, such as China, Brazil and Thailand. The benchmark index used for comparison is the MSCI-EAFE (Europe, Australia and Far East) Index.

Mid Capitalization Equity

The funds in the mid capitalization category invest in companies of various sizes and mixed characteristics, putting it between the small and large capitalization categories, usually investing in companies with market value that falls in the range between \$1.5 billion and \$10 billion. The benchmark index used for comparison is the Russell MidCap Value/Growth Index.

Large Capitalization Growth Equity

The funds in the large capitalization growth category invest in companies that are projected to grow faster than the overall stock market. Typically, the market value for large capitalization growth companies will be over \$5 billion. Most of these funds focus on either companies in rapidly expanding industries, such as technology and health care or multinational companies with a high percentage of sales coming from foreign markets. Portfolio statistics such as P/E and P/B ratios are typically higher than the overall market. The benchmark index used for comparison is the Russell 1000 Growth Index.

Large Capitalization Value Equity

The funds in the large capitalization value category invest in companies that are less expensive than the market as a whole, measured by lower P/E and P/B ratios. Typically, the market value for large capitalization value companies will be over \$10 billion. Typical sectors that these funds invest in are utilities, energy and financial sectors. The benchmark index used for comparison is the Russell 1000 Value Index.

S&P 500 Index

The funds in this category construct portfolios in an attempt to track the S&P 500 Index, a widely used benchmark for large capitalization managers. These funds tend to have lower expense ratios than actively managed funds. In addition, portfolio turnover is very low, and S&P 500 Index funds provide exposure to growth and value sectors. The benchmark index used for comparison is the S&P 500 Index.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Fixed Income

The objective of the fixed income portion of the portfolio assets is to provide both a secure, above-average stream of income (i.e., income in excess of U.S. Treasury bill rates) and to provide a relatively stable market value base. Fixed income as measured by portfolio duration shall range between three to six years. The portfolio should not exceed 130%, nor should it be less than 70% of the Barclays Capital Aggregate Bond Index, formerly known as the Lehman Brothers Aggregate Bond Index.

Cash Equivalent Investments

Such investments should be prudently diversified and would include:

- any instrument issued by, guaranteed by or insured by the U.S. Government, agencies or other full faith instruments;
- commercial paper issued by domestic corporations, which is rated both “P-1” and “A-1” by Moody’s Investors Service (“Moody’s”) and Standard and Poor’s (“S&P”) rating agencies, respectively; and
- commingled, short-term cash reserve funds managed generally in accordance with the principles set forth above.

The Authority’s Investment Committee has approved the following asset mix target for the corporate portfolio:

Asset Class	Authority Target Weight	BHCF Target Weight	Ranges
Large Cap Value	12%	11%	
Large Cap Core (Index)	12%	11%	
Large Cap Growth	12%	11%	
Total Large Cap Equity	36%	33%	±10%
Mid Cap Growth	6%	6%	
Mid Cap Value	6%	6%	
Total Mid Cap Equity	12%	12%	±5%
Long/Short	5%	0%	
Foreign Equity	7%	5%	± 2.5%
Total equity	60%	50%	±5%
Fixed income/cash equivalent	40%	40%	±10%
Short-term investment/cash equivalent	0%	10%	±10%

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The Authority's Investment Committee has approved the following asset mix target for the funded depreciation portfolio:

Short-Term Portion:

Asset Class	Authority Target Weight
Equity	0%
Fixed income	50% for portfolio in excess of \$5,000,000; 0% for portfolio less than \$5,000,000
Short-term investment/cash	50% for portfolio in excess of \$5,000,000; 100% for portfolio less than \$5,000,000

Intermediate-Term Portion:

Asset class	Minimum	Maximum
Equity	30.0%	45.0%
Fixed income	55.0%	70.0%
Cash	0.0%	10.0%

The composition of investments whose use is limited by Board for capital replacement and other discretionary purposes, by investment type at fair value, for the Authority at June 30, 2025 and 2024, is as follows:

	2025	2024
Cash and cash equivalent investments	\$ 12,272,156	\$ 29,328,579
Equity - mutual funds		
Mid Cap Equity	49,953,511	35,888,936
Large Cap Equity	126,695,882	121,606,011
Foreign Equity	27,386,658	22,126,525
Total equities	<u>204,036,051</u>	<u>179,621,472</u>
Fixed income		
Mortgage-back securities	3	10
Mutual funds	250,849,961	225,156,962
Total fixed income	<u>250,849,964</u>	<u>225,156,972</u>
	<u>\$ 467,158,171</u>	<u>\$ 434,107,023</u>

Assets whose use is limited by the Board for capital replacement and other discretionary purposes as reported in the consolidated statements of net position include cumulative adjustments to the fair value of these investments.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The cumulative amount of net change in the fair value of these investments for the Authority as of June 30, 2025 and 2024, is as follows:

	Mid Cap Equity	Large Cap Value	Foreign Equity	Fixed Income	Total
2025					
Cumulative change in fair value	\$ 1,856,703	\$ 37,195,531	\$ 2,475,419	\$ (1,047,771)	\$ 40,479,882
2024					
Cumulative change in fair value	\$ 3,578,509	\$ 36,348,895	\$ 851,196	\$ (5,928,648)	\$ 34,849,952

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk and foreign currency risk, may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates.

Credit Risk

Fixed income securities are subject to credit risk, which is the chance that an issuer will fail to pay interest or principal in a timely manner or that negative perceptions of the issuer's ability to make these payments will cause security prices to decline. These circumstances may arise due to a variety of factors, such as financial weakness, bankruptcy, litigation and/or adverse political developments. Certain fixed income securities, primarily obligations of the U.S. Government or those explicitly guaranteed by the U.S. Government, are not considered to have credit risk.

A bond's credit quality is an assessment of the issuer's ability to pay interest on the bond and, ultimately, to pay the principal. Credit quality is evaluated by one of the independent bond-rating agencies, such as Moody's or S&P. In the rating agency's opinion, the lower the rating, the greater the chance that the bond issuer will fail to meet its payment obligations. Generally, the lower a bond's credit rating, the higher its yield should be to compensate for the additional risk.

The Authority's investment policy recognizes that a limited amount of credit risk, properly managed and monitored, is prudent and provides incremental risk adjusted return over its benchmark. Credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in noninvestment grade securities. Not more than 5% of the fixed income investments, at fair value, shall be invested in securities of any one issuer, except government and agency or government-backed obligations, without prior approval.

Fixed income investments shall be made only in those issues rated "Baa3" (investment grade) or better by the Moody's rating agency and "BBB-" (investment grade) or better by the S&P's rating agency with emphasis toward "A" or higher quality issues. However, based upon the investment managers' research, up to 10% may be invested in those issues rated no lower than "Ba" by Moody's and "BB" by S&P. These issues should be purchased with the expectation of a possible upgrade in credit rating.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The credit risk for fixed income investments for the Authority at June 30, 2025 and 2024, is as follows:

	2025	2024
U.S. Government guaranteed	\$ 3	\$ 10
A	249,938,693	183,301,707
B	599,139	-
BB	312,129	842,310
BBB	-	41,012,945
Total	<u>\$ 250,849,964</u>	<u>\$ 225,156,972</u>

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the corporate failure of the custodian, the investment securities may not be returned.

Investment securities are registered in the Authority's name by the custodial bank as an agent. As a result, custodial credit risk is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the organization to greater risks resulting from adverse economic, political, regulatory, geographic or credit developments.

As previously mentioned, credit risk in each investment pool is managed primarily by diversifying across issuers and limiting the amount of portfolio assets that can be invested in noninvestment grade securities. At June 30, 2025 and 2024, there were six investments in single issuers that represented 5% or more of total investments.

Interest Rate Risk

Interest rate risk is the risk that the value of fixed income investments will decline because of changing interest rates. The prices of fixed income investments with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and, therefore, more volatile than those with shorter durations. Effective duration is the approximate change in price of a security resulting from a 100-basis point (one percentage point) change in the level of interest rates. It is not a measure of time. The Authority does not have a specific policy relative to interest rate risk. As such, there are no restrictions on weighted average maturity for the portfolio as it is managed relative to the investment objectives.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The effective durations for fixed income investments at June 30, 2025, are as follows (duration in years):

	Fair Value	Average Duration
Morgan Asset Management	\$ 3	
BlackRock High Yield Bond Portfolio	599,139	2.86
Dodge & Cox Income Fund	75,956,828	6.32
Fidelity Total Bond Fund	49,623,068	6.08
PIMCO Real Return Fund	567,659	6.95
Vanguard Wellesley Income Fund	100,472,590	6.61
iShares JP Morgan	312,129	6.73
T Rowe Price Short-Term Bond Fund	23,318,548	1.89
Total fair value	<u>\$ 250,849,964</u>	
Portfolio average duration		5.35

6. Capital Assets, Net

A summary of capital assets for the years ended June 30, 2025 and 2024, is as follows:

	Balance July 1, 2024	Additions	Transfers/ Retirements	Balance June 30, 2025
Capital assets not being depreciated				
Land	\$ 20,450,698	\$ -	\$ -	\$ 20,450,698
Construction-in-progress	14,878,925	12,209,394	(14,754,690)	12,333,629
	<u>35,329,623</u>	<u>12,209,394</u>	<u>(14,754,690)</u>	<u>32,784,327</u>
Capital assets being depreciated				
Land improvements	10,445,880	-	-	10,445,880
Buildings	407,605,995	42,414	10,804,979	418,453,388
Fixed equipment	7,505,108	-	(867,013)	6,638,095
Leasehold improvements	13,555,516	23,116	(2,146,018)	11,432,614
Equipment	346,656,738	40,189,943	(95,963,353)	290,883,328
Assets at historical cost	785,769,237	40,255,473	(88,171,405)	737,853,305
Less: Accumulated depreciation	(552,791,381)	(39,336,473)	102,913,325	(489,214,529)
Capital assets, net	<u>\$ 268,307,479</u>	<u>\$ 13,128,394</u>	<u>\$ (12,770)</u>	<u>\$ 281,423,103</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	<u>Balance June 30, 2024</u>
Capital assets not being depreciated				
Land	\$ 20,450,698	\$ -	\$ -	\$ 20,450,698
Construction-in-progress	4,923,356	16,990,453	(7,034,884)	14,878,925
	<u>25,374,054</u>	<u>16,990,453</u>	<u>(7,034,884)</u>	<u>35,329,623</u>
Capital assets being depreciated				
Land improvements	10,445,880	-	-	10,445,880
Buildings	403,025,874	(6,500)	4,586,621	407,605,995
Fixed equipment	7,505,108	-	-	7,505,108
Leasehold improvements	13,601,382	-	(45,866)	13,555,516
Equipment	<u>335,543,706</u>	<u>20,943,788</u>	<u>(9,830,756)</u>	<u>346,656,738</u>
Assets at historical cost	770,121,950	20,937,288	(5,290,001)	785,769,237
Less: Accumulated depreciation	<u>(526,950,896)</u>	<u>(37,988,793)</u>	<u>12,148,307</u>	<u>(552,791,382)</u>
Capital assets, net	<u>\$ 268,545,108</u>	<u>\$ (61,052)</u>	<u>\$ (176,578)</u>	<u>\$ 268,307,478</u>

Construction-in-progress comprises construction and development costs during the construction period and is valued at cost. Depreciation is not recorded until construction is substantially complete and the assets are ready for productive use. As of June 30, 2025, the construction-in-progress was predominately associated with system-wide infrastructure improvements, South ED addition, WorkDay implementation, physician practice clinic and renovations to clinical and support services areas throughout the health system.

Estimated future commitment for capital expenditures related to construction-in-progress as of June 30, 2025, is approximately \$32.1 million. The source of funding for these projects will be funding from operations.

In accordance with the Authority's internal policy, the Authority retired fully depreciated assets in the amount of \$102.9 million and \$11.6 million in fiscal years 2025 and 2024, respectively.

In relation to capital assets, the consolidated statements of net position present net position into a component classified as net investment in capital assets. This negative amount of (\$20,799,680) and (\$42,479,669) for the years ended June 30, 2025 and 2024, respectively, is due to the original costs of capital assets being reduced over time by standard depreciation and impairment, while the related debt has been refinanced over the years, resulting in a significant portion of capital related debt to remain outstanding.

7. Investment in Joint Ventures

At June 30, 2025, the Authority had an interest in one joint venture.

American Home Patient Ventures, Inc. ("AHP") - BVI entered into an agreement with AHP on December 1, 1995. Each party has 50% interest. The joint venture provides respiratory therapy, nutritional, intravenous and other medical services in the home environment and supplies medical equipment and pharmaceuticals in support of these services.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

A combined summary of the equity investment joint venture financial information as of June 30, 2025 and 2024, and for the years then ended, and the Authority's percentage of ownership is as follows:

	Assets	Liabilities	Equity	Revenues	Net Income	Authority %
2025						
Baptist Ventures AHP						
Homecare Alliance	\$ 647,834	\$ 101,750	\$ 546,084	\$ 1,498,475	\$ 191,985	50%
	<u>\$ 647,834</u>	<u>\$ 101,750</u>	<u>\$ 546,084</u>	<u>\$ 1,498,475</u>	<u>\$ 191,985</u>	
2024						
Baptist Ventures AHP						
Homecare Alliance	\$ 789,091	\$ 90,045	\$ 699,046	\$ 1,717,784	\$ 526,045	50%
	<u>\$ 789,091</u>	<u>\$ 90,045</u>	<u>\$ 699,046</u>	<u>\$ 1,717,784</u>	<u>\$ 526,045</u>	

The Authority's equity interest in the joint venture after considering net realizable value is \$273,042 and \$349,523 for the years ended June 30, 2025 and 2024, respectively. The Authority's equity interest is reflected in the consolidated statements of net position.

The Authority's percentage of net gain related to joint ventures represented \$95,993 and \$263,022 for the years ended June 30, 2025 and 2024, respectively. Net gain related to the joint ventures is reported in the consolidated statements of revenues, expenses and changes in net position.

Sports Medicine Partners, LLC - The joint venture between Southern Orthopedic Properties, L.L.C. (25%) and BVI (75%) is consolidated into the Authority's accompanying consolidated financial statements due to the significance of ownership and control.

8. Long-Term Debt

Long-term debt consists of the following as of June 30, 2025 and 2024:

	2025	2024
Revenue bonds		
2013 Revenue Bonds, Series A, fixed interest rate of 5.50%, due 2043	\$ 118,000,000	\$ 118,000,000
2013 Revenue Bonds, Series B, variable interest rate (3.34% at June 30, 2025), due 2025 to 2029, 2033 to 2042	65,415,000	65,415,000
2023 Series A, fixed interest rate of 5.0%, due 2025 to 2037	109,495,000	115,035,000
Equipment loan	-	2,284,590
	<u>292,910,000</u>	<u>300,734,590</u>
Unamortized premiums and discounts, net	9,511,110	10,297,491
	<u>302,421,110</u>	<u>311,032,081</u>
Less: Current installments of long-term debt	(6,805,000)	(6,301,530)
	<u>\$ 295,616,110</u>	<u>\$ 304,730,551</u>

There was no activity by the Authority in issuance or restructuring of debt in fiscal years 2025 or 2024.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Fiscal year 2025 and 2024 changes in the Authority's long-term debt are as follows:

	Original Date of Issuance	Balance July 1, 2024	Additions	Defeasement/ Other	Payments	Balance June 30, 2025	Due Within One Year
2025							
Series 2013 A	5/14/2013	\$ 118,000,000	\$ -	\$ -	\$ -	\$ 118,000,000	\$ -
Series 2013 B	5/23/2013	65,415,000	-	-	-	65,415,000	1,465,000
Series 2023 A	3/16/2023	115,035,000	-	-	(5,540,000)	109,495,000	5,340,000
Equipment loan	5/1/2023	2,284,590	-	(1,799,980)	(484,610)	-	-
Unamortized premiums and discounts, net		10,297,491	-	(786,381)	-	9,511,110	-
		<u>\$ 311,032,081</u>	<u>\$ -</u>	<u>\$ (2,586,361)</u>	<u>\$ (6,024,610)</u>	<u>\$ 302,421,110</u>	<u>\$ 6,805,000</u>

	Original Date of Issuance	Balance July 1, 2023	Additions	Defeasement/ Other	Payments	Balance June 30, 2024	Due Within One Year
2024							
Series 2013 A	5/14/2013	\$ 118,000,000	\$ -	\$ -	\$ -	\$ 118,000,000	\$ -
Series 2013 B	5/23/2013	66,500,000	-	-	(1,085,000)	65,415,000	-
Series 2023 A	3/16/2023	119,010,000	-	-	(3,975,000)	115,035,000	5,540,000
Equipment loan	5/1/2023	3,184,580	-	-	(899,990)	2,284,590	761,530
Unamortized premiums and discounts, net		11,083,872	-	(786,381)	-	10,297,491	-
		<u>\$ 317,778,452</u>	<u>\$ -</u>	<u>\$ (786,381)</u>	<u>\$ (5,959,990)</u>	<u>\$ 311,032,081</u>	<u>\$ 6,301,530</u>

Approximate future minimum maturities of long-term debt as of June 30, 2025, are as follows:

Year	Principal	Interest	Total
2026	\$ 6,805,000	\$ 13,967,180	\$ 20,772,180
2027	9,190,000	13,590,868	22,780,868
2028	9,650,000	13,144,505	22,794,505
2029	10,125,000	12,677,259	22,802,259
2030	10,655,000	12,186,460	22,841,460
Thereafter	246,485,000	117,765,942	364,250,942
	<u>\$ 292,910,000</u>	<u>\$ 183,332,214</u>	<u>\$ 476,242,214</u>

The Authority is required to maintain certain deposits with a trustee. Such deposits are included as assets whose use is limited under bond indenture agreements held by the trustee on the accompanying consolidated statements of net position. The Indenture also places limits on the incurrence of additional borrowings and requires that the Authority satisfy certain measures of financial performance as long as the bonds are outstanding.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

9. Lease Receivable and Deferred Inflows of Resources

The Authority is currently leasing several suites of office space and buildings to nonrelated parties under noncancelable leases.

The lease receivable associated with these noncancelable leases as well as the principal and interest payments received by the Authority as of June 30, 2025 and 2024 is as follows:

	Lease Receivable Balance June 30, 2024	New Lease Additions/ Renewals	Lease Terminations	Principal Payments Received	Receivable Balance June 30, 2025	Interest Income Received	Total Principal and Interest
2025	\$ 4,642,611	\$ 536,106	\$ -	\$ 1,782,439	\$ 3,396,278	\$ 124,941	\$ 1,907,380
	Lease Receivable Balance June 30, 2023	New Lease Additions/ Renewals	Lease Terminations	Principal Payments Received	Receivable Balance June 30, 2024	Interest Income Received	Total Principal and Interest
2024	\$ 4,773,728	\$ 1,902,654	\$ (102,346)	\$ 1,931,425	\$ 4,642,611	\$ 142,295	\$ 2,073,720

The net change to the balance of the deferred inflows of resources associated with these noncancelable leases as of June 30, 2025 and 2024, is as follows:

	Deferred Inflows of Resources Balance June 30, 2024	New Lease Additions/ Renewals	Lease Terminations	Amortization	Deferred Inflows of Resources Balance June 30, 2025
2025	\$ 4,495,918	\$ 536,106	\$ -	\$ (1,782,649)	\$ 3,249,375
	Deferred Inflows of Resources Balance June 30, 2023	New Lease Additions/ Renewals	Lease Terminations	Amortization	Deferred Inflows of Resources Balance June 30, 2024
2024	\$ 4,643,903	\$ 1,902,654	\$ (95,104)	\$ (1,955,535)	\$ 4,495,918

Future minimum rental payments to be received from noncancelable leases as of June 30, 2025, are as follows:

	Principal	Interest	Total Payments
2026	\$ 2,324,950	\$ 84,503	\$ 2,409,453
2027	943,325	49,104	992,429
2028	630,571	24,784	655,355
2029	387,001	8,313	395,314
2030	90,919	1,444	92,363
Thereafter	19,512	221	19,733
Total Maximum Lease Payments	<u>\$ 4,396,278</u>	<u>\$ 168,369</u>	<u>\$ 4,564,647</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The net book value of the office building areas leased under these noncancelable leases as of June 30, 2025, consists of the following:

	2025
Office Buildings	\$ 18,758,593
Less: Accumulated Depreciation	<u>12,085,316</u>
Net Book Value	<u>\$ 6,673,277</u>

10. Defined Contribution Plans

The Authority contributes to three defined contribution plans, which cover substantially all of its employees. The Authority participates in a 457(b) plan, BVI participates in a 401(k) plan, and BOSC participates in a 403(b) plan. The Authority matches a certain percentage of employee contributions to these plans through its 401(a) plan. Total contributions made to the three defined contribution plans were \$4,488,655 and \$3,621,647, for the years ended June 30, 2025 and 2024, respectively.

11. Defined Benefit Pension Plan

The following plan information is presented in accordance with the disclosure requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

Plan Description

In fiscal year 2024, the Authority received approval from the Board of Directors to take necessary actions to terminate the pension plan. The pension termination was settled prior to June 30, 2025.

The Authority maintained a single-employer, noncontributory defined benefit pension plan, Baptist Health Retirement Plan (the "Plan"), which covered employees of the Authority and all related entities, except OMSI, who completed one year of service and worked a minimum of 1,000 hours per year. Effective June 30, 2003, the Plan was amended to freeze benefits and participation. Participants who terminate employment after completing five years of credited service will be vested and receive their accrued benefit commencing at age 65. The Plan provided retirement, disability retirement and death benefits for the spouse if an employee dies before retirement, provided the employee is vested.

The Plan was amended to allow any employees of BMCE, PBH, MSC and Prattville Baptist Nursing Home hired by Baptist Health on or effective September 1, 1998, to be credited with vesting service under this Plan equal to the service credited to the employees under their prior employer as defined under the Columbia Life Times Savings and Retirement Program as of August 31, 1998.

Benefits Provided

Effective January 1, 2001, the normal retirement benefit formula was 1% times average monthly earnings times credited service, which is limited to 35 years. Average monthly earnings are defined as the base rate of pay on January 1st averaged over the five highest consecutive years of the final ten years immediately preceding the earlier of June 30, 2003, or retirement. As of June 30, 2025, no participants remain with benefits due from the Authority due to a settlement with a third party.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Pension Plan Fiduciary Net Position

The investment policy of the Plan was to preserve principal while providing reasonable returns. The assets of the funds were invested in accordance with all relevant legislation in a manner consistent with applicable fiduciary standards. The asset allocation was approximately 100% fixed income for 2024.

Additional information about the Plan's fiduciary net position (i.e. plan assets) is as follows:

The following tables present information about the fair value measurement of the Plan's fiduciary net position as of June 30, 2025 and 2024. See Note 17 for valuation techniques.

Assets	Fair Value at June 30, 2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Fixed income securities				
Mutual Funds	-	-	-	-
Total assets at fair value	\$ -	\$ -	\$ -	\$ -

Assets	Fair Value at June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 34,206,254	\$ 34,206,254	\$ -	\$ -
Fixed income securities				
Mutual Funds	52,653,449	52,653,449	-	-
Total assets at fair value	\$ 86,859,703	\$ 86,859,703	\$ -	\$ -

The credit risk for the Plan's fixed income securities at June 30, 2025 and 2024, is as follows:

	2025	2024
A	\$ -	\$ 3,264,514
AA-	-	2,948,593
BBB	-	46,440,342
	\$ -	\$ 52,653,449

Contributions

Contributions for the defined benefit pension were made solely by the Authority. The Authority is no longer required to annually contribute at least the minimum actuarially determined contribution. No such contributions were required in 2025, 2024, or 2023.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Employees Covered

As of June 30, 2025, employees are no longer covered under the plan.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2024, using the following assumptions, applied to all periods included in the measurement:

Cost Method - Entry Age Normal, as required by GASB Statements No. 68.

Investment return, net of pension plan investment expense, including inflation at 4.5% for fiscal year 2024.

Mortality rates – PRI-2012 Employee Tables with the Retiree and Contingent Survivor Tables for annuities projected forward with Scale MP-2021 (previously, projected forward with Scale MP-2020).

Discount Rate

The discount rate to measure the total pension liability was 4.5% for fiscal year 2024. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Asset

As of June 30, 2025, the Authority no longer has a net pension asset. The net pension asset was measured as of January 1, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation at that date. During the current fiscal year, the assets remaining in the trust were settled. The settlement of the liability was returned to the Authority.

Changes in the Authority's net pension asset for the year ended June 30, 2025, were as follows:

	Increase (Decrease)		
	Total Pension Liability [a]	Plan Fiduciary Net Position [b]	Net Pension Asset [a]-[b]
Balance at July 1, 2024	\$ 72,517,812	\$ 86,859,703	\$ (14,341,891)
Changes for the year:			
Interest	811,288	-	811,288
Difference between expected and actual experience	(4,068,464)	-	(4,068,464)
Distribution to employer	-	(19,718,711)	19,718,711
Benefit payments	(69,260,636)	(69,260,636)	-
Net investment income	-	2,705,128	(2,705,128)
Administrative expenses	-	(585,484)	585,484
Net changes	<u>(72,517,812)</u>	<u>(86,859,703)</u>	<u>14,341,891</u>
Balance at June 30, 2025	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

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

The Authority recognized a pension credit of \$4,588,948 in fiscal year 2025 and an expense of \$5,914,361 in fiscal year 2024. In addition, at June 30, 2025 and 2024, the Authority reported no deferred outflows or inflows related to the pension.

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

At June 30, 2025, the Authority reported no pension asset or liability due to the settlement.

12. Related Party Transactions

Per the Affiliation Agreement, as amended, the Authority is required to contribute funds to University of Alabama Hospital ("University Hospital") to support the academic and research missions of the UAB Health System and the University of Alabama School of Medicine. At the end of fiscal years June 30, 2025 and 2024, the Authority's required payments to University Hospital totaled \$1,569,965 and \$4,003,446, respectively. As of June 30, 2025 and 2024, there was a remaining payable to University Hospital of \$434,262 and \$2,894,130, respectively, to settle transfers of the funds between entities pursuant to the Affiliation Agreement, as amended.

Firms in which members of the Board of Directors have an interest, economic or otherwise, engage from time to time in business transactions with the Authority. Members of the Board of Directors must comply with the Authority's Conflict of Interest Policy, which intends to provide guidance to board members to help recognize and deal with ethical issues. With specific regard to conflicts of interest, the policy serves to protect the Authority's interests when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a board member.

13. Concentrations of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at June 30 is as follows:

	2025	2024
Medicare	42%	38 %
Medicaid	8%	11 %
Blue Cross	25%	26 %
Self-pay patients	6%	7 %
Other	19%	18 %
	<u>100%</u>	<u>100 %</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

14. Right-of-Use Assets and Lease Liability

The Authority entered into leases for professional office space and various equipment. Approximate future maximum principal and interest payments under these leases at June 30, 2025, are as follows:

	Principal	Interest	Total Payments
2026	\$ 4,113,669	\$ 569,057	\$ 4,682,726
2027	4,168,046	478,099	4,646,145
2028	3,382,589	337,931	3,720,520
2029	2,220,512	245,276	2,465,788
2030	2,172,459	170,527	2,342,986
Thereafter	<u>3,745,530</u>	<u>134,509</u>	<u>3,880,039</u>
Total Maximum Lease Payments	<u>\$ 19,802,805</u>	<u>\$ 1,935,399</u>	<u>\$ 21,738,204</u>

A summary of the right-of-use asset balance as of June 30, 2025 and 2024, is as follows:

	Right-of-Use Asset Balance June 30, 2024	Additions	Amortization	Right-of-Use Asset Balance June 30, 2025
Leased Buildings	\$ 14,118,932	\$ 1,221,257	\$ (2,292,764)	\$ 13,047,425
Leased Equipment	<u>7,091,533</u>	<u>918,140</u>	<u>(2,089,035)</u>	<u>5,920,638</u>
Total Right-of-Use Assets	<u>\$ 21,210,465</u>	<u>\$ 2,139,397</u>	<u>\$ (4,381,799)</u>	<u>\$ 18,968,063</u>

	Right-of-Use Asset Balance June 30, 2023	Additions	Amortization	Right-of-Use Asset Balance June 30, 2024
Leased Buildings	\$ 11,570,621	\$ 4,314,577	\$ (1,766,266)	\$ 14,118,932
Leased Equipment	<u>8,546,638</u>	<u>520,461</u>	<u>(1,975,566)</u>	<u>7,091,533</u>
Total Right-of-Use Assets	<u>\$ 20,117,259</u>	<u>\$ 4,835,038</u>	<u>\$ (3,741,832)</u>	<u>\$ 21,210,465</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

15. Subscription-Based Information Technology Arrangements

The Authority entered into Subscription-Based Information Technology Arrangements (“SBITAs”) to utilize various third-party software systems.

Approximate future maximum principal and interest payments under these subscriptions at June 30, 2025, are as follows:

	Principal	Interest	Total Payments
2026	\$ 5,662,625	\$ 484,332	\$ 6,146,957
2027	4,787,827	264,027	5,051,854
2028	1,504,750	69,119	1,573,869
2029	142,680	6,139	148,819
Total Maximum Subscription Payments	<u>\$ 12,097,882</u>	<u>\$ 823,617</u>	<u>\$ 12,921,499</u>

A summary of the subscription asset balance as of June 30, 2025 and 2024, is as follows:

	SBITA Asset Balance June 30, 2024	SBITA Additions	SBITA Terminations	Amortization	SBITA Asset Balance June 30, 2025
Total SBITA Software	<u>\$ 9,939,213</u>	<u>\$ 13,206,647</u>	<u>\$ (87,057)</u>	<u>\$ (7,946,390)</u>	<u>\$ 15,112,413</u>

	SBITA Asset Balance June 30, 2023	SBITA Additions	SBITA Terminations	Amortization	SBITA Asset Balance June 30, 2024
Total SBITA Software	<u>\$ 13,980,892</u>	<u>\$ 2,663,910</u>	<u>\$ (935,679)</u>	<u>\$ (5,769,910)</u>	<u>\$ 9,939,213</u>

16. Commitments and Contingencies

Laws and regulations governing the current Medicare and Medicaid programs are complex and subject to interpretation. The Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened allegations of potential wrongdoing but acknowledges that compliance with such laws and regulations can be subject to future government review and interpretation. Regulatory action could include fines, penalties and exclusion from certain governmental payor programs, specifically Medicare and Medicaid.

The Tax Relief and Health Care Act of 2006 made the Recovery Audit Contractor (“RAC”) program permanent and mandated its nationwide expansion by 2010. This program was established by Centers for Medicare and Medicaid Services (“CMS”) to conduct post payment reviews to detect and correct improper payments in the fee-for-service Medicare program. The program has since been expanded to prepayment reviews. CMS has awarded contracts to four RACs that have implemented the permanent RAC program on a nationwide basis. Each RAC has discretion over the types of reviews and record requests it conducts as long as it follows CMS defined statement of work. The RAC conducting audits in

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

the state of Alabama is Cotiviti, LLC of Atlanta, Georgia. RAC reviews in Alabama began in December 2009 and have continued to date.

The Authority is involved in various claims and lawsuits arising out of the conduct of its business. The ultimate outcome of these matters is uncertain at this time; however, management does not believe that the ultimate liabilities, if any, resulting from the claims will have a material adverse effect on the Authority's consolidated statements of net position, consolidated statements of revenues, expenses and changes in net position or consolidated statements of cash flows. Workers' compensation and professional and general liability are insured with third parties with deductibles and coverage limits based upon experience and market conditions. The Authority has engaged independent actuaries to estimate the ultimate costs of such claims. These ultimate costs are based on discounted actuarial estimated future payments related to occurrences prior to the consolidated statement of net position date that include case reserves and incurred but not reported reserves plus allocated loss adjustment expenses. In management's opinion, accrued liabilities provide an adequate reserve for these loss contingencies.

17. Fair Value Measurement

The following information is presented in accordance with the disclosure requirements of GASB Statement No. 72, *Fair Value Measurement and Application*.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the Authority for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available; therefore, allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

Items Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis are summarized below and include investments reported as other assets in the accompanying consolidated statements of net position of \$2,096,499 and \$2,596,129 as of June 30, 2025 and 2024, respectively:

Assets	Fair Value at June 30, 2025	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 12,470,483	\$ 12,470,483	\$ -	\$ -
Equity - mutual funds				
Foreign	27,386,658	27,386,658	-	-
Large Cap	126,695,882	126,695,882	-	-
Mid Cap	49,953,511	49,953,511	-	-
Fixed income securities				
Mortgage Backed Securities	3	-	3	-
Mutual Funds	252,946,460	252,946,460	-	-
Total assets at fair value	<u>\$ 469,452,997</u>	<u>\$ 469,452,994</u>	<u>\$ 3</u>	<u>\$ -</u>

Assets	Fair Value at June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	\$ 29,573,513	\$ 29,573,513	\$ -	\$ -
Equity - mutual funds				
Foreign	22,126,525	22,126,525	-	-
Large Cap	121,606,011	121,606,011	-	-
Mid Cap	35,888,936	35,888,936	-	-
Fixed income securities				
Mortgage Backed Securities	10	-	10	-
Mutual Funds	227,753,091	227,753,091	-	-
Total assets at fair value	<u>\$ 436,948,086</u>	<u>\$ 436,948,076</u>	<u>\$ 10</u>	<u>\$ -</u>

In fiscal year 2025 and 2024, the Authority did not have any assets or liabilities valued as Level 3.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

18. Condensed Financial Information – Blended Component Units

The following table represents the condensed financial information of the blended component units of the Authority as of June 30, 2025:

	<u>BOSC</u>	<u>EMHFD</u>	<u>BHCF</u>	<u>All Other</u>	<u>Total</u>
Condensed Statements of Net Position					
Current assets	\$ 1,035,300	\$ 1,500	\$ -	\$ 2,643,286	\$ 3,680,086
Capital assets, net	15,194,790	9,473,393	2,594,347	6,635,847	33,898,377
Other assets	907,492	-	13,005,930	5,619,057	19,532,479
Intercompany receivable	-	-	-	2,359,057	2,359,057
Total assets	<u>\$ 17,137,582</u>	<u>\$ 9,474,893</u>	<u>\$ 15,600,277</u>	<u>\$ 17,257,247</u>	<u>\$ 59,469,999</u>
Current liabilities	\$ 510,188	\$ 853,103	\$ 10,568	\$ 1,322,792	\$ 2,696,651
Other noncurrent liabilities	907,492	2,605,917	-	383,689	3,897,098
Intercompany payable	109,035,427	22,872,835	824,897	-	132,733,159
Total liabilities	110,453,107	26,331,855	835,465	1,706,481	139,326,908
Minority interest	-	-	-	2,338,550	2,338,550
Restricted net position	-	-	13,297,382	-	13,297,382
Unrestricted net position	(93,315,525)	(16,856,962)	1,467,430	13,212,216	(95,492,841)
Total liabilities and net position	<u>\$ 17,137,582</u>	<u>\$ 9,474,893</u>	<u>\$ 15,600,277</u>	<u>\$ 17,257,247</u>	<u>\$ 59,469,999</u>
Condensed Statements of Revenue, Expenses and Changes in Net Position					
Operating revenue	\$ 15,068,558	\$ 1,691,112	\$ 629,126	\$ 28,532,266	\$ 45,921,062
Operating expense	(22,291,290)	(1,344,963)	(585,350)	(22,528,507)	(46,750,110)
Depreciation expense	(1,476,932)	(431,302)	(213,370)	(854,992)	(2,976,596)
Nonoperating revenues (expenses)	1,000,000	(1,057,728)	1,420,465	426,695	1,789,432
Excess revenues over (under) expenses	(7,699,664)	(1,142,881)	1,250,871	5,575,462	(2,016,212)
Net transfers, contributions, and grants	-	-	(405,300)	(4,925,175)	(5,330,475)
Net position beginning of the year	(85,615,861)	(15,714,081)	13,919,241	12,561,929	(74,848,772)
Net position end of the year	<u>\$ (93,315,525)</u>	<u>\$ (16,856,962)</u>	<u>\$ 14,764,812</u>	<u>\$ 13,212,216</u>	<u>\$ (82,195,459)</u>
Condensed Statements of Cash Flows					
Net cash provided by (used in):					
Operating activities	\$ (6,452,489)	\$ 1,104,736	\$ (76,460)	\$ 812,432	\$ (4,611,781)
Investing activities	-	-	-	(847,758)	(847,758)
Noncapital financing activities	6,722,904	(6,431)	76,415	391,479	7,184,367
Capital and related financing activities	(271,213)	(1,098,305)	-	(380,024)	(1,749,542)
Net change in cash and cash equivalents	(798)	-	(45)	(23,871)	(24,714)
Cash beginning of the year	3,849	-	45	52,994	56,888
Cash end of the year	<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,123</u>	<u>\$ 32,174</u>

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Notes to the Consolidated Financial Statements
June 30, 2025 and 2024**

The following table represents the condensed financial information of the blended component units of the Authority as of June 30, 2024:

	BOSC	EMHFD	BHCF	All Other	Total
Condensed Statements of Net Position					
Current assets	\$ 1,140,312	\$ 1,500	\$ -	\$ 2,530,565	\$ 3,672,377
Capital assets, net	17,377,777	10,295,421	3,021,865	7,751,041	38,446,104
Other assets	763,957	-	10,292,295	5,111,934	16,168,186
Intercompany receivable	-	-	349,397	2,563,062	2,912,459
Total assets	\$ 19,282,046	\$ 10,296,921	\$ 13,663,557	\$ 17,956,602	\$ 61,199,126
Current liabilities	\$ 476,290	\$ 66,706	\$ 17,292	\$ 1,120,880	\$ 1,681,168
Other noncurrent liabilities	763,957	2,475,957	-	1,246,768	4,486,682
Intercompany payable	95,509,675	22,333,116	-	-	117,842,791
Total liabilities	96,749,922	24,875,779	17,292	2,367,648	124,010,641
Minority interest	-	-	-	3,083,490	3,083,490
Restricted net position	-	-	11,942,762	-	11,942,762
Unrestricted net position	(77,467,876)	(14,578,858)	1,703,503	12,505,464	(77,837,767)
Total liabilities and net position	\$ 19,282,046	\$ 10,296,921	\$ 13,663,557	\$ 17,956,602	\$ 61,199,126
Condensed Statements of Revenue, Expenses and Changes in Net Position					
Operating revenue	\$ 12,576,729	\$ 1,691,112	\$ 637,322	\$ 27,060,892	\$ 41,966,055
Operating expense	(17,631,652)	(1,213,305)	(579,489)	(19,123,950)	(38,548,396)
Depreciation expense	(1,478,137)	(429,697)	(215,958)	(842,795)	(2,966,587)
Nonoperating revenues (expenses)	-	(1,057,728)	788,923	893,815	625,010
Excess revenues over (under) expenses	(6,533,060)	(1,009,618)	630,798	7,987,962	1,076,082
Net transfers, contributions, and grants	2,794	-	270,004	(7,181,981)	(6,909,183)
Net position, beginning of the year	(70,937,610)	(13,569,240)	12,745,463	11,699,483	(60,061,904)
Net position, end of the year	\$ (77,467,876)	\$ (14,578,858)	\$ 13,646,265	\$ 12,505,464	\$ (65,895,005)
Condensed Statements of Cash Flows					
Net cash (used in) provided by:					
Operating activities	\$ (5,173,355)	\$ 475,782	\$ (219,753)	\$ 1,548,477	\$ (3,368,849)
Investing activities	-	-	-	102,752	102,752
Noncapital financing activities	5,571,035	673,980	219,753	(469,592)	5,995,176
Capital and related financing activities	(396,379)	(1,149,762)	-	(1,217,636)	(2,763,777)
Net change in cash and cash equivalents	1,301	-	-	(35,999)	(34,698)
Cash, beginning of the year	2,339	-	-	62,141	64,480
Cash, end of the year	\$ 3,640	\$ -	\$ -	\$ 26,142	\$ 29,782

19. COVID-19 Funding

The CARES Act provides various forms of federal assistance for hospitals, including \$175 billion in relief funds to hospitals and other healthcare providers on the front line of the COVID-19 pandemic. As long as certain terms and conditions are met by the Authority, all funds received to date from the CARES Act and other funding are not required to be repaid by the Authority. Resources received, under the CARES Act and other funding, are recognized as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures and/or loss of revenues. The Authority recognized \$2.3 million as nonoperating revenue in the year ending 2024 and none in the year ending 2025.

REQUIRED SUPPLEMENTARY INFORMATION

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System**
Schedule of Changes in the Net Pension Asset and Related Ratios (Unaudited)
June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Interest	\$ 811,288	\$ 3,800,961	\$ 3,809,760	\$ 3,804,796	\$ 3,952,769	\$ 3,970,948	\$ 3,945,043	\$ 3,931,765	\$ 4,404,568	\$ 4,302,353
Differences between expected and actual experience	(4,068,464)	434,952	139,223	140,278	55,558	208,339	291,581	239,902	(796,621)	1,469,531
Changes in assumptions	-	-	145,898	196,256	2,584,385	(649,777)	(149,997)	(403,954)	(831,072)	(1,127,560)
Changes in benefit terms	-	6,684,374	-	-	-	-	-	-	1,559,824	-
Benefit payments	(69,260,636)	(4,281,348)	(4,126,055)	(3,983,802)	(3,871,730)	(3,703,475)	(3,564,465)	(3,442,328)	(11,527,421)	(2,887,560)
Net change in total pension liability	(72,517,812)	6,638,939	(31,174)	157,528	2,720,982	(173,965)	522,162	325,385	(7,190,732)	1,756,764
Total pension liability - beginning	72,517,812	65,878,873	65,910,047	65,752,519	63,031,537	63,205,502	62,683,340	62,357,955	69,548,687	67,791,923
Total pension liability - ending	\$ -	\$ 72,517,812	\$ 65,878,873	\$ 65,910,047	\$ 65,752,519	\$ 63,031,537	\$ 63,205,502	\$ 62,683,340	\$ 62,357,955	\$ 69,548,687
Plan fiduciary net position										
Net investment income (loss)	\$ 2,705,128	\$ 6,549,362	\$ 5,538,039	\$ (5,129,184)	\$ 14,856,665	\$ 4,565,653	\$ 5,541,647	\$ 2,919,534	\$ 5,274,872	\$ 2,281,632
Distribution to employer	(19,718,711)	-	-	-	-	-	-	-	-	-
Contributions-Employer	-	-	-	10,000,000	-	-	-	-	-	-
Benefit payments	(69,260,636)	(4,281,348)	(4,126,055)	(3,983,802)	(3,871,730)	(3,703,475)	(3,564,465)	(3,442,328)	(11,527,421)	(2,887,560)
Administrative expenses	(585,484)	(162,764)	(218,315)	(160,807)	(216,946)	(178,577)	(143,607)	(175,496)	(319,868)	(246,588)
Net change in plan fiduciary net position	(86,859,703)	2,105,250	1,193,669	726,207	10,767,989	683,601	1,833,575	(698,290)	(6,572,417)	(852,516)
Plan fiduciary net position - beginning	86,859,703	84,754,453	83,560,784	82,834,577	72,066,588	71,382,987	69,549,412	70,247,702	76,820,119	77,672,635
Plan fiduciary net position - ending	\$ -	\$ 86,859,703	\$ 84,754,453	\$ 83,560,784	\$ 82,834,577	\$ 72,066,588	\$ 71,382,987	\$ 69,549,412	\$ 70,247,702	\$ 76,820,119
Net pension asset - ending	\$ -	\$ (14,341,894)	\$ (18,875,580)	\$ (17,650,737)	\$ (17,082,058)	\$ (9,035,051)	\$ (8,177,485)	\$ (6,866,072)	\$ (7,889,747)	\$ (7,271,432)
Plan fiduciary net position as a percentage of the total pension liability	0.0%	119.8%	128.7%	126.8%	126.0%	114.3%	112.9%	111.0%	112.7%	110.5%
Covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*
Net pension asset as a percentage of covered-employee payroll	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*	N/A*

* No active employees participating in the plan

See independent auditors' report.

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Schedule of Investment Returns – Defined Benefit Pension Plan (Unaudited)
June 30, 2025**

Annual money-weighted rate of return, net of investment expense:

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
0.00%	7.91%	6.78%	-5.75%	21.15%	6.56%	8.17%	4.26%	7.48%	2.99%

See independent auditors' report.

ADDITIONAL INFORMATION

**The Health Care Authority for Baptist Health,
An Affiliate of UAB Health System
Board Members and Officials (Unaudited)
June 30, 2025**

Name	Title	Address	Term Expires
Louis Lambiase, M.D.	Member	2055 East South Blvd Montgomery, Alabama 36116	2026
John A. Henig, Jr.	Secretary/Treasurer	444 S. Perry Street Montgomery, Alabama 36104	2026
James V. Wright, Ed.D.	Chair	4131 Carmichael Road, Suite 3 Montgomery, Alabama 36106	2026
Russell Tyner	Member	301 Brown Springs Rd Montgomery, Alabama 36117	2026
Robert C. Brock	Member	1301 Pennsylvania Ave. N.W. Washington, DC 20004	2026
J. Steven Roy	Member	496 Windy Wood Alexander City, AL 35010	2026
Quinton Ross, M.D.	Member	915 Jackson Street, Suite 130 Montgomery, AL 36104	2026
Ronald C. Brown, Jr.	Member	2660 Eastchase Lane, Suite 100 Montgomery, Alabama 36117	2026
Kay Miller	Member	8166 Mossy Oak Drive Montgomery, Alabama 36117	2026
James M. Edwards	Member	445 Dexter Avenue, Suite 8000 Montgomery, Alabama 36104	2026
Vacancy to be replaced by UA Board Trustees	Member		2026
Dawn Bulgarella	Member	701 19th Street South, ALGEN 806 Birmingham, Alabama 35294	2026
Anupam Agarwal, M.D.	Member	701 19th Street South, ALGEN 806 Birmingham, Alabama 35294	2026

See independent auditors' report.

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

Board of Directors
The Health Care Authority for Baptist Health, An Affiliate of UAB Health System
Montgomery, Alabama

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 the business-type activities and fiduciary activities of The Health Care Authority for Baptist Health, An Affiliate of UAB Health System (the Authority) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and have issued our report thereon dated September 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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*.

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.

Warren Averett, LLC

Birmingham, Alabama
September 25, 2025