

**Bay Area Hospital District
Joint Board and Finance Committee Meeting Agenda**
January 20, 2026 @ Bay Area Hospital, Myrtle Conference Room

TIME

5:00 Call to Order		Simon Alonzo, Chairperson
<ul style="list-style-type: none">Public Input—3 minutes per speaker		
5:15 Patient Success Story		Simon Alonzo, Chairperson
5:20 Consent Agenda	ACTION ITEM	Simon Alonzo, Chairperson
<ul style="list-style-type: none">Minutes of BOD/Finance meeting of November 18, 2025Approved Minutes of MEC meeting of October 29, 2025		
5:21 Report of the Chief Executive Officer		Gretchen Nichols, CEO
<ul style="list-style-type: none">Strategic Organizational Updates		
5:40 Quality and Patient Safety Committee Report (QPSC)		Patrice Parrott, Secretary
5:50 Finance Committee Business		Kyle Stevens, Treasurer
<ul style="list-style-type: none">Financial UpdateDeschutes Investment Plan Update ACTION ITEM		
6:40 Executive Session ORS 192.660(2)		
<i>(c) to consider matters pertaining to the function of the medical staff at a public hospital</i>		
<i>(f) to consider information or records that are exempt by law from public inspection</i>		
6:50 Medical Executive Committee (MEC) Report - 12/2025	ACTION ITEM	Derrick Oaxaca, MD, CMO
Medical Executive Committee (MEC) Report - 01/2026	ACTION ITEM	Derrick Oaxaca, MD, CMO
6:55 Medical Staff Report		Hammad Qadir, MD, Chief of Staff
7:10 Board Member Comments		Simon Alonzo, Chairperson
<ul style="list-style-type: none">Report of the ChairpersonBoard Member Comments		
7:30 Adjourn – next regular meeting - Tuesday, February 17, 2026		

**BAY AREA HOSPITAL DISTRICT JOINT BOARD AND FINANCE COMMITTEE
MEETING MINUTES**

December 10, 2025, Bay Area Hospital Myrtle Conference Room @ 6:05 pm

CALL TO ORDER

Simon Alonzo, Board Chair, called the meeting to order at 6:05 pm with a quorum present.

BOARD ATTENDANCE

Simon Alonzo; Tom McAndrew; Patrice Parrott; Brandon Saada; Kyle Stevens; John Uno

STAFF ATTENDANCE

Gretchen Nichols, CEO; Patrick Banks, CFO; Kelli Dion, CQO; Tom Fredette, CHRO; Derrick Oaxaca, MD, CMO; Mel Stibal, interim CNO Kim Winker, Marketing & Communications Director (*via Teams*); Dr. Paavani Atluri, MD, COS (Chief of Staff); Denise Bowers, EA

ABSENT: None

LEGAL COUNSEL

Megan Kronsteiner, Esq.

PUBLIC ATTENDANCE AND INPUT

Chairperson Alonzo opened the Public Input Session at 6:05 p.m., with 9 in-person public attendees and 10 persons attending virtually. As no public comments were received in person or online, Chairperson Alonzo closed the Public Input Session at 6:05 pm.

PATIENT SUCCESS STORY

Brandon Saada read a patient success story from a grateful family member who expressed heartfelt appreciation to the ER staff, the 2nd floor Intermediate Care team, the 4th floor Medical Care team, and Dr. Lanier at Bay Area Hospital for their outstanding and compassionate care of their mother. The note highlighted the team's kindness and professionalism, even during challenging moments, and emphasized how positive experiences like these deserve recognition. The family thanked Bay Area Hospital for the exceptional care provided and continued support of the community.

CONSENT AGENDA The consent agenda included: Board Meeting Minutes of November 18, 2025; MEC Approved Minutes of October 29, 2025; 3rd Quarter Risk Management report

Action Taken by the Board:

Brandon Saada moved to approve the Consent Agenda as cited above. Patrice Parrott seconded, and the motion carried on a call of vote with all board members present casting a vote of approval.

REPORT OF THE CEO, GRETCHEN NICHOLS

Financial Recovery & Expense Discipline

November volumes and net patient revenue were soft, but strong expense management supported overall performance improvement.

Payer Contracting

Continuing appointments with commercial payers to negotiate rate improvements.

Temporary Labor Reductions

- Aggressive actions to reduce temporary labor (including locums).
- Removing a single locum can yield ~\$600,000 annual savings.

Physician Recruitment / Service Line Opportunities

- Exploring orthopedic service expansion opportunities due to program closures elsewhere (e.g., Ashland).
- Active dialogue with providers in joint replacement and orthopedic spine.

Physician Experience & Operational Efficiency

- Focus on making BAHD a preferred practice location by improving operational flow and patient throughput.

Clinically Integrated Network (CIN) Exploration

- Early-stage discussions with other Oregon hospitals on a CIN for potential payer contracting leverage, shared administrative functions (e.g., credentialing, compliance), and group purchasing.
- Oregon Office of Rural Health is providing leadership/support for exploration.

Academic/Referral Relationships

- Met with OHSU Hospital President; further meetings planned with strategic outreach and clinical leaders to explore program collaboration and workforce support.
- Prior Knight Cancer Institute affiliation was ended earlier in 2025 due to low utilization of services; BAHD continues to use OHSU for registry support for accreditation. Future collaboration may be revisited if aligned to workforce and coverage needs.

Operating Controls

- Launching monthly management operating reports starting January to review variances and implement corrective actions; leadership education planned on operations rigor.

Government Relations / Legislative Strategy

- Finalizing an E-Board (Emergency Board) request for \$10M; potential January testimony.
- Meeting with Representative Diehl; ongoing outreach to legislators to build support.
- Coastal Caucus letter fully signed and sent to bank; draft bill for Treasury refinancing of debt appears favorable and may allow similar hospitals to participate.

Medical Staff Hiring

- OB/GYN hospitalist: Offer accepted by Dr. Kenneth Jacobs (former locum; now joining BAHD to provide deliveries/OB hospitalist coverage).
- Active recruitment for orthopedics, cardiology (candidate with offer; fellowship completion targeted June), and additional OB provider visit planned next month.
- OB plan is hospitalist coverage, not opening a new clinic; local clinics were involved and supportive.

Trauma Survey

- BAHD achieved three-year recertification with no deficiencies; recognition for ED, Trauma/General Surgery teams, and providers (including Dr. Oaxaca) for the collective effort.

QUALITY AND PATIENT SAFETY COMMITTEE (QPSC) REPORT - PATRICE PARROTT, QPSC CHAIR

- Patrice reported that the Committee Patrice indicated no formal quality updates for this meeting.
- Kelli Dion, CQO, noted that the FY2026 Quality Plan will be presented for review/approval at the next meeting.

FINANCE COMMITTEE MEETING - KYLE STEVENS, FINANCE COMMITTEE CHAIR

Gretchen gave the floor to Kyle Stevens, Finance Committee Chairman, for the Finance Committee to conduct its business.

Attendance: In addition to the three board members on the Finance Committee (*Kyle Stevens, Tom McAndrew, and Brandon Saada*), community members appointed to the Finance Committee were all in attendance (*Judy Moody, John Briggs, and Barbara Taylor*). The business of the Finance Committee proceeded with a full quorum.

Kyle turned the floor over to Patrick Banks, CFO, for his financial update to the committee. The bulleted summary of key highlights of Patrick's report is below.

CFO Monthly Report (November 2025 Results)

Executive Summary

- Operating Loss: \$320K for November (meaningful improvement vs. prior months); combined two-month loss < \$1M.
- Volumes: Discharges 19% under budget; outpatient visits 13% under; ED visits 5% under; ED admission conversion 16.5% (historical ~20%).
- Net Patient Revenue (NPR): \$17.5M (low), offset by strong expense discipline, especially labor.

Performance Drivers & Expense Management

- Labor Costs: Budgeted \$11.2M; ~\$500K favorable:
 - ~\$440K from fewer hours/FTEs aligned to volume.
 - ~\$52K from lower staffing matrix.
- Cash Collections: Slightly soft; YTD ~97% of NPR.
- Contractual Allowance Analysis: Updated; receivables reflect current payer yields.

Financial Dashboard (Key Indicators)

- Days Cash on Hand: Trending upward due to lower daily cost; still below target (~120 days).
- Adjusted EBITDA Margin (ex provider tax): Positive; long-term goal 10–12%.
- Net AR Days: ~47; goal <45 remains challenging.
- Compensation Cost as % of NPR: YTD ~63% vs. sustainability benchmark ~50%.
- Cost to Collect: Target ~5%; multi-month reduction initiative underway.

Recovery Plan Progress

- Expense Reduction Plan (~\$20M): On track; FY26 net operating loss goal ~\$11M; breakeven targeted FY27.
- Revenue Cycle Improvements (≥ \$6M):
 - Internal fixes: issue correction, charge capture, denials.
 - External: underpayments, charge standardization, cost-to-collect improvements.

Capital & Financing Strategy

- State Support Requests:
 - Debt refinancing via Treasury (critical for sustainability).
 - \$10M Emergency Board request (medical staff development/stabilization).
- Capital Needs: ~\$60M; pursuing grants, state appropriations, and external grant-writing support.

Workforce & Governance

- Controller Hire: Mark Hadley appointed (remote with monthly onsite cadence).
- Audit:
 - Report delivered to bank on time; Board wrap-up in February (January meeting shift).
 - Expected going-concern opinion (due to forbearance/covenants); no material weaknesses or significant audit adjustments.
 - CFO to ensure pre-issuance touchpoints with Treasurer/Finance Committee.

Observation Status & Patient Impact

- Observation Days: Budget 86 → actual 150; drivers include case management turnover, criteria changes, discharge barriers.
- Actions: Daily reviews with UMT/case management; third-party criteria tool; Medicare observation notice process; assistance programs for copays.

Defined Benefit (DB) Pension Plan

- Plan Status: Closed; ~97–98% funded; liquidity held for ~3 years of payments.
- Upcoming Discussion: Deschutes recommendation for plan to pay own administrative expenses; participant communications in January.
- Long-Term Consideration: Transition to defined contribution to be revisited.

Upcoming Items

- January: DB plan manager presentation; pension communications.
- February: Auditor wrap-up presentation.
- Budget Planning: FY27 calendar forthcoming; continued dashboard reporting with “blue boxes” and granular service-line visuals.

Board Q&A

- Q: *Oregon nursing costs vs. national—can we benchmark statewide instead of nationally?*
A: Yes. We’ll add statewide benchmarks. We use a 50% compensation-to-NPR ratio as the sustainability anchor because Oregon’s payer yields (Medicare/Medicaid) are comparable nationally; success requires driving toward that ~50% ratio.
- Q: *Debt covenant requirement—ratio or threshold?*
A: Current covenants rely on dollar-based thresholds (not a simple ratio). We are not in compliance today and continue under bank support while pursuing state refinancing.
- Q: *Auditor communications appear light—will the Finance Committee connect pre-issuance?*
A: Yes. CFO will contact the auditor to schedule pre-issuance discussions with the Treasurer/Committee. The audit report will be delivered to the bank on time; the Board wrap-up is planned for February. Expect a going-concern opinion due to current forbearance; no material weaknesses or significant audit adjustments have been indicated.

- Q: *Observation days spike (86 budget → 150 actual); patient cost exposure?*
A: Multifactor drivers (criteria changes, turnover, discharge barriers). We meet daily to reassess status, use a third-party criteria tool, ensure Medicare observation notices, and offer estimates. Monitoring continues; assistance programs address copays/financial need.
- Q: *Can visuals help the Board see monthly drivers (e.g., OR, Cath Lab, inpatient)?*
A: Yes. We'll continue to report on the blue-box dashboard and add granular views of the drivers (service line/unit impacts, revenue/expense bridges) on a monthly basis.

EXECUTIVE SESSION

The Board went into Executive Session at 7:01 pm as authorized by **ORS 192.660(2)**
(c) *To consider matters pertaining to the function of the medical staff at a public hospital.*
(f) *To consider information or records that are exempt by law from public inspection.*

RETURN TO REGULAR SESSION

Chairperson Alonzo reopened the meeting into public session at 7:06 pm.

APPROVAL OF CREDENTIALING REPORT

Action taken by the Board: John Uno moved to approve the Credentialing Report as discussed in the Executive Session and presented in the packet. Tom McAndrew seconded, and the motion was carried out on call of vote by all board members.

MEDICAL STAFF REPORT, DR. PAAVANI ATLURI, CHIEF OF STAFF

Dr. Atluri announced the following incoming officers for 2026:

Medical Staff

Incoming Chief of Staff - Dr. Hammad Qadir
Vice Chief of Staff - Dr. Rohit Nanda
Secretary/Treasurer Member at Large - Dr. Ryan Pederson
Past Chief of Staff - Dr. Paavani Atluri
Chief Medical Officer - Dr. Derrick Oaxaca

SWOMS -

President - Dr. Charles Toledo
Vice President - Dr. Bhargavbhai Patel
Secretary/Treasurer - Dr. Hyun Jang
Advanced Practice Professional Representative - Benjamin Chu, PAC

BOARD COMMENTS

The floor was opened for board member comments and all were wished a merry holiday season.

GOOD OF THE ORDER

Ms. Deborah Herman, Medical Staff Office Manager, requested a change in name for the Credentialing Report to "MEC Report". This change will be implemented with the January board agenda and minutes.

ADJOURNMENT

The next regular joint Board/Finance Committee Meeting will be on January 20, 2026 at 5:00 pm. The meeting adjourned at 7:13 PM.

Simon Alonzo, Board Chair

Date: _____

Patrice Parrott, Board Secretary

Date: _____

DRAFT



BAY AREA HOSPITAL

Unaudited Financial Statements
for
6 months ended December 31, 2025

Prepared
Monday, January 12, 2026

Finance Committee Chair
Kyle Stevens

Chief Financial Officer
Patrick Banks

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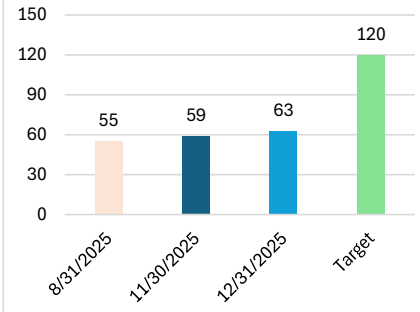
BAY AREA HOSPITAL

MONTH END: 12/31/2025

BALANCE SHEET

	YTD 12/31/2025	Prior FYE 6/30/2025
ASSETS		
Current Assets	\$ 54,618,973	\$ 48,467,307
Investments	28,089,598	32,402,288
Capital Assets (Net)	60,960,269	64,539,978
Other Assets	3,263,445	3,806,721
Total Unrestricted Assets	\$ 146,932,286	\$ 149,216,293
Defined Benefit Pension Asset	6,005,032	9,491,095
Total Assets	\$ 152,937,318	\$ 158,707,388
LIABILITIES & NET POSITION		
Current Liabilities	\$ 36,345,919	\$ 31,966,722
Long-Term Debt	44,371,759	43,489,779
Other Long-Term Liabilities	14,129,769	16,933,571
Total Liabilities	\$ 94,847,447	\$ 92,390,072
Net Position	58,089,871	66,317,316
Total Liabilities & Net Position	\$ 152,937,318	\$ 158,707,388

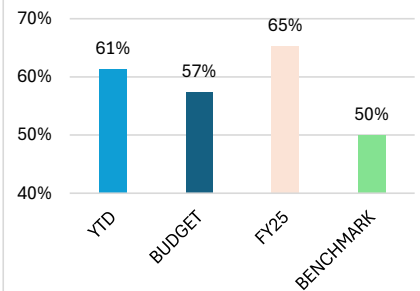
Days Cash On Hand



STATEMENT OF REVENUE AND EXPENSES - YTD

	MONTH OF 12/31/2025		YEAR TO DATE	
	ACTUAL	BUDGET	ACTUAL	BUDGET
Gross Patient Revenues	\$ 70,462,989	\$ 68,897,429	\$ 407,552,813	\$ 408,939,581
Deductions From Revenue	(48,583,922)	(47,813,447)	(287,098,283)	(283,869,160)
Bad Debt & Charity Write-Offs	(1,626,423)	(962,911)	(4,854,660)	(5,715,343)
Net Patient Revenues	\$ 20,252,644	\$ 20,121,071	\$ 115,599,870	\$ 119,355,077
Other Operating Revenues	1,739,075	1,465,575	12,111,937	8,793,449
Total Operating Revenues	\$ 21,991,719	\$ 21,586,646	\$ 127,711,807	\$ 128,148,526
Salaries, Benefits & Contr. Lbr	\$ 10,716,005	\$ 11,525,270	\$ 70,806,569	\$ 68,460,707
Purchased Serv & Phys Fees	3,525,253	3,746,626	21,906,409	22,502,629
Supplies	3,993,593	4,017,026	21,755,542	23,886,124
Other Operating Expenses	2,886,330	1,601,996	13,773,859	9,627,080
Depreciation	705,876	720,224	4,346,588	4,396,628
Total Expenses	\$ 21,827,057	\$ 21,611,142	\$ 132,588,967	\$ 128,873,168
Net Operating Surplus (Loss)	\$ 164,662	\$ (24,496)	\$ (4,877,160)	\$ (724,642)
Non-Operating Income (Expense)	(152,627)	(284,283)	(704,984)	(1,705,692)
TOTAL NET SURPLUS (LOSS)	\$ 12,035	\$ (308,779)	\$ (5,582,144)	\$ (2,430,334)

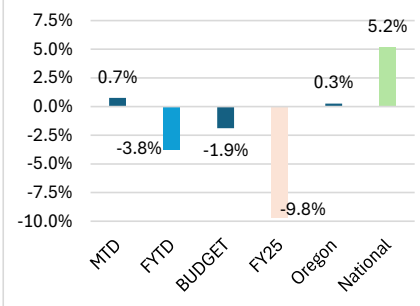
Compensation Costs %



KEY STATISTICS AND RATIOS

	12/31/2025		YEAR TO DATE	
	ACTUAL	BUDGET	ACTUAL	BUDGET
Total Discharges	564	633	3358	3758
Acute ALOS (Non-Psych)	3.64	3.97	3.60	3.96
Emergency Room Visits	2,517	2,575	15,113	15,283
Total Outpatient Visits	10,692	11,317	65,913	67,901
Operating Room Cases	293	302	1,884	1,812
Cath Lab Cases	107	108	737	640
Total Worked FTE's	734	778	772	764
Total Paid FTE's	830	868	872	861
EBIDA	4.4%	3.4%	0.3%	3.1%
Adjusted EBIDA	4.9%	3.6%	0.4%	3.2%
Current Ratio	n/a	n/a	1.5	n/a
Total Adult ADC	65.7	79.0	64.8	79.0

Operating Margins



BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Year to Date	Prior FYE	Oregon	National
	12/31/2025	6/30/2025	Peer Hospitals	Rural Hospitals
Profitability:				
Operating Margin	-3.8%	-9.8%		
Total Net Surplus (Loss) Margin	-4.4%	-10.0%		
EBIDA Margin	0.3%	-4.8%		
Deductions from Revenue Percentage	71.6%	69.9%		
Outpatient Factor	2.43	2.45		
Liquidity:				
Days Cash On Hand, All Sources	63	62		
Net Days in Accounts Receivable	48	38		
Average Payment Period	30	31		
Current Ratio	1.50	1.57		
Capital Structure:				
Age of Plant (Annualized, in Years)	17.56	17.13		
Debt to Assets Ratio	0.77	0.74		
Debt Service Coverage Ratio	0.18	(1.53)		
Productivity and Efficiency:				
Worked FTE/AOB	4.6	4.9		
Paid FTE/AOB	5.2	5.5		
SWB & Contr. Labor as a % of Net Patient Revenue	61%	65%		
Salary Expense per Paid FTE (annualized)	\$ 136,269	\$ 100,772		
Supply Expense Per Adj Discharge	\$ 2,914	\$ 2,767		
Bad Debt Write-off %	0.81%	0.34%		
Charity Care Write-off %	0.38%	1.01%		
Other Ratios:				
Gross Days in Accounts Receivable	48.9	49.3		
Net Revenue per Adjusted Discharge	\$ 15,630	\$ 14,997		
Operating Expense per Adjusted Discharge	\$ 16,227	\$ 16,459		

BAY AREA HOSPITAL

MONTH END: 12/31/2025

Curent Month				Year-To-Date				
Actual	Budget	Variance	Prior Year	STATISTICS	Actual	Budget	Variance	Prior Year
12/31/2025	12/31/2025		12/31/2024	Discharge	12/31/2025	12/31/2025		12/31/2024
491	555	(64)	505	Medical, Surgical, ICU, and IMCU	2,897	3,296	(399)	3,179
30	30	0	21	Psychiatric	171	180	(9)	147
521	585	(64)	526	Total Adult Discharges	3,068	3,476	(408)	3,326
43	48	(5)	49	Newborn	290	282	8	260
564	633	(69)	575	Total Discharges	3,358	3,758	(400)	3,586
				Patient Days				
1,786	2,202	(416)	2,253	Medical, Surgical, ICU, and IMCU	10,438	13,061	(2,623)	12,967
251	247	4	230	Psychiatric	1,482	1,466	16	1,495
2,037	2,449	(412)	2,483	Total Adult Patient Days	11,920	14,527	(2,607)	14,462
88	95	(7)	93	Newborn	548	565	(17)	510
2,125	2,544	(419)	2,576	Total Patient Days	12,468	15,092	(2,624)	14,972
				Average Length of Stay (ALOS)				
3.64	3.97	(0.33)	4.46	Medical, Surgical, ICU, and IMCU	3.60	3.96	(0.36)	4.08
8.37	8.23	0.13	10.95	Psychiatric	8.67	8.14	0.52	10.17
3.91	4.19	(0.28)	4.72	Total Adult ALOS	3.89	4.18	(0.29)	4.35
2.05	1.98	0.07	1.90	Newborn ALOS	1.89	2.00	(0.11)	1.96
				Average Daily Census (ADC)				
58	71	(13)	73	Medical, Surgical, ICU, and IMCU	57	71	(14)	70
8	8	0	7	Psychiatric	8	8	0	8
66	79	(13)	80	Total Adult ADC	65	79	(14)	79
3	3	(0)	3	Newborn	3	3	(0)	3
				Emergency Room Statistics				
440	446	(6)	465	ER Visits - Admitted	2,463	2,645	(182)	2,611
2,077	2,129	(52)	2,129	ER Visits - Discharged	12,650	12,638	12	12,476
2,517	2,575	(58)	2,594	Total ER Visits	15,113	15,283	(170)	15,087
17.48%	17.32%	0.16%	17.93%	% of ER Visits Admitted	16.30%	17.31%	(1.01%)	17.31%
81.94%	76.13%	5.81%	79.49%	ER Admissions as a % of Total Admissions	79.89%	76.12%	3.77%	78.36%
				Other Statistics				
10,692	11,317	(625)	11,206	Total Outpatients Visits	65,913	67,901	(1,988)	68,677
77	86	(9)	64	Observation Bed Days	673	516	157	591
2,122	2,277	(155)	2,020	Clinic Visits - Specialty Clinics	12,937	13,514	(577)	12,612
92	107	(15)	94	IP Surgical Cases	602	642	(40)	597
201	195	6	182	OP Surgical Cases	1,282	1,170	112	1,148
107	108	(1)	102	Cath Lab Cases	737	640	97	608
47	NA	NA	NA	IP Transfer In Declines	242	NA	NA	NA
67	NA	NA	NA	IP Transfer In Accepted	532	NA	NA	NA
70	NA	NA	NA	ED Transfer Out	469	NA	NA	NA
				Productivity Statistics				
710	744	(34)	836	FTE Worked (Excluding Providers)	747	730	17	842
802	831	(28)	945	FTE Paid (Excluding Providers)	844	824	20	951
24	34	(10)	31	FTE Worked (Providers)	25	34	(9)	33
27	37	(10)	34	FTE Paid (Providers)	28	37	(9)	36
1.5421	1.5953	(0.0532)	1.5706	Case Mix Index - Medicare	1.5804	1.5953	(0.0149)	1.5882
1.5662	1.5832	(0.0170)	1.6080	Case Mix Index - All Payers	1.5813	1.5832	(0.0019)	1.5835

BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Month to Date						
	12/31/2025	Budget	Variance	Var %	12/31/2024	Variance	Var %
Gross Patient Revenue							
Inpatient Revenue	\$ 27,533,675	\$ 28,449,190	\$ (915,515)	-3.2%	\$ 25,694,463	\$ 1,839,212	7.2%
Outpatient Revenue	42,929,314	40,448,239	2,481,074	6.1%	36,795,512	6,133,801	16.7%
Total Gross Patient Revenue	\$ 70,462,989	\$ 68,897,429	\$ 1,565,559	2.3%	\$ 62,489,975	\$ 7,973,014	12.8%
Deductions							
Deductions	\$ 48,583,922	\$ 47,813,447	\$ (770,474)	-1.6%	\$ 42,169,442	\$ (6,414,479)	-15.2%
Bad Debt	1,565,159	217,845	(1,347,314)	-618.5%	310,298	(1,254,861)	-404.4%
Charity	61,263	745,066	683,803	91.8%	667,530	606,267	90.8%
Total Deductions	\$ 50,210,344	\$ 48,776,358	\$ (1,433,986)	-2.9%	\$ 43,147,271	\$ (7,063,073)	-16.4%
Net Patient Revenue	\$ 20,252,644	\$ 20,121,071	\$ 131,573	0.7%	\$ 19,342,704	\$ 909,940	4.7%
Supplemental Payments	1,802,141	1,134,819	(667,322)	-58.8%	1,057,276	(744,866)	-70.5%
Other Oper Revenue	(63,067)	330,756	(393,823)	-119.1%	521,874	(584,941)	-112.1%
Total Net Revenue	\$ 21,991,719	\$ 21,586,646	\$ 405,073	1.9%	\$ 20,921,854	\$ 1,069,865	5.1%
<i>Net to Gross Ratio</i>	28.7%	29.2%			31.0%		
Operating Expenses							
Salaries	\$ 7,896,929	\$ 7,716,661	\$ (180,268)	-2.3%	\$ 8,703,884	\$ 806,956	9.3%
Contract Labor	901,445	1,655,735	754,289	45.6%	1,489,725	588,279	39.5%
Benefits	1,917,631	2,152,874	235,243	10.9%	2,116,212	198,581	9.4%
Physician & Prof Fee	1,521,919	1,523,010	1,091	0.1%	1,575,795	53,876	3.4%
Supplies	3,993,593	4,017,026	23,434	0.6%	4,033,969	40,376	1.0%
Purchased Services	2,003,334	2,223,616	220,282	9.9%	2,296,703	293,369	12.8%
Leases/Rentals	28,830	17,367	(11,463)	-66.0%	14,455	(14,375)	-99.4%
Depreciation	705,876	720,224	14,347	2.0%	918,484	212,608	23.1%
Provider Tax Expense	1,820,163	1,134,819	(685,344)	-60.4%	1,067,848	(752,314)	-70.5%
Other Oper Expense	1,037,336	449,810	(587,526)	-130.6%	404,076	(633,260)	-156.7%
Total Operating Expenses	\$ 21,827,057	\$ 21,611,142	\$ (215,914)	-1.0%	\$ 22,621,152	\$ 794,095	3.5%
Net Operating Income	\$ 164,662	\$ (24,496)	\$ 189,159	-772.2%	\$ (1,699,298)	\$ 1,863,960	-109.7%
Investment Income	75,553	-	75,553	0.0%	(152,390)	227,943	-149.6%
Other Nonop Inc(Exp)	24,726	40,718	(15,992)	-39.3%	108,818	(84,092)	-77.3%
Interest Expense	(252,906)	(325,000)	72,094	-22.2%	(170,428)	(82,478)	48.4%
Net Surplus (Loss)	\$ 12,035	\$ (308,779)	\$ 320,814	-103.9%	\$ (1,913,298)	\$ 1,925,334	-100.6%

INCOME STATEMENT - YEAR TO DATE

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BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Year to Date							
	12/31/2025	Budget	Variance	Var %	12/31/2024	Variance	Var %	
Gross Patient Revenue								
Inpatient Revenue	\$ 156,463,761	\$ 168,859,708	\$ (12,395,947)	-7.3%	\$ 151,373,288	\$ 5,090,473	3.4%	
Outpatient Revenue	251,089,052	240,079,873	11,009,179	4.6%	216,960,802	34,128,250	15.7%	
Total Gross Patient Revenue	\$ 407,552,813	\$ 408,939,581	\$ (1,386,768)	-0.3%	\$ 368,334,090	\$ 39,218,723	10.6%	
Deductions								
Bad Debt	\$ 287,098,283	\$ 283,869,160	\$ (3,229,123)	-1.1%	\$ 250,046,113	\$ (37,052,171)	-14.8%	
Charity	3,308,653	1,293,013	(2,015,640)	-155.9%	2,670,215	(638,438)	-23.9%	
	1,546,007	4,422,330	2,876,323	65.0%	3,171,227	1,625,220	51.2%	
Total Deductions	\$ 291,952,943	\$ 289,584,504	\$ (2,368,439)	-0.8%	\$ 255,887,554	\$ (36,065,389)	-14.1%	
Net Patient Revenue	\$ 115,599,870	\$ 119,355,077	\$ (3,755,207)	-3.1%	\$ 112,446,536	\$ 3,153,334	2.8%	
Supplemental Payments	10,153,504	6,808,914	(3,344,590)	-49.1%	6,519,815	(3,633,689)	-55.7%	
Other Oper Revenue	1,958,433	1,984,535	(26,102)	-1.3%	2,033,914	(75,481)	-3.7%	
Total Net Revenue	\$ 127,711,807	\$ 128,148,526	\$ (7,125,899)	-5.6%	\$ 121,000,265	\$ (555,836)	-0.5%	
<i>Net to Gross Ratio</i>	28.4%	29.2%			30.5%			
Operating Expenses								
Salaries	\$ 49,527,920	\$ 44,674,406	\$ (4,853,515)	-10.9%	\$ 49,535,497	\$ 7,577	0.0%	
Contract Labor	8,151,816	10,983,776	2,831,960	25.8%	10,680,561	2,528,745	23.7%	
Benefits	13,126,832	12,802,525	(324,308)	-2.5%	11,935,650	(1,191,183)	-10.0%	
Physician & Prof Fee	9,086,693	9,163,337	76,645	0.8%	9,349,892	263,199	2.8%	
Supplies	21,755,542	23,886,124	2,130,582	8.9%	22,588,845	833,303	3.7%	
Purchased Services	12,819,716	13,339,292	519,575	3.9%	12,538,403	(281,313)	-2.2%	
Leases/Rentals	143,145	100,702	(42,442)	-42.1%	92,036	(51,109)	-55.5%	
Depreciation	4,346,588	4,396,628	50,040	1.1%	5,586,427	1,239,840	22.2%	
Provider Tax Expense	10,187,803	6,808,914	(3,378,889)	-49.6%	6,473,865	(3,713,939)	-57.4%	
Other Oper Expense	3,442,911	2,717,464	(725,447)	-26.7%	2,742,800	(700,111)	-25.5%	
Total Operating Expenses	\$ 132,588,967	\$ 128,873,168	\$ (3,715,799)	-2.9%	\$ 131,523,976	\$ (1,064,991)	-0.8%	
Net Operating Income	\$ (4,877,160)	\$ (724,642)	\$ (4,152,518)	573.0%	\$ (10,523,711)	\$ 5,646,551	-53.7%	
Investment Income	719,151	-	719,151	0.0%	1,129,208	(410,057)	-36.3%	
Other Nonop Inc(Exp)	229,410	244,308	(14,898)	-6.1%	1,213,362	(983,953)	-81.1%	
Interest Expense	(1,653,545)	(1,950,000)	296,455	-15.2%	(1,050,403)	(603,142)	57.4%	
Net Surplus (Loss)	\$ (5,582,144)	\$ (2,430,334)	\$ (3,151,810)	129.7%	\$ (9,231,543)	\$ 3,649,399	-39.5%	

BAY AREA HOSPITAL

MONTH END: 12/31/2025

		12/31/2025	11/30/2025	6/30/2025
Assets And Deferred Outflows Of Resources				
Current Assets				
Cash & Cash Equivalents	\$	13,630,300	\$ 6,159,745	\$ 9,388,266
Accounts Receivable, net		30,206,885	30,091,024	26,128,118
Inventory		4,578,808	4,437,762	4,347,042
Other Current Assets		6,202,980	4,219,354	8,612,125
Total Current Assets	\$	54,618,973	\$ 44,907,885	\$ 48,475,551
Investments				
Capital Assets	\$	28,089,598	\$ 33,025,948	\$ 32,402,288
Depreciable Capital Assets, net	\$	58,820,525	\$ 59,432,240	\$ 62,170,275
Nondepreciable Capital Assets		2,139,744	2,130,842	2,369,704
Total Capital Assets, net	\$	60,960,269	\$ 61,563,083	\$ 64,539,978
Leases and Subscriptions, net				
Other Non Current Assets	\$	2,421,307	\$ 2,515,468	\$ 2,986,273
		842,139	820,446	820,446
Total Assets	\$	146,932,286	\$ 142,832,831	\$ 149,224,537
Deferred Outflows Of Resources				
		6,005,032	6,005,032	6,005,032
Total Assets And Deferred Outflows	\$	152,937,318	\$ 148,837,863	\$ 155,229,569
Liabilities, Deferred Inflows of Resources, And Net Position				
Current Liabilities				
Accounts Payable	\$	8,963,752	\$ 6,950,630	\$ 7,788,748
Accrued Payroll and Payroll Taxes		5,442,722	4,733,807	4,414,629
Accrued Paid Time Off		4,896,005	5,038,454	5,407,083
Other Accrued Liabilities		9,027,528	7,347,866	6,138,963
3rd Party Settlements Payable, net		5,507,466	5,507,466	5,706,639
Current Portion of Long Term Obligations		2,508,447	2,508,447	2,508,447
Total Current Liabilities	\$	36,345,919	\$ 32,086,670	\$ 31,964,509
Long Term Obligations, net of current portion				
Other Noncurrent Liabilities	\$	44,371,759	\$ 44,562,363	\$ 45,481,529
Net Pension Liability		2,961,403	2,942,506	2,942,506
		630,964	630,964	630,964
Total Liabilities	\$	84,310,046	\$ 80,222,503	\$ 81,019,508
Deferred Inflows Of Resources				
Inter Fund Receivables (Payables)	\$	10,542,073	\$ 10,542,073	\$ 10,542,073
		(4,672)	(4,549)	(4,027)
Total Liabilities & Deferred Cash Inflows	\$	94,847,447	\$ 90,760,027	\$ 91,557,554
Net Position				
	\$	58,089,871	\$ 58,077,835	\$ 63,672,014
Total Liabilities, Deferred Inflows, Net Position	\$	152,937,318	\$ 148,837,862	\$ 155,229,568

BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Month	Year to Date
Cash Flows from Operating Activities:		
Net loss	\$ 12,035	\$ (5,582,144)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Change in Value of Investments	\$ (75,553)	\$ (719,151)
Depreciation & Amortization	705,876	4,346,588
Loss (Gain) on Disposal of PP&E	11,048	27,126
Decreases (Increases) In:		
Receivables	(115,861)	(4,078,768)
Inventories of Supplies	(141,046)	(231,766)
Other Current Assets	(1,983,626)	2,409,146
Net Pension Asset and Liability	0	0
Other Noncurrent Assets	(21,692)	(21,692)
Increases (Decreases) In:		
Accounts Payable	2,013,122	1,175,004
Accrued Payroll and Payroll Taxes	708,915	1,028,093
Accrued Paid Time Off	(142,450)	(511,079)
Other Current Liabilities	1,679,662	2,888,565
Estimated 3rd Party Settlements	0	(199,173)
Other Noncurrent Liabilities	18,897	18,897
Net cash provided by operating activities	\$ 2,669,327	\$ 549,645
Cash flows from investing activities:		
Purchase of PP&E	\$ (8,347)	\$ (197,497)
Transfers of Investments to Cash	5,000,000	5,000,000
Net cash provided by investing activities	\$ 4,991,653	\$ 4,802,503
Cash flows from financing activities:		
Changes in Interfund Payables/Receivables	\$ (123)	\$ (644)
Principle Payments on Debt and Leases	(190,604)	(1,109,769)
Net cash provided by financing activities	\$ (190,727)	\$ (1,110,414)
Net increase (decrease) in cash	\$ 7,470,254	\$ 4,241,734
Beginning Cash Balance	\$ 6,159,745	\$ 9,388,266
Ending Cash Balance	\$ 13,630,000	\$ 13,630,000

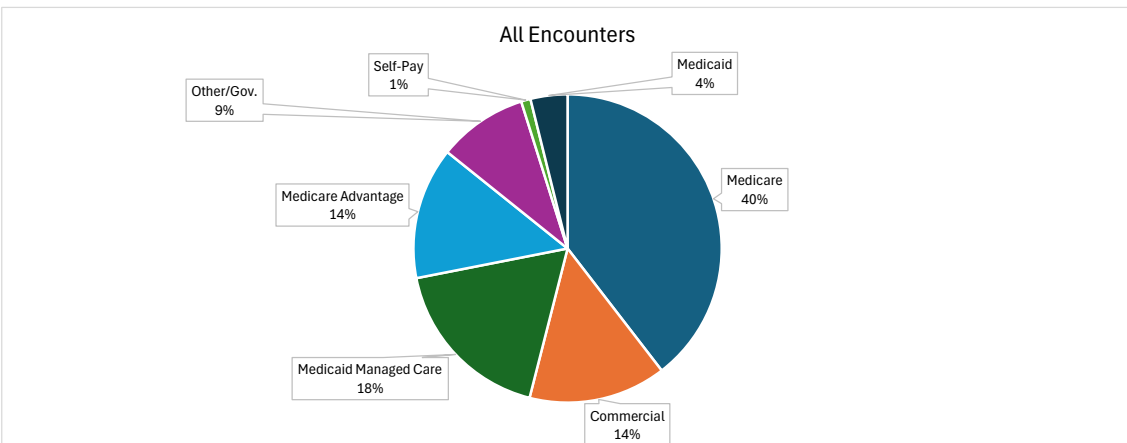
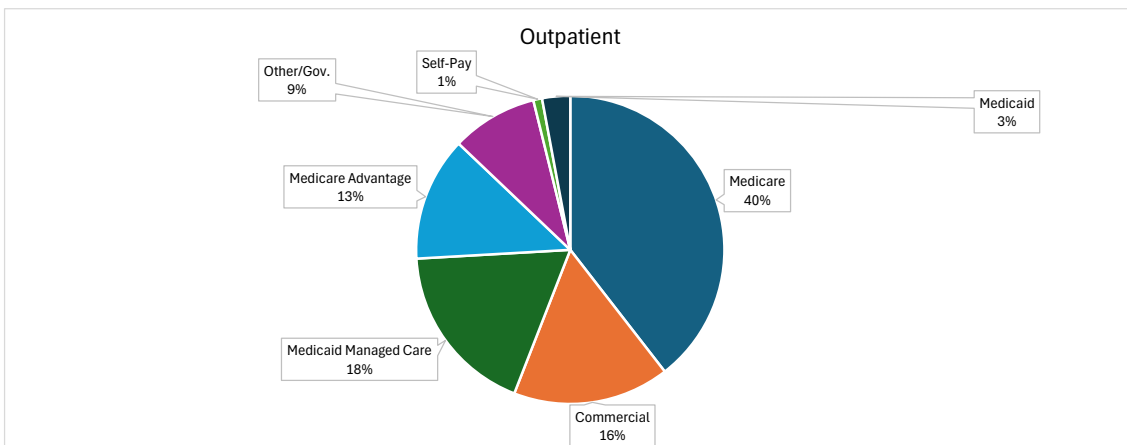
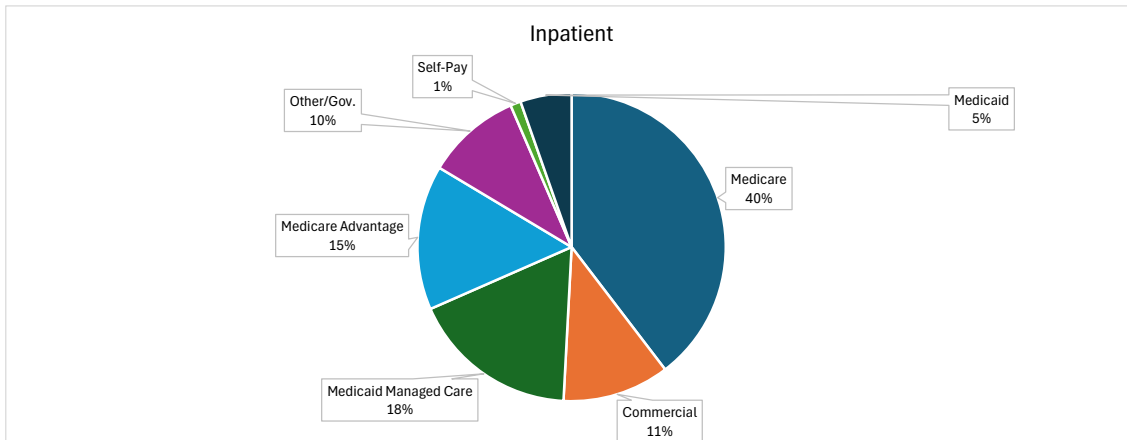
BAY AREA HOSPITAL

MONTH END: 12/31/2025

		Actual	Target
Net Days in Accounts Receivable		47.95	< 50
Gross Days in Unbilled Revenue - Discharges Not Final Billed		4.00	< 3.5
Gross Days in Credit Balances		0.46	< 1.0
Charity Care as a % of Gross Patient Revenue	Current Month	0.09%	- 0%
	Year- To-Date	0.38%	- 0%
Bad Debts as a % of Gross Patient Revenue	Current Month	2.22%	- 1%
	Year- To-Date	0.81%	- 1%
Collections as a Percentage of Net Patient Revenue	Current Month	99.43%	>= 100%
	Year- To-Date	98.24%	>= 100%
Percentage of Accounts Receivable > 60 Days	Medicare	27%	< 6%
Percentage of Accounts Receivable > 90 Days	Commercial	30%	< 15%
	Medicare Advantage	20%	< 15%
	Advanced Health	7%	< 15%
	State Medicaid	43%	< 20%
	All Others	21%	< 25%
% of Claims Denied - Partial Pay	Current Month	NO DATA	< 3%
	Year- To-Date	NO DATA	< 3%
% of Claims Denied - Zero Pay	Current Month	NO DATA	< 3%
	Year- To-Date	NO DATA	< 3%
% Denials Overturned By Appeal	Current Month	NO DATA	100%
	Year- To-Date	NO DATA	100%
% of Patient Responsibility Collected at Point of Service	Current Month	NO DATA	20% or >
	Year- To-Date	NO DATA	20% or >
Cost to Collect as a % of Cash Collections	Current Month	7.00%	< 5%
	Year- To-Date	7.10%	< 5%
Late Charges as a % of Total Charges	Current Month	NO DATA	0%
	Year- To-Date	NO DATA	0%
% of Patient Encounters Pre-Registered	Current Month	NO DATA	20%
	Year- To-Date	NO DATA	20%
% of Insurance Registrations Verified	Current Month	NO DATA	100%
	Year- To-Date	NO DATA	100%
% of Accounts Pre- Authorized for Service	Current Month	NO DATA	100%
	Year- To-Date	NO DATA	100%

BAY AREA HOSPITAL

MONTH END: 12/31/2025



BAY AREA HOSPITAL

MONTH END: 12/31/2025

Current Month Purchases	Cost	Budgeted
26-005 Locks Family Housing	\$ 3,586.81	Y
26-007 Pevco Passport & Barcode	\$ 4,760.00	Y
Capital Expenditure, Current Month	\$ 8,346.81	
Previously Purchased in Current Fiscal Year:		
24-121 UKG Workforce Dimensions Implementation	\$ 42,850.00	Y
25-104 Pneumatic Tube System	62,856.22	Y
26-001 Two Channel Infusion Analyzer	10,863.32	Y
26-002 Green Light Laser	18,470.40	Y
26-004 Ultrasound Probe	5,658.57	Y
25-013 Family Housing Concrete	3,100.00	Y
25-010 WIC Heat Pump	13,262.00	Y
26-006 Bathroom & Kitchen Remodel-Housing	32,089.95	Y
Capital Expenditure, Previously Purchased	\$ 189,150.46	
Total Capital Expenditure, Fiscal YTD	\$ 197,497.27	

BAY AREA HOSPITAL

MONTH END: 11/30/2025

<u>Covenant</u>	Status
1) Income Available for Debt Service > \$5,000,000	NOT IN COMPLIANCE
2) Days Cash On Hand > 75	NOT IN COMPLIANCE
3) Unrestricted Liquid Funds > \$50,000,000	NOT IN COMPLIANCE

BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Month to Date						
	12/31/2025	11/30/2025	10/31/2025	9/30/2025	8/31/2025	7/31/2025	6/30/2025
Gross Patient Revenue							
Inpatient Revenue	\$ 27,533,675	\$ 24,794,900	\$ 26,626,663	\$ 26,728,010	\$ 25,712,601	\$ 25,067,912	\$ 21,889,108
Outpatient Revenue	42,929,314	39,172,236	45,309,041	41,227,365	40,825,879	41,625,217	37,235,073
Total Gross Patient Revenue	\$ 70,462,989	\$ 63,967,137	\$ 71,935,704	\$ 67,955,375	\$ 66,538,480	\$ 66,693,128	\$ 59,124,181
Deductions							
Deductions	\$ 48,583,922	\$ 45,505,698	\$ 51,088,823	\$ 47,460,525	\$ 46,951,840	\$ 47,507,475	\$ 41,253,933
Bad Debt	1,565,159	731,546	257,324	209,021	390,753	154,851	753,585
Charity	61,263	191,298	429,919	376,122	72,326	415,079	199,108
Total Deductions	\$ 50,210,344	\$ 46,428,542	\$ 51,776,066	\$ 48,045,667	\$ 47,414,919	\$ 48,077,405	\$ 42,206,626
Net Patient Revenue	\$ 20,252,644	\$ 17,538,595	\$ 20,159,638	\$ 19,909,708	\$ 19,123,561	\$ 18,615,723	\$ 16,917,555
Supplemental Payments	1,802,141	1,534,499	1,767,538	1,679,725	1,695,376	1,674,225	909,741
Other Oper Revenue	(63,067)	802,893	343,466	56,187	468,529	350,424	358,227
Total Net Revenue	\$ 21,991,719	\$ 19,875,987	\$ 22,270,643	\$ 21,645,620	\$ 21,287,466	\$ 20,640,372	\$ 18,185,523
<i>Net to Gross Ratio</i>	28.7%	27.4%	28.0%	29.3%	28.7%	27.9%	28.6%
Operating Expenses							
Salaries	\$ 7,896,929	\$ 8,161,024	\$ 7,915,210	\$ 8,363,855	\$ 8,244,951	\$ 8,945,952	\$ 7,717,782
Contract Labor	901,445	726,015	1,607,600	1,503,921	1,814,985	1,597,850	1,789,658
Benefits	1,917,631	1,837,150	2,296,902	1,972,668	2,767,300	2,335,181	(643,456)
Physician & Prof Fee	1,521,919	1,347,277	1,461,946	1,613,154	1,564,475	1,577,921	1,290,563
Supplies	3,993,593	3,450,109	3,865,979	3,232,610	3,479,092	3,734,160	4,365,379
Purchased Services	2,003,334	1,812,019	2,300,742	2,415,248	2,049,830	2,238,543	2,489,287
Leases/Rentals	28,830	16,790	26,442	33,513	21,281	16,288	11,758
Depreciation	705,876	708,467	708,889	719,449	764,537	739,369	743,521
Provider Tax Expense	1,820,163	1,549,844	1,785,213	1,679,725	1,695,376	1,657,482	1,030,896
Other Oper Expense	1,037,336	587,523	597,781	948,860	132,771	138,640	768,041
Total Operating Expenses	\$ 21,827,057	\$ 20,196,218	\$ 22,566,704	\$ 22,483,004	\$ 22,534,599	\$ 22,981,385	\$ 19,563,431
Net Operating Income	\$ 164,662	\$ (320,231)	\$ (296,061)	\$ (837,384)	\$ (1,247,133)	\$ (2,341,013)	\$ (1,377,909)
Investment Income	75,553	136,471	125,137	126,043	197,536	58,410	172,596
Other Nonop Inc(Exp)	24,726	88,187	13,195	62,855	21,601	18,846	496,779
Interest Expense	(252,906)	(297,114)	(272,313)	(282,150)	(282,780)	(266,282)	(294,464)
Net Surplus (Loss)	\$ 12,035	\$ (392,686)	\$ (430,042)	\$ (930,635)	\$ (1,310,776)	\$ (2,530,040)	\$ (1,002,998)

INCOME STATEMENT - CURRENT MONTH

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BAY AREA HOSPITAL

MONTH END: 12/31/2025

	Month to Date					
	5/31/2025	4/30/2025	3/31/2025	2/28/2025	1/31/2025	12/31/2024
Gross Patient Revenue						
Inpatient Revenue	\$ 23,510,008	\$ 25,314,375	\$ 25,768,844	\$ 24,746,364	\$ 29,469,328	\$ 25,694,463
Outpatient Revenue	37,023,474	37,584,034	36,979,463	34,088,451	37,779,051	36,795,512
Total Gross Patient Revenue	\$ 60,533,482	\$ 62,898,409	\$ 62,748,306	\$ 58,834,815	\$ 67,248,378	\$ 62,489,975
Deductions						
Deductions	\$ 41,844,820	\$ 43,388,640	\$ 43,828,357	\$ 39,969,739	\$ 46,557,885	\$ 42,169,442
Bad Debt	(166,025)	(87,907)	11,883	(1,038,403)	406,037	310,298
Charity	562,617	1,023,039	999,956	1,082,894	427,527	667,530
Total Deductions	\$ 42,241,412	\$ 44,323,772	\$ 44,840,195	\$ 40,014,230	\$ 47,391,449	\$ 43,147,271
Net Patient Revenue	\$ 18,292,070	\$ 18,574,637	\$ 17,908,111	\$ 18,820,584	\$ 19,856,930	\$ 19,342,704
Supplemental Payments	1,023,998	1,050,610	1,015,076	1,068,188	1,132,520	1,057,276
Other Oper Revenue	494,088	576,185	120,242	405,859	651,119	521,874
Total Net Revenue	\$ 19,810,155	\$ 20,201,432	\$ 19,043,429	\$ 20,294,632	\$ 21,640,569	\$ 20,921,854
<i>Net to Gross Ratio</i>	30.2%	29.5%	28.5%	32.0%	29.5%	31.0%
Operating Expenses						
Salaries	\$ 8,422,402	\$ 7,944,501	\$ 8,184,820	\$ 7,531,899	\$ 8,290,688	\$ 8,703,884
Contract Labor	1,727,271	1,917,651	1,386,190	1,657,777	1,679,801	1,489,725
Benefits	2,381,375	2,406,065	2,624,358	2,326,422	3,250,180	2,116,212
Physician & Prof Fee	1,746,562	1,441,414	1,584,515	1,533,512	1,584,947	1,575,795
Supplies	4,338,049	3,634,029	3,292,867	3,742,160	3,457,835	4,033,969
Purchased Services	2,748,281	2,223,000	2,338,573	2,333,839	2,363,672	2,296,703
Leases/Rentals	16,944	26,427	24,782	19,892	26,319	14,455
Depreciation	798,927	766,089	764,352	766,642	773,830	918,484
Provider Tax Expense	1,034,238	1,061,116	1,025,227	1,078,870	1,143,845	1,067,848
Other Oper Expense	544,785	193,853	398,615	441,779	439,136	404,076
Total Operating Expenses	\$ 23,758,834	\$ 21,614,146	\$ 21,624,297	\$ 21,432,792	\$ 23,010,252	\$ 22,621,152
Net Operating Income	\$ (3,948,679)	\$ (1,412,713)	\$ (2,580,868)	\$ (1,138,160)	\$ (1,369,684)	\$ (1,699,298)
Investment Income	39,127	154,156	71,188	446,682	211,196	(152,390)
Other Nonop Inc(Exp)	27,254	69,440	(1,850,477)	17,321	39,529	108,818
Interest Expense	(176,794)	(278,947)	(376,996)	(156,710)	(20,250)	(170,428)
Net Surplus (Loss)	\$ (4,059,093)	\$ (1,468,065)	\$ (4,737,154)	\$ (830,867)	\$ (1,139,209)	\$ (1,913,298)

<p style="text-align: center;">Bay Area Health District Retirement Plan Investment Policy November 1, 2025</p>
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I. Statement of Purpose

The Bay Area Health District Retirement Plan (“Plan”) seeks to provide retirement benefits to the employees of Bay Area Health District (the “Sponsor”) who are entitled to receive benefits under the Plan. The Plan’s overall goal is to pay benefits as promised by the Plan in such a way that the cost (defined as contributions) and risk (defined as funding level volatility) are managed for the Sponsor.

The purpose of this Investment Policy Statement is to establish guidelines for the Plan’s investment portfolio (the “Portfolio”) in the areas that most influence the investment returns and funded status of the Plan. The Statement also incorporates accountability standards that will be used to monitor the progress of the Portfolio’s investment program and to evaluate the contributions of the manager(s) hired on behalf of the Plan and its beneficiaries.

The Sponsor currently expects to maintain the plan indefinitely, but the Sponsor reserves the right to terminate or amend the Plan or any component thereof. The Finance Committee of the Sponsor (“Committee”) is responsible for supervising the investment of all assets owned by or held for the Plan. The nature of this Investment Policy Statement is characterized by the following:

- A. This Investment Policy Statement (“Policy”) sets forth the investment objectives and guidelines that govern the activities of the Committee and other parties the Committee may retain to supervise and monitor the investment of Plan assets.
- B. The investment policies for the Plan contained herein have been formulated consistent with the Plan’s need to pay promised benefits and the Sponsor’s tolerance for assuming investment and financial risk, as reflected in the majority opinion of the Committee.
- C. Policies contained in this Statement are intended to provide boundaries, where necessary, for ensuring that the Plan’s investments are managed consistent with the short- and long-term financial goals of the Plan. At the same time, the policies are intended to provide the Plan with sufficient flexibility to accommodate changes in capital market conditions and in the Sponsor’s financial circumstances.

The Committee will review this Investment Policy statement at least once per year. Changes to this Investment Policy Statement can be made only by affirmation of a

majority of the members of the Committee, and written confirmation of the changes will be provided to all Committee members and to any other parties hired on behalf of the Plan as soon as is practical.

II. Duties and Responsibilities

A. Finance Committee

As fiduciaries under the plan, the primary responsibilities of the Committee are:

1. Prepare and maintain this investment policy statement.
2. Prudently diversify the Plan's assets to meet an agreed upon risk/return profile based on discussion of funding status of plan.
3. Review and approve recommendations of Investment Consultant regarding mix of active vs. passive and use of specific asset classes.
4. Control and account for all investment, recordkeeping and administrative expenses associated with the Plan.
5. Monitor and supervise all service vendors.
6. Avoid prohibited transactions and conflicts of interest.

B. Custodian

Custodians are responsible for safekeeping of the Plan's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the plan.
3. Settle all transactions.
4. Provide monthly reports that detail transactions, cash flows, securities held and change in value of each security.
5. Maintain separate accounts by legal registration.

C. Investment Consultant

The Investment Consultant ("Consultant") serves as an objective, third-party professional retained to assist the Committee in managing the overall investment process. The Consultant is responsible for guiding the Committee through a disciplined and rigorous investment process (see Addendum B) to enable the committee to meet its responsibilities as outlined above. The Consultant will make recommendations on the use of specific asset classes and the mix of active and passive investment strategies. The Consultant will select the individual investment managers.

III. Plan Investment Policies

To ensure that the Plan meets its overall goal, the Plan will seek to achieve and maintain a fully funded status (100% funding). The strategy for achieving and maintaining fully funded status may vary with the current funding level and other parameters related to the overall goal. Therefore, the asset allocation process is dynamic, as described below:

A. Asset Allocation Policy

1. Plan assets must be used for the exclusive purpose of providing benefits to participants and beneficiaries. Asset allocation decisions will be based on the returns and risks relative to the liability.
2. Asset classes are broadly defined as equities (domestic and international), bonds (of various durations and corporate exposures), and alternatives such as real estate, commodities, and hedge funds. Cash is viewed as a transition vehicle and is not considered a strategic holding.
3. The Plan's funding ratio is the key measure of success. Both the level of the funding ratio and the stability of the funding ratio are important. If the Plan funding ratio falls below 80%, Committee shall evaluate and make recommendations, if necessary, to change funding and target allocation of assets.

B. Rebalancing Policy

It is expected that the Plan's actual asset allocation will vary from its target asset allocation given the varying returns earned on its investments in different asset and sub-asset classes over a given period of time. The Plan will be rebalanced to its target normal asset allocation under the following circumstances:

1. Utilize cash flow to realign the Portfolio closer to its target asset allocation on an ongoing basis.
2. To determine the deviation from target weightings, the Consultant will review the Portfolio quarterly. The following parameters will be applied:

- a) If any asset class (equity or fixed income) within the Portfolio is +/- 5% or more from its target weighting, the Portfolio will be rebalanced.
- b) If any individual fund within the Portfolio has increased or decreased by greater than 20% of its target weighting, the fund may be rebalanced. (At the discretion of the Consultant)
- 3. The Consultant may provide a rebalancing recommendation and/or a benchmark modification at any time.
- 4. The Consultant shall act within a reasonable period of time to evaluate deviation from these ranges.
- 5. The Committee will act within a reasonable period of time on recommendations from the consultant.

C. Other Investment Policies

Unless expressly authorized by the Committee, the Plan and its Consultant are prohibited from:

- 1. Purchasing securities on margin or executing short sales.
- 2. Pledging or hypothecating securities, except for loans that are fully collateralized.
- 3. Purchasing or selling derivative securities for speculation or leverage.
- 4. Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected given the objectives of their portfolios.

IV. Monitoring Plan Investments and Performance

The committee will monitor the Plan's results on an ongoing basis to evaluate how successful it has been at meeting its stated investment objectives. At a frequency to be determined by the Committee, it will formally assess the Plan and the performance of its underlying investments as follows:

- A. Returns will be stated on both an absolute basis and a relative basis to appropriate benchmarks as defined below
- B. The Plan's composite investment performance (net of fees) will meet or exceed the following standard:

A composite benchmark consisting of, but not limited to, the following unmanaged market indexes weighted according to the

expected target asset allocations stipulated by the Plan's investment guidelines:

1. U. S. Equity: S&P 500 Index
2. Non-U.S. Equity: MCSI EAFE Index (net)
3. Fixed Income: Bloomberg US Aggregate Bond Index
4. Cash Equivalents: US Treasury Bill 3 month

C. The performance of individual investments will be judged against the following standards:

1. A market-based index appropriately tailored to the agreed-upon investment objective and normal investment characteristics of the manager's portfolio.
2. The performance of other investment managers with similar objectives and policies.

D. In keeping with the Plan's overall long-term financial objective, the Committee will evaluate Plan and manager performance over a suitably long-term investment horizon, generally across full market cycles or, at a minimum, on a rolling five year basis.

E. Asset Class Guidelines

The Committee believes long-term investment performance is primarily a function of asset class mix. Focusing on balancing the risk and rewards of each broad asset class, the following ranges and targets were selected.

Table 1: Asset Classes

Asset Class	Range	Initial Target %
Equity	0 – 70%	66%
US Large Equity	20 - 55%	50%
US Mid Equity	5 - 10%	7%
US Small Equity	0 - 10%	4%
International Equity	5% – 15%	5%
Alternatives	0 – 5%	0%
Fixed Income	20% - 100%	20%
Cash	0 – 15%	14%

See Addendum A for detailed list of Benchmark Indexes and Peer Groups

F. Monitoring Watch List Criteria

The decision to retain or terminate an investment option cannot be made by a formula. Extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the committee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option.

An individual fund manager may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted based on the following factors:

1. Fiduciary score: Investment must place in the top 50% of its peer group
 - a) Style consistency: The fund's category and current style box should be the same. (Active)
 - b) Expense ratio/fees relative to peers: The expense ratio for the fund should be below the bottom half (most expensive) of the peer group. (Active and Passive)
 - c) Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median. (Active)
 - d) Performance relative to peers: The fund's 3- and 5-year trailing performance should be above the peer group's median. (Active and Passive)
2. Prospectus Net Expense Ratio: The investment must place in the top 50% of its peer group. (Active and Passive)
3. 3 Year Return: The investment must place in the top 50% of its peer group. (Active)
4. 5 year Return: The investment must place in the top 50% of its peer group. (Active)
5. 10 Year Return: The investment must place in the top 50% of its peer group. (Active)
6. Standard Deviation: The investment must place in the top 50% of its peer group. (Active and Passive)
7. Inception Date: The investment must have at least a 5 year track record. (Active and Passive)
8. Manager Tenure: The investment manager must have a least a 5 year track record (Most senior manager's tenure). (Active and Passive)

V. Account Reviews

The Consultant is expected to be available to meet with the Committee once per year to review portfolio structure, strategy, and investment performance. Investment reports shall be provided on an ongoing basis or as requested by the Committee.

These guidelines are approved by the Committee and are provided to the Consultant. It is the intention of the Committee to review these guidelines formally with the Consultant at least annually to confirm their continuing relevance or revise them as appropriate.

Either the Committee or the Consultant may suggest revisions at any time if it is believed to be in the best interests of the Plan.

Approved this _____ day of _____, 2025.

Signature

Addendum A

Asset Classes, Benchmark Indexes, Peer Groups

Broad Asset Class	Sub Asset Class	Benchmark Index	Peer Group*	Initial Target
Cash Equivalent	N/A	US Treasury T-Bill 3 month	N/A	14%
Fixed Income	US Fixed Income	Bloomberg US Aggregate	N/A	20%
US Large Equity	US Large Blend	S&P 500	Large Blend	24%
	US Large Value	Russell 1000 Value	Large Value	15%
	US Large Growth	CRSP US Large Cap Growth Index	Large Growth	11%
US Mid Equity	US Mid Blend	CRSP US Mid Cap Index	Mid Blend	7%
US Small Equity	US Small Blend	CRSP US Small Cap Index	Small Blend	4%
International Equity	Foreign – Large Cap	MCSI EAFE Index (net)	Foreign-Large	3%
	Emerging Markets	FTSE Emerging Markets All Cap China A Inclusion Index	Diversified Emerging Markets	2%
Real Estate	US Real Estate	DJ US Select REIT	Real Estate	0%
	Global Real Estate	DJ Global ex-US REIT	Global Real Estate	0%

**Peer group as defined by Morningstar®*

Addendum B

Implementation Guidelines

1. Change in Fund Manager
 - a. Consultant determines replacement fund
 - b. Consultant contacts Custodian to confirm availability of replacement fund
 - c. Consultant notifies BAH CFO/Head of Finance Committee of change and provides specific written instructions to be sent to Custodian.
 - d. BAH CFO email/faxes/mails instructions to Custodian

2. Periodic rebalance to target allocation (*See policy section IIIB*)
 - a. Consultant compares target to actual allocation
 - b. Consultant determines specific transfers (\$) to be made
 - c. Consultant notifies BAH CFO/Head of Finance Committee of change and provides specific written instructions to be sent to Custodian.
 - d. BAH CFO email/faxes/mails instructions to Custodian

3. Change to Ranges and/or Targets
 - a. Consultant makes formal recommendation to Committee
 - b. Committee reviews and provides Consultant with one of the following responses:
 - i. Approves
 - ii. Disapproves
 - iii. Tables for future discussion
 - c. Consultant acts on Committees decision