The Lawrence Memorial Hospital

A Component Unit of the City of Lawrence, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Trustees
The Lawrence Memorial Hospital
Lawrence, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of The Lawrence Memorial Hospital (the "Hospital"), a component unit of the City of Lawrence, Kansas, and its aggregate discretely presented component units as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital and its aggregate discretely presented component units as of December 31, 2025 and 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of LMH Health Foundation, a discretely presented component unit of the Hospital, which represent 73%, 94% and 46%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units as of December 31, 2025; and, which represent 66%, 93% and 36%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units as of December 31, 2024. 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 LMH Health Foundation, is based solely on the report of the other auditors.

Basis for Opinions

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

Responsibilities of Management's for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and the Kansas Municipal Audit and Accounting Guide, we:

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

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

Required Supplementary Information

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

Forvis Mazars, LLP

Kansas City, Missouri
May 4, 2026

Introduction

This management's discussion and analysis of the financial performance of The Lawrence Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2025 and 2024. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, the information and financial data relates solely to the Hospital and does not include its discretely presented component units, LMH Health Foundation and Lawrence Surgery Center, LLC. Dollar amounts are in thousands.

Financial Highlights

- Cash deposits and investments as detailed in Note 2 to the financial statements totaled $149,350 at December 31, 2025, an increase of $483 or 0.3% from the balance of $148,867 reported for December 31, 2024 when cash and investments increased $32,584 or 28.0% from the balance reported at December 31, 2023.
- The Hospital's net position at December 31, 2025 increased $10,561 or 3.5% compared to the increase of $32,991 or 12.1% in 2024.
- The Hospital reported operating income of $4,371 for 2025, representing a 61.8% decrease from operating income of $11,447 in 2024. The Hospital reported an operating loss of $1,561 in 2023.
- Investment income of $9,403 for 2025 increased $2,258, or 31.6%, compared to investment income of $7,145 in 2024. The Hospital reported investment income of $4,600 in 2023.
- Nonoperating revenues includes FEMA funds totaling $10,069 received in 2024 to support the Hospital's COVID-19 pandemic response in prior years.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements, along with the accompanying notes, provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital utilizes accounting practices for a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

The balance sheet and the statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps the user determine its overall financial condition. These statements include all restricted and unrestricted assets and all deferred outflows of resources, all liabilities and all deferred inflows of resources using the accrual basis of accounting. Under the accrual basis of accounting, all of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes during the period. The Hospital's total net position—the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases in the Hospital's net position are one indicator that its financial health is improving. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in medical staff, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. This statement provides the user an understanding of the various sources and uses of cash for the Hospital.

The Hospital's Net Position

The Hospital's net position as illustrated in Table 1 below is the difference between its assets, deferred outflows of resources, liabilities and deferred inflows of resources reported in the balance sheets. Changes in net position were due to negative or positive financial operating results for the respective years.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2025	2024	2023
Assets			
Cash and cash equivalents	$ 35,605	$ 55,686	$ 38,378
Patient accounts receivable, net	44,501	41,957	40,077
Other current assets	30,775	19,366	16,568
Total current assets	110,881	117,009	95,023
Noncurrent cash and investments	111,765	91,028	75,548
Capital assets, net	230,374	224,978	225,605
Lease assets, net	4,061	5,311	4,410
Subscription assets, net	41,776	40,389	38,727
Lease receivable	11,532	12,854	13,510
Other	1,810	1,600	1,853
Total other noncurrent assets	13,342	14,454	15,363
Total Assets	512,199	493,169	454,676
Deferred Outflows of Resources	7,233	-	-
Total Assets and Deferred Outflows of Resources	$ 519,432	$ 493,169	$ 454,676

	2025	2024	2023
Liabilities			
Long-term debt	$ 92,449	$ 84,552	$ 87,461
Lease liabilities	4,423	4,285	3,201
Subscription liabilities	31,349	33,436	34,661
Other current liabilities	63,908	52,752	43,455
Total Liabilities	192,129	175,025	168,778
Deferred Inflows of Resources - Leases	11,606	13,008	13,753
Net Position			
Net investment in capital assets	134,934	136,834	134,334
Restricted - expendable for Capital acquisition	1,621	3,521	3,220
Unrestricted	179,142	164,781	134,591
Total Net Position	315,697	305,136	272,145
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 519,432	$ 493,169	$ 454,676

Cash and cash equivalents totaled $35,605 at December 31, 2025 and reflected a decrease of $20,081 or 36.1% compared to a balance of $55,686 in 2024 and compared to the balance of $38,378 in 2023. The Hospital's cash position in 2025 was reduced due to a transfer of funds to noncurrent investments to provide a higher yield on idle funds.

Net patient accounts receivable increased by $2,544 or 6.1% at December 31, 2025 compared to the balance at December 31, 2024 primarily due to higher patient revenues generated over the year. Net patient accounts receivable increased by $1,880 or 4.7% at December 31, 2024 compared to the balance at December 31, 2023 due to higher patient revenues generated over the year.

Total noncurrent cash and investments at December 31, 2025 increased $20,737 or 22.8% compared to a balance of $91,028 at December 31, 2024 and a balance of $75,548 at December 31, 2023. Funds were transfers from cash and cash equivalents to noncurrent cash and investment during the year.

Net capital assets of $230,374 at December 31, 2025 increased by $5,396 or 2.4% compared to net capital assets of $224,978 at December 31, 2024 when net capital assets decreased by $627 compared to the balance of $225,605 reported at December 31, 2023. The year over year increase is primarily due to the completion of the Cancer Center renovation opened in mid-2025.

Net lease assets decreased by $1,250 or 23.5% at December 31, 2025 compared to the 2024 year-end balance when the balance increased by $901 compared to the 2023 year-end balance. The retirement of the Hill-Rom bed lease is the primary driver of the reduction.

Net subscription assets of $41,776 increased by $1,387 or 3.4% compared to the balance of $40,389 at December 31, 2024 when an increase of $1,662 or 4.3% was reported compared to December 31, 2023.

Lease receivable assets decreased by $1,322 at December 31, 2025 compared to the 2024 year-end balance when the balance decreased by $656 compared to the 2023 year-end balance.

Deferred outflows of resources increased by $7,233 in 2025, reflecting the impact of an asset purchase agreement entered into to acquire a radiation oncology practice (see Note 17).

Long-term debt of $92,449 at December 31, 2025 increased by $7,897 or 9.3% compared to the prior year long-term debt of $84,552 reported at December 31, 2024 which decreased by $2,909 or 3.3% compared to long-term debt of $87,461 at December 31, 2023. The increase is primarily attributable to disbursements from the 2025 Series bonds.

Long-term lease liabilities of $4,423 at December 31, 2025 increased $138 or 3.2% compared to the 2024 year-end balance of $4,285 which decreased $1,084 when compared to the 2023 year-end balance.

Long-term subscription liabilities of $31,349 at December 31, 2025 decreased $2,087 or 6.2% compared to the 2024 year-end balance.

Other current liabilities of $63,908 increased $11,156 or 21.1% compared to the December 31, 2024 of $52,752 which increased by $9,297 or 21.4% compared to the December 31, 2023 balance of $43,455. The increase in 2025 is due to provider tax payments due from the State of Kansas that are accrued for the 4th quarter of 2025.

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. The December 31, 2025 balance of deferred inflows of resources decreased $1,402 compared to the balance at December 31, 2024 and decreased $745 compared to the balance reported at December 31, 2023.

Operating Results and Changes in the Hospital's Net Position

The Hospital's revenues over (under) expenses in 2025 were $9,099 representing a decrease of $15,184 over the prior year results and a net margin of 2.2%. The primary driver in this decrease was $10,069 in COVID-related reimbursement from prior years received in 2024. In 2024, the Hospital reported revenues greater than expenses resulting in a positive $24,283, an increase of $25,132 over the prior year results and a net margin of 6.4%. In 2023, the Hospital reported expenses greater than revenues of $(849).

Table 2: Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues			
Net patient service revenue	$ 413,304	$ 375,436	$ 341,555
Other operating revenues	6,524	6,356	6,222
Total Operating Revenues	419,828	381,792	347,777
Operating Expenses			
Salaries and wages and employee benefits	197,822	188,756	183,792
Purchased services and professional fees	49,517	36,312	37,469
Depreciation and amortization	25,552	23,026	21,466
Other operating expenses	142,566	122,251	106,611
Total Operating Expenses	415,457	370,345	349,338
Operating Income (Loss)	4,371	11,447	(1,561)
Nonoperating Revenues (Expenses)			
Investment income	9,403	7,145	4,600
Interest income from leases	546	574	633
Interest expense	(6,030)	(5,471)	(5,503)
Contributions and other	129	10,208	126
Loss on sale of capital assets	(71)	(13)	(63)
Gain on investment in equity investees	751	393	919
Total Nonoperating Revenues, Net	4,728	12,836	712
Revenues Over (Under) Expenses	9,099	24,283	(849)
Contributions Restricted for Acquisition of Capital Assets	1,462	8,708	2,134
Increase in Net Position	$ 10,561	$ 32,991	$ 1,285

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between operating revenues and the expenses incurred to perform those services.

The Hospital ended 2025 with a net operating income of $4,371, a reduction of $7,076 or 61.8% when compared to the net operating income of $11,447 reported in the prior year.

Inpatient Hospital gross charge revenue increased 22.1% in 2025 when compared to the prior year with total adult and pediatric days of 30,743 reported and an increase of 7.8% for related patient discharges. In 2025, hospital outpatient gross charge revenue increased 5.6% and physician practice gross revenue grew 4.4%. In total for 2025, gross patient revenue grew 8.6% driven significantly by higher inpatient census for most of the year.

Deductions from revenue 8.1% in 2025 and were reported at 75.2% of gross revenue compared to deductions of 75.5% experienced in 2024. Other operating revenues were $168 or 2.6% higher compared to the prior year.

Total operating expenses increased $45,112 or 12.2% when compared to expenses incurred in the prior year. Salaries and benefits increased $9,066 or 4.8% over the prior year. Salaries and benefits were higher due to the annual wage adjustments made in April as well as other market adjustments made to specific work groups based on competitive market wage data.

Purchased services and professional fees increased $13,205 or 36.4%. There were several drivers to the significant increase in purchased services and professional fees. Fees related to locum physicians and physician groups contracted by the Hospital were up 36.0% from prior year. Contract labor was 76.2% higher than the prior year primarily due to increases in nursing departments within the Hospital. Finally, the environmental services department was outsourced during 2025 which was insourced in the prior year.

Other operating costs of $142,566 increased $20,315 when compared to expenses incurred in the prior year. Hospital Provider Assessment of 6% that was implemented in 2025 increased the assessment by $9,057 of 105.2% from the prior year. This cost was more than offset by higher reimbursement in the program that is reflected in net patient services revenue during the year. Drug Supplies costs increased by 9.2% in 2025 when compared to the prior year due to the loss of 340B status midway through the year. Other supplies costs were up 13.3% in 2025 when compared to the prior year due to much higher inpatient census in 2025.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses typically consist of investment earnings on the Hospital's fixed income and equity portfolios, income from the Hospital's investment in the Lawrence Surgery Center, LLC, Mid-America Service Solutions, LLC, interest income from leases and interest expense on bond financing, leases and subscription liabilities; however, in 2024, the Hospital also recognized $10,069 in revenue from FEMA to reimburse expenditures attributed to the Hospital's response to the COVID-19 pandemic.

Favorable market conditions resulted in investment income of $9,403 in 2025, an increase of $2,545 or 31.6% compared to earnings of $7,145 in 2024 and compared to earnings of $4,600 in 2023.

The Hospital recognized a net gain of $751 as a result of the investment in Lawrence Surgery Center, an increase of $358 when compared to income of $393 reported in 2024. Total non-operating income decreased $8,108 in 2025 compared to 2024 entirely due to the FEMA expenditure reimbursement in 2024.

Capital Gifts

The Hospital received contributions restricted for acquisition of capital assets of $1,462 from LMH Health Foundation during 2025 compared to $8,708 in 2024 and $2,134 in 2023. Expended contributions are reflected in unrestricted net position at December 31, 2025 and 2024. Non-expended contributions of $800 are reflected in restricted net position at December 31, 2025.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and non-operating revenues and expenses in 2025 and 2024, discussed earlier.

Capital Assets

At December 31, 2025, the Hospital reported $230,374 invested in capital assets, net of accumulated depreciation as detailed in Note 5 to the financial statements, an increase of $5,395 under the balance reported for 2024. Lease assets decreased by $1,251 from the balance reported in 2024. Subscription assets increased $1,387 in 2025 due to acquiring new computer technology net of related amortization of the subscription assets.

In 2025, the Hospital completed the construction of the new Oncology Center. Progress has also been made on other master facility projects that will be completed in subsequent years.

In 2024, the Hospital expended $1,680 to purchase PET/CT Scanning equipment and $597 in related building modifications to enable clinicians to provide enhanced imaging services primarily for cardiology and oncology patients. A strategic investment of $497 was made to acquire land and an existing structure located adjacent to the main campus to allow opportunity for possible expansion. Additional capital dollars were invested to upgrade the Hospital's fleet of IV pumps, to acquire new fetal monitors, mobile x-ray equipment, and to update information technology infrastructure and devices throughout the organization. These purchases were in addition to ongoing construction of the new Oncology Center and related master facility projects.

Debt

In May 2018, the Hospital issued $77,520 in Series 2018 revenue bonds to finance the LMH Health West construction project and other capital assets acquisitions. The bonds were issued with an $8 million premium. The amount outstanding for the Series 2018 Bonds at December 31, 2025 was $70,360. A new Series 2025 bond series was authorized by the City for $20,000 for expansion of facilities for hospital purposes. Other long-term debt consists of the remaining balance of $7,830 note payable of the $10,000 signed in 2018 to finance the purchase of the 6th & Maine Street medical office building and other obligations to finance surgical robotic equipment acquired in 2021 and 2020, and to replace the Hospital's fleet of patient beds and stretchers in 2021. In 2022, the Hospital financed the installation of a new air handler unit for the main patient tower. In 2025, the Hospital entered into a promissory note payable for with Lawrence Radiation Oncology, LLC for the purchase of their radiation oncology practice. At the end of 2025, the Hospital had $96,629 in long-term debt obligations outstanding compared to $87,076 in 2024, an increase of $9,554 or 11%.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional information should be directed to the Chief Financial Officer by telephoning 785.505.6133.

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and cash equivalents	$ 35,605,437	$ 55,685,645
Current portion of assets held by trustee	2,745,187	2,587,963
Patient accounts receivable, net of allowance for doubtful accounts; 2025 – $17,081,262, 2024 – $14,458,926	44,501,443	41,957,102
Due from third-party payors	13,599,079	2,764,161
Lease receivable - discretely presented component unit	539,887	542,375
Lease receivable	662,323	679,246
Accounts receivable – other	1,122,220	896,382
Supplies	7,174,456	6,394,717
Prepaid expenses and other	4,930,525	5,501,054
Total Current Assets	110,880,557	117,008,645
Noncurrent Cash and Investments		
Held by trustee for debt service	2,745,187	2,587,963
Restricted by donors for capital acquisitions	1,620,514	3,520,434
Other long-term investments	110,144,737	87,507,593
	114,510,438	93,615,990
Less amount required to meet current obligations	2,745,187	2,587,963
	111,765,251	91,028,027
Capital Assets, Net	230,373,774	224,978,382
Lease Assets, Net	4,060,926	5,311,615
Subscription Assets, Net	41,775,856	40,388,806
Other Assets		
Lease receivable - discretely presented component unit	8,879,290	9,419,176
Lease receivable	2,652,715	3,434,519
Other	1,810,026	1,599,952
Total Other Assets	13,342,031	14,453,647
Total Assets	512,198,395	493,169,122
Deferred Outflows of Resources	7,233,325	-
Total Assets and Deferred Outflows of Resources	$ 519,431,720	$ 493,169,122

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Balance Sheets
December 31, 2025 and 2024 **(Continued)**

	2025	2024
LIABILITES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 4,180,129	$ 2,523,462
Current portion of lease liabilities	716,198	902,142
Current portion of subscription liabilities	8,367,179	7,359,771
Accounts payable	16,007,807	14,719,417
Accrued expenses	22,453,684	22,360,414
Accrued interest payable	2,522,522	2,240,410
Retirement plan obligation	284,710	1,318,450
Due to third-party payors	9,375,327	1,327,445
Total Current Liabilities	63,907,556	52,751,511
Other Liabilities		
Long-term debt	92,449,381	84,552,135
Lease liabilities	4,423,104	4,285,300
Subscription liabilities	31,349,088	33,436,375
Total Other Liabilities	128,221,573	122,273,810
Total Liabilities	192,129,129	175,025,321
Deferred Inflows of Resources		
Leases - discretely presented component unit	8,646,275	9,309,632
Leases	2,959,405	3,698,103
	11,605,680	13,007,735
Net Position		
Net investment in capital assets	134,934,260	136,834,247
Restricted – expendable for Capital acquisition	1,620,514	3,520,434
Unrestricted	179,142,137	164,781,385
Total Net Position	315,696,911	305,136,066
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 519,431,720	$ 493,169,122

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
LMH Health Foundation
Statements of Financial Position
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 753,498	$ 982,554
Pledges receivable – current portion	1,371,852	463,074
Total Current Assets	2,125,350	1,445,628
Noncurrent Assets		
Pledges receivable, net of current portion	3,605,787	496,616
Beneficial interests	7,647,905	7,485,383
Investments	24,405,499	19,751,613
	35,659,191	27,733,612
Total Assets	$ 37,784,541	$ 29,179,240
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 7,877	$ 8,109
Total Current Liabilities	7,877	8,109
Net Assets		
Without donor restrictions		
Undesignated	8,486,455	6,194,364
Designated by the board for endowment	8,944,132	8,518,472
	17,430,587	14,712,836
With donor restrictions		
Purpose restrictions	10,655,396	4,988,432
Perpetual in nature	9,690,681	9,469,863
	20,346,077	14,458,295
Total Net Assets	37,776,664	29,171,131
Total Liabilities and Net Assets	$ 37,784,541	$ 29,179,240

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Lawrence Surgery Center, LLC
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents	$ 963,009	$ 756,645
Patient accounts receivables	1,499,539	1,540,880
Supplies	430,497	401,270
Prepaid expenses and other	170,580	206,674
Total Current Assets	3,063,625	2,905,469
Property and Equipment, at Cost		
Leasehold improvements	24,155	24,155
Major movable equipment	3,481,896	3,196,404
Furniture, fixtures and office equipment	87,102	87,102
Computer equipment and software	115,535	113,701
	3,708,688	3,421,362
Less accumulated depreciation	3,246,311	3,068,754
	462,377	352,608
Other Assets		
Right-of-use assets - operating leases - related party	10,420,702	11,012,807
Right-of-use assets - finance leases - related party	284,698	384,719
Right-of-use assets - operating leases	-	172,833
Right-of-use assets - finance leases	43,361	188,801
	10,748,761	11,759,160
Total Assets	$ 14,274,763	$ 15,017,237

	2025	2024
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	$ -	$ 10,094
Accounts payable	350,478	198,063
Accrued expenses	829,937	849,465
Current portion of operating lease liabilities - related party	605,204	592,106
Current portion of finance lease liabilities - related party	55,178	103,213
Current portion of operating lease liabilities	-	172,832
Current portion of finance lease liabilities	67,901	153,402
Total Current Liabilities	1,908,698	2,079,175
Other Liabilities		
Operating lease liabilities - related party	9,815,498	10,420,703
Finance lease liabilities - related party	209,607	289,948
Finance lease liabilities	5,211	43,130
Total Other Liabilities	10,030,316	10,753,781
Total Liabilities	11,939,014	12,832,956
Members' Equity		
Capital contributions	1,237,825	1,237,825
Retained earnings	1,097,924	946,456
Total Members' Equity	2,335,749	2,184,281
Total Liabilities and Members' Equity	$ 14,274,763	$ 15,017,237

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 – $19,618,372, 2024 – $15,960,853	$ 413,303,674	$ 375,435,617
Other	6,524,022	6,355,870
Total Operating Revenues	419,827,696	381,791,487
Operating Expenses		
Salaries and wages	165,448,653	158,182,304
Employee benefits	32,373,715	30,573,772
Professional fees	23,529,633	16,929,147
Purchased services	25,987,445	19,382,716
Supplies	99,933,679	90,309,098
Utilities	4,395,077	4,478,529
Miscellaneous expenses	3,165,874	2,083,572
Licenses, taxes and Kansas provider assessment	17,670,124	8,612,665
Repairs and maintenance	14,549,293	13,262,435
Depreciation and amortization	25,552,243	23,026,441
Insurance	2,153,589	2,153,300
Other capital costs	697,823	1,350,525
Total Operating Expenses	415,457,148	370,344,504
Operating Income	4,370,548	11,446,983
Nonoperating Revenues (Expenses)		
Investment income	9,403,043	7,144,654
Interest income from leases	546,451	573,840
Interest expense	(6,029,544)	(5,471,364)
Contributions and other	128,657	10,208,282
Loss on sale of capital assets	(71,124)	(12,342)
Gain on investment in equity investees	750,574	392,958
Total Nonoperating Revenues, Net	4,728,057	12,836,028
Excess of Revenues Over Expenses Before Contributions Restricted for Acquisition of Capital Assets	9,098,605	24,283,011
Contributions Restricted for Acquisition of Capital Assets	1,462,240	8,707,870
Increase in Net Position	10,560,845	32,990,881
Net Position, Beginning of Year	305,136,066	272,145,185
Net Position, End of Year	$ 315,696,911	$ 305,136,066

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
LMH Health Foundation
Statements of Activities
Years Ended December 31, 2025 and 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenue				
Special event revenue	$ -	$ 148,771	$ 148,771	$ 489,520
Contributions	303,713	6,691,664	6,995,377	2,951,574
Change in beneficial interests	-	162,522	162,522	206,263
Contributions of nonfinancial assets	741,009	17,751	758,760	548,352
Interest and dividend income	533,629	78,281	611,910	676,056
Realized and unrealized gains, net	2,383,799	330,431	2,714,230	1,950,856
Total Support and Revenue	3,962,150	7,429,420	11,391,570	6,822,621
Amounts released from restrictions	1,541,638	(1,541,638)	-	-
Total Support, Revenue and Reclassifications	5,503,788	5,887,782	11,391,570	6,822,621
Expenses				
Program	2,188,055	-	2,188,055	9,356,207
General and administrative	284,534	-	284,534	196,959
Fundraising	313,448	-	313,448	304,398
Total Expenses	2,786,037	-	2,786,037	9,857,564
Change in Net Assets	2,717,751	5,887,782	8,605,533	(3,034,943)
Net Assets, Beginning of Year	14,712,836	14,458,295	29,171,131	32,206,074
Net Assets, End of Year	$ 17,430,587	$ 20,346,077	$ 37,776,664	$ 29,171,131

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Lawrence Surgery Center, LLC
Statements of Income
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Patient revenue	$ 13,153,853	$ 12,316,979
Other revenue	212	131
Total Operating Revenues	13,154,065	12,317,110
Operating Expenses		
Salaries and wages	3,231,709	2,994,022
Employee benefits	1,009,449	913,479
Supplies	4,909,705	4,587,311
Purchased services	410,305	433,286
Professional fees	95,549	95,883
Depreciation and amortization	422,517	409,444
Other expenses	2,027,003	1,935,086
Total Operating Expenses	12,106,237	11,368,511
Operating Income	1,047,828	948,599
Other Income (Expense)		
Interest income	14,137	19,922
Interest expense	(11,831)	(22,309)
Total Other Income (Expense)	2,306	(2,387)
Net Income	$ 1,050,134	$ 946,212

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 407,351,655	$ 373,019,924
Payments to suppliers and contractors	(192,861,743)	(156,669,699)
Payments to employees	(198,861,387)	(186,089,827)
Other receipts, net	4,916,787	5,146,839
Net Cash Provided By Operating Activities	20,545,312	35,407,237
Cash Flows from Noncapital Financing Activities		
Noncapital grants and contributions	128,657	10,208,282
Net Cash Provided By Noncapital Financing Activities	128,657	10,208,282
Cash Flows from Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	12,879,747	-
Principal paid on long-term debt	(2,948,461)	(2,895,152)
Interest paid on long-term debt	(4,203,648)	(3,991,267)
Principal paid on lease liabilities	(1,931,513)	(1,188,514)
Interest paid on lease liabilities	(217,787)	(164,390)
Principal paid on subscription liabilities	(9,180,914)	(7,526,542)
Interest paid on subscription liabilities	(1,703,370)	(1,648,230)
Principal payments received on leases receivable	2,015,134	1,134,728
Interest payments received on leases receivable	546,451	573,840
Purchase of capital assets	(14,356,081)	(13,167,985)
Asset purchase agreement	(8,500,000)	-
Purchase of subscription assets	(3,834,070)	(814,190)
Capital gifts	1,462,240	8,707,870
Proceeds from sale of capital assets	55,000	376,392
Net Cash Used in Capital and Related Financing Activities	(29,917,272)	(20,603,440)
Cash Flows from Investing Activities		
Interest and dividends on investments	8,486,626	6,412,279
Purchase of investments	(120,880,040)	(43,885,201)
Sale of investments	102,524,862	29,249,579
Distributions from affiliates	654,500	633,500
Net Cash Used in Investing Activities	(9,214,052)	(7,589,843)
Increase (Decrease) in Cash and Cash Equivalents	(18,457,355)	17,422,236
Cash and Cash Equivalents, Beginning of Year	61,784,450	44,362,214
Cash and Cash Equivalents, End of Year	$ 43,327,095	$ 61,784,450

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 35,605,437	$ 55,685,645
Cash and cash equivalents in noncurrent cash and investments	7,721,658	6,098,805
Total Cash and Cash Equivalents	$ 43,327,095	$ 61,784,450
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 4,370,548	$ 11,446,983
Depreciation and amortization	25,552,243	23,026,441
Amortization of deferred outflows of resources	657,575	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	(2,544,341)	(1,880,496)
Other accounts receivable	(250,338)	144,258
Estimated amounts due from and to third-party payors	(2,787,036)	85,445
Accounts payable and accrued expenses	(2,944,215)	6,213,032
Deferred inflows of resources	(2,076,088)	(1,354,476)
Supplies	(779,739)	(908,488)
Prepaid expenses	570,529	(1,377,687)
Other	776,174	12,225
Net Cash Provided by Operating Activities	$ 20,545,312	$ 35,407,237
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	$ 4,425,059	$ 1,132,924
Lease obligation incurred for lease assets	1,883,373	2,038,982
Subscription obligation incurred for subscription assets	8,101,035	8,858,062
New lease receivables acquired through new or amended agreements	(674,033)	(609,433)
Amortization of original bond premium	(377,373)	(385,820)
Increase in fair value of investments	1,166,358	888,807

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Lawrence Memorial Hospital is a component unit of the City of Lawrence, Kansas (the City), which operates a hospital, clinics and other health care facilities for the residents of Lawrence, Kansas and surrounding communities. The Hospital is governed by a board of trustees composed of nine members who are appointed by the Mayor and confirmed by the City Commission.

Lawrence Physicians, LLC (LP, LLC) is considered a blended component unit and operates exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the board of trustees of The Lawrence Memorial Hospital.

The Lawrence Memorial Hospital is the sole member of a nonprofit nonstock corporation, Reed Medical Group MDVIP Affiliate, Corporation (MDVIP). MDVIP is considered a blended component unit of the Hospital and was created to employ the two physicians associated with the Hospital's Reed Medical Group Physician Practice.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, LMH Health Foundation (the Foundation) is presented as a discretely presented component unit of the Hospital. See Note 16 for additional information about the Foundation.

Lawrence Surgery Center, LLC (LSC, LLC) is an ambulatory surgical care center located in Lawrence, Kansas. The Hospital holds 70% ownership interest in LSC, LLC. As the Hospital holds a majority equity interest in LSC, LLC, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, the reporting includes LSC, LLC as a component unit of The Lawrence Memorial Hospital and is discretely presented in the Hospital's financial statements. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. See Notes 6 and 17 for additional information about the Hospital's equity interest in LSC, LLC.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, deferred outflows of resources, and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The financial statements include the accounts of The Lawrence Memorial Hospital, Lawrence Physicians, LLC and Reed Medical Group MDVIP Affiliate, Corporation (collectively known as the Hospital). All significant inter-company balances and transactions have been eliminated.

Use of Estimates

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

Cash and Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital considers uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2025, cash equivalents consisted primarily of repurchase agreements and money market mutual funds.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Noncurrent Cash and Investments

Noncurrent cash and investments include (1) assets held by trustees under bond indenture agreements, (2) assets restricted by donors for capital acquisitions and specific purposes and (3) undesignated and unrestricted investments. Amounts required to meet current liabilities of the Hospital are included in current assets. Such funds are primarily invested in money market mutual funds.

Capital Assets

Capital asset acquisitions over $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	2 to 25 years
Buildings	35 to 40 years
Leasehold improvements	5 to 10 years
Equipment	3 to 5 years
Computer software	3 to 5 years

Lease Assets

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

Lease Liabilities

Lease liabilities are initially recorded at present value of payments expected to be made during the lease term. The lease liabilities are reduced by the principal portion of the lease payments made.

Subscription Assets

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

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Deferred Outflows of Resources

The Hospital reports the consumption of net assets that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheets.

Compensated Absences

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

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. Under Kansas law, the Kansas Insurance Department provides excess liability insurance through the Kansas Healthcare Stabilization Fund.

Lease Receivable

The Hospital is a lessor for noncancellable leases of certain buildings and equipment and recognizes a related lease receivable and deferred inflows of resources. At the commencement of a lease, the Hospital initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Inflows of Resources

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

Net Position

Net position of the Hospital is classified in three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. Charges excluded from revenue under the Hospital's charity care policy were approximately $2,342,000 and $3,259,000 in 2025 and 2024, respectively.

The costs of charity care provided under the Hospital's charity care policy were approximately $584,000 and $787,000 in 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Income Taxes

As an essential government function of the City, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Note 2. Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

At December 31, 2025 and 2024, none of the Hospital's bank deposit balances of approximately $541,000 and $315,000, respectively, were exposed to custodial credit risk.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At December 31, 2025 and 2024, the Hospital had the following investments and maturities:

	December 31, 2025				
		Maturities in Years			
Type	Fair Value	Less Than 1	1 – 5	6 – 10	More Than 10
U.S. agencies obligations	$ 42,562,094	$ 14,818,082	$ 25,326,275	$ 2,417,737	$ -
Municipal bonds	1,451,917	503,405	948,512	-	-
Corporate bonds	20,484,902	466,726	6,904,254	13,113,922	-
Mortgage and asset-backed securities	9,606,464	-	-	999,770	8,606,694
Repurchase agreements	36,459,830	36,459,830	-	-	-
Money market mutual funds	6,101,144	6,101,144	-	-	-
Accrued interest	468,844	468,844	-	-	-
	117,135,195	$ 58,818,031	$ 33,179,041	$ 16,531,429	$ 8,606,694
Equity securities	32,214,559				
	$ 149,349,754				

	December 31, 2024		
		Maturities in Years	
Type	Fair Value	Less Than 1	1 – 5
U.S. agencies obligations	$ 59,218,515	$ 15,855,437	$ 43,363,078
Repurchase agreements	58,771,225	58,771,225	-
Money market mutual funds	2,578,371	2,578,371	-
Accrued interest	258,698	258,698	-
	120,826,809	$ 77,463,731	$ 43,363,078
Equity securities	28,039,971		
	$ 148,866,780		

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy limits its investment portfolio to maturities of five years. The money market mutual funds are presented as investments with a maturity of less than one year because they are immediately redeemable in full.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in corporate bonds to those that are rated Baa, or better, by Moody's Investor Services, Inc. and to equity securities included in the Russell 1000 Value Index. At December 31, 2025 and 2024, ratings of the Hospital's investments in money market mutual funds were rated AAA by Moody's Investor Services, Inc.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in repurchase agreements at December 31, 2025 and 2024 are held by the third-party custodians in the Hospital's name. The Hospital's investment policy requires that a third-party safekeeping agreement be obtained for all third-party custodians.

Concentration of Credit Risk

The Hospital places a limit on the amount that may be invested in any single non-federal debt issuer or holdings of equity securities of a single company to no more than 6% of the Hospital's portfolio value. At December 31, 2025 and 2024, the Hospital's investments not directly guaranteed by the U.S. government that constituted more than 5% of its total investments are as follows:

	2025	2024
Repurchase agreements with Commerce Bank, n.a.	24%	40%

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2025	2024
Carrying value		
Deposits[1]	$ 766,121	$ 434,855
Investments	149,349,754	148,866,780
	$ 150,115,875	$ 149,301,635
Included in the following balance sheet captions		
Cash and cash equivalents	$ 35,605,437	$ 55,685,645
Restricted by donors for capital acquisitions and specific operating activities	1,620,514	3,520,434
Current portion of assets held by trustee	2,745,187	2,587,963
Noncurrent cash and investments	110,144,737	87,507,593
	$ 150,115,875	$ 149,301,635

(1) The Hospital utilizes an overnight repurchase agreement for its bank deposits to maximize investment return. At December 31, 2025 and 2024, the overnight repurchase agreement amounted to approximately $36,460,000 and $58,771,000, respectively, and its carrying value is included in the investments above. The repurchase agreement balance is included as a cash equivalent on the balance sheets at year-end.

Investment Income

Investment income for the years ended December 31, 2025 and 2024 consisted of:

	2025	2024
Interest and dividend income	$ 8,236,685	$ 6,255,847
Net increase in fair value of investments	1,166,358	888,807
	$ 9,403,043	$ 7,144,654

Note 3. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at December 31, 2025 and 2024 consisted of:

	2025	2024
Medicare	$ 8,489,730	$ 8,387,851
Medicaid	1,119,794	1,287,283
Other third-party payors	31,863,684	30,214,483
Patients	20,109,497	16,526,411
	61,582,705	56,416,028
Less allowance for uncollectible accounts	17,081,262	14,458,926
	$ 44,501,443	$ 41,957,102

Note 4. Leases Receivable

The Hospital leases a portion of its real estate to various third parties, the terms of which expire 2026 through 2040. Annual payments increase periodically on several of the leases based upon the terms of the lease agreements. The leases were measured based upon the payments at lease commencement. The Hospital leases certain equipment to Lawrence Surgery Center, LLC, a discretely presented component unit of the Hospital. Annual payments are based upon the terms of the lease agreements.

Revenue recognized under lease contracts during the years ended December 31, 2025 and 2024, were approximately $2,562,000 and $1,902,000, respectively, which includes both lease revenue and interest.

The following schedule is expected future minimum lease payments by year as of December 31, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 1,693,277	$ 1,202,210	$ 491,067
2027	1,524,761	1,078,272	446,489
2028	1,461,189	1,058,183	403,006
2029	1,373,308	1,012,328	360,980
2030	1,290,256	969,619	320,637
2031-2035	5,057,106	3,980,046	1,077,060
2036-2040	3,777,835	3,433,557	344,278
	$ 16,177,732	$ 12,734,215	$ 3,443,517

Note 5. Capital Assets

Capital assets activity for the years ended December 31, 2025 and 2024, was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 13,089,771	$ -	$ -	$ -	$ 13,089,771
Land improvements	9,669,507	-	-	89,513	9,759,020
Buildings and leasehold improvements	256,689,273	384,077	-	13,269,708	270,343,058
Fixed equipment	1,559,193	112,449	-	-	1,671,642
Major movable equipment	105,939,756	5,324,966	(1,595,969)	5,305,437	114,974,190
Construction in progress	8,629,227	12,435,824	-	(16,639,991)	4,425,060
Lease assets					
Buildings	3,627,171	932,080	(232,331)	-	4,326,920
Equipment	5,938,188	951,293	(2,729,192)	(2,024,667)	2,135,622
Subscription assets	58,038,402	11,935,105	(2,056,556)	-	67,916,951
	463,180,488	32,075,794	(6,614,048)	-	488,642,234
Less accumulated depreciation					
Land improvements	4,468,367	444,221	-	-	4,912,588
Buildings and leasehold improvements	90,356,297	6,795,098	-	-	97,151,395
Fixed equipment	777,768	72,341	-	-	850,109
Major movable equipment	74,995,913	6,385,843	(1,469,845)	1,062,964	80,974,875
Lease assets					
Buildings	1,729,216	570,728	(232,334)	-	2,067,610
Equipment	2,524,528	735,957	(1,863,515)	(1,062,964)	334,006
Subscription assets	17,649,596	10,548,055	(2,056,556)	-	26,141,095
	192,501,685	25,552,243	(5,622,250)	-	212,431,678
Capital assets, net	$ 270,678,803	$ 6,523,551	$ (991,798)	$ -	$ 276,210,556

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 12,592,303	$ 497,468	$ -	$ -	$ 13,089,771
Land improvements	9,660,903	54,051	(45,447)	-	9,669,507
Buildings and leasehold improvements	255,125,954	902,630	(185,288)	845,977	256,689,273
Fixed equipment	1,567,803	-	(8,610)	-	1,559,193
Major movable equipment	103,485,762	4,553,550	(2,931,441)	831,885	105,939,756
Construction in progress	2,674,271	7,632,818	-	(1,677,862)	8,629,227
Lease assets					
Buildings	3,627,171	-	-	-	3,627,171
Equipment	3,899,206	2,038,982	-	-	5,938,188
Subscription assets	51,086,355	9,672,252	(2,720,205)	-	58,038,402
	443,719,728	25,351,751	(5,890,991)	-	463,180,488
Less accumulated depreciation					
Land improvements	4,059,335	454,479	(45,447)	-	4,468,367
Buildings and leasehold improvements	83,861,822	6,679,763	(185,288)	-	90,356,297
Fixed equipment	709,711	76,667	(8,610)	-	777,768
Major movable equipment	70,870,722	6,667,898	(2,542,707)	-	74,995,913
Lease assets					
Buildings	1,296,912	432,304	-	-	1,729,216
Equipment	1,819,242	705,286	-	-	2,524,528
Subscription assets	12,359,757	8,010,044	(2,720,205)	-	17,649,596
	174,977,501	23,026,441	(5,502,257)	-	192,501,685
Capital assets, net	$ 268,742,227	$ 2,325,310	$ (388,734)	$ -	$ 270,678,803

Note 6. Other Assets

Investment in Lawrence Surgery Center, LLC

The Hospital has a 70% membership interest in Lawrence Surgery Center, LLC (LSC, LLC). The net investment totaled approximately $1,635,000 and $1,525,000 at December 31, 2025 and 2024, respectively. The remaining 30% membership interest is held by several physicians who are on the Hospital's active medical staff.

Note 7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31, 2025 and 2024 consisted of:

	2025	2024
Payable to suppliers and contractors	$ 16,007,807	$ 14,719,417
Payable to employees (including payroll taxes and benefits)	20,301,033	20,306,312
Other	2,152,651	2,054,102
	$ 38,461,491	$ 37,079,831

Note 8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2025 and 2024:

	2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018	$ 71,935,000	$ -	$ 1,575,000	$ 70,360,000	$ 1,655,000
Series 2025	-	10,329,747	-	10,329,747	-
Unamortized premiums	5,421,247	-	377,373	5,043,874	-
Notes from direct borrowing					
Note (A)	8,143,736	-	313,358	7,830,378	326,115
Note (B)	-	2,550,000	425,000	2,125,000	1,700,000
Other financing obligations	1,575,614	-	635,103	940,511	499,014
Total long-term debt	87,075,597	12,879,747	3,325,834	96,629,510	4,180,129
Other long-term liabilities					
Lease liabilities	5,187,442	1,883,373	1,931,513	5,139,302	716,198
Subscription liabilities	40,796,146	8,101,035	9,180,914	39,716,267	8,367,179
Total other long-term liabilities	45,983,588	9,984,408	11,112,427	44,855,569	9,083,377
Total long-term obligations	$ 133,059,185	$ 22,864,155	$ 14,438,261	$ 141,485,079	$ 13,263,506

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018	$ 73,435,000	$ -	$ 1,500,000	$ 71,935,000	$ 1,575,000
Unamortized premiums	5,807,067	-	385,820	5,421,247	-
Note from direct borrowing (A)	8,444,827	-	301,091	8,143,736	313,358
Other financing obligations	2,669,675	-	1,094,061	1,575,614	635,104
Total long-term debt	90,356,569	-	3,280,972	87,075,597	2,523,462
Other long-term liabilities					
Lease liabilities	4,336,974	2,038,982	1,188,514	5,187,442	902,142
Subscription liabilities	39,464,626	8,858,062	7,526,542	40,796,146	7,359,771
Total other long-term liabilities	43,801,600	10,897,044	8,715,056	45,983,588	8,261,913
Total long-term obligations	$ 134,158,169	$ 10,897,044	$ 11,996,028	$ 133,059,185	$ 10,785,375

Revenue Bonds Payable

The City issued Series 2018 Hospital Revenue Bonds (Bonds) under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance prior bond issues and reimburse the Hospital for certain capital expenditures. Under related Lease and Guaranty Agreements dated June 1, 1994, as amended and supplemented, the Hospital leases its facilities and substantially all equipment from the City. The Bonds and interest thereon are special, limited obligations of the City payable solely from: (i) lease payments from the Hospital, (ii) a pledge of the Hospital's gross revenues, (iii) a pledge of most Hospital facilities and equipment and (iv) amounts on deposit with the Bond Trustee. Therefore, both the Hospital facilities and equipment and bonds payable are recorded in the accompanying financial statements.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheets. The indenture agreements also require the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.10 to 1.00, and restrictions on incurrence of additional debt.

In 2025, the City authorized the issuance of up to $20,000,000 of additional Hospital Revenue Bonds pursuant to the Series 2025 Supplemental Indenture, which supplements the Indenture of Trust dated May 1, 2018. Proceeds from the Series 2025 authorization may be used for purchasing, acquiring, constructing, improving, equipping, furnishing, repairing, enlarging, or remodeling facilities for hospital purposes, as well as for entering into leases or lease-purchase agreements related to such facilities. The Series 2025 Supplemental Indenture contains restrictive covenants substantially identical to those applicable to the Series 2018 Hospital Revenue Bonds.

Bond premiums are amortized over the life of the bonds using the effective interest method.

Additional information about bond Series 2018 and Series 2025 is as follows:

	Original Balance	Interest Rates	Final Maturity
Series 2018	$ 77,520,000	3.50% - 5.00%	7/1/2048
Series 2025	$ 20,000,000	4.46%	7/1/2045

Notes from Direct Borrowing

(A) In 2018, the Hospital entered a promissory note payable for $10,000,000. The Hospital's outstanding note is secured by, among other things, the Assignment, Mortgage, and other Loan Documents (Security Instruments). This outstanding note contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if any payment of principal and interest or any other required payment is not received by the lender on or before five days after the date that such payment is due; and (2) a provision that if the Hospital is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Monthly payments include principal and interest of 4.0% with the term expiring in 2043.

(B) In 2025, the Hospital entered a promissory note payable with Lawrence Radiation Oncology, LLC d/b/a Precision Cancer Care in connection with an asset purchase transaction. Under the terms of the note, the Hospital borrowed $2,550,000. The note is secured by collateral as defined in a related Security Agreement executed concurrently with the promissory note. Monthly payments include principal and interest of 6.0% with the term expiring in 2027.

Debt Service Requirements

Debt service requirements on long-term debt other than lease and subscription liabilities as of December 31, 2025, are as follows:

		Bonds		Direct Borrowings	
Year Ending December 31,	Total to be Paid **	Principal	Interest	Principal	Interest
2026	$ 5,100,563	$ 1,655,000	$ 3,445,563	$ 2,026,115	$ 320,046
2027	5,999,813	2,633,000	3,366,813	764,412	307,279
2028	5,820,063	2,536,000	3,284,063	353,240	293,992
2029	5,855,313	2,658,000	3,197,313	367,632	280,164
2030	5,892,063	2,786,000	3,106,063	382,609	265,773
2031-2035	30,064,065	16,069,000	13,995,065	2,159,964	1,091,612
2036-2040	31,210,552	19,799,000	11,411,552	2,637,309	632,954
2041-2045	34,771,500	26,824,000	7,947,500	1,264,097	118,504
2046-2048	17,967,500	15,400,000	2,567,500	-	-
	$ 142,681,432	$ 90,360,000	$ 52,321,432	$ 9,955,378	$ 3,310,324

** Per the Series 2025 bond agreement, if on October 31, 2026, the full bond amount issued has not been advanced, the remaining amount to be advanced will be sent to the Hospital to ensure the outstanding balance of bonds is equal to the maximum principal amount of $20,000,000. As such, the full bond amount is included within the debt service requirements table.

Other Financing Obligations

The Hospital is obligated under certain financings for purchase of equipment totaling approximately $941,000 and $1,576,000 at December 31, 2025 and 2024, respectively. Monthly payments of obligations include principal plus interest ranging from 3.25% to 4.0%; terms expire in various years through 2027.

Note 9. Lease Liabilities

The Hospital leases equipment and real estate, the terms of which expire in various years through 2036. The leases were measured based upon the discount rate at lease commencement.

The following is a schedule by year of payments under the leases as of December 31, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 935,890	$ 716,198	$ 219,692
2027	922,838	738,616	184,222
2028	754,927	603,906	151,021
2029	720,822	598,101	122,721
2030	731,682	637,739	93,943
2031-2035	1,918,831	1,749,464	169,367
2036	96,776	95,278	1,498
	$ 6,081,766	$ 5,139,302	$ 942,464

Note 10. Subscription Liabilities

The Hospital has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2033. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of December 31, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 9,864,208	$ 8,367,179	$ 1,497,029
2027	8,071,541	6,945,086	1,126,455
2028	6,927,877	6,089,625	838,252
2029	5,668,893	5,059,370	609,523
2030	4,682,473	4,243,692	438,781
2031-2033	9,361,456	9,011,315	350,141
	$ 44,576,448	$ 39,716,267	$ 4,860,181

Note 11. Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 12. Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $300,000 per individual in 2025 and 2024. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2025 and 2024 is summarized as follows:

	2025	2024
Balance, beginning of year	$ 2,618,401	$ 1,758,410
Claims incurred	15,158,537	15,110,842
Claims and expenses paid	(15,565,730)	(14,250,851)
Balance, end of year	$ 2,211,208	$ 2,618,401

Note 13. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare- Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid- Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid administrative contractor.

Other- Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

The Hospital participates in the Kansas Medicaid Provider Assessment Program (the Program), under which it receives enhanced Medicaid payments funded through provider assessments. Beginning in fiscal year 2025, the Program was revised, including changes to assessment rates and payment methodologies. Payments are based on interim estimates of Medicaid utilization and are subject to reconciliation in subsequent periods. As of December 31, 2025, management believes amounts recorded represent the best estimate of amounts earned and to be received.

Approximately 36% and 32% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

On July 3, 2025, the U.S. Congress enacted the One Big Beautiful Act (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions to Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA did not have a material impact on the results of operations and financial condition as of and for the year ended December 31, 2025. The Hospital is currently evaluating what impact the OBBBA may have on the financial results, cash flows and financial position for future periods.

Note 14. Employee Benefit Plans

457b Defined Contribution Plan

The Hospital sponsors a defined contribution retirement plan covering substantially all employees over age 18 with 1,000 hours of service. The plan is administered by a committee appointed by the board of trustees. The plan provides retirement benefits to plan members.

Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees. Contributions made by plan members totaled approximately $10,864,000 and $9,796,000 in 2025 and 2024, respectively. The Hospital does not contribute to the 457b defined contribution plan.

401a Defined Contribution Plan

The Hospital contributes to a defined contribution plan covering substantially all employees over the age of 18 with 1,000 hours of service. During 2025, the Hospital adopted an amendment to the plan that removed the eligibility service requirement. Retirement expense is recorded for the amount of the Hospital’s required contributions, determined in accordance with the terms of the plan. The plan is administered by a committee appointed by the board of trustees.

The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees.

Contributions aggregated approximately $4,156,000 and $3,247,000 during 2025 and 2024, respectively. Employer contributions to the plan are based on the following contribution types:

Employer Basic Contributions

All participants other than physicians are eligible to receive an allocation of employer basic contributions. The employer basic contribution to which a participant is entitled for each quarter of a plan year is 1% of the participant's compensation for such quarter plan year. Only those participants who are employed on the last day of the quarter plan year shall be entitled to an allocation of employer basic contributions for such quarter of the plan year.

Employer Matching Contributions

All participants other than physicians are eligible to receive an allocation of employer matching contributions. Except as limited below, the employer matching contributions to which a participant is entitled for a plan year is an amount equal to 50% of the participant's elective deferral contributions to the 457(b) defined contribution plan for such plan year. Employer matching contributions for participants whose employment classification is not administrative or director level shall not exceed 1% of the participant's compensation for the plan year, and employer matching contributions for participants whose employment classification is administrative or director level shall not exceed 2% of the participant's compensation for such plan year.

Employee Deferral Agreements

The Hospital may, at its discretion, enter into individual compensation deferral agreements with certain employees and physicians, wherein the Hospital agrees to contribute a specified amount of deferred compensation on an annual basis to the plan.

Note 15. LMH Health Foundation

The LMH Health Foundation (the Foundation) is a legally separate tax-exempt component unit of the Hospital. The Foundation is exclusively dedicated to the support of the Hospital. The Foundation's operations are managed by a board of directors separate from the Hospital's board.

In October 1984, the City, upon request of the Hospital, passed an ordinance granting the Hospital's board of trustees the power to transfer personal property and funds previously donated to the Hospital to the Foundation to be held in trust for the benefit of the Hospital. A trust agreement was established between the Hospital and the Foundation.

Although the Hospital does not control the timing or amount of receipts from the Foundation, substantially all of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

During the years ended December 31, 2025 and 2024, the Foundation provided approximately $1,462,000 and $8,708,000 of support to the Hospital, respectively. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: LMH Health Foundation, 325 Maine Street, Lawrence, Kansas 66044.

The Foundation reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's statements in the Hospital's financial reporting entity for these differences.

Note 16. Lawrence Surgery Center, LLC

Lawrence Surgery Center, LLC (LSC, LLC) is a legally separate tax-exempt component unit of the Hospital. LSC, LLC is a joint venture between the Hospital and several physicians who are on the Hospital's active medical staff. LSC, LLC's operations are managed by a board of directors separate from the Hospital's board. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

LSC, LLC has entered into agreements with the Hospital to lease certain equipment and for certain information technology support services. In connection with these agreements LSC, LLC paid the Hospital approximately $56,000 and $179,000 for these services during 2025 and 2024, respectively. LSC, LLC leased certain real estate from the Hospital for approximately $975,000 during 2025 and 2024. As a result of these agreements, LSC, LLC has approximately $10,685,000 and $11,406,000 in related-party lease liabilities recorded on its balance sheets at December 31, 2025 and 2024, respectively. The Hospital has corresponding related-party lease receivables of approximately $9,419,000 and $9,962,000 recorded on its balance sheets at December 31, 2025 and 2024, respectively. As LSC, LLC's related-party lease liabilities are recorded under those standards issued by the FASB, LSC, LLC's related-party lease liabilities will not equal those related-party lease receivables recorded on the Hospital's balance sheets, which are recorded under those standards issued by the GASB.

LSC, LLC approved member distributions to the Hospital of approximately $630,000 and $633,500 during the years ended December 31, 2025 and 2024, respectively. Complete financial statements of LSC, LLC may be obtained from its Administrative Office at the following address: Lawrence Surgery Center, LLC, 6265 Rock Chalk Dr., Lawrence, Kansas 66049.

Note 17. Asset Purchase Agreement

On June 30, 2025, the Hospital entered into an Asset Purchase Agreement to acquire a radiation oncology practice for approximately $8,500,000. The transaction closed effective August 1, 2025, at which time radiation oncology services were incorporated into the Hospital's existing oncology operations. Total consideration transferred under the agreement consisted of a cash payment at closing and seller-financed promissory note (see Note 8 – Long-Term Obligations).

The excess of consideration transferred over the acquisition value of identifiable tangible assets acquired was recorded as a deferred outflow of resources. The Hospital will amortize the deferred outflow of resources in a systematic and rational manner over the period in which the acquired operations are expected to provide economic benefit to the Hospital. In 2025, amortization expense was approximately $660,000 recorded with miscellaneous expense on the statements of revenues, expenses, and changes in net position.

Note 18. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2025 and 2024:

Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2025				
U.S. agencies obligations	$ 42,562,094	$ -	$ 42,562,094	$ -
Municipal bonds	1,451,917	-	1,451,917	
Corporate bonds	20,484,902	-	20,484,902	-
Mortgage and asset-backed securities	9,606,464	-	9,606,464	-
Repurchase agreements	36,459,830	36,459,830	-	-
Money market mutual funds	6,101,144	6,101,144	-	-
Equity securities	32,214,559	32,214,559	-	-
	148,880,910	$ 74,775,533	$ 74,105,377	$ -
Accrued interest	468,844			
	$ 149,349,754			
December 31, 2024				
U.S. agencies obligations	$ 59,218,515	$ -	$ 59,218,515	$ -
Repurchase agreements	58,771,225	58,771,225	-	-
Money market mutual funds	2,578,371	2,578,371	-	-
Equity securities	28,039,971	28,039,971	-	-
	148,608,082	$ 89,389,567	$ 59,218,515	$ -
Accrued interest	258,698			
	$ 148,866,780			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 19. Federal Emergency Management Agency (FEMA) Grant

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. COVID-19 created an immediate threat to the health and safety of the general public, requiring emergency response and protective measures. In response to the COVID-19 pandemic, the Hospital utilized force account materials in taking the Emergency Protective Measures of providing diagnostic testing and personal protective equipment to minimize the spread of the coronavirus and maximize the health and safety of the Hospital's staff and patients.

In 2024, as reimbursement for the costs associated with taking Emergency Protective Measures during the COVID-19 pandemic, the Hospital was a subrecipient of the COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) grant, a Federal Emergency Management Agency (FEMA) federal award, passed through the Kansas Division of Emergency Management in the amount of approximately $10,069,000. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. The Hospital recognized approximately $10,069,000 during the year ended December 31, 2024, and these payments are recorded as nonoperating revenue – contributions and other in the statement of revenues, expenses and changes in net position. In 2025, no amounts were received or recognized.

Note 20. Contingencies

Litigation

In the normal course of business, the Hospital 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 Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Note 21. Condensed Combining Information

The following tables (in thousands) include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2025 and 2024:

	December 31, 2025				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Assets					
Current assets	$ 100,373	$ 10,242	$ 266	$ -	$ 110,881
Capital assets	230,374	-	-	-	230,374
Other assets	181,185	-	-	(10,242)	170,943
Total Assets	$ 511,932	$ 10,242	$ 266	$ (10,242)	$ 512,198
Deferred Outflows of Resources	7,233	-	-	-	7,233
Total Assets and Deferred Outflows of Resources	$ 519,165	$ 10,242	$ 266	$ (10,242)	$ 519,431
Liabilities					
Current liabilities	$ 63,651	$ 661	$ 257	$ (661)	$ 63,908
Noncurrent liabilities	128,222	-	-	-	128,222
Total Liabilities	191,873	661	257	(661)	192,130
Deferred Inflows of Resources	11,606	-	-	-	11,606
Net Position					
Net investment in capital assets	134,934	-	-	-	134,934
Restricted - expendable for Capital acquisition	1,619	-	-	-	1,619
Unrestricted	179,133	9,581	9	(9,581)	179,142
Total Net Position	315,686	9,581	9	(9,581)	315,695
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 519,165	$ 10,242	$ 266	$ (10,242)	$ 519,431

	December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Assets					
Current assets	$ 109,276	$ 7,623	$ 110	$ -	$ 117,009
Capital assets	224,978	-	-	-	224,978
Other assets	158,805	-	-	(7,623)	151,182
Total Assets	$ 493,059	$ 7,623	$ 110	$ (7,623)	$ 493,169
Liabilities					
Current liabilities	$ 52,631	$ -	$ 121	$ -	$ 52,752
Noncurrent liabilities	122,273	-	-	-	122,273
Total Liabilities	174,904	-	121	-	175,025
Deferred Inflows of Resources	13,008	-	-	-	13,008
Net Position					
Net investment in capital assets	136,834	-	-	-	136,834
Restricted - expendable for Capital acquisition	3,521	-	-	-	3,521
Unrestricted	164,792	7,623	(11)	(7,623)	164,781
Total Net Position	305,147	7,623	(11)	(7,623)	305,136
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 493,059	$ 7,623	$ 110	$ (7,623)	$ 493,169

The following tables (in thousands) include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended December 31, 2025 and 2024:

	Year Ended December 31, 2025				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Operating Revenues					
Net patient service revenue	$ 349,622	$ 60,997	$ 2,685	$ -	$ 413,304
Other operating revenues	17,578	2,081	-	(13,135)	6,524
Total Operating Revenues	367,200	63,078	2,685	(13,135)	419,828
Operating Expenses					
Salaries and wages and employee benefits	111,190	85,043	2,002	(413)	197,822
Purchased services and professional fees	37,102	12,349	66	(12,413)	37,104
Other operating expenses	166,177	14,048	617	(309)	180,533
Total Operating Expenses	314,469	111,440	2,685	(13,135)	415,459
Operating Income (Loss)	52,731	(48,362)	-	-	4,369
Nonoperating Revenues (Expenses)	6,806	(120)	-	(1,958)	4,728
Revenues Over (Under) Expenses	59,537	(48,482)	-	(1,958)	9,097
Contributions Restricted for Acquisition of Capital Assets	1,462	-	-	-	1,462
Transfers from Hospital	(50,460)	50,440	20	-	-
Increase in Net Position	10,539	1,958	20	(1,958)	10,559
Beginning Net Position	305,147	7,623	(11)	(7,623)	305,136
Ending Net Position	$ 315,686	$ 9,581	$ 9	$ (9,581)	$ 315,695

	Year Ended December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Operating Revenues					
Net patient service revenue	$ 313,338	$ 59,983	$ 2,115	$ -	$ 375,436
Other operating revenues	109,515	2,707	-	(105,866)	6,356
Total Operating Revenues	422,853	62,690	2,115	(105,866)	381,792
Operating Expenses					
Salaries and wages and employee benefits	187,506	-	1,657	(407)	188,756
Purchased services and professional fees	36,312	105,180	57	(105,237)	36,312
Other operating expenses	145,098	-	401	(222)	145,277
Total Operating Expenses	368,916	105,180	2,115	(105,866)	370,345
Operating Income (Loss)	53,937	(42,490)	-	-	11,447
Nonoperating Revenue	13,978	-	-	(1,142)	12,836
Revenues Over (Under) Expenses	67,915	(42,490)	-	(1,142)	24,283
Contributions Restricted for Acquisition of Capital Assets	8,708	-	-	-	8,708
Transfers from Hospital	(43,632)	43,632	-	-	-
Increase in Net Position	32,991	1,142	-	(1,142)	32,991
Beginning Net Position	272,156	6,481	(11)	(6,481)	272,145
Ending Net Position	$ 305,147	$ 7,623	$ (11)	$ (7,623)	$ 305,136

The following tables (in thousands) include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended December 31, 2025 and 2024:

	Year Ended December 31, 2025				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Net Cash Provided by (Used in) Operating Activities	$ 71,329	$ (50,981)	$ 197	$ -	$ 20,545
Net Cash Provided by (Used in) Noncapital Financing Activities	(50,311)	50,440	-	-	129
Net Cash Used in Capital and Related Financing Activities	(29,917)	-	-	-	(29,917)
Net Cash Used in Investing Activities	(9,214)	-	-	-	(9,214)
Change in Cash and Cash Equivalents	(18,113)	(541)	197	-	(18,457)
Cash and Cash Equivalents, Beginning of Year	61,711	-	73	-	61,784
Cash and Cash Equivalents, End of Year	$ 43,598	$ (541)	$ 270	$ -	$ 43,327

	Year Ended December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Net Cash Provided by (Used in) Operating Activities	$ 79,033	$ (43,632)	$ 6	$ -	$ 35,407
Net Cash Provided by (Used in) Noncapital Financing Activities	(33,424)	43,632	-	-	10,208
Net Cash Used in Capital and Related Financing Activities	(20,603)	-	-	-	(20,603)
Net Cash Used in Investing Activities	(7,590)	-	-	-	(7,590)
Change in Cash and Cash Equivalents	17,416	-	6	-	17,422
Cash and Cash Equivalents, Beginning of Year	44,295	-	67	-	44,362
Cash and Cash Equivalents, End of Year	$ 61,711	$ -	$ 73	$ -	$ 61,784