

Consolidated Financial Statements,  
Supplementary Information and Report  
of Independent Certified Public  
Accountants

**TidalHealth, Inc.**

June 30, 2025 and 2024



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**GRANT THORNTON LLP**

Two Commerce Square  
2001 Market St., Suite 800  
Philadelphia, PA 19103-7065

**D** +1 215 561 4200

**F** +1 215 561 1066

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
TidalHealth, Inc.

**Opinion**

We have audited the consolidated financial statements of TidalHealth, Inc. and subsidiaries (the "Health System"), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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

We did not audit the financial statements of Atlantic General Hospital Corporation, Inc., a wholly owned subsidiary, whose statements reflect total assets constituting 11 percent of consolidated total assets at June 30, 2025 and total revenues constituting 3 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Atlantic General Hospital Corporation, Inc., is based solely on the report of the other auditors.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of management for the financial statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

**Auditor's responsibilities for the audit of the financial statements**

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

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health System's ability to continue as a going concern for a reasonable period of time.

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

**Supplementary Information**

The accompanying consolidating balance sheet as of June 30, 2025 and the related consolidating statement of operations for the year then ended are presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial

statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
October 6, 2025

TidalHealth, Inc.

CONSOLIDATED BALANCE SHEETS

June 30,  
(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 53,130	\$ 60,002
Short-term investments	7,535	6,617
Assets limited as to use	990	1,186
Patient accounts receivable	126,606	116,008
Supplies	22,487	19,277
Prepays and other	<u>25,287</u>	<u>16,868</u>
Total current assets	236,036	219,958
<b>Investments</b>	515,902	442,877
<b>Assets limited as to use</b>		
Under debt agreement	25,825	30,682
Self-insurance fund	57,566	58,274
Donor-restricted fund	<u>76,237</u>	<u>66,670</u>
	159,628	155,626
<b>Property and equipment, net</b>	358,074	278,206
<b>Other assets</b>	<u>86,626</u>	<u>39,122</u>
Total assets	<u>\$ 1,356,265</u>	<u>\$ 1,135,789</u>

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

TidalHealth, Inc.

CONSOLIDATED BALANCE SHEETS - CONTINUED

June 30,  
(Dollar amounts in thousands)

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 9,097	\$ 5,971
Current portion of lease liability	7,592	1,056
Current portion of self-insurance liabilities	913	1,067
Accounts payable	62,477	38,193
Accrued liabilities	61,744	47,533
Advances from third-party payors	<u>12,691</u>	<u>21,192</u>
Total current liabilities	154,514	115,012
Long-term debt, less current portion	249,105	215,187
Lease liability, less current portion	39,317	2,781
Self-insurance liabilities, less current portion	44,675	39,863
Accrued retirement benefits	14,351	4,409
Other liabilities	<u>6,885</u>	<u>2,943</u>
Total liabilities	508,848	380,195
<b>Net assets</b>		
Without donor restrictions	765,363	683,317
With donor restrictions	<u>82,054</u>	<u>72,277</u>
Total net assets	<u>847,417</u>	<u>755,594</u>
Total liabilities and net assets	<u><u>\$ 1,356,265</u></u>	<u><u>\$ 1,135,789</u></u>

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

TidalHealth, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended June 30,  
(Dollar amounts in thousands)

	2025	2024
<b>Net assets without donor restrictions</b>		
<b>Revenue</b>		
Patient service revenue	\$ 915,831	\$ 813,303
Other revenue	73,108	42,960
Total revenue	988,939	856,263
<b>Expenses</b>		
Salaries and wages	484,101	411,821
Supplies and other expenses	399,447	340,308
Employee benefits	97,347	71,375
Depreciation and amortization	34,851	36,079
Interest	7,088	6,664
Total expenses	1,022,834	866,247
Loss from operations before other items	(33,896)	(9,984)
<b>Other items</b>		
Investment return	54,371	56,364
Contribution received in acquisition	58,856	-
Other	1,692	1,120
Total other items	114,919	57,484
<b>Excess of revenue over expenses</b>	81,023	47,500

Continued on next page

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



TidalHealth, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS - CONTINUED

Years ended June 30,  
(Dollar amounts in thousands)

	2025	2024
<b>Net assets without donor restrictions - continued</b>		
Excess of revenue over expenses ( <i>from previous page</i> )	\$ 81,023	\$ 47,500
Other changes in net assets without donor restrictions		
Net assets released from restrictions for property and equipment	1,104	2,889
Other	(464)	335
Other changes in accrued retirement benefits	383	8,617
	<u>82,046</u>	<u>59,341</u>
Increase in net assets without donor restrictions		
<b>Net assets with donor restrictions</b>		
Contributions	5,103	2,848
Net realized gains on investments	3,401	3,041
Change in unrealized gains and losses on investments	2,648	3,730
Net assets released from restrictions	<u>(1,375)</u>	<u>(3,058)</u>
	<u>9,777</u>	<u>6,561</u>
Increase in net assets with donor restrictions		
<b>INCREASE IN NET ASSETS</b>	<u>91,823</u>	<u>65,902</u>
<b>Net assets at beginning of year</b>	<u>755,594</u>	<u>689,692</u>
<b>Net assets at end of year</b>	<u>\$ 847,417</u>	<u>\$ 755,594</u>

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

TidalHealth, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,  
(Dollar amount in thousands)

	2025	2024
<b>Operating activities</b>		
Increase in net assets	\$ 91,823	\$ 65,902
Adjustments to reconcile Increase in net assets to net cash provided by operating activities:		
Contribution received in acquisition	(58,856)	-
Depreciation and amortization	34,851	36,079
Change in fair value of interest rate swaps	(22)	-
Other changes in accrued retirement benefits	(383)	(8,617)
Amortization of original issue premium and financing costs	(273)	(724)
Equity in earnings of unconsolidated joint ventures	(2,356)	(3,431)
Gain on sale of unconsolidated joint venture	-	(3,291)
Net realized and unrealized gains and losses on investments	(57,740)	(60,772)
Distributions from unconsolidated joint ventures	3,328	2,696
Proceeds from restricted contributions	(5,103)	(2,848)
Changes in operating assets and liabilities:		
Patient accounts receivable	6,691	(24,294)
Supplies and other assets	4,780	(5,918)
Accounts payable and accrued liabilities	12,271	1,576
Accrued retirement benefits	8,039	9,581
Other liabilities	3,888	4,113
Lease liability and right-of-use assets, net	806	729
Advances from third-party payors	(8,501)	10,962
Net cash provided by operating activities	33,243	21,743
<b>Investing activities</b>		
Change in investments and assets limited as to use	(1,335)	22,831
Cash received in the acquisitions, net	15,752	-
Goodwill from acquisition of joint venture	(2,921)	-
Return of unconsolidated joint ventures	1,682	7,436
Purchases of property and equipment, net	(56,993)	(23,307)
Net cash (used in) provided by investing activities	(43,815)	6,960
<b>Financing activities</b>		
Proceeds from restricted contributions	5,103	2,848
Proceeds from borrowings of long-term debt	4,913	-
Repayments of long-term debt	(6,316)	(6,068)
Net cash provided by (used in) financing activities	3,700	(3,220)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,872)</b>	<b>25,483</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>60,002</b>	<b>34,519</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 53,130</b>	<b>\$ 60,002</b>

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

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 1 - ORGANIZATION AND MISSION**

TidalHealth, Inc. ("TidalHealth") is a not-for-profit Maryland membership corporation, that serves as the parent company to a group of affiliated non-profit and for-profit entities (collectively the "Health System"). The Health System's mission is to improve the health of communities of the eastern shore of Maryland, southern Delaware, northern Virginia and portions of the Delaware-Maryland-Virginia Peninsula (the "Delmarva Peninsula"). The Health System's group of affiliated non-profit and for-profit entities are as follows:

TidalHealth Peninsula Regional, Inc. ("TPR") is a not-for-profit 275-licensed bed, nonstock corporation founded in 1897 to serve the health care needs of its region. Service areas include the Maryland counties of Wicomico, Dorchester, Somerset, and Worcester; southern Delaware; and the northern Eastern Shore of Virginia.

TidalHealth Nanticoke, Inc. ("TN"), a not-for-profit 99-licensed bed hospital in Seaford, Delaware, serving the health care needs of Sussex County.

TidalHealth Medical Partners, LLC ("TMP"), a not-for-profit physician practice organization which operates a physician network providing integrated physician services for the Health System, including the following supporting not-for-profit physician practice organizations: TidalHealth Primary Care, LLC, TidalHealth Specialty Care, LLC and TidalHealth Physician Network ("TPN").

McCready Foundation, Inc., is a not-for-profit that operates the Alice Byrd Tawes Nursing Home ("Nursing Home"), a 76-licensed bed skilled nursing home and Chesapeake Cove Assisted Living Center ("Rehab Center"), a rehabilitation center and assisted living facility.

Peninsula Health Ventures, Inc. ("Health Ventures") is a for-profit corporation organized for the purpose of owning, developing, operating, and investing in health care enterprises on the Delmarva Peninsula.

Peninsula Women's Center, LLC d/b/a TidalHealth Surgery Center, operates an ambulatory surgery center.

Peninsula Regional Clinically Integrated Network, LLC participates in the Medicare Shared Savings Program as an Accountable Care Organization ("ACO"), providing Medicare beneficiaries on the Delmarva Peninsula with access to coordinated care.

TidalHealth Foundation, Inc. ("Foundation") is a not-for-profit, nonstock corporation organized to raise contributions exclusively for the benefit of charitable, educational, medical, and scientific purposes of the Health System.

Delmarva Peninsula Insurance Company ("DPIC"), is a Cayman Island captive insurance company that provides professional and general liability insurance to related TidalHealth affiliates.

On May 1, 2025 (the Atlantic General Acquisition Date), TidalHealth, Inc. acquired and became the sole corporate member of Atlantic General Hospital Corporation ("AGH"), a not-for-profit 43 licensed bed hospital in Berlin, Maryland, serving the health care needs of Worcester County.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES**

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of the Health System and all affiliated non-profit and for-profit entities as described in Note 1, with the exception of joint ventures where there is less than 50% control or where the Health System does not have the ability to exercise significant influence (see Note 9). All significant intercompany transactions have been eliminated.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions are used in recording patient accounts receivable and patient service revenue, advances from third-party payors, useful lives of property and equipment, goodwill, interest rate swaps, imputed interest on leases, actuarial estimates for the accrued retirement benefits, professional and general liabilities and workers' compensation costs, the reported fair value of certain assets and liabilities, including those in the AGH acquisition and the allocation of functional expenses. Actual amounts could differ from those estimates.

***Fair Value of Financial Instruments***

Financial instruments consist of cash equivalents, patient accounts receivable, investments and assets limited as to use, accounts payable, accrued liabilities, advances from third-party payors and long-term debt. The carrying amounts reported in the consolidated balance sheets for cash equivalents, patient accounts receivable, investments and assets limited as to use, accounts payable, accrued liabilities, advances from third-party payors, approximate fair value. Management's estimate of the fair value of other financial instruments is described elsewhere in the notes to the consolidated financial statements.

***Cash and Cash Equivalents***

Cash and cash equivalents include surplus operating funds invested in money market funds and highly liquid corporate, U.S. government, and agency obligations, all with maturities of less than three months when purchased. At June 30, 2025 and 2024, certain cash balances with financial institutions exceeded Federal depository insurance limits. Management believes that credit risk related to these deposits is minimal.

***Investments and Assets Limited as to Use***

Fair values of all investments, including short-term investments, investments, and assets limited as to use are recorded as described in Notes 7 and 8. Short-term investments represent investments with contractual maturities within one year and current investments in money market funds that have been designated for investment purposes.

Assets limited as to use includes externally held assets held by trustees under a debt agreement and consists of those assets designated for the payments of construction projects, principal and interest due on indebtedness and cost of issuance, externally held assets held by trustees' self-insurance programs and assets internally held to meet donor's intentions. Assets limited as to use required to meet current liabilities have been classified as current assets on the consolidated balance sheets.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

Investment return includes interest and dividends, realized gains and losses (the value of securities sold) based on the specific-identification method, and changes in unrealized gains and losses. Investment return on investments of restricted assets are added to or deducted from the appropriate restricted net assets when restricted as to use by the donor.

***Patient Accounts Receivable***

A receivable is recognized when there is an unconditional right to payment, subject only to the passage of time. Patient accounts receivable, including billed accounts and unbilled accounts, which have the unconditional right to payment, and estimated amounts due from third-party payors for retroactive adjustments, are recorded as receivables since the right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. The estimated uncollectible amounts are generally considered implicit price concessions that are recorded as a direct reduction to patient accounts receivable.

***Supplies***

Supplies are carried at the lower of cost or market, using the first-in, first-out method.

***Property and Equipment***

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Construction in progress represents amounts expended or incurred toward property and equipment projects that have not been completed. No depreciation has been recorded for these items. Interest cost incurred, net of investment income earned on borrowed funds, during the period of construction is capitalized as a component of the cost of acquiring those assets.

Software development costs that are incurred in the preliminary project stage for internal use software are expensed as incurred. During the development stage, direct consulting costs and payroll and payroll-related costs for employees that are directly associated with each project are capitalized and depreciated over the estimated useful life of the software once the software is ready for its intended use. Capitalized software is depreciated using the straight-line method over its estimated useful life, which is generally seven years. Replacements and upgrades and enhancements to existing systems that result in added functionality are capitalized, while maintenance and repairs are charged to expense as incurred.

Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted donations. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

***Leases***

Arrangements are determined if they are a lease at inception of the contract. Right-of-use ("ROU") assets represent the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. An estimated incremental borrowing rate, which is derived from information available at the lease commencement date, is used in determining the present value of lease payments. The rate is determined based on information obtained from its bankers, its secured debt fair value and publicly available data for instruments with similar characteristics.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

The operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and administrative offices, as well as office equipment. The real estate lease agreements typically have initial terms of 5 to 10 years, and equipment lease agreements typically have initial terms of three to five years. Leases with an initial term of 12 months or less ("short-term leases") are not recorded in the consolidated balance sheets.

Real estate leases may include one or more options to renew, with renewals that typically can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the Health System's sole discretion. In general, these renewal options are not considered to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of right of use assets and lease liabilities.

Certain lease agreements for real estate include payments based on actual common area maintenance expenses. These variable lease payments are recognized in supplies and other expenses but are not included in the ROU asset or liability balances. The lease agreements do not contain any material residual value guarantees, restrictions or covenants.

***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If long-lived assets are deemed to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. As of June 30, 2025, management believes that no revisions to the remaining useful lives or write-down of long-lived assets are required.

***Other Assets***

Other assets are comprised of:

	June 30,	
	2025	2024
Investments in unconsolidated joint ventures (Note 9)	\$ 14,583	\$ 17,237
Right to use assets (Note 12)	46,022	3,800
Split-dollar insurance agreement (Note 13)	7,165	4,880
Reinsurance receivable (Note 14)	6,495	8,760
Interest rate swaps (Note 11)	1,618	-
Goodwill	2,921	-
Contributions receivable, net	1,278	1,647
Other	6,544	2,798
	\$ 86,626	\$ 39,122

***Goodwill***

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is tested annually for impairment or earlier upon the occurrence of certain events or substantive changes in circumstances that indicate goodwill is more-likely-than-not impaired. There were no triggering events during 2025.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

***Derivative Instruments and Hedging Activities***

Derivative financial instruments are employed to manage risks. The principal financial instruments used for cash flow hedging purposes are interest rate swaps. The interest rate swap agreements are entered into to manage exposure to interest rate changes. The financial instruments are recognized in the consolidated balance sheets at fair value. The interest rate swaps do not qualify for hedge accounting and as such the changes in the fair value of its interest rate swaps are reported in other items as a component of the excess of revenue over expenses in the consolidated statement of operations and changes in net assets.

Policies and procedures are established to limit the potential for counterparty risk, including establishing limits for credit exposure and continually assessing the creditworthiness of counterparties. The exposure to credit risk associated with its derivative financial instruments is measured on an individual counterparty basis, as well as by groups of counter parties that share similar attributes.

***Estimated Self-Insurance Liabilities***

The provision for estimated professional liability claims, general liability claims, and workers' compensation claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

***Net Assets with Donor Restrictions***

Certain net assets are temporarily restricted and whose use has been limited by donors to a specific time period or purpose.

Certain net assets have been permanently restricted by donors to be maintained by the Health System in perpetuity.

***Performance Indicator***

The performance indicator is the deficiency in revenue over expenses, which excludes net assets released from restrictions for property acquisitions net of transfers to restricted net assets and other changes in accrued retirement benefits.

***Donor-Restricted Gifts***

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported on the consolidated statements of operations and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions in net assets without donor restrictions in the accompanying consolidated financial statements.

***Patient Service Revenue***

The Health System has the following agreements for patient services: for those provided at the TPR hospital campus, all payors are required to pay the Maryland Health Services Cost Review Commission ("HSCRC") approved rates; and for all other locations, patient services are based on negotiated agreements with third-party payors, including health insurance companies and rates set by government regulations (for payors such as Medicare and Medicaid) that provide for reimbursement at amounts different from established

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

charges. Reimbursement methodologies include prospectively determined rates per discharge, per diem rates, reimbursed costs, and discounted charges.

Patient service revenues are recorded at the amounts that reflect the consideration to which the Health System expects to be entitled to in exchange for providing patient care for both the hospital and any employed physicians. These amounts are due from patients, third-party payors (including managed care organizations and government programs, i.e., Medicare and Medicaid), and others and they include variable consideration for retroactive adjustments due to settlement of future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Generally, patients and third-party payors are billed several days after the services are performed or shortly after discharge. Patient service revenue is recognized in the period in which the performance obligations are satisfied under contracts by transferring services to patients.

Performance obligations are determined based on the nature of the services provided. Revenues are recognized for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. This method provides an appropriate depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations are satisfied over time related to patients receiving inpatient acute care services. Performance obligations are measured from admission to the point when there are no further services required for the patient, which is generally the time of discharge. Revenues are recognized for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) when it is believed the patient does not require additional services.

Estimates of contractual adjustments and discounts based on government regulations, contractual agreements, discount policies and historical experience are recorded as explicit price concessions, as applicable. The estimates of implicit price concessions based on historical collection experience within each class of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The consolidated financial statement effects of using this practical expedient are not materially different from an individual contract approach.

**Other Revenue**

The Health System has other revenue that is recognized upon delivery of goods and services and consists of the following:

	2025	2024
Retail and specialty pharmacy	\$ 33,278	\$ 14,095
Grants	2,354	4,121
Cancer center	2,427	1,704
Dietary food sales	2,801	3,215
Shared savings incentives	1,736	2,344
FEMA grant	17,164	1,726
Equity earnings in unconsolidated joint ventures	2,356	3,431
Subcapitation	4,504	4,986
Rent	1,457	1,511
Miscellaneous	5,031	5,827
	<u>\$ 73,108</u>	<u>\$ 42,960</u>



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

The Health System received grant payments, which are considered nonexchange transactions. As a result of COVID-19, the federal government distributed from the Federal Emergency Management Agency ("FEMA"), for the years ended June 30, 2025 and 2024, payments received of \$17,164 and \$1,726, respectively, are included in other revenue in the consolidated statements of operations and changes in net assets. These payments are subject to audit and compliance with federal and state regulations. The Health System believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2025 and 2024. Future grant payments are uncertain at this time.

***Advertising Costs***

The Health System expenses advertising costs as incurred. For the years ended June 30, 2025 and 2024, advertising costs were \$3,177 and \$1,764, respectively, which are included in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

***Income Taxes***

TidalHealth and AGH have been recognized as a supporting organization exempt from federal income tax under Section 501(c)(3) as described in Section 509(a)(3) of the Internal Revenue Code (the "Code"). TPR and TN have been recognized organizations exempt from federal income tax under Section 501(c)(3) as described in Sections 509(a)(1) and Section 170(b)(1)(A)(iii) of the Code. The Foundation has been recognized as an organization exempt from federal income tax under Section 501(c)(3) as described in Sections 509(a)(1) and Section 170(b)(1)(A)(vi) of the Code. TPN and the McCready Foundation, Inc. have been recognized as organizations exempt from federal income tax under Section 501(c)(3) as described in Section 509(a)(2) of the Code. The Health System is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. Each organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Peninsula Women's Center, LLC, Peninsula Regional Clinically Integrated Network, LLC, and TMP are limited liability companies with TidalHealth as sole member and are disregarded for income tax purposes. Health Ventures is a for-profit corporation, wholly owned by the Health System. DPIC is a Cayman Island captive insurance company. Under Cayman Islands tax regulations, no tax is imposed on DPIC for premium and investment income.

The Health System follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Health System has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements at June 30, 2025 and 2024. Certain amounts in the prior-year consolidated financial statements have been reclassified to be consistent with the current-year presentation.

***Reclassifications***

Certain amounts in the prior-year consolidated financial statements have been reclassified to be consistent with the current-year presentation.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 3 - ACQUISITION**

On May 1, 2025, TidalHealth, Inc. acquired AGH as describe in Note 1 by means of inherent contributions where no consideration was transferred by TidalHealth, Inc. The Health System accounted for the business combination by applying the acquisition method and, accordingly, the inherent contributions received were valued as the excess of assets acquired over liabilities assumed. In determining the acquisition's inherent contribution received, all assets acquired and liabilities assumed were measured at fair value as of the acquisition date. The results of the operations of the acquisition have been included in the accompanying consolidated financial statements since the acquisition date.

The estimated fair values of the assets acquired and liabilities of AGH assumed at May 1, 2025, the acquisition date are as follows:

**Assets**

Cash and cash equivalents	\$ 15,567
Patient accounts receivable	16,080
Supplies	2,260
Prepaid and other	4,878
Investments and assets limited as to use	18,674
Property and equipment	56,690
Other assets	<u>32,800</u>

Total assets acquired	<u>146,949</u>
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**Liabilities**

Accounts payable	13,404
Accrued liabilities	10,515
Self-insurance liabilities	4,710
Long-term debt	38,525
Lease liability	<u>20,939</u>

Total liabilities assumed	<u>88,093</u>
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**Net assets acquired**

Net assets without donor restrictions	<u><u>\$ 58,856</u></u>
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The following are the results of AGH from May 1, 2025, the date of acquisition that have been included in the consolidated statement of operations and changes in net assets for the year ended June 30, 2025:

Total revenues	\$ 28,505
Excess of revenues over expenses	\$ (26)
Decrease in net assets	\$ (204)

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

The following are the combined, unaudited pro-forma results for the years ended June 30, 2025 and 2024, respectively, as if the acquisition had occurred on July 1, 2023. The combined unaudited pro-forma financial information excludes the contribution received in the acquisitions and is not necessarily indicative of the results of operations as they would have been, had the transaction been effected on July 1, 2023:

	Combined Unaudited Pro-forma	
	Year ended June 30	
	2025	2024
Total revenues	\$ 1,141,895	\$ 1,019,336
Excess of revenues over expenses	\$ 82,162	\$ 45,612
Change in net assets:		
Without donor restrictions	\$ 82,393	\$ 57,571

**NOTE 4 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The financial assets available for general expenditure within one year of the consolidated balance sheet date consist of the following:

	June 30,	
	2025	2024
Cash	\$ 53,130	\$ 60,002
Short-term investments	7,535	6,617
Patient accounts receivable	126,606	116,008
Investments	515,902	442,877
	<u>\$ 703,173</u>	<u>\$ 625,504</u>

**NOTE 5 - CHARITY CARE**

The Health System provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its approved rates. Because the Health System does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Health System maintains records to identify and monitor the level of charity care and community service it provides. These records include the amount of charges foregone based on established rates for services and supplies furnished under its charity care and community service policies and the number of patients receiving services under these policies. The Health System provided \$15,387 and \$11,171 for the years ended June 30, 2025 and 2024, respectively, of charity care at full cost including direct and indirect costs, based on the actual charity population using its cost to charge ratio. The HSCRC includes components within the rates to partially compensate eligible providers for uncompensated care.

Additionally, the Health System provides a wide range of community services to the general public. These include but are not limited to the following: free health screenings for breast cancer, prostate cancer, skin cancer, diabetes, high blood pressure, high blood cholesterol, hearing loss and glaucoma; free educational programs on a variety of health care topics; health fairs and demonstrations; and networking and coordination of services for the needy, elderly, and disabled. These community services are offered at the Health System and at schools, businesses, and other locations throughout the Health System's service area.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 6 - PATIENT SERVICE REVENUE**

The Health System disaggregates revenues from contracts with customers by type of service and payor source as this depicts the nature, amount, timing and uncertainty of its revenues and cash flows as affected by economic factors. Tables providing details of these factors are presented below.

Patient service revenue recognized from major payer sources based on primary insurance designation, is as follows:

	Years Ended June 30,	
	2025	2024
Medicare	54%	53%
Medicaid	18	19
Managed care	2	3
CareFirst Blue Cross Blue Shield	13	13
Other, including self-pay	13	12
	100%	100%

The composition of patient care service revenues by type of service for is as follows:

	Years Ended June 30,	
	2025	2024
Inpatient	32%	32%
Outpatient	50	45
Physician services	18	23
	100%	100%

For services provided at the TPR and AGH hospital campuses, all payors are required to pay the HSCRC approved rates. Management believes that this program will remain in effect at least through June 30, 2026. The major third-party payors, as recognized by the HSCRC, are allowed discounts of up to 7.7% on approved rates. These charges are subject to review and approval by the HSCRC. The total rate of reimbursement for services to patients under the Medicare and Medicaid programs is based on a waiver arrangement between the Centers for Medicare and Medicaid Service and the HSCRC. This waiver arrangement will be in place as long as Maryland hospitals achieve certain savings and improvements, as defined. TPR and AGH have agreements with the HSCRC to participate in its Global Budgeted Revenue ("GBR") program. GBR methodology encourages hospitals to focus on population health strategies by establishing a fixed annual revenue cap for each GBR hospital. The agreement is evergreen in nature and covers both regulated inpatient and outpatient revenues.

Under GBR, hospital revenue is known at the beginning of each fiscal year, and for the year ending June 30, 2026, is expected to be approximately \$857,876. Annual revenue is calculated from a base year and is adjusted annually for inflation, infrastructure requirements, population changes, performance in quality-based programs, and changes in levels of uncompensated care. Revenue may also be adjusted annually for market levels and shifts of services to unregulated services. The HSCRC's rate-setting methodology for hospital service centers that provide both inpatient and outpatient services and only outpatient services, consists of establishing an acceptable unit rate for defined inpatient and outpatient service centers within a hospital. The actual average unit charge for each service center is compared to the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

approved rate monthly and annually. Overcharges and undercharges due to either patient volume or price variances, adjusted for penalties where applicable, are applied to decrease (in the case of overcharges) or increase (in the case of undercharges) in future approved rates on an annual basis. TPR and AGH undercharged for the years ended June 30, 2025 and 2024, within the allowable corridor as specified in the GBR Agreement.

The timing of the HSCRC's rate adjustments for TPR and AGH could result in an increase or reduction in rates due to the variances and penalties described above in a year subsequent to the year in which such items occurred, and there is at least a possibility that the amounts may be material. For both the years ended June 30, 2025 and 2024, approximately 41% and 46% respectively of the Health System's patient service revenue was subject to the HSCRC's regulations.

Inpatient acute care and outpatient services not located on the TPR or AGH hospital campuses, including TN and certain other services not regulated by the HSCRC provided to Medicare and Medicaid program beneficiaries, are paid at prospectively determined rates per discharge or outpatient service. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Additionally, there are certain defined Medicare program pass-through items, and certain other costs provisionally reimbursed by Medicare, are paid based on a cost reimbursement methodology or tentative rate. These are ultimately subjected to certain cost limitations or contingent on actual data for the year, with final settlement determined after submission of annual cost reports by TN and audits thereof, by the programs' fiscal intermediaries.

The TN Medicare cost reports have been audited and finalized through June 30, 2022. Differences between the estimated settlements and the amounts settled are recorded in the year of settlement. Estimated favorable results of appeal items are recorded when realization is reasonably assured. These estimates are included in advances from third-party payors in the consolidated balance sheets. Management uses the expected-value method when determining these amounts. In the opinion of management, adequate provision has been made for any adjustment, which may result from the final settlement of these cost reports, and any appeal issues.

Laws and regulations governing the HSCRC, Medicare and Medicaid programs, which represent a substantial portion of the patient service revenues, are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The Health System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While there are no currently known regulatory inquiries, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action.

The following table sets forth the detail of patient service revenue:

	Years Ended June 30,	
	2025	2024
Gross patient service revenue	\$ 1,623,265	\$ 1,376,687
Less: revenue deductions:		
Charity care	(24,419)	(17,998)
Contractual and other allowances	(664,170)	(517,662)
Implicit price concessions	(18,845)	(27,724)
	<u>\$ 915,831</u>	<u>\$ 813,303</u>

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 7 - INVESTMENTS AND ASSETS LIMITED AS TO USE**

Fair value of short-term investments, investments and assets limited as to use is summarized as follows:

	June 30,	
	2025	2024
Cash and cash equivalents	\$ 28,032	\$ 8,582
U.S. government securities	162,393	160,783
Corporate bonds	85,108	82,598
Equity securities	312,178	259,225
Private placement funds		
Multi-strategies	96,344	95,118
	<u>684,055</u>	<u>606,306</u>
Less:		
Short-term investments	(7,535)	(6,617)
Amounts required for current liabilities	<u>(990)</u>	<u>(1,186)</u>
	<u>\$ 675,530</u>	<u>\$ 598,503</u>
	Years Ended June 30,	
	2025	2024
Investment return		
Interest and dividend income	\$ 3,175	\$ 2,507
Realized gains, net	35,431	27,248
Changes in unrealized gains and losses	16,260	26,753
Other	<u>(495)</u>	<u>(144)</u>
	<u>\$ 54,371</u>	<u>\$ 56,364</u>

**NOTE 8 - FAIR VALUE MEASUREMENTS**

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health System has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Health System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present assets measured at fair value, aggregated by level in the fair value hierarchy within which those measurements fall:

June 30, 2025				
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 28,032	\$ 28,032	\$ -	\$ -
U.S. government securities	162,393	26,321	136,072	-
Corporate bonds	85,108	-	85,108	-
Equity securities	312,178	308,400	3,778	-
Interest rate swaps	1,618	-	1,618	-
	589,329	<u>\$ 362,753</u>	<u>\$ 226,576</u>	<u>\$ -</u>
<b>Private placement funds</b>				
(at NAV):				
Multi-strategies	96,344			
	<u>\$ 685,673</u>			

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

	June 30, 2024			
	Total	Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and cash equivalents	\$ 8,582	\$ 8,582	\$ -	\$ -
U.S. government securities	160,783	33,700	127,083	-
Corporate bonds	82,598	-	82,598	-
Equity securities	259,225	255,976	3,249	-
	511,188	\$ 298,258	\$ 212,930	\$ -
Private placement funds (at NAV):				
Multi-strategies	95,118			
	<u>\$ 606,306</u>			

The fair value of private placement funds has been determined using the net asset value ("NAV") of the funds as provided by the respective fund managers. The NAV is used as a practical expedient to estimate fair value and is excluded from the fair value hierarchy. The principal objective of the funds is to generate returns which are consistent with the goal of minimizing losses during adverse financial market periods. The underlying assets of the funds include publicly traded equity and debt securities, interest rate swaps, options, futures, forwards, private equity, and structured credit. As of June 30, 2025 and 2024, there were no withdrawal restrictions or unfunded commitments on investments reported at NAV.

The fair values of securities are determined by third-party service providers utilizing various methods depending on the specific type of investment. Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Where significant inputs, including benchmark yields, broker-dealer quotes, issuer spreads, bids, offers, global curve, and measures of volatility, are used by these third-party dealers or independent pricing services to determine fair values, the securities are classified within Level 2.



**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 9 - INVESTMENTS IN UNCONSOLIDATED JOINT VENTURES**

The Health System and physicians located throughout Maryland and Delaware have joined together, along with other non-related for-profit investors, to expand surgical and certain other services within the local communities through jointly owned ventures, as follows:

	Membership Percentage		Investment in Unconsolidated Joint Ventures		Equity Earnings in Unconsolidated Joint Ventures	
	June 30,		June 30,		Years Ended June 30,	
	2025	2024	2025	2024	2025	2024
Health Ventures:						
Peninsula Imaging, LLC	50%	50%	\$ 6,276	\$ 6,245	\$ 1,032	\$ 1,086
AHP Delmarva, LLP	50%	50%	1,334	1,125	759	769
Genesis Healthcare - Salisbury, LLC	-	-	-	-	-	585
Peninsula Home Care, LLC	50%	50%	173	159	794	192
PHC at Nanticoke, LLC	50%	50%	160	96	430	139
YDI, Inc.	-	50%	-	2,806	(1,124)	28
Deerpoinde	26.3%	26.3%	6,640	6,806	465	632
			<u>\$ 14,583</u>	<u>\$ 17,237</u>	<u>\$ 2,356</u>	<u>\$ 3,431</u>

Regardless of the proportionate ownership of capital investment in these ventures, all decisions are made by the respective venture's operating board. In each case, the operating board is composed equally of members appointed by the Health Ventures and the other investors as a group. Accordingly, these are accounted for on the equity method of accounting.

Equity for earnings in unconsolidated joint ventures for Health Ventures are included in other revenue on the consolidated statements of operations and changes in net assets, due to the type of operations of the joint venture.

On April 16, 2025, the Health System purchased the non-related investor's 50% interest in YDI, Inc. for \$2,500 and concurrently YDI, Inc. was fully consolidated into the Health System. As a result of the transaction total assets acquired and liabilities assumed were \$6,856 and \$4,356, respectively. As a result of this transaction \$2,921 of goodwill was established, which is included in other assets on the consolidated balance sheet as of June 30, 2025.

During 2024, the Health System sold its entire 50% interest in Genesis Healthcare - Salisbury, LLC, to the other partner for \$7,438 and as a result of the transaction, a gain on sale of membership interests of \$3,291 was recognized in other revenue in the consolidated statement operations for the year ended June 30, 2024.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 10 - PROPERTY AND EQUIPMENT**

A summary of property and equipment follows:

	Estimated Useful Lives (in Years)	June 30,	
		2025	2024
Land	-	\$ 69,057	\$ 21,644
Land improvements	20	13,988	14,008
Buildings and improvements	15 - 40	393,266	380,446
Fixed equipment	20	50,681	44,051
Movable equipment	5 - 7	379,044	356,235
		906,036	816,384
Less: accumulated depreciation		(588,330)	(553,795)
		317,706	262,589
Construction in progress		40,368	15,617
		<u>\$ 358,074</u>	<u>\$ 278,206</u>

Depreciation expense related to property and equipment for the years ended June 30, 2025 and 2024 was \$34,746 and \$35,970, respectively.

As of June 30, 2025, the Health System was committed to building and equipment purchases totaling approximately \$37,756.

**NOTE 11 - LONG-TERM DEBT**

Long-term debt consists of the following:

	June 30,	
	2025	2024
Maryland Health and Higher Educational Facilities Authority ("MHHEFA") Revenue Bonds:		
Series 2020A 4.00% to 5.00% serial and term bonds due in annual amounts ranging from \$1,405 to \$13,130 on July 1 of each year through 2048	\$ 89,745	\$ 91,395
Bank Taxable Notes:		
Series 2021A 2.40% taxable note due in annual amounts ranging from \$1,035 to \$6,895 on July 1 of each year through 2045- restructured on April 1, 2025 with the 2025A bonds	-	119,195
Series 2021B 2.46% taxable note due in annual amounts ranging from \$250 to \$435 on July 1 of each year through 2045- restructured on May 4, 2025 with the 2025B bonds	-	7,645

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

	June 30,	
	2025	2024
Series 2025A 1.9% taxable note due in annual amounts ranging from \$3,745 to \$6,897 on July 1 of each year through 2045	115,450	-
Series 2025B 1.90% taxable note due in annual amounts ranging from \$280 to \$440 on July 1 of each year through 2045	7,365	-
2017 Series A Bond: Principal and interest payments occur through the due date of July 1 2027, with a variable interest rate based on the Secured Overnight Financing Rate ("SOFR") of 5.25% as of June 30, 2025	2,141	-
2017 Series B Bond: Principal and interest payments begin August 2, 2027 through March 3, 2042, with a variable interest rate based on SOFR of 5.74% as of June 30, 2025	20,013	-
2017 Taxable Bond with the Mayor and Council of Berlin: Principal and interest payments begin April 1, 2042 through July 1, 2047, with a variable interest rate is based on the SOFR of 5.37% as of June 30, 2025	10,000	-
2023 Construction Bank Loan: Principal and interest payments are made monthly through September 30, 2037, with a fixed interest rate of 5.50%. The loan is secured by the related AGH property	4,298	-
Other	7,226	296
	256,238	218,531
Less: current portion of long-term debt	(9,097)	(5,971)
	247,141	212,560
Plus: unamortized original issue premiums	4,041	4,400
Less: unamortized debt financing costs	(2,077)	(1,773)
Long-term debt, less current portion	<u>\$ 249,105</u>	<u>\$ 215,187</u>

**Fair Value**

The Health System uses quoted market prices in estimating the fair value of its long-term debt. The fair value of the long-term debt outstanding as of June 30, 2025 and 2024, was approximately \$257,365 and \$223,678, respectively.

**Debt**

The Revenue Bonds and the Bank Taxable Notes proceeds were used to advance refund or payoff previously outstanding debt obligations, finance capital purchases and pay the related financing cost. The premiums and financing cost from the issuance of the related debt are being amortized over the life of the debt.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

***Covenants***

The Obligated Group, as amended for the 2020A Bonds, consists of TidalHealth, TPR and TN, the Obligated Group for the Series 2021A and B and 2025A and B Taxable Notes (collectively the "Taxable Notes"), consists of TidalHealth, TPR, TN, and McCready Foundation, Inc., and the Obligated Group for the 2017 Series A, B and Taxable Bonds consists of AGH. These Obligated Groups are required to make semiannual payments to the trustee and the bank sufficient to meet the annual debt service requirements.

As security for the debt service requirements of the Bonds and Taxable Notes, MHHEFA and the bank have a first lien and claim on all receipts of the Obligated Groups. The terms of the indenture agreements restrict the Obligated Groups' ability to create additional indebtedness and its use of the facilities and require the Obligated Groups to maintain stipulated insurance coverage and a rate structure in each year sufficient to meet certain rate covenant requirements. The Obligated Groups have complied with these financial covenants for the years ended June 30, 2025 and 2024.

Scheduled principal repayments on long-term debt for the years ending June 30, are as follows:

2026	\$ 9,097
2027	9,157
2028	9,168
2029	9,319
2030	9,341
2031 and thereafter	<u>210,156</u>
	<u>\$ 256,238</u>

***Interest Rate Swaps***

AGH has four interest rate swap agreements with a counterparty related to the 2017 Series A, B and Taxable Bonds. The notional amount declines annually until the termination of the agreements on July 1, 2032. The interest rate swaps have a total notional amount of \$37,174 and requires AGH to receive fixed interest rates ranging from 1.46% to 3.22% from the counterparty in exchange for the counterparty agreeing to receive a variable interest rate from AGH equal the daily compounded SOFR, which range from 3.01% to 4.43% at June 30, 2025. The total fair value of the interest rate swaps are \$1,618 at June 30, 2025 and is recorded in other assets in the consolidated balance sheet.

TidalHealth, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024  
(Dollar amounts in thousands)

NOTE 12 - LEASES

The following table presents the components of the right of use assets and liabilities related to leases and their classification in the consolidated balance sheets:

Component of Lease Balances	Classification in Consolidated Balance Sheets	June 30,	
		2025	2024
Assets			
Operating lease	Other assets	\$ 46,022	\$ 3,800
Liabilities			
Operating lease			
Current	Current portion of lease liability	\$ 7,592	\$ 1,056
Long-term	Lease liability, net of current portion	39,317	2,781
		\$ 46,909	\$ 3,837

The following table presents the components of lease expense and their classification in the consolidated statements of operations and changes in net assets:

Component of Lease Balances	Classification in Consolidated Statements of Operations and Changes in Net Assets	Years Ended June 30,	
		2025	2024
Operating lease expense	Supplies and other	\$ 6,353	\$ 5,007
Variable and short-term lease expense	Supplies and other	472	969
		\$ 6,825	\$ 5,976

The weighted-average lease terms and discount rates for operating leases are as follows:

	June 30,	
	2025	2024
Weighted-average remaining lease term (years)		
Operating leases	8.74 years	3.51 years
Weighted-average discount rate		
Operating leases	4.97%	2.50%

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

Cash flow related to leases is as follows:

	<u>Years Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows related to operating leases	\$ <u>6,780</u>	\$ <u>6,031</u>
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ <u>19,515</u>	\$ <u>-</u>

The future minimum rental commitments for all noncancelable operating leases are as follows:

<u>Years Ending June 30,</u>	
2026	\$ 8,999
2027	8,160
2028	6,601
2029	5,321
2030	4,585
Thereafter	<u>24,032</u>
	57,698
Less: imputed interest	<u>(10,789)</u>
	46,909
Less: current portion	<u>(7,592)</u>
	<u>\$ 39,317</u>

**NOTE 13 - RETIREMENT BENEFIT PLANS**

The Health System has a cash balance-type defined benefit pension plan, The Peninsula Regional Medical Center Pension Plus Plan (the "Plan"), covering substantially all of its employees. Plan benefits are based on years of service and the employees' compensation during the last five years of covered employment. The Health System's funding policy is to make sufficient contributions to the Plan to comply with the minimum funding provisions of the Employee Retirement Income Security Act of 1974. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. The mortality table used for projecting the benefits obligation is the Pri-2012 white collar employee/retiree mortality with MP 2021 scale applied generationally for years ended June 30, 2025 and 2024.

The Plan provides annual allocations to a participant's hypothetical account. When a participant retires, the participant has the choice to receive a lump-sum distribution equal to the value of the hypothetical account or to receive an annuity based on the value of the hypothetical account.

The Plan provides three different allocations: (i) a service-related allocation; (ii) an age-related allocation; and (iii) a matching allocation for certain employees. Both the service-related allocation and the age-related

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

allocation are determined by multiplying a participant's annual compensation by a certain percentage. The matching allocation operates to provide an annual allocation in the Plan based on the participant's contribution to the Health System's 403(b) plan.

TN had a qualified noncontributory defined benefit cash balance plan (the "TN Plan") that was frozen in January 2009 and was amended and terminated at June 30, 2022. On June 27, 2023, the TH Plan received a determination letter from the Internal Revenue Service authorizing the dissolution of the TN Plan with a 120-day window. All assets of the plan were disbursed during October 2023. As defined, all participants received a lump sum pay-out or an annuity purchased on their behalf, established on or before this disbursement date.

The following provides a reconciliation of the changes in the projected benefit obligations and the fair value of plans assets, and plans funded status:

	June 30,		
	2025	2024	2024
	The Plan	The Plan	TN Plan
Accumulated benefit obligation	\$ 164,955	\$ 151,784	\$ -
Projected benefit obligation, beginning of year	\$ 164,955	\$ 157,686	\$ 15,470
Service cost	11,833	11,303	-
Interest cost	8,727	7,980	235
Actuarial gain	(8,521)	(1,021)	(534)
Settlements	3,227	(9,975)	(14,835)
Benefits paid	(1,205)	(1,018)	(336)
Projected benefit obligation, end of year	179,016	164,955	-
Fair value of plan assets, beginning of year	160,547	155,156	15,066
Actual return on plan assets	13,844	16,384	14
Employer contributions	-	-	91
Settlements	(8,521)	(9,975)	(14,835)
Benefits paid	(1,205)	(1,019)	(336)
Fair value of plan assets, end of year	164,665	160,546	-
Funded status	\$ (14,351)	\$ (4,409)	\$ -
Accrued retirement benefits	\$ (14,351)	\$ (4,409)	\$ -
Net amounts recognized in net assets without donor restrictions:			
Net actuarial gain	\$ (14,907)	\$ (14,521)	\$ -

TidalHealth, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024  
(Dollar amounts in thousands)

Components of net periodic benefit cost and changes in net asset without donor restrictions are as follows:

	Year Ended June 30,		
	2025	2024	2024
	The Plan	The Plan	TN Plan
Components of net periodic benefit cost recognized in employee benefits:			
Service cost	\$ 11,833	\$ 11,303	\$ -
Components of net periodic benefit gain recognized in other items:			
Interest cost	8,727	7,980	235
Expected return on plan assets	(10,235)	(9,820)	(195)
Settlement	-	-	682
	(1,508)	(1,840)	722
Net periodic benefit cost	10,325	9,463	722
Recognized in net assets without donor restrictions as other changes in other changes in accrued retirement benefits:			
Net actuarial gain	(383)	(7,583)	(1,034)
Total recognized in net periodic benefit cost (gain) and change in net assets without donor restrictions	\$ 9,942	\$ 1,880	\$ (312)

Weighted-average assumptions used to determine projected benefit obligations and net periodic benefit costs were as follows:

	June 30,		
	2025	2024	2024
	The Plan	The Plan	TN Plan
Projected benefit obligation:			
Discount rate	5.50%	5.45%	N/A
Rates of increase in compensation levels:			
Service:			
<5	12.00%	12.00%	N/A
5<20	4.50%	4.50%	N/A
20=<	2.50%	2.50%	N/A
Measurement Date	June 30	June 30	June 30



**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

	June 30,		
	2025	2024	2024
	The Plan	The Plan	TN Plan
Net periodic benefit cost:			
Discount rate	5.45%	5.20%	4.80%
Expected long-term return on plan assets	6.50%	6.25%	4.00%
Rate of increase in compensation levels:			
Service:			
<5	12.00%	12.00%	N/A
5<20	4.50%	4.50%	N/A
20=	2.50%	2.50%	N/A

The defined benefit pension plan asset allocation as of the measurement date and the target asset allocation, presented as a percentage of total plan assets, were as follows:

	June 30,		
	2025	2024	Target
	The Plan	The Plan	Allocations
Debt securities	29%	28%	25% - 50%
Equity securities	44%	46%	30% - 65%
Alternative investments	24%	23%	20% - 30%
Cash and cash equivalents	3%	3%	0% - 5%
	100%	100%	

The Health System's defined benefit plan invests in a diversified mix of traditional asset classes. Investments in U.S. equity securities and fixed income securities are made to maximize long-term results while recognizing the need for adequate liquidity to meet ongoing benefit and administrative obligations. Risk tolerance of unexpected investment and actuarial outcomes is continually evaluated by understanding the pension plan's liability characteristics. This is performed through forecasting and assessing ranges of investment outcomes over short-term and long-term horizons, and by assessing the Health System's financial condition and its future potential obligations from both the pension and general operational requirements. Complementary investment styles, such as growth and value equity investing techniques, are utilized by the Health System's investment advisors to further improve portfolio and operational risk characteristics. Equity investments, both actively and passively managed, are used primarily to increase overall plan returns. Fixed income investments provide diversification benefits and liability hedging attributes that are desirable, especially in falling interest rate environments.

Asset allocations and investment performance are formally reviewed at regularly scheduled meetings of the Health System's Financial Resources Committee.

The overall rate of expected return on assets assumption was based on historical returns, with adjustments made to reflect expectations of future returns. The extent to which the future expectations were recognized included the target rates of return for the future, which have not historically changed.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

The fair values of assets as of June 30, by asset category (see Note 8 for a description of the asset categories), are as follows:

		June 30, 2025			
		Total	Level 1	Level 2	Level 3
Assets - The Plan					
Investments at fair value:					
Cash and cash equivalents	\$	4,708	\$ 4,708	\$ -	\$ -
Fixed income		48,503	-	48,503	-
Equities and equity funds		72,098	72,098	-	-
		125,309	<u>\$ 76,806</u>	<u>\$ 48,503</u>	<u>\$ -</u>
Private placement funds (at NAV):					
Multi-strategies		39,355			
	<u>\$</u>	<u>164,664</u>			
		June 30, 2024			
		Total	Level 1	Level 2	Level 3
Assets - The Plan					
Investments at fair value:					
Cash and cash equivalents	\$	4,424	\$ 4,424	\$ -	\$ -
Fixed income		45,724	-	45,724	-
Equities and equity funds		74,174	74,174	-	-
		124,322	<u>\$ 78,598</u>	<u>\$ 45,724</u>	<u>\$ -</u>
Private placement funds (at NAV):					
Multi-strategies		36,224			
	<u>\$</u>	<u>160,546</u>			

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

*Fixed income:* The fair value is estimated using quoted prices for similar assets in active markets or quoted prices for identical or similar assets in non-active markets (few transactions, limited information, noncurrent prices, and high variability over time).

*Equities/equity funds:* The fair value is determined by market quotes for an identical security in an observable market.

*Multi-strategies:* The fair value of private placement funds has been determined using the net asset value ("NAV") of the funds as provided by the respective fund managers. The NAV is used as a practical expedient to estimate fair value and is excluded from the fair value hierarchy. The principal objective of the funds is to generate returns which are consistent with the goal of minimizing losses during adverse financial market

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

periods. The underlying assets of the funds include publicly traded equity and debt securities, interest rate swaps, options, futures, forwards, private equity, and structured credit. As of June 30, 2025 and 2024, there were no withdrawal restrictions or unfunded commitments on investments reported at NAV.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Health System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Cash Flows**

The Health System does not expect to make voluntary contributions to the Plan, for the year ending June 30, 2026. This funding level exceeds any regulatory requirements. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows for the years ending June 30:

2026	\$	10,343
2027		11,179
2028		11,854
2029		13,161
2030		13,281
2031 - 2035		74,940

**Defined Contribution Plans**

The Health System has a 403(b) defined contribution savings plan that includes all full-time and part-time employees. The Health System matches participant contributions for active participants as of December 31 who have completed at least 975 hours of service during the calendar year. The match is 25% of the first 1% of compensation for participants with 1 - 15 years of service and 50% of the first 2% for participants with more than 15 years of service. The Health System's contribution expense for the years ended June 30, 2025 and 2024 was \$2,847 and \$2,555, respectively.

The Health System has a jointly owned split dollar agreement with a key executive through an insurance company. Total funding as of June 30, 2025 and 2024 was \$7,165 and \$4,880, respectively, which is recorded in other assets on the consolidated balance sheets. The value held by the insurance company along with additional security on the policy is collateral held to secure the return on the Health System's funding plus interest. The agreements allow for the key executives to borrow specified amounts to be repaid by the proceeds of the life insurance policies. Any remaining death proceeds are distributed to the executive's beneficiary as agreed upon by the parties.

AGH sponsors a 403(b) retirement covering substantially all of its employees of the AGH. Participants may elect to contribute a percentage of their pretax annual compensation, as defined by the Plan, not to exceed the maximum allowable contributions under the IRC. Atlantic General matches 50% of the first 5% of participants' elective deferrals and participants become fully vested in employer contributions after three years of continuous service. The Health System's plan expenses from the acquisition date to June 30, 2025 was \$195.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024  
(Dollar amounts in thousands)

AGH sponsors a Section 457 deferred compensation plan. All contributions to the Section 457 plan are from participating employees; however, all assets of the Section 457 plan are the sole property of AGH and are fully subject to claims by the Corporation's general creditors. As of June 30, 2025, \$3,305 is recorded as investments and a related liability in the same amounts as other liabilities on the consolidated balance sheet.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

***Self-Insurance Liabilities and Litigation***

DPIC provides Primary Medical Professional Liability ("MPL") and Primary General Liability ("GL") coverage to the Health System and its employed physicians on a mature claims-made basis. The primary MPL policy provides limits of liability of \$2,000 per occurrence with an \$8,000 annual aggregate. The primary GL policy provides limits of liability of \$1,000 per occurrence with a \$3,000 annual aggregate. The employed physicians are covered with retro dates consistent with their date of hire. This policy is retrospectively rated.

DPIC provides excess umbrella liability coverage on a mature claims-made basis with a retroactive date of March 1, 2005. The excess MPL coverage follows the form of the underlying MPL coverage providing a total of \$35,000 limits of liability. The umbrella liability coverage provides \$35,000 limits of liability in excess of scheduled underlying coverages. The excess umbrella liability coverage is 100% reinsured with an unrelated commercial insurance company for the first \$10,000 limit and another unrelated commercial insurance company for the second \$15,000 limit.

DPIC assumed the MPL and GL coverage previously included under the Health System's self-insurance plan (the "LPT"), for incidents occurring between March 1, 1986 and June 30, 2013 for MPL and for occurrences between March 1, 2004 and June 30, 2013 for GL, that were reported to TPR prior to June 30, 2013. The policy provides MPL coverage limits varying from \$1,000 to \$2,000 per occurrence, with policy aggregates varying from \$3,000 to \$8,000. The policy provides GL coverage limits of \$1,000 per occurrence and \$3,000 annual aggregates.

DPIC also provides employee benefit plan stop loss coverage to the Health System on a claims-made basis. DPIC covers liability in excess of \$350 per covered person with a \$100 deductible. DPIC's liability above \$250 is fully reinsured with an unrelated commercial reinsurance company.

The reserve for reported professional liability claims and claims incurred but not reported ("IBNR") are reported gross of expected insurance recoveries. The reserves for reported claims and claims IBNR are reported within the self-insured liabilities in the consolidated balance sheets. In addition, the expected insurance recoveries are reported as reinsurance receivable in other assets in the consolidated balance sheets.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

Accrued claims activity related to MPL, GL and employee benefit plan, is as follows:

	Years Ended June 30,	
	2025	2024
Accrued claims and IBNR - beginning of the year	\$ 36,116	\$ 33,290
Less: reinsurance receivable	(8,760)	(9,190)
Accrued claims and IBNR, net - beginning of the year	27,356	24,100
Incurred related to:		
Current year	7,900	7,100
Prior year	(4,448)	(2,235)
Total incurred	3,452	4,865
Paid related to:		
Current year	(41)	(43)
Prior year	(1,806)	(1,566)
Total paid	(1,847)	(1,609)
Accrued claims and IBNR, net - end of the year	28,961	27,356
Add: reinsurance receivable	6,495	8,760
Accrued claims and IBNR - end of the year	<u>\$ 35,456</u>	<u>\$ 36,116</u>

AGH is a shareholder of the Freestate Healthcare Insurance Company, Ltd. ("Freestate"), a Cayman Islands company, that provides claims-made professional and general liability coverage for the risks of its covered shareholders, their controlled affiliates, and their respective employees.

Freestate provides primary coverage to its covered shareholders and their affiliates with limits of liability of \$2,000 for each and every claim ("Retained Layer") and provides an excess policy with various limits of liability which is fully reinsured through commercial carriers. AGH has \$15,000 of additional reinsurance in the aggregate through such reinsurance arrangements. The estimated unpaid loss liability reserved by the Captive for AGH and an estimated liability for incurred but not reported claims was \$5,476 in total at June 30, 2025 is included in other liabilities in the consolidated balance sheet.

AGH has served notice of withdrawal from Freestate effective March 1, 2026. Professional and general liability coverage for the Corporation will be provided by DPIC at that time.

The Health System is also self-insured for workers' compensation up to an annual limit of \$500 per occurrence. The Health System carries an excess liability insurance policy for workers' compensation claims above this limit. As of June 30, 2025 and 2024, \$4,548 and \$4,531, respectively, have been reserved for workers' compensation loss contingencies.

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

AGH is a member of the Maryland Hospital Association (“MHA”) Workers’ Compensation Self-Insurance Group to self-insure for worker’s compensation benefits. The annual premium for worker’s compensation is calculated based on the Corporation’s payroll estimate and MHA rates per payroll classification. The MHA rates are determined based on past experience. In lieu of paying unemployment tax premiums to the State of Maryland, the Corporation secured a letter of credit with a bank. As of June 30, 2025 the letter of credit was in the amount of \$474.

AGH maintains an agreement with a third-party to administer a self-insured health plan that benefits Hospital employees and their dependents. On behalf of participating employees, the Corporation pays the cost of health claims and an administration fee for each subscriber employee. The participating associates share in the cost by remitting a pre-established premium through payroll deductions. Additionally, the Hospital obtains stop loss insurance to cover possible claims in excess of expected claims. The stop loss insurance agreements are annual agreements, subject to annual renewals. The Corporation submits a claim for reimbursement of stop loss insurance when claims exceed a pre-established ceiling. As of June 30, 2025 \$751 has been reserved for the AGH’s self-insurance health claims.

The Health System has been named as a defendant in various lawsuits arising from the performance of its normal activities. In the opinion of the Health System’s management, after discussion with legal counsel, the amount, if any, of the Health System’s ultimate liability under these lawsuits will not have a material adverse effect on the consolidated financial statements.

**NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS**

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

	June 30,	
	2025	2024
Subject to expenditure for specific purpose or time:		
Capital purposes	\$ 45,432	\$ 38,120
Patient services	17,506	16,036
Educational purposes	10,522	9,543
	73,460	63,699
Investments to be held in perpetuity, the income from which is expendable to support health care services	8,594	8,578
	<u>\$ 82,054</u>	<u>\$ 72,277</u>

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 16 - CONCENTRATIONS OF CREDIT RISK**

The Health System grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of accounts receivable from patients and third-party payors is as follows:

	Years Ended June 30,	
	2025	2024
Medicare	54%	53%
Medicaid	18	19
Managed care	13	13
CareFirst Blue Cross Blue Shield	13	13
Other, including self-pay	2	2
	<u>100%</u>	<u>100%</u>

**NOTE 17 - FUNCTIONAL EXPENSES**

The Health System considers health care services and general and administrative to be its primary functional categories for purposes of expense classification. The operating expenses by functional classification:

	Year Ended June 30, 2025		
	Health Care Services	General and Administrative	Total
Salaries and wages	\$ 429,973	\$ 54,128	\$ 484,101
Supplies and other expenses	356,159	43,288	399,447
Employee benefits	86,401	10,946	97,347
Depreciation and amortization	31,009	3,842	34,851
Interest	6,293	795	7,088
	<u>\$ 909,835</u>	<u>\$ 112,999</u>	<u>\$ 1,022,834</u>
	Year Ended June 30, 2024		
	Health Care Services	General and Administrative	Total
Salaries and wages	\$ 367,084	\$ 44,737	\$ 411,821
Supplies and other expenses	301,711	38,597	340,308
Employee benefits	63,487	7,888	71,375
Depreciation and amortization	32,201	3,878	36,079
Interest	5,950	714	6,664
	<u>\$ 770,433</u>	<u>\$ 95,814</u>	<u>\$ 866,247</u>

**TidalHealth, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**  
**(Dollar amounts in thousands)**

**NOTE 18 - SUBSEQUENT EVENTS**

The Health System has evaluated its June 30, 2025 consolidated financial statements for subsequent events through October 6, 2025 the date the consolidated financial statements were issued. Management is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.



## SUPPLEMENTARY INFORMATION

TidalHealth, Inc.  
**CONSOLIDATING BALANCE SHEET**  
June 30, 2025  
*(Dollar amounts in thousands)*

	TidalHealth	TidalHealth Peninsula Regional	TidalHealth Nanticoke	Atlantic General Hospital	Combined TidalHealth Medical Partners	McCready Foundation	Peninsula Health Ventures	TidalHealth Surgery Center	Peninsula Regional Clinically Integrated Network	TidalHealth Foundation	Delmarva Peninsula Insurance Company	Eliminations	Consolidated
<b>ASSETS</b>													
<b>Current assets</b>													
Cash and cash equivalents	\$ 1,376	\$ 10,113	\$ 1,902	\$ 12,897	\$ 1,616	\$ 755	\$ 13,162	\$ 692	\$ 16	\$ 2,262	\$ 8,338	\$ -	\$ 53,130
Short-term investments	-	7,535	-	-	-	-	-	-	-	-	-	-	7,535
Assets limited as to use	-	-	-	-	-	-	-	-	-	-	990	-	990
Intercompany receivables	3,775	1,662	262	-	-	11	77	-	-	-	-	(5,786)	-
Patient accounts receivable	-	65,867	28,393	15,174	14,367	634	1,599	572	-	-	-	-	126,606
Supplies	-	12,287	7,407	2,585	-	30	-	177	-	-	-	-	22,487
Prepays and other	1,640	13,897	1,587	4,386	3,621	49	103	5	-	-	-	-	25,287
Total current assets	6,791	111,361	39,551	35,042	19,603	1,479	14,941	1,446	16	2,262	9,328	(5,786)	236,035
<b>Investments</b>	1,017	433,467	53,208	28,210	-	-	-	-	-	-	-	-	515,902
<b>Investments in subsidiaries</b>	963,007	-	-	-	-	-	-	-	-	-	-	(963,007)	-
<b>Assets limited as to use</b>													
Under debt agreement	25,486	-	-	339	-	-	-	-	-	-	-	-	25,825
Self-insurance fund	-	-	-	-	-	-	-	-	-	-	57,566	-	57,566
Donor-restricted fund	-	66,028	-	-	-	-	-	-	-	10,210	-	-	76,237
	25,486	66,028	-	339	-	-	-	-	-	10,210	57,566	-	159,628
<b>Property and equipment, net</b>	-	170,674	92,455	55,937	15,547	9,526	11,997	1,938	-	-	-	-	358,074
<b>Other assets</b>	9,939	10,533	389	25,643	12,762	-	19,462	-	-	1,278	6,619	-	86,626
Total assets	\$ 1,006,239	\$ 792,063	\$ 185,603	\$ 145,172	\$ 47,912	\$ 11,006	\$ 46,401	\$ 3,384	\$ 16	\$ 13,750	\$ 73,514	\$ (968,793)	\$ 1,356,265

TidalHealth, Inc.  
CONSOLIDATING BALANCE SHEET - CONTINUED

June 30, 2025  
(Dollar amounts in thousands)

	TidalHealth	TidalHealth Peninsula Regional	TidalHealth Nanticoke	Atlantic General Hospital	Combined TidalHealth Medical Partners	McCready Foundation	Peninsula Health Ventures	TidalHealth Surgery Center	Peninsula Regional Clinically Integrated Network	TidalHealth Foundation	Delmarva Peninsula Insurance Company	Eliminations	Consolidated
<b>LIABILITIES AND NET ASSETS</b>													
<b>Current liabilities</b>													
Current portion of long-term debt	\$ 1,735	\$ 4,705	\$ -	\$ 1,933	\$ -	\$ 310	\$ 414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,097
Current portion of lease liability	-	1,877	92	1,982	2,936	-	705	-	-	-	-	-	7,592
Current portion self-insurance liabilities	859	53	-	-	-	-	-	-	-	-	-	-	913
Intercompany payables	-	-	-	-	1,081	-	4,199	-	-	506	-	(5,786)	-
Accounts payable	33,147	8,544	3,067	10,599	3,539	357	1,984	359	109	-	773	-	62,477
Accrued liabilities	12,256	23,618	3,266	7,184	14,816	366	40	116	82	-	-	-	61,744
Advances from third-party payors	-	10,882	-	1,751	-	59	-	-	-	-	-	-	12,691
Total current liabilities	47,997	49,679	6,425	23,448	22,372	1,092	7,342	475	191	506	773	(5,786)	154,514
Long-term debt, less current portion	90,729	110,529	-	36,223	-	7,031	4,593	-	-	-	-	-	249,105
Lease liability, less current portion	-	9,349	231	18,067	10,563	-	1,107	-	-	-	-	-	39,317
Self-insured liabilities	3,743	-	-	5,476	-	-	-	-	-	-	35,455	-	44,675
Accrued retirement benefits	14,351	-	-	-	-	-	-	-	-	-	-	-	14,351
Other liabilities	2,021	-	378	3,305	37	-	1,117	-	-	27	-	-	6,885
Total liabilities	158,841	169,558	7,033	86,520	32,973	8,123	14,159	475	191	533	36,228	(5,786)	508,848
<b>Net assets</b>													
Without donor restrictions	765,344	552,386	178,570	58,204	14,939	2,882	32,242	2,909	(175)	1,730	37,285	(880,953)	765,363
With donor restrictions	82,054	70,119	-	448	-	-	-	-	-	11,487	-	(82,054)	82,054
Total net assets	847,398	622,505	178,570	58,652	14,939	2,882	32,242	2,909	(175)	13,217	37,285	(963,007)	847,417
Total liabilities and net assets	\$ 1,006,239	\$ 792,063	\$ 185,603	\$ 145,172	\$ 47,912	\$ 11,006	\$ 46,401	\$ 3,384	\$ 16	\$ 13,750	\$ 73,514	\$ (968,793)	\$ 1,356,265

TidalHealth, Inc.  
**CONSOLIDATING STATEMENT OF OPERATIONS**  
Year ended June 30, 2025  
*(Dollar amounts in thousands)*

	<u>TidalHealth</u>	<u>TidalHealth Peninsula Regional</u>	<u>TidalHealth Nanticoke</u>	<u>Atlantic General Hospital</u>	<u>Combined TidalHealth Medical Partners</u>	<u>McCreedy Foundation</u>	<u>Peninsula Health Ventures</u>	<u>TidalHealth Surgery Center</u>	<u>Peninsula Regional Clinically Integrated Network</u>	<u>TidalHealth Foundation</u>	<u>Delmarva Peninsula Insurance Company</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>Net assets without donor restrictions</b>													
<b>Revenue</b>													
Patient service revenue	\$ -	\$ 551,885	\$ 221,931	\$ 25,452	\$ 101,115	\$ 8,092	\$ 3,264	\$ 4,092	\$ -	\$ -	\$ -	\$ -	\$ 915,831
Other revenue	1	41,790	19,108	3,054	3,993	1,069	2,356	-	1,736	-	13,477	(13,477)	73,108
Total revenue	1	593,677	241,039	28,505	105,107	9,161	5,620	4,092	1,736	-	13,477	(13,477)	988,938
<b>Expenses</b>													
Salaries and wages	-	214,459	73,100	12,921	169,260	7,671	2,803	2,423	1,464	-	-	-	484,101
Supplies and other expenses	-	268,130	133,000	13,984	(17,095)	3,617	1,157	3,029	819	3	6,282	(13,477)	399,447
Employee benefits	-	56,000	15,536	2,156	19,759	2,329	645	579	344	-	-	-	97,347
Depreciation and amortization	-	22,695	8,495	1,115	1,496	441	518	90	-	-	-	-	34,851
Interest	-	4,476	2,144	285	-	173	11	-	-	-	-	-	7,088
Contributions to Hospital	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses	-	565,760	232,274	30,461	173,420	14,230	5,134	6,121	2,627	3	6,282	(13,477)	1,022,834
Income (loss) from operations before other items	1	27,917	8,765	(1,956)	(68,313)	(5,069)	486	(2,029)	(891)	(3)	7,195	-	(33,896)
<b>Other items</b>													
Investment return	2,382	39,271	4,634	1,755	248	92	733	-	-	83	5,173	-	54,371
Contributions received in acquisitions	58,856	-	-	-	-	-	-	-	-	-	-	-	58,856
Other	-	1,199	105	175	213	-	-	-	-	-	-	-	1,692
Total other items	61,238	40,470	4,739	1,930	461	92	733	-	-	83	5,173	-	114,919
<b>EXCESS OF (DEFICIENCY IN) REVENUE OVER EXPENSES</b>	<u>\$ 61,239</u>	<u>\$ 68,387</u>	<u>\$ 13,504</u>	<u>\$ (26)</u>	<u>\$ (67,852)</u>	<u>\$ (4,977)</u>	<u>\$ 1,219</u>	<u>\$ (2,029)</u>	<u>\$ (891)</u>	<u>\$ 80</u>	<u>\$ 12,368</u>	<u>\$ -</u>	<u>\$ 81,023</u>