Evaluation of Going Concern
December 31, 2025

Accounting Guidance

ASC 205-40-50-5 states:

When evaluating an entity's ability to meet its obligations, management shall consider quantitative and qualitative information about the following conditions and events, among other relevant conditions and events known and reasonably knowable at the date that the financial statements are issued:

a. The entity's current financial condition, including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit)
b. The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in the entity's financial statements)
c. The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued.
d. The other conditions and events, when considered in conjunction with (a), (b), and (c) above, which may adversely affect the entity's ability to meet its obligations within one year after the date that the financial statements are issued.

Discussion

a. Grady's Current Financial condition has been favorable for the last five years with results of net income of:

- 2021 – $120,984,000
- 2022 – $9,302,000
- 2023 – $176,786,000
- 2024 – $262,502,000
- 2025 – $16,637,000

b. Liquidity – Unrestricted Cash was $468M as of 12/31/25 compared to $733M as of 12/31/24. Days Cash on Hand for the last five years have been:

- 2021 – 56
- 2022 – 49
- 2023 – 75
- 2024 – 131
- 2025 – 75

a. Available access to credit:

- In June 2021, Grady negotiated a new line-of-credit facility for $60 million as a general revolving credit facility with an initial expiration date of June 2022. This was then renewed as of October 2022, July 2023, July 2024, extended in July 2025, and renewed as of October 2025 with the current expiration date of October 2027. No amounts were outstanding under these lines of credit as of April 30, 2026 nor do we expect to draw on the line of credit by April 30, 2027.
- Grady also has approx. $8.8M payable in capital equipment leases as of the end of 2025 and $2.4M as of the end of 2024. Grady has added an additional approx. $1.1M in capital lease liabilities and approx. $7.9M in operating lease liabilities from 1/1/2026 until 4/30/2026.
- Lastly, Grady has participated in four New Market Tax Credit (NMTC) Transactions as of 4/30/2026. Grady was able to carry debt on its books of approx. $125M from 2015-2026.

b. Conditional and unconditional obligations due within 1-year known and unknown:

- Grady's obligations over the next year are to pay approx. $2.5M to the FDHA annually for the next 23 years related to the FDHA lease and transfer agreement that was put in place 18 years ago.
- There is an obligation of payment on our capital leases of approx. $2.4M in 2026 and approx. $3.2M through 4/30/2027, and our operating lease contracts equate to payment of approx. $6.2M in 2026 and $9.2M through 4/30/2027.
- One of our largest expenses other than payroll is to the Emory and Morehouse Schools of Medicine for professional fees, which in 2025 equated to approx. $283M. Grady will pay approx. $311M in professional fees in 2026, which is slightly higher compared to 2025 and there are no known changes to the contracts at this time which would impact this amount.
- When looking at our current ratio, it slightly decreased to 2.80 in 2025 compared to 2.88 in 2024. As of 3/31/2026, our current ratio is 2.35 and we expect it to remain similar as of 4/30/2027.

c. Funds necessary to maintain operations in current condition:

- Grady ended the CY 2025 and with an operating margin of -1.2% and total margin of 0.7%.
- The funding from the Georgia HIP Program will result in a net increase of $44M in additional funds for Grady in 2026.
- Additionally, Grady is currently pursuing several key initiatives over the next 5 years, such as:
  - Continuing improvements needed in lowering our length-of-stay, which continues to be high.
  - Care Coordination savings and revenue maximization;
  - Continuing efforts related to quality enhancement and variation reduction; and
  - Continued efforts to maintain qualification for the State of Georgia's Advancing Innovation to Deliver Equity program (GA-AIDE) funds.

  The results of these initiatives are expected to assist us in meeting our long-term margin goals.

d. Funds necessary to maintain/enhance operations in other conditions and events:

- Received approx. $146M in 2025 from the State of Georgia's Advancing Innovation to Deliver Equity program (GA-AIDE) to increase our net revenue. Compared to prior year, the funding was reduced due to government cutbacks and we expect to receive similar amount of funding in 2026 and 2027.
- Grady has pursued reimbursement from FEMA and GEMA related to COVID expenses. We expect approx. $11M in funding to be received in 2026 and do not expect any other funding after 2026.
- In 2023, Grady identified four new locations for primary, specialty, and imaging care through Fulton and DeKalb counties. Phase I of the Cascade clinic opened in July of 2023 and the Phase II expansion opened in the summer of 2024. Cascade services include primary care, specialty care, and rehab services. Lee & White clinic provides primary care, specialty care, and access to mammography and opened in September 2024. The Candler Road clinic provides primary care and opened in December 2025. The Flat Shoals clinic houses primary care, mammography, CT, and ultrasound and also opened in December 2025.
- As part of its ongoing mission to meet the growing need for emergency services in metro Atlanta, Grady is building a freestanding emergency department in south Fulton County. This freestanding emergency department, built in partnership with Fulton County, will be open 24 hours a day, seven days a week, and fully staffed by board-certified physicians, nurses, and other clinicians. Construction on the freestanding emergency department is in progress with a projected opening date of June 2026.
- Grady is also embarking on a transformative investment in a new medical center campus in South Fulton. It will open in phases, beginning with a medical office building in early 2028 and followed by a 200-bed acute care hospital in 2031. It will include imaging services, a surgery center, specialty clinics, pharmacy services, rehabilitation, and an entire floor of pediatric care in partnership with Children's Healthcare of Atlanta. The hospital is expected to serve as a Level 3 verified trauma center, improving emergency and critical care capacity for South Fulton residents. The project, expected to cost more than $1 billion, will be funded through a combination of sources, including $300 million in Fulton County bond funding and $300 million in Grady financing, with the remaining funds coming from philanthropic support raised through a multi-year capital campaign. This campus will bring high-quality care closer to those who need it most and based on early projections, it will strengthen our operating results.
- Grady will continue its partnership with the City of Atlanta and Fulton County in providing operational and clinical support of the Diversion Center, which provides an alternative to incarceration for non-violent offenders experiencing concerns related to homelessness, mental health, problematic substance use, and/or extreme poverty.
- Grady Health Foundation secured approx. $50M in funding as part of its capital campaign initiatives toward renovation and other hospital capital projects. The Foundation also secured an additional $50M from the Woodruff Foundation as part of its fundraising initiatives toward building and program enhancements. We have received approx. $10M of the Woodruff Foundation funding as of 2025.

Q1 2026 Financial Results

January – March financials reflect a gain of approx. $1M compared to the budget of $12M and a prior year gain of approx. $29M. We expect between 1.0% and 2.0% total margin for 2026 and 2027.

April 2026 onwards, we expect the following:

- We will continue to monitor our overall costs;
- We expect the South Fulton ED to open as scheduled and help us continue expanding access to healthcare;
- We will continue to focus our attention to help those patients in the areas that were discontinued by the closure of Atlanta Medical Center, primarily south of I-20;
- We will continue to give annual raises; and
- Although Grady has not experienced any loss of funding due to the changes in the US political environment, we are being extra cautious and focusing on contingency plans in case we are affected later in 2026.

Overall Conclusion

Based upon our consideration of the qualitative and quantitative information including, but not limited to factors described in ASC 205-40-50 and ASC 205-40-55, we believe that Grady has the ability to meet its obligations for the next year and will continue as a going concern at least for that time period.