

INDIANA SPINE HOSPITAL, LLC

FINANCIAL STATEMENTS

For the Years Ended December 31, 2024, 2023, and 2022

INDIANA SPINE HOSPITAL, LLC

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Independent Accountants' Review Report

**To the Members
Indiana Spine Hospital, LLC
Carmel, Indiana**

We have reviewed the accompanying financial statements of Indiana Spine Hospital, LLC (the "Company"), which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements"). A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CBIZ CPAs P.C.

Indianapolis, Indiana
April 14, 2025

INDIANA SPINE HOSPITAL, LLC
BALANCE SHEETS
December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
Cash	\$ 3,923,142	\$ 1,518,460	\$ 941,614
Patient accounts receivable, net (Note 2)	15,319,431	11,658,300	11,079,062
Other current assets	655,896	719,210	546,076
	<u>19,898,469</u>	<u>13,895,970</u>	<u>12,566,752</u>
Total Current Assets			
Other Assets			
Property and equipment, net (Note 3)	616,400	674,980	710,245
Right-of-use asset - operating leases, net (Note 4)	13,317,303	15,034,647	16,703,290
	<u>13,933,703</u>	<u>15,709,627</u>	<u>17,413,535</u>
Total Other Assets			
Total Assets	<u>\$ 33,832,172</u>	<u>\$ 29,605,597</u>	<u>\$ 29,980,287</u>
LIABILITIES AND MEMBERS' EQUITY			
Current Liabilities			
Accounts payable	\$ 4,449,876	\$ 4,013,670	\$ 2,829,630
Accrued distributions	2,745,177	2,130,025	720,873
Accrued expenses	281,254	181,123	168,418
Current portion of operating lease liabilities (Note 4)	1,812,243	1,717,344	1,668,644
	<u>9,288,550</u>	<u>8,042,162</u>	<u>5,387,565</u>
Total Current Liabilities			
Long-term Liabilities			
Operating lease liabilities, less current portion (Note 4)	11,505,060	13,317,303	15,034,646
	<u>20,793,610</u>	<u>21,359,465</u>	<u>20,422,211</u>
Total Liabilities			
Commitments and Contingencies (Note 5)			
Members' Equity	13,038,562	8,246,132	9,558,076
Total Liabilities and Members' Equity	<u>\$ 33,832,172</u>	<u>\$ 29,605,597</u>	<u>\$ 29,980,287</u>

See accompanying notes to Financial Statements and Independent Accountants' Review Report.

INDIANA SPINE HOSPITAL, LLC
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>%</u>	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
Operating Revenues						
Net patient service revenues (Note 2)	\$ 63,599,975	97.5	\$ 50,759,477	97.3	\$ 44,201,568	97.8
Other revenues	<u>1,622,383</u>	<u>2.5</u>	<u>1,382,240</u>	<u>2.7</u>	<u>986,400</u>	<u>2.2</u>
Total Revenues	<u>65,222,358</u>	<u>100</u>	<u>52,141,717</u>	<u>100</u>	<u>45,187,968</u>	<u>100</u>
Operating Expenses						
Medical supplies and drugs	12,208,090	19.2	10,081,660	19.9	9,110,375	20.6
Management fees	8,601,522	13.5	7,256,700	14.3	6,335,124	14.3
Salaries, taxes, and benefits	6,263,464	9.8	5,105,650	10.1	4,731,336	10.7
Rent	2,015,239	3.2	1,985,460	3.9	1,958,521	4.4
Contracted services	2,021,124	3.2	1,559,370	3.1	1,433,061	3.2
Utilities	1,609,502	2.5	1,572,390	3.1	1,596,392	3.6
Other operating expenses	2,319,201	3.6	2,243,219	4.4	2,004,947	4.6
HAF and HIP program fees	<u>120,108</u>	<u>0.2</u>	<u>118,180</u>	<u>0.2</u>	<u>336,909</u>	<u>0.8</u>
Total Operating Expenses	<u>35,158,250</u>	<u>55.2</u>	<u>29,922,629</u>	<u>59.0</u>	<u>27,506,665</u>	<u>62.2</u>
Net Income	<u>\$ 30,064,108</u>	<u>44.8</u>	<u>\$ 22,219,088</u>	<u>41.0</u>	<u>\$ 17,681,303</u>	<u>37.8</u>

See accompanying notes to Financial Statements and Independent Accountants' Review Report.

INDIANA SPINE HOSPITAL, LLC
STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2024, 2023, and 2022

Members' Equity at January 1, 2022	\$ 8,919,051
Issuance of membership units	769,000
Redemptions of membership units	(60,000)
Net income	17,681,303
Member distributions	<u>(17,751,278)</u>
Members' Equity at December 31, 2022	9,558,076
Issuance of membership units	491,000
Redemptions of membership units	(60,000)
Net income	22,219,088
Member distributions	<u>(23,962,032)</u>
Members' Equity at December 31, 2023	8,246,132
Issuance of membership units	801,000
Redemptions of membership units	(100,000)
Net income	30,064,108
Member distributions	<u>(25,972,678)</u>
Members' Equity at December 31, 2024	<u><u>\$ 13,038,562</u></u>

See accompanying notes to Financial Statements and Independent Accountants' Review Report.

INDIANA SPINE HOSPITAL, LLC
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2024, 2023, and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities			
Net income	\$ 30,064,108	\$ 22,219,088	\$ 17,681,303
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	378,714	498,270	486,339
Changes in operating assets and liabilities:			
Patient accounts receivable	(3,661,131)	(579,238)	675,732
Other current assets	202,648	19,187	(42,195)
Accounts payable	425,453	1,175,641	(280,694)
Accrued expenses	100,131	12,705	11,197
Total Adjustments	(2,554,185)	1,126,565	850,379
Net cash provided by operating activities	27,509,923	23,345,653	18,531,682
Cash Flows from Investing Activities			
Capital expenditures	(320,134)	(463,005)	(235,554)
Advances to affiliates	(128,581)	(183,922)	(147,617)
Net cash used in investing activities	(448,715)	(646,927)	(383,171)
Cash Flows from Financing Activities			
Distributions to members	(25,357,526)	(22,552,880)	(17,981,831)
Payments on finance lease obligations	-	-	(818,323)
Proceeds from issuance of membership units	801,000	491,000	769,000
Payments for redemption of membership units	(100,000)	(60,000)	(60,000)
Net cash used in financing activities	(24,656,526)	(22,121,880)	(18,091,154)
Increase (Decrease) in Cash	2,404,682	576,846	57,357
Cash, Beginning of Year	1,518,460	941,614	884,257
Cash, End of Year	<u>\$ 3,923,142</u>	<u>\$ 1,518,460</u>	<u>\$ 941,614</u>
Supplemental Cash Flows Disclosure			
Interest paid	\$ -	\$ -	\$ 12,578
Recognition of operating lease right of use assets and liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,343,243</u>

See accompanying notes to Financial Statements and Independent Accountants' Review Report.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Indiana Spine Hospital, LLC (the "Company") is an Indiana Limited Liability Company, which provides comprehensive inpatient care for patients with spinal disorders and abnormalities in the Central Indiana area.

Entity

These financial statements contain only the assets, liabilities, revenues, and expenses specifically related to the business activities of the Company. They do not include the personal assets, liabilities, revenues, or expenses of the individual members.

Management Estimates

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

Patient Account Receivable and Net Patient Service Revenue

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. For third-party payors including Medicaid, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends.

Patient accounts receivable can be impacted by the effectiveness of the Company's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions, or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Company continually reviews the net realizable value of accounts receivable by monitoring and evaluating historical losses, current economic conditions, and other factors unique to the Company's patient base.

Net operating revenues are recorded at the transaction price estimated by the Company to reflect the total consideration due from patients and third-party payors in exchange for providing goods and services in patient care. These services are considered to be a single performance obligation and have a duration of less than one year. Revenues are recorded as these goods and services are provided. The transaction price, which involves significant estimates, is determined based on the Company's standard charges for the goods and services provided, with a reduction recorded for price concessions related to third party contractual arrangements as well as patient discounts and other patient price concessions.

The Company adopted Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, during the year ended December 31, 2023, which introduced a forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including patient and third-party payor receivables. The adoption of this accounting standards update did not have a material impact on the Company's financial position or the results of its operations and cash flows.

See Independent Accountants' Review Report.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

**NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Cash Flows

For purposes of the Statement of Cash Flows, the Company includes demand deposits, time deposits, and highly liquid instruments that are purchased within three months or less of an instrument's maturity date to be cash equivalents.

Inventory

Inventories of drugs and other supplies are valued at the lower of cost and net realizable value. Costs are determined using the first-in, first out (FIFO) method of accounting.

Property, Equipment, and Depreciation

Property and equipment is stated at cost and is depreciated on both a straight-line and accelerated basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Company:

Building and leasehold improvements	2 - 15 years
Equipment	2 - 20 years

Expenditures for normal repairs and maintenance are charged to operations as incurred. The cost of property or equipment retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts in the year of disposal with the resulting gain or loss reflected in earnings.

Long-lived Assets

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Certain long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell.

Fair Value of Financial Instruments

The Company's carrying amount for its financial instruments, which include cash, patient accounts receivable, and accounts payable approximate fair value.

Income Taxes

No provision has been made for federal and state income taxes since the proportionate share of the Company's net income or loss is included in the personal tax returns of the members.

Accounting principles generally accepted in the United States of America require the Company to examine its tax positions for uncertain positions. Management is not aware of any tax positions that are more likely than not to change in the next 12 months or that would not sustain an examination by applicable taxing authorities. The Company's tax returns are subject to examination by federal and state authorities generally for three years after they are filed.

The Company's policy is to recognize penalties and interest as incurred in its Statements of Operations.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Leases

The Company adopted Accounting Standards Codification Topic 842, Leases, under the modified retrospective transition approach effective January 1, 2022. The adoption of this standard required classification of leases as either finance leases or operating leases and resulted in the recognition of right-of-use assets in the amount of \$18,343,243 and lease liabilities in the amount of \$18,343,243 on January 1, 2022. The adoption had no effect on members' equity. Before the adoption of Topic 842, the Company accounted for leases under Topic 840, which required different accounting treatment based on classification between capital leases and operating leases.

The Company applies judgment in determining whether a contract contains a lease and whether a lease is classified as an operating lease or a finance lease. The Company determines the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The lease term is used in determining classification between operating lease and finance lease, calculating the lease liability, and determining the appropriate discount rate.

The Company elected to utilize the transition package of practical expedients permitted within the new standard, which among other things, allows the Company to carryforward the historical lease classification.

The Company has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for any class of underlying asset. Short-term leases have an initial term of 12 months or less with purchase options or extension options that are not reasonably certain to be exercised.

The Company has made an accounting policy election to use a risk-free discount rate for present value lease calculations when the rate implicit in the lease is not readily determinable.

The Company has lease agreements with lease and non-lease components and has elected the practical expedient to account for lease and non-lease components as a single lease component for any class of underlying asset.

Operating Leases

Operating leases are included in right-of-use assets, and current portion of lease liability and noncurrent portion of lease liability, as appropriate. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The right-of-use asset also includes any lease payments made and initial direct costs incurred at lease commencement and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Management Evaluation of Subsequent Events

The Company has evaluated subsequent events through April 14, 2024, the date on which the financial statements were available to be issued.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 2 - PATIENT ACCOUNTS RECEIVABLE AND NET PATIENT SERVICE REVENUES

Patient accounts receivable at December 31, 2024, 2023, and 2022, consisted of these amounts:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Blue Cross Blue Shield	\$ 8,928,359	\$ 6,493,750	\$ 6,221,371
United Health Care	2,061,913	1,597,088	1,776,864
Cigna	2,097,131	2,318,316	1,687,177
Other third party payors	2,229,756	1,059,108	1,346,005
Private pay	<u>2,272</u>	<u>190,038</u>	<u>47,645</u>
Patient accounts receivable, net	<u>\$ 15,319,431</u>	<u>\$ 11,658,300</u>	<u>\$ 11,079,062</u>

Net patient service revenues payor mix at December 31, 2024, 2023, and 2022, consisted of these amounts:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Blue Cross Blue Shield	\$ 37,066,873	\$ 28,273,364	\$ 24,821,086
United Health Care	8,560,214	6,953,617	7,089,064
Cigna	8,706,425	10,093,796	6,731,244
Other third party payors	9,257,030	4,611,287	5,370,087
Private pay	<u>9,432</u>	<u>827,413</u>	<u>190,087</u>
Net patient service revenues	<u>\$ 63,599,974</u>	<u>\$ 50,759,477</u>	<u>\$ 44,201,568</u>

Medicaid and the Hospital Assessment Fee and Healthy Indiana Plan Programs

The Company is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and for Medicaid outpatient services on a predetermined fee schedule. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates and is not subject to retroactive cost-based settlements.

The Company participates in the State of Indiana's Hospital Assessment Fee (HAF) Program. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates. Beginning July 1, 2017, hospitals also started funding the Healthy Indiana Plan (HIP) Program, the State's Medicaid expansion program. The payments related to the HIP Program mirror the Medicaid payments under the HAF program but the funding includes physician, state administration, and certain non-hospital expenditures. During the years ended December 31, 2024, 2023, and 2022, the Company recognized HAF and HIP Program expenses of \$120,108, \$118,180, and \$336,909, respectively, which resulted in increased Medicaid reimbursement. The HAF and HIP assessments are included in the Statements of Operations.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2024, 2023, and 2022:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Medical equipment	\$ 4,654,300	\$ 4,414,280	\$ 4,004,342
Computer equipment and software	2,011,228	2,010,000	1,972,857
Office equipment	554,325	551,740	538,894
Furniture and fixtures	540,416	540,420	540,416
Leasehold improvements	534,610	467,170	464,100
Accumulated depreciation	<u>(7,678,479)</u>	<u>(7,308,630)</u>	<u>(6,810,364)</u>
Property and equipment, net	<u>\$ 616,400</u>	<u>\$ 674,980</u>	<u>\$ 710,245</u>

The provision for depreciation amounted to \$378,714, \$498,270, and \$486,339 for the years ended December 31, 2024, 2023, and 2022, respectively.

NOTE 4 - LEASES

The Company conducts operations from a facility under a non-cancelable operating lease agreement through November 2031. This operating lease agreement was entered into with a related party (See Note 7).

Lease related costs recognized in the Statement of Operations for the years ended December 31, 2024, 2023, and 2022 were \$2,015,239, \$1,985,460, and \$1,958,521, respectively.

Other information related to leases as of and for the years ended December 31, 2024, 2023, and 2022, are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:			
Operating activities cash flows	\$ 1,896,352	\$ 1,868,327	\$ 1,840,716
Non-cash activities involving right-of use assets obtained in exchange for lease liab	\$ -	\$ -	\$ 18,343,243
Weighted average remaining lease t	6.9 years	7.9 years	8.9 years
Weighted average discount rate	1.26%	1.26%	1.26%

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 4 – LEASES (CONTINUED)

Future expected lease payments on lease liabilities as of December 31, 2024, are as follows:

<u>Year Ending December 31,</u>	
2025	\$ 1,924,797
2026	1,953,669
2027	1,982,974
2028	2,012,719
2029	2,042,909
Thereafter	<u>4,002,821</u>
Total minimum lease payments	13,919,889
Less amounts representing interest	<u>(602,586)</u>
Present value of lease liabilities	13,317,303
Less current portion	<u>1,812,243</u>
Long-term portion	<u><u>\$ 11,505,060</u></u>

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, the Company is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Company's commercial insurance, for example, allegations regarding employment practices or performance of contracts. The Company evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term. At December 31, 2024, there were no material claims against the Company from ongoing litigation.

Medical Malpractice Coverage and Claims

The Company is subject to malpractice and other legal proceedings and claims that arise in the ordinary course of its business. Management believes damages, if any, resulting from such claims would be covered by its applicable insurance coverage and not have a material adverse effect on the Company's financial position, operating results, or cash flows.

Indiana Spine Group, LLC ("ISG"), an entity related through common ownership (see Note 7), purchases medical malpractice insurance under an occurrence policy on behalf of the Company and other related entities, and insurance costs are allocated to each entity based on employee salaries and wages. Under such policy, the Company has lifetime coverage for the incidents that occur during the policy period, regardless of when the claims for such incidents were reported to the insurer. No expenses for medical malpractice claims reported under the policy have been recognized in the accompanying financial statements. Under the insurance policy, the Company's liability is limited to \$500,000 per incident and an aggregate annual liability limit of \$10,000,000 for December 31, 2024, 2023, and 2022.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Workers' Compensation

ISG also purchases workers' compensation insurance on behalf of the Company and other related entities, and insurance costs are allocated to each entity based on employee salaries and wages. Under the insurance policy, the Company's self-funded liability is limited to \$500,000 per incident, with an aggregate liability limit of \$500,000.

NOTE 6 - RETIREMENT PLAN

The Company maintains a 401(k) profit-sharing plan (the "Plan") that covers all employees who have completed 500 hours of service within the first six months of employment with the Company and are age 21 or older. The employees are eligible to contribute to the Plan the maximum amount allowed by law. Company contributions consist of nonelective safe harbor contributions equal to 4% of eligible compensation. Participating employees are eligible to receive matching contributions once they are eligible to contribute to the Plan. The Company absorbs all costs of Plan administration.

The matching contributions for the years ended December 31, 2024, 2023, and 2022 totaled \$143,689, \$140,650, and \$100,171, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

ISH Real Estate Investments, LLC

The Company leases its facilities and medical clinic from ISH Real Estate Investments, LLC ("ISH REI"), which is owned by members of the Company (see Note 4). In addition to rent expense, ISH REI pays building operating expenses on the Company's behalf, which the Company reimburses to ISH REI.

Indiana Spine Group, P.C.

Indiana Spine Group, P.C. ("ISG"), which is owned by members of the Company, provides management and billing services for the Company, which paid ISG fees of \$8,601,522, \$7,256,700, and \$6,335,124 for the years ended December 31, 2024, 2023, and 2022, respectively. In addition, the Company pays the vendor that provides meals to ISG's patients and employees and is then reimbursed by ISG.

North Meridian Surgery Center, LLC

North Meridian Surgery Center, LLC ("NMSC"), which is owned by members of the Company, performs spine surgery and pain management outpatient services. The Company pays the vendor that provides meals to NMSC's patients and employees and is then reimbursed by NMSC.

INDIANA SPINE HOSPITAL, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024, 2023, and 2022

NOTE 8 - CONCENTRATION OF CREDIT RISK

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and patients accounts receivable. The Company places its cash and cash equivalents with several financial institutions. At times, such amounts may be in excess of the FDIC insured limit. The Company has never experienced any losses related to these balances. Insurance coverage was \$250,000 per depositor at each financial institution for the years ended December 31, 2024, 2023, and 2022, and non-interest-bearing cash balances may exceed federally insured limits. The Company routinely assesses the financial strength of its third-party payors and patients and, as a consequence, believes that its patients accounts receivable credit risk exposure is limited.

NOTE 9 - MAJOR THIRD-PARTY PAYORS

The Company had three third-party payors that accounted for approximately 86%, 89%, and 87% of the Company's net patient revenues and net patient accounts receivable for the years ended December 31, 2024, 2023, and 2022, respectively.