

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2025 AND 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	11
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	13
STATEMENTS OF CASH FLOWS	14
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)	42
SCHEDULE OF THE HOSPITAL'S CONTRIBUTIONS (UNAUDITED)	43
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY	44
COMPLIANCE LETTER	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	45
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	47



INDEPENDENT AUDITORS' REPORT

Board of Directors
Northfield Hospital
dba: Northfield Hospital + Clinics
Northfield, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northfield Hospital dba: Northfield Hospital + Clinics (the Hospital), a component unit of the City of Northfield, Minnesota, which comprise the statements of net position as of December 31, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Northfield Hospital as of December 31, 2025 and 2024, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northfield 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Board of Directors
Northfield Hospital
dba: Northfield Hospital + Clinics

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and supplemental pension liability information on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2026, on our consideration of Northfield Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northfield Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northfield Hospital's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2026

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

This section of the Hospital's annual audited financial report represents management's discussion and analysis of the Hospital's financial performance during the fiscal year ended December 31, 2025. The analysis will focus on the Hospital's financial performance as a whole. Please read it in conjunction with the audited financial report.

Using This Annual Report

The December 31, 2025 and 2024 audited financial statements that include:

- Independent Auditors' Report
- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

Financial Highlights

The Hospital's total assets and deferred outflows of resources decreased by \$2,258,072 or 2.1% in 2025, and decreased by \$10,802,955 or 9.0% in 2024.

The Hospital's net position increased by \$4,591,581 or 12.7% in 2025, and increased by \$601,208 or 1.7% in 2024.

The Hospital reported operating income of \$1,218,367 in 2025 and an operating loss of \$3,466,207 in 2024. This represents an operating income increase in 2025 of \$4,684,574 and an increase in 2024 of \$9,565,168. The operating income was impacted by an increase in net patient service revenue and a decrease in employee benefits. This was in addition to a decrease in pension expense of \$3,228,243 in 2025 in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (see Note 9).

The Statements of Net Position and Revenues, Expenses, and Changes in Net Position

These financial statements report information about the Hospital using standards issued by the GASB. The statement of net position provides information about the amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). Revenues and expenses are reflected for the current and previous year on the statements of revenues, expenses, and changes in net position. This statement shows the results of the hospital's operations. The last financial statement is the statements of cash flows. Cash flow reflects the movement of money in and out of the hospital that determines the hospital's solvency. It is divided into cash flows from operating, noncapital financing, capital and related financing, and investing activities.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Financial Analysis of the Hospital

The information from the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows are summarized in the following tables. Table 1 reports on the net assets of the Hospital and the changes in them. Increases or decreases in net position are one indicator of whether or not the Hospital's financial health is improving. Table 2 summarizes information from the statements of revenues, expenses, and changes in net position. Other nonfinancial factors can also have an effect on the Hospital's financial position. These can include such things as changes in Medicare and Medicaid regulations and reimbursement, changes with other third-party payors, as well as changes in the economic environment of Northfield and the surrounding areas.

Table 1: Assets, Liabilities, and Net Position

	2025	2024	2023
ASSETS			
Current Assets	\$ 37,427,538	\$ 30,738,457	\$ 24,091,971
Noncurrent Cash and Investments	37,140,129	42,027,536	48,527,675
Other Assets	335,412	335,412	410,412
Capital Assets, Net	27,497,890	30,930,209	35,458,867
Total Assets	<u>102,400,969</u>	<u>104,031,614</u>	<u>108,488,925</u>
Deferred Outflows of Resources	<u>4,850,943</u>	<u>5,478,370</u>	<u>11,824,014</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 107,251,912</u>	<u>\$ 109,509,984</u>	<u>\$ 120,312,939</u>
LIABILITIES			
Total Current Liabilities	\$ 14,831,845	\$ 18,924,318	\$ 28,072,150
Long-Term Debt (Less: Current Maturities)	15,189,508	12,109,296	5,554,746
Total Noncurrent Liabilities	<u>21,151,031</u>	<u>24,803,006</u>	<u>38,584,029</u>
Total Liabilities	<u>51,172,384</u>	<u>55,836,620</u>	<u>72,210,925</u>
Pension Related Deferred Inflows	15,304,394	17,489,811	12,519,669
NET POSITION			
Net Investment in Capital Investments	11,356,669	14,121,829	15,095,838
Restricted by Bond Agreement	17,824	49,091	313,271
Unrestricted	<u>29,400,641</u>	<u>22,012,633</u>	<u>20,173,236</u>
Total Net Position	<u>40,775,134</u>	<u>36,183,553</u>	<u>35,582,345</u>
Total Liabilities and Net Position	<u>\$ 107,251,912</u>	<u>\$ 109,509,984</u>	<u>\$ 120,312,939</u>

The asset categories changing significantly during 2025 was Current Assets and Noncurrent Cash and Investments. Current Assets increased by \$6,674,107 due to an increase in cash. Noncurrent Cash and Investments decreased by \$4,872,433 due to reallocation of funds between cash and investments, as well as capital asset purchases and principal payments on outstanding debt.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Financial Analysis of the Hospital (Continued)

The current ratio (current assets divided by current liabilities) increased in 2025 to 2.52 from 1.62 in 2024. It is a measure of liquidity, providing an indication of the Hospital's ability to pay current liabilities.

Table 2 summarizes information from the statements of revenues, expenses, and changes in net position.

Table 2: Statement of Revenues, Expenses, and Changes in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUE			
Net Patient and Resident Service Revenue	\$ 136,055,239	\$ 129,003,340	\$ 129,025,874
Other Revenues	<u>1,585,879</u>	<u>2,002,473</u>	<u>901,771</u>
Total Operating Revenue	137,641,118	131,005,813	129,927,645
OPERATING EXPENSES			
Salaries and Wages	66,188,312	63,149,251	64,402,245
Employee Benefits	10,020,116	14,602,976	19,481,326
Supplies and Drugs	24,097,534	22,005,018	21,144,013
Purchased Services	19,179,525	17,844,154	20,152,020
Utilities	1,324,539	1,160,324	1,448,092
Other	6,449,798	6,403,535	6,673,796
Depreciation and Amortization	5,480,766	5,534,454	5,873,281
Interest	730,805	969,827	1,096,570
Taxes and Surcharges	<u>2,951,356</u>	<u>2,802,481</u>	<u>2,687,677</u>
Total Operating Expenses	<u>136,422,751</u>	<u>134,472,020</u>	<u>142,959,020</u>
OPERATING INCOME (LOSS)	1,218,367	(3,466,207)	(13,031,375)
NONOPERATING REVENUES (EXPENSES), NET	<u>3,270,417</u>	<u>4,055,279</u>	<u>4,912,914</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	4,488,784	589,072	(8,118,461)
CAPITAL GRANTS AND CONTRIBUTIONS	102,797	12,136	-
Net Position - Beginning of Year	<u>36,183,553</u>	<u>35,582,345</u>	<u>43,700,806</u>
NET POSITION - END OF YEAR	<u>\$ 40,775,134</u>	<u>\$ 36,183,553</u>	<u>\$ 35,582,345</u>

Net patient revenue made up 98.8% of the Hospital's total operating revenue in 2025 and 98.5% in 2024 of the Hospital's total operating revenue. To arrive at net patient revenue, contractual adjustments have been made to gross patient service revenue due to agreements with third-party payors. The increase in net patient revenue during 2025 was due to organic revenue growth.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Financial Analysis of the Hospital (Continued)

Table 3 below shows the contractual adjustments that were recognized:

Table 3: Net Patient and Resident Service Revenue and Contractual Adjustments

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total Patient and Resident Service Revenues	\$ 380,895,418	\$ 359,240,350	\$ 339,244,179
Contractual Adjustments and Provisions for Bad Debt	<u>(244,840,179)</u>	<u>(230,237,010)</u>	<u>(210,218,305)</u>
Net Patient Service Revenue	<u>\$ 136,055,239</u>	<u>\$ 129,003,340</u>	<u>\$ 129,025,874</u>
Contractual Adjustments and Bad Debts as a Percent of Revenues	64.28%	64.09%	61.97%

Total operating expenses increased \$1,950,731 or 1.5% in 2025 and decreased \$8,487,000 or 5.9% in 2024. The decrease in pension expense from the prior year is in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (see Note 9).

The Operating Margin (total operating revenue less total operating expenses divided by total operating revenue) was 0.89% in 2025 up from -2.65% in 2024. Operating income in 2025 was \$1,218,367 and the operating loss in 2024 was \$3,466,207.

Other Operating Revenue decreased by \$416,594 or 20.8% in 2025, after increasing by \$1,100,702 or 122.1% in 2024. This decrease was primarily driven by the pension revenue decrease as part of PERA.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Hospital Statistical Data

Table 4 shows the Hospital's statistical data. This data demonstrates the direct correlation between utilization changes and revenue changes.

Table 4: Statistical Data

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Patient Days			
Acute	4,335	4,162	4,410
Newborn	1,250	1,126	1,046
Total	<u>5,585</u>	<u>5,288</u>	<u>5,456</u>
Admissions			
Acute	1,724	1,604	1,574
Newborn	713	648	594
Total	<u>2,437</u>	<u>2,252</u>	<u>2,168</u>
Discharges			
Acute	1,732	1,597	1,572
Newborn	712	646	595
Total	<u>2,444</u>	<u>2,243</u>	<u>2,167</u>
Average Length of Stay, Acute	<u>2.51</u>	<u>2.59</u>	<u>2.80</u>
Beds			
Acute	37	37	37
Occupancy Percentage			
Acute, Based on 37 Beds	32.1%	30.7%	32.7%

The Hospital's Cash Flows

The Hospital's cash flows are consistent with the changes in operating income and financial performance, as discussed earlier.

Capital Assets

At December 31, 2025, the Hospital had \$27,497,891 invested in capital assets net of accumulated depreciation. The Hospital spent approximately \$1,776,429 on capital purchases in 2025.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Long-Term Debt

Table 5 shows a summary of the Hospital's long-term debt outstanding.

Table 5: Long-Term Debt

	<u>2025</u>	<u>2024</u>	<u>2023</u>
2015B Revenue Bonds	\$ -	\$ 3,805,000	\$ 4,380,000
2016A Revenue Bonds	-	-	7,824,281
2016B Revenue Bonds	1,112,046	1,292,002	1,466,249
2022B Revenue Bonds	-	-	2,024,342
2023A Revenue Bonds	-	-	3,790,000
2024B Revenue Bonds	10,850,000	11,190,000	-
2025C Revenue Bonds	3,773,266	-	-
Leased Equipment	162,023	398,911	603,049
Leased Facilities	243,886	122,467	275,108
	<u>\$ 16,141,221</u>	<u>\$ 16,808,380</u>	<u>\$ 20,363,029</u>
Total Long-Term Debt			

The City of Northfield adopted a resolution authorizing the issuance of \$25,000,000 of Hospital Revenue Bonds in August 2016 to refund the 2006 revenue bonds to decrease the interest rate. The bonds are payable through August 1, 2031, with interest coupons payable monthly at an annual rate of 2.56%.

The City of Northfield adopted a resolution authorizing the issuance of \$8,405,000 of Hospital Revenue Bonds in December 2015 to fund the hospital surgery center expansion and the purchase of capital equipment. The bonds are payable through November 1, 2025, with interest coupons payable at May 1 and November 1 at an annual rate of 2.98%.

The City of Northfield adopted a resolution authorizing the issuance of \$11,190,000 of Hospital Revenue Bonds in December 2024. This issuance refunded the 2023, 2022 and 2016B revenue bonds. The bonds are payable through December 3, 2029, with interest coupons payable monthly at an annual rate of 4.45%.

The City of Northfield adopted a resolution authorizing the issuance of \$3,805,000 of Hospital Revenue Bonds in October 2025 to refund the 2015B revenue bonds. The bonds are payable through September 1, 2032, with interest coupons payable monthly at an annual rate of 3.94%.

Economic Factors

The population of Northfield continues to grow at a reasonably healthy annual rate, and the populations of many surrounding communities that the Hospital serves are growing at rates higher than the state averages – especially to the north. The two private colleges, St. Olaf and Carleton College, remain very stable in both of their enrollments, financial strength, and their economic support to the local community businesses.

At this time there are no signs of any new industries making a move to the community. The larger industrial employers remain stable in their employment and business production.

The economic outlook for the community remains steady to positive.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

Contacting the Hospital

The financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Hospital Administration at Northfield Hospital + Clinics, 2000 North Avenue, Northfield, Minnesota 55057.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
STATEMENTS OF NET POSITION
DECEMBER 31, 2025 AND 2024**

	2025	2024
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,392,520	\$ 274,205
Current Portion of Noncurrent Cash and Investments	1,279,238	1,298,328
Patient Receivables, Less Allowance for Uncollectible Accounts (2025, \$11,783,000; 2024, \$13,383,000)	26,665,144	24,612,932
Accounts Receivable - Other	196,798	227,952
Inventories	2,210,488	2,596,454
Prepaid Expenses	1,683,350	1,728,586
Total Current Assets	37,427,538	30,738,457
NONCURRENT CASH AND INVESTMENTS		
Internally Designated for Health Benefits	1,279,238	1,298,328
Internally Designated for Capital Improvements	37,122,305	41,978,445
Restricted by Bond Agreement	17,824	49,091
Less: Current Portion of Noncurrent Cash and Investments	(1,279,238)	(1,298,328)
Noncurrent Cash and Investments	37,140,129	42,027,536
OTHER ASSETS	335,412	335,412
CAPITAL ASSETS, NET	27,497,890	30,930,209
Total Assets	102,400,969	104,031,614
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Deferred Outflows	4,850,943	5,478,370
Total Assets and Deferred Outflows of Resources	\$ 107,251,912	\$ 109,509,984

See accompanying Notes to Financial Statements.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
STATEMENTS OF NET POSITION (CONTINUED)
DECEMBER 31, 2025 AND 2024**

	2025	2024
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 951,713	\$ 4,699,084
Accounts Payable, Trade	3,912,766	4,707,380
Accrued Payroll and Benefits	9,496,134	8,901,319
Accrued Interest Payable	56,749	21,465
Unearned Revenue	27,483	286,199
Third-Party Payor Settlements Payable	387,000	308,871
Total Current Liabilities	14,831,845	18,924,318
LONG-TERM DEBT, Less Current Maturities	15,189,508	12,109,296
NONCURRENT LIABILITIES		
Net Pension Liability	21,151,031	24,803,006
Total Liabilities	51,172,384	55,836,620
DEFERRED INFLOWS OF RESOURCES		
Pension Related Deferred Inflows	15,304,394	17,489,811
NET POSITION		
Net Investment in Capital Assets	11,356,669	14,121,829
Restricted:		
Expendable Under Bond Agreement	17,824	49,091
Unrestricted	29,400,641	22,012,633
Total Net Position	40,775,134	36,183,553
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 107,251,912	\$ 109,509,984

See accompanying Notes to Financial Statements.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Net Patient and Resident Service Revenue	\$ 136,055,239	\$ 129,003,340
Other Revenues	1,585,879	2,002,473
Total Operating Revenues	137,641,118	131,005,813
OPERATING EXPENSES		
Salaries and Wages	66,188,312	63,149,251
Employee Benefits	10,020,116	14,602,976
Supplies and Drugs	24,097,534	22,005,018
Purchased Services	19,179,525	17,844,154
Utilities	1,324,539	1,160,324
Other	6,449,798	6,403,535
Depreciation	5,480,766	5,534,454
Interest	730,805	969,827
Taxes and Surcharges	2,951,356	2,802,481
Total Operating Expenses	136,422,751	134,472,020
OPERATING INCOME (LOSS)	1,218,367	(3,466,207)
NONOPERATING REVENUES AND EXPENSES, NET		
Investment Income	2,862,844	2,856,800
Noncapital Grants and Contributions	219,329	75,588
Gain on the Sale/Disposal of Assets	263,244	1,197,891
Miscellaneous Expenses	(75,000)	(75,000)
Total Nonoperating Revenues and Expenses, Net	3,270,417	4,055,279
EXCESS OF REVENUES OVER EXPENSES	4,488,784	589,072
Capital Grants and Contributions	102,797	12,136
INCREASE IN NET POSITION	4,591,581	601,208
Net Position - Beginning of Year	36,183,553	35,582,345
NET POSITION - END OF YEAR	\$ 40,775,134	\$ 36,183,553

See accompanying Notes to Financial Statements.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Patients and Third-Party Payors	\$ 134,081,156	\$ 122,744,755
Cash Paid to Employees	(75,872,329)	(77,148,152)
Cash Paid to Suppliers and Contractors	(59,576,129)	(52,421,237)
Other Receipts and Payments, Net	1,617,033	1,876,329
Net Cash Provided (Used) by Operating Activities	249,731	(4,948,305)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Noncapital Grants and Contributions	219,329	75,588
Miscellaneous Expenses	(75,000)	(75,000)
Net Cash Provided by Noncapital Financing Activities	144,329	588
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Sale of Capital Assets	322,946	1,987,066
Purchase of Capital Assets	(1,776,428)	(1,705,631)
Proceeds from Issuance of Long-Term Debt	3,805,000	11,190,000
Principal Payments on Long-Term Debt	(4,803,880)	(14,833,989)
Capital Grants and Contributions	102,797	12,136
Interest Payments on Long-Term Debt	(695,521)	(1,026,565)
Net Cash Used by Capital and Related Financing Activities	(3,045,086)	(4,376,983)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in Noncurrent Cash and Investments	4,906,497	6,392,579
Investment Income	2,862,844	2,856,800
Net Cash Provided by Investing Activities	7,769,341	9,249,379
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,118,315	(75,321)
Cash and Cash Equivalents - Beginning of Year	274,205	349,526
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,392,520	\$ 274,205

See accompanying Notes to Financial Statements.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,218,367	\$ (3,466,207)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,480,766	5,534,454
Interest	730,805	969,827
Provision for Bad Debt Expense	3,768,821	4,339,032
Amortization of Deferred Loss on Refinancing	-	306,073
(Increase) Decrease in:		
Patient Receivables	(5,821,033)	(10,139,415)
Inventories, Prepaids, and Other Receivables	462,356	(738,864)
Pension Related Deferred Outflow	627,427	6,039,571
Increase (Decrease) in:		
Accounts Payable	(794,614)	872,232
Third-Party Payor Settlements Payable	78,129	(458,202)
Accrued Expenses	336,099	604,075
Net Pension Liability	(3,651,975)	(13,781,023)
Pension Related Deferred Inflow	(2,185,417)	4,970,142
Net Cash Provided (Used) by Operating Activities	\$ 249,731	\$ (4,948,305)
NONCASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Assets Acquired by Lease Obligation	\$ 331,721	\$ 89,340

See accompanying Notes to Financial Statements.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Northfield Hospital dba: Northfield Hospital + Clinics (the Hospital), including the onsite Women's Health and Medical Clinics, and offsite Orthopedic, and Medical Clinics at Farmington, Lakeville, Faribault, and Kenyon, is operated by and is a component unit of the City of Northfield, Minnesota (the City) and is governed by the board of directors of Northfield Hospital. The Hospital is exempt from federal and state income taxes and property taxes. The Freestanding clinics are subject to property tax.

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The Hospital has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Government Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Hospital. The Hospital has no funds which meet the GASB criteria. The Hospital is considered a part of the reporting entity of the City of Northfield, Minnesota and is included in the City's financial statements as a component unit.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

Investments in Debt and Equity Securities

Investments in debt and equity securities are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating revenue when earned.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient Receivables

The Hospital provides an allowance for uncollectible accounts using management's judgment. Acute-care patients are not required to provide collateral for services rendered. Payment for services is required within 30 days of receipt of invoice. Past due accounts are individually analyzed for collectability, and then turned over to collection agents. Accounts for which no payments have been received are analyzed and after approval are written off. In addition, an allowance is estimated for other accounts based on historical experience of the Hospital. At December 31, 2025 and 2024, the allowance for uncollectible accounts was \$11,783,000 and \$13,383,000, respectively.

Inventories

The inventories are recorded at the lower of cost or market using the latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets set aside by the board of directors for future capital improvements, assets set aside under bond indenture agreements and assets set aside under employee health insurance arrangements.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and reported at cost, if purchased or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. Useful lives are assigned based on estimated useful lives of depreciable assets recommended by the American Hospital Association. It is the Hospital's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. The estimated useful lives of capital assets are as follows:

Land Improvements	5 to 25 Years
Buildings and Improvements	5 to 40 Years
Equipment	3 to 20 Years

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Patient Revenue

Net patient revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension related deferred inflows.

Net Position

Net position of the Hospital is classified in three components. *Net investment in capital assets* consist of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* is noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures. *Unrestricted* is the remaining net assets that do not meet the definition of *net investment in capital assets or restricted*.

Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Resources

When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from transactions associated with providing health care services – the Hospital's principal activity. Other revenues, including interest income, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, including interest expense.

Concentrations of Credit Risk

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

Charity Care

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy, and an estimated cost (based on cost to charge ratio) of those services and supplies. The estimated costs and expenses incurred to provide charity care for the years ended December 31, 2025 and 2024, was approximately \$197,000 and \$280,000, respectively.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

To the extent available, the Hospital's investments are recorded at fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Leases

The Hospital determines if an arrangement is a lease at inception. Leases are included in capital assets and long-term debt in the statements of net position.

Lease assets represent the Hospital's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Hospital will exercise that option.

The Hospital has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Hospital has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The Hospital accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the Hospital treats the components as a single lease unit.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Hospital's overall net position.

Subsequent Events

Subsequent to year-end, the Hospital entered into an agreement to acquire the Allina Clinic in Northfield, Minnesota. The acquisition was not completed as of the date of issuance, and its potential impact has not been reflected in the financial statements.

In preparing these financial statements, the Hospital has considered events and transactions that have occurred April 24, 2026, the date the financial statements were available to be issued.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 2 DESIGNATED FUNDS

For the years ended December 31, 2025 and 2024, the board of directors has designated \$37,122,305 and \$41,978,445, respectively, for capital expenditures and \$1,279,238 and \$1,298,328, respectively, for the payment of health benefits. Designated funds remain under the control of the board of directors, which may at its discretion later use the funds for other purposes. Designated funds are reflected in noncurrent cash and investments.

NOTE 3 NET PATIENT REVENUE

The Hospital has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. Revenue is recorded at established billing rates, net of contractual adjustments, resulting from agreements with third-party payors.

Medicare

Inpatient acute care and outpatient services provided to Medicare beneficiaries are reimbursed at prospectively determined rates per visit. These rates vary based on patient classification systems that consider clinical, diagnostic, and other factors. The Hospital is reimbursed for certain cost-reimbursable items at tentative rates, with final settlement determined following the submission of annual Medicare cost reports and subsequent audits by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2023.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 NET PATIENT REVENUE (CONTINUED)

Medicare (Continued)

Inpatient acute care services provided to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Outpatient services provided to Medicare outpatient program beneficiaries are subject to the Ambulatory Payment Classification (APC) method. Medicare reimburses the Hospital a predetermined amount for most outpatient services. The following services are excluded from the APC payment methodology; services already paid on a fee schedule, certain drugs, biologicals and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report.

Physician-Based Clinic services are reimbursed using the Medicare Physician Fee Schedule.

Medicaid

Inpatient acute care services provided to Medicaid beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary based on patient classification systems that consider clinical, diagnostic, and other factors. Outpatient services provided to Medicaid beneficiaries are reimbursed on a fee-for-service basis.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 3 NET PATIENT REVENUE (CONTINUED)

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates. As of August 1, 2014, the Hospital Blue Cross contract moved to APR-DRG for inpatient acute care services. As of January 1, 2024, the Hospital Blue Cross contract moved to a fee schedule for outpatient services.

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Changes in estimated settlement amounts resulted in net patient revenue decreasing by approximately \$43,000 and \$28,000 and for the years ended December 31, 2025 and 2024, respectively.

A summary of patient and resident revenues and contractual adjustments is as follows:

	<u>2025</u>	<u>2024</u>
Total Patient and Resident Revenues	\$ 380,895,418	\$ 359,240,350
Contractual Adjustments:		
Medicare	(68,372,896)	(64,797,818)
Medicaid	(4,338,279)	(4,842,610)
Commercial/HMOs	(149,084,635)	(141,047,772)
Provision for Bad Debts	(3,768,821)	(4,339,032)
Other	(19,275,548)	(15,209,778)
Total Contractual Adjustments	<u>(244,840,179)</u>	<u>(230,237,010)</u>
Net Patient and Resident Revenues	<u>\$ 136,055,239</u>	<u>\$ 129,003,340</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Hospital’s deposits may not be returned to it in full. The Hospital follows the Minnesota Statutes for deposits. The Hospital does not have a formal policy regarding the holding of securities by counterparties; however, as of December 31, 2025 or 2024, the Hospital did not have any such arrangements.

In accordance with Minnesota Statutes, the Hospital maintains deposits at financial institutions that are authorized by the Hospital’s board of directors.

Minnesota Statutes require that all Hospital deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minn. Stat. 118.A.03. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Treasurer or in a financial institution other than that furnishing collateral.

At December 31, 2025, the Hospital’s deposits in banks were not fully covered by federal depository insurance or by collateral held by the Hospital’s custodial bank in the Hospital’s name. At December 31, 2024, such deposits were adequately covered.

Investments

Publicly owned hospitals can invest funds in a security recommended by an investment advisor, bank, or trust company, provided the funds are invested according to the hospital’s written investment policies and procedures. The Hospital has a policy that conforms to these requirements and had the following investments at December 31:

	<u>2025</u>	<u>2024</u>
Federal Home Loan Bank	\$ 1,711,032	\$ 966,262
Federal National Mortgage Association	2,949,156	3,389,106
Federal Home Loan Mortgage Corp	2,773,758	1,696,883
Federal Farm Credit Bank	3,872,004	913,580
U.S. Treasury Notes	3,656,845	6,266,435
U.S. Government Obligations	3,499,671	6,603,064
Collateralized Mortgage Obligations	8,189,522	6,572,304
Certificate of Deposit	339,279	3,296,258
U.S. Equities	4,463,239	4,685,290
International Equities	976,129	866,291
Taxable Fixed Income	4,123,859	4,909,951
Other Assets	397,522	423,912
Total	<u>\$ 36,952,016</u>	<u>\$ 40,589,336</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

- **Federal Home Loan Bank:** Consists of discount notes and notes with interest rates of 1.00% to 5.1% maturing from 2026 to 2033 and have AA+ ratings by Standard & Poor's.
- **Federal National Mortgage Association:** Consists of discount notes and notes with interest rates ranging from 1.50% to 3.50% maturing from 2029 to 2039 and have AA+ ratings by Standard & Poor's.
- **Federal Home Loan Mortgage Corp:** Consists of discount notes with interest rates ranging from 1.50% to 4.01% maturing from 2027 to 2041 and have AA+ ratings by Standard & Poor's.
- **Federal Farm Credit Bank:** Consists of discount notes with interest rates ranging from 0.90% to 5.29% maturing from 2026 to 2034 and have AA+ ratings by Standard & Poor's.
- **U.S. Treasury Notes:** Consists of discount notes with interest rates ranging from 0% to 4.875% maturing from 2025 to 2030 and have AA+ ratings by Standard & Poor's.
- **Certificates of Deposits (CD):** Consists of deposits with interest rates ranging from 0% to 5%% maturing in 2026.
- **U.S. Government Obligations:** Consists of discount notes with interest rates ranging from of 0.% to 5.00% maturing from 2024 to 2028 and have BBB – AA+ ratings by Standard & Poor's.
- **Collateralized Mortgage Obligations:** Consists of discount notes with interest rates ranging from of 3.11% to 5.25% maturing from 2026 to 2028 and have BBB – AA+ ratings by Standard & Poor's.
- **Equity Investments:** Consists of common stock of U.S. companies, American Depository Receipts, U.S. dollar denominated foreign equity securities and foreign equity securities of foreign companies that are listed on a major domestic stock exchange or traded in the over the counter markets.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Fair Value Measurements

The Hospital uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. Cash and cash equivalents are stated at cost but are included in the table for comparison purposes to the balance sheet. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Hospital measured at fair value on a recurring basis as of December 31:

2025				
Investment Type	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 339,279	\$ -	\$ -	\$ 339,279
Equities	9,960,749	-	-	9,960,749
U.S. Treasuries	-	3,656,845	-	3,656,845
U.S. Government Agencies	-	14,805,621	-	14,805,621
Collateralized Mortgage Obligations	-	8,189,522	-	8,189,522
Totals	<u>\$ 10,300,028</u>	<u>\$ 26,651,988</u>	<u>\$ -</u>	<u>\$ 36,952,016</u>
2024				
Investment Type	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 3,296,258	\$ -	\$ -	\$ 3,296,258
Equities	10,885,444	-	-	10,885,444
U.S. Treasuries	-	6,266,435	-	6,266,435
U.S. Government Agencies	-	13,568,895	-	13,568,895
Collateralized Mortgage Obligations	-	6,572,304	-	6,572,304
Totals	<u>\$ 14,181,702</u>	<u>\$ 26,407,634</u>	<u>\$ -</u>	<u>\$ 40,589,336</u>

Interest Rate Risk

The Hospital has a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Within these parameters, the liquidity of the investments is a concern, and maximizing income and the quality of the investment is paramount.

Concentration of Credit Risk

The Hospital does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The Finance Department is responsible for the formulation, documentation and monitoring of investment strategy consistent with the investment policy.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk (Continued)

At December 31, 2025 and 2024, deposits and investments are presented in the financial statements as follows:

	<u>2025</u>	<u>2024</u>
Deposits	\$ 6,859,871	\$ 3,010,733
Investments	36,952,016	40,589,336
Total	<u>\$ 43,811,887</u>	<u>\$ 43,600,069</u>
	<u>2025</u>	<u>2024</u>
Included in the Following Balance Sheet Captions:		
Cash and Cash Equivalents	\$ 5,392,520	\$ 274,205
Noncurrent Cash and Investments:		
Internally Designated for Health Benefits	1,279,238	1,298,328
Internally Designated for Capital Improvements	37,122,305	41,978,445
Restricted by Bond Agreement	17,824	49,091
Total	<u>\$ 43,811,887</u>	<u>\$ 43,600,069</u>

As of December 31, 2025 and 2024, accrued interest of \$158,573 and \$64,685, respectively, is included in Internally Designated for Capital Improvements in the above schedules.

For the years ended December 31, investment income is as follows:

	<u>2025</u>	<u>2024</u>
Interest and Dividend Income	\$ 1,792,877	\$ 2,909,364
Realized Gain on Investments	769,035	1,565,974
Unrealized Gain (Loss) on Investments	1,069,967	(52,564)
Total Investment Income	<u>\$ 2,862,844</u>	<u>\$ 2,856,800</u>

NOTE 5 PATIENT RECEIVABLES

Patient receivables reported as current assets by the Hospital at December 31, consist of the following:

	<u>2025</u>	<u>2024</u>
Receivable from Patients and Their Insurance Carriers	\$ 32,560,553	\$ 32,404,934
Receivables from Medicare	4,541,539	4,265,834
Receivables from Medicaid	1,346,052	1,325,164
Total Patient Receivables	<u>38,448,144</u>	<u>37,995,932</u>
Less: Allowance for Doubtful Accounts	<u>(11,783,000)</u>	<u>(13,383,000)</u>
Patient Receivables, Net	<u>\$ 26,665,144</u>	<u>\$ 24,612,932</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 CAPITAL ASSETS, NET

A summary of capital assets and related accumulated depreciation is as follows:

	January 1, 2025	Additions and Transfers	Retirements	December 31, 2025
Capital Assets				
Land	\$ 2,931,772	\$ -	\$ -	\$ 2,931,772
Land Improvements	2,313,108	19,277	(75,126)	2,257,259
Buildings	71,346,333	537,490	-	71,883,823
Building Equipment	3,967,021	111,172	(140,494)	3,937,699
Movable Equipment	32,219,661	1,480,374	(1,552,694)	32,147,341
Leased Equipment	892,109	60,460	(39,344)	913,225
Leased Facilities	419,595	271,261	(209,796)	481,060
Other Real Estate	105,396	-	(105,396)	-
Construction in Progress	613,655	1,375,869	(1,709,465)	280,059
Total	<u>114,808,650</u>	<u>3,855,903</u>	<u>(3,832,315)</u>	<u>114,832,238</u>
Accumulated Depreciation				
Land Improvements	1,438,361	158,965	(47,729)	1,549,597
Buildings	50,141,028	3,295,393	-	53,436,421
Building Equipment	3,078,777	217,257	(108,807)	3,187,227
Movable Equipment	28,315,323	1,391,681	(1,540,952)	28,166,052
Leased Equipment	497,934	267,590	(12,177)	753,347
Leased Facilities	301,622	149,880	(209,798)	241,704
Other Real Estate	105,396	-	(105,396)	-
Total	<u>83,878,441</u>	<u>\$ 5,480,766</u>	<u>\$ (2,024,859)</u>	<u>87,334,348</u>
Total	<u>\$ 30,930,209</u>			<u>\$ 27,497,890</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 6 CAPITAL ASSETS, NET (CONTINUED)

	January 1, 2024	Additions and Transfers	Retirements	December 31, 2024
Capital Assets				
Land	\$ 3,233,283	\$ -	\$ (301,511)	\$ 2,931,772
Land Improvements	2,313,108	-	-	2,313,108
Buildings	73,516,882	296,286	(2,466,835)	71,346,333
Building Equipment	3,863,276	103,745	-	3,967,021
Movable Equipment	34,785,135	1,475,926	(4,041,400)	32,219,661
Leased Equipment	819,044	89,340	(16,275)	892,109
Leased Facilities	483,578	-	(63,983)	419,595
Other Real Estate	105,396	-	-	105,396
Construction in Progress	793,305	1,375,869	(1,555,519)	613,655
Total	<u>119,913,007</u>	<u>3,341,166</u>	<u>(8,445,523)</u>	<u>114,808,650</u>
Accumulated Depreciation				
Land Improvements	1,273,078	165,283	-	1,438,361
Buildings	48,960,557	3,276,281	(2,095,810)	50,141,028
Building Equipment	2,834,511	244,266	-	3,078,777
Movable Equipment	30,847,663	1,401,746	(3,934,086)	28,315,323
Leased Equipment	219,321	294,888	(16,275)	497,934
Leased Facilities	213,614	151,990	(63,982)	301,622
Other Real Estate	105,396	-	-	105,396
Total	<u>84,454,140</u>	<u>\$ 5,534,454</u>	<u>\$ (6,110,153)</u>	<u>83,878,441</u>
Total	<u>\$ 35,458,867</u>			<u>\$ 30,930,209</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 LONG-TERM DEBT

Long-term debt consists of the following as of December 31:

	Balance January 1, 2025	Additions	Payments/ Amortization	Balance December 31, 2025	Amounts Due Within One Year
Hospital Revenue Bonds, Series 2015B	\$ 3,805,000	\$ -	\$ (3,805,000)	\$ -	\$ -
Hospital Revenue Bonds, Series 2016B	1,292,002	-	(179,956)	1,112,046	184,618
Hospital Revenue Bonds, Series 2024B	11,190,000	-	(340,000)	10,850,000	375,000
Hospital Revenue Bonds, Series 2025C	-	3,805,000	(31,734)	3,773,266	128,226
Total Bonds	<u>16,287,002</u>	<u>3,805,000</u>	<u>(4,356,690)</u>	<u>15,735,312</u>	<u>687,844</u>
Leased Equipment	398,911	60,460	(297,348)	162,023	123,559
Leased Facilities	122,467	271,261	(149,842)	243,886	140,310
Total Lease Obligations	<u>521,378</u>	<u>331,721</u>	<u>(447,190)</u>	<u>405,909</u>	<u>263,869</u>
Total Long-Term Debt	<u>\$ 16,808,380</u>	<u>\$ 4,136,721</u>	<u>\$ (4,803,880)</u>	<u>\$ 16,141,221</u>	<u>\$ 951,713</u>

	Balance January 1, 2024	Additions	Payments/ Amortization	Balance December 31, 2024	Amounts Due Within One Year
Hospital Revenue Bonds, Series 2015B	\$ 4,380,000	\$ -	\$ (575,000)	\$ 3,805,000	\$ 3,805,000
Hospital Revenue Bonds, Series 2016A	7,824,281	-	(7,824,281)	-	-
Hospital Revenue Bonds, Series 2016B	1,466,248	-	(174,246)	1,292,002	179,956
Hospital Revenue Bonds, Series 2022B	2,024,342	-	(2,024,342)	-	-
Hospital Revenue Bonds, Series 2023A	3,790,000	-	(3,790,000)	-	-
Hospital Revenue Bonds, Series 2024B	-	11,190,000	-	11,190,000	340,000
Total Bonds	<u>19,484,871</u>	<u>11,190,000</u>	<u>(14,387,869)</u>	<u>16,287,002</u>	<u>4,324,956</u>
Leased Equipment	603,049	89,340	(293,478)	398,911	292,514
Leased Facilities	275,109	-	(152,642)	122,467	81,614
Total Lease Obligations	<u>878,158</u>	<u>89,340</u>	<u>(446,120)</u>	<u>521,378</u>	<u>374,128</u>
Total Long-Term Debt	<u>\$ 20,363,029</u>	<u>\$ 11,279,340</u>	<u>\$ (14,833,989)</u>	<u>\$ 16,808,380</u>	<u>\$ 4,699,084</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The following is a summary of the provisions of each major component of long-term debt:

Hospital Revenue Bonds, Series 2016

These bonds were issued August 5, 2016 in the amount of \$25,000,000 to extinguish the Hospital Revenue Bonds Series 2006. The bonds are limited obligations of the City and are payable primarily from the net revenues of the Hospital and are secured by a mortgage and security agreement between the City and Wells Fargo Bank, MN NA as Trustee.

Interest on the bond is 2.56% and is due monthly from September 2016 through August 2031.

Hospital Revenue Bonds, Series 2024

These bonds were issued December 20, 2024 in the amount of \$11,190,000 to extinguish the Hospital Revenue Bonds Series 2016A, 2022, and 2023. The bonds are limited obligations of the City and are payable primarily from the net revenues of the Hospital and are secured by a mortgage and security agreement between the City and Wintrust NA as Trustee.

Interest on the bond is 4.45% and is due monthly from December 2024 through December 2029. The Hospital is required to meet certain financial covenants related to the outstanding bonds.

Hospital Revenue Bonds, Series 2025

These bonds were issued October 16, 2025 in the amount of \$3,805,000 to extinguish the Hospital Revenue Bond 2015B. The bonds are limited obligations of the City and are payable primarily from the net revenues of the Hospital and are secured by a mortgage and security agreement between the City and Wintrust NA as Trustee.

Interest on the bond is 3.94%, and is due monthly from December 2025 through September 2032, with principal payments due each March 1, June 1, September 1 and December 1 from December 1, 2025 through September 1, 2032. The Hospital is required to meet certain financial covenants related to the outstanding bonds.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 7 LONG-TERM DEBT (CONTINUED)

The revenue bonds loan agreement places limits on the incurrence of additional borrowings and requires the Hospital to satisfy certain measures of financial performance. The Hospital is required to meet certain financial covenants related to the outstanding bonds. The following is a summary of debt service requirements for the Series 2016, 2024, and 2025 bonds to maturity:

<u>Year Ending December 31,</u>	Long-Term Debt	
	Principal	Interest
2026	\$ 687,844	\$ 658,304
2027	712,744	631,120
2028	737,885	604,678
2029	10,023,846	573,776
2030	354,889	133,136
2031-2033	3,218,104	208,693
Total	\$ 15,735,312	\$ 2,809,707

NOTE 8 RETIREMENT PLANS

Plan Description

The Hospital participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

All full-time and certain part-time employees of the Hospital are covered by the General Employees Fund. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Benefits Provided (Continued)

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

Contributions

Minnesota Statutes, Chapter 353, sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the Hospital was required to contribute 7.50% for Coordinated Plan members. The Hospital's contributions to the General Employees Fund for the years ended December 31, 2025 and 2024 were approximately \$4,335,404 and \$4,258,692, respectively. The Hospital's contributions were equal to the required contributions for each year as set by state statute.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension Costs

At December 31, 2025 and 2024, the Hospital reported a liability of \$21,151,031 and \$24,803,006, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Hospital's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Hospital totaled \$510,229 and \$641,355 for the years ended December 31, 2025 and 2024, respectively. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025 and July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the Hospital's proportion share was .6383%, which was a decrease of .033% from its proportion measured as of June 30, 2024.

	2025	2024
Hospital's Proportionate Share of the Net Pension Liability	\$ 21,151,031	\$ 24,803,006
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the Hospital	510,229	641,355
Total	\$ 21,661,260	\$ 25,444,361

There were no benefit provision changes during the measurement period.

For the years ended December 31, 2025 and 2024, the Hospital recognized pension expense of \$779,441 and \$2,808,629, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, the Hospital recognized an additional \$510,229 and \$641,355 during the years ended December 31, 2025 and 2024, respectively, as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension Costs (Continued)

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid. The Hospital recognized \$1,141,168 for the year ended December 31, 2024, as other revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

At December 31, 2025 and 2024, the Hospital reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>December 31, 2025</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,015,230	\$ -
Changes of Assumptions	509,616	4,866,779
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	8,416,197
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	24,163	2,021,418
Hospital Contributions Subsequent to the Measurement Date	2,301,934	-
Total	<u>\$ 4,850,943</u>	<u>\$ 15,304,394</u>
<u>December 31, 2024</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,332,133	\$ -
Changes of Assumptions	121,097	9,387,529
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	7,202,589
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	812,869	899,693
Hospital Contributions Subsequent to the Measurement Date	2,212,271	-
Total	<u>\$ 5,478,370</u>	<u>\$ 17,489,811</u>

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Pension Costs (Continued)

For the years ended December 31, 2025 and 2024, \$2,301,934 and \$2,212,271, respectively, were reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the years ended December 31, 2023 and 2025, respectively. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>2025</u>	<u>2024</u>
2025	\$ -	(7,359,031)
2026	(3,123,660)	(1,624,867)
2027	(4,755,350)	(3,338,811)
2028	(3,372,932)	(1,901,003)
2029	(1,503,443)	-
Total	<u>\$ (12,755,385)</u>	<u>\$ (14,223,712)</u>

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2025, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, actuarial valuation.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2025:

General Employees Fund

Changes in Actuarial Assumptions:

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions:

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

Long-Term Expected Return on Investments

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric)</u>
Domestic Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Private Markets	25.0	5.90%
Fixed Income	25.0	0.75%
Total	<u>100.0 %</u>	

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 8 RETIREMENT PLANS (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2025 and 2024 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Hospital's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
<u>December 31, 2025</u>			
Hospital's Proportionate Share of the Net Pension Liability	\$ 51,372,537	\$ 21,151,031	\$ (3,365,410)
 <u>December 31, 2024</u>	 1% Decrease (6.0%)	 Discount Rate (7.0%)	 1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	\$ 54,173,757	\$ 24,803,006	\$ 642,885

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 9 LEASES

The Hospital leases facilities and computers for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2028 and provide for renewal options ranging from six months to two years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 9 LEASES (CONTINUED)

Total future minimum lease payments under lease agreements are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 263,869	\$ 8,683
2027	118,486	2,440
2028	23,554	211
Total	<u>\$ 405,909</u>	<u>\$ 11,334</u>

Right-to-use assets acquired through outstanding leases are shown in Note 7.

For the years ended December 31, 2025 and 2024, there were no impairment related losses on the lease assets.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Land Lease

The Hospital leases the land on which the facility is located from a local college. The lease term is for 60 years with two 20-year options. The annual rent expense for the first 20 years of the lease is approximately \$6,000. The rent expense in subsequent years will be equal to 5% of the appraised market price for rural agricultural land in the Dakota/Rice County Region. The rent expense would be adjusted to current market rates if certain events were to occur, such as the sale of the Hospital.

Self-Insurance Plan

The Hospital self-insures their employee health and dental insurance program. The Hospital has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative functions. Claims are accrued as incurred. The amounts charged to expense include administrative fees, stop-loss insurance premiums, claims paid, and accruals for claims incurred but not yet paid at year-end. The total health and dental insurance expense for the years ended December 31, 2025 and 2024 was \$5,671,121 and \$7,072,258, respectively, and are included with Accrued Payroll and Benefits.

Medical Malpractice Insurance

The Hospital purchases medical malpractice insurance under a “claims made” policy on a fixed-premium basis. The Hospital has coverage for any individual claims exceeding \$1,000,000, and for aggregate claims exceeding \$3,000,000 for a policy year. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024**

NOTE 10 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Hospital is occasionally involved in legal proceedings which result through the normal course of providing health care services and other matters. Management has assessed its coverage under medical malpractice and other insurances and believes adequate provisions have been made for any amounts it may be responsible to pay under the respective policies deductible amounts.

Health Care Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violation of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Congress passed the Medicare Modernization Act in 2003, which among other things established a demonstration of The Medicare Recovery Audit Contractor (RAC) program. During fiscal year 2007, the RAC's identified and corrected a significant amount of improper overpayments to providers in the demonstration states, which did not include Minnesota. In 2006, Congress passed the Tax Relief and Health Care Act of 2006 which authorized the expansion of the RAC program to all 50 states. While the hospital was selected for a RAC audit during 2017 and 2016, they were not materially impacted and appear to have appropriate policies and procedures to mitigate the risks related to RAC reviews.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (UNAUDITED)
YEARS ENDED DECEMBER 31, 2016 TO 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Hospital's Proportion of the Net Pension Liability	0.6383%	0.6709%	0.6900%	0.6884%	0.6334%
Hospital's Proportionate Share of the Net Pension Liability	\$ 21,151,031	\$ 24,803,006	\$ 38,584,029	\$ 54,521,509	\$ 27,049,019
Hospital's Covered Payroll	\$ 61,872,800	\$ 58,726,265	\$ 58,988,153	\$ 53,518,633	\$ 53,991,160
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	34.18%	42.23%	65.41%	101.87%	50.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.78%	89.08%	83.10%	76.67%	87.00%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Hospital's Proportion of the Net Pension Liability	0.6489%	0.6646%	0.6745	0.6747%	0.5948%
Hospital's Proportionate Share of the Net Pension Liability	\$ 38,904,521	\$ 36,744,246	\$ 37,418,495	\$ 43,072,403	\$ 52,533,192
Hospital's Covered Payroll	\$ 46,274,711	\$ 47,616,107	\$ 46,735,681	\$ 46,735,681	\$ 44,316,610
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	84.07%	77.17%	80.06%	92.16%	118.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.23%	79.53%	75.90%	68.91%

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
SCHEDULE OF THE HOSPITAL'S CONTRIBUTIONS (UNAUDITED)
DECEMBER 31, 2016 THROUGH 2025**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily Required Contribution	\$ 4,609,969	\$ 4,426,458	\$ 4,423,690	\$ 4,042,808	\$ 3,738,643
Contributions in Relation to the Statutorily Required Contribution	<u>4,609,969</u>	<u>4,426,458</u>	<u>4,423,690</u>	<u>4,042,808</u>	<u>3,738,643</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital Covered Payroll	\$ 61,872,800	\$ 58,726,265	\$ 58,988,153	\$ 53,518,633	\$ 53,991,160
Contributions as a Percentage of Covered Payroll	7.45%	7.54%	7.50%	7.55%	6.92%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily Required Contribution	\$ 3,266,052	\$ 3,593,622	\$ 3,458,545	\$ 3,311,327	\$ 3,118,305
Contributions in Relation to the Statutorily Required Contribution	<u>3,266,052</u>	<u>3,593,622</u>	<u>3,458,545</u>	<u>3,311,327</u>	<u>3,118,305</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital Covered Payroll	\$ 46,274,711	\$ 50,053,652	\$ 48,630,870	\$ 46,735,681	\$ 44,316,610
Contributions as a Percentage of Covered Payroll	7.06%	7.18%	7.11%	7.09%	7.04%

**NORTHFIELD HOSPITAL
DBA: NORTHFIELD HOSPITAL + CLINICS
NOTES TO SCHEDULE OF CHANGES IN NET PENSION LIABILITY
DECEMBER 31, 2025**

NOTE 1 NOTES TO NET PENSION LIABILITY

2025 Changes in Actuarial Assumptions

The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for non-vested, terminated members.

The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

2025 Changes in Plan Provision

The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75% , beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

2024 Changes in Actuarial Assumptions

Rates of merit and seniority were adjusted, resulting in slightly higher rates.

Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

Minor increase in assumed withdrawals for males and females.

Lower rates of disability.

Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.

Minor changes to form of payment assumptions for male and female retirees.

Minor changes to assumptions with respect to missing participant data.

2024 Changes in Plan Provision

The workers' compensation offset for disability benefits was eliminated.

The actuarial equivalent factors were updated to reflect the changes in assumptions.



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

Board of Directors
Northfield Hospital
dba: Northfield Hospital + Clinics
Northfield, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northfield Hospital dba: Northfield Hospital + Clinics (the Hospital), which comprise the statement of financial position as of December 31, 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Northfield Hospital
dba: Northfield Hospital + Clinics

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2026



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Northfield Hospital
dba: Northfield Hospital + Clinics
Northfield, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Northfield Hospital dba: Northfield Hospital + Clinics (the Hospital), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 24, 2026.

In connection with our audit, we noted that the Hospital failed to comply with provisions of the depositories of public funds and public investments of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Also, in connection with our audit, nothing came to our attention that caused us to believe that the Hospital failed to comply with the provisions of the contracting – bid laws, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Hospital's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 24, 2026



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.