LifeFlight of Maine, LLC and Subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

and

SUPPLEMENTARY INFORMATION

June 30, 2024 and 2023

With Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Members
LifeFlight of Maine, LLC and Subsidiary

Opinion

We have audited the accompanying consolidated financial statements of LifeFlight of Maine, LLC and Subsidiary (the Organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 U.S. GAAS 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 consolidated financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Change in Accounting Principle

As discussed in Note 2, the Organization changed its method of accounting for its helicopter parts which were previously expensed as purchased to the first-in, first-out method during the year ended June 30, 2024. The change in accounting principle has been applied through retrospective application; resulting in the restatement of the 2023 consolidated financial statements. Our opinion is not modified with respect to that matter.

The Members
LifeFlight of Maine, LLC and Subsidiary

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and consolidating statements of operation and changes in net assets are presented for purposes of additional analysis of the consolidated financial statements rather than present the financial position and changes in net assets of the individual entities (collectively, supplementary information) and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
December 9, 2024

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidated Statements of Financial Position

June 30, 2024 and 2023

ASSETS

		2024		(Restated) 2023
Current assets				
Cash	**$**	**2,781,226**	$	4,527,878
Accounts receivable, net		**4,945,356**		3,459,818
Contribution receivable from LifeFlight Foundation (LFF)		**632,084**		-
Inventory		**793,287**		389,822
Due from related parties		**409,994**		97,973
Prepaid expenses and other receivables		**1,111,392**		1,062,366
Total current assets		**10,673,339**		9,537,857
Property and equipment, net		**22,979,451**		24,132,474
Interest rate swaps		**391,282**		429,718
Right-of-use asset, operating leases		**1,366,487**		1,546,080
Interest in net assets of financially interrelated organization		**7,179,950**		6,187,464
Total assets	**$**	**42,590,509**	$	41,833,593

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND NET ASSETS

	2024	(Restated) 2023
Current liabilities		
Accounts payable and accrued expenses	**$ 1,525,687**	$ 1,086,029
Due to members and other related parties	**451,157**	2,633,712
Current portion of long-term debt	**1,553,491**	1,945,932
Current portion of lease liabilities - operating	**184,459**	179,593
Estimated third-party payors settlement	**39,112**	7,671
Total current liabilities	**3,753,906**	5,852,937
Long-term debt,net of current portion	**4,540,497**	5,770,417
Lease liabilities - operating, net of current portion	**1,182,028**	1,366,487
Total liabilities	**9,476,431**	12,989,841
Net assets		
Without donor restrictions	**28,733,229**	25,269,963
With donor restrictions	**4,380,849**	3,573,789
Total net assets	**33,114,078**	28,843,752
Total liabilities and net assets	**$ 42,590,509**	$ 41,833,593

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidated Statements of Operations and Changes in Net Assets

Years Ended June 30, 2024 and 2023

	2024	(Restated) 2023
Changes in net assets without donor restrictions		
Operating revenue and support		
Patient service revenue (net of contractual allowances and discounts)	**$ 25,008,216**	$21,735,143
Contributions from financially interrelated organization – operations and debt service	**426,432**	616,172
Other revenue	**1,587,787**	97,973
Total operating revenue and support	**27,022,435**	22,449,288
Operating expenses		
Aviation operations	**15,670,140**	10,633,032
Medical crew and medical care	**3,082,735**	4,585,204
Communications	**917,591**	748,034
Depreciation and amortization	**1,445,480**	1,318,267
Insurance	**1,121,713**	1,107,058
Administration	**2,061,298**	1,783,704
Interest	**235,978**	276,068
Total operating expenses	**24,534,935**	20,451,367
Gain from operations before change in fair value of interest rate swaps and other income	**2,487,500**	1,997,921
Change in fair value of interest rate swaps	**(38,436)**	147,459
Gain from operations before other income	**2,449,064**	2,145,380
Other income		
Interest and miscellaneous	**24,805**	22,906
Contributions from financially interrelated organization for long-term purposes	**171,887**	5,785,033
Gain on disposal of equipment	**-**	44,324
Change in net assets of financially interrelated organization	**817,510**	675,403
Net other income	**1,014,202**	6,527,666
Excess of operating revenue and support over operating expenses without donor restrictions	**3,463,266**	8,673,046

(Continued on next page)

The accompanying notes are an integral part of these consolidated financial statements.

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidated Statements of Operations and Changes in Net Assets (Concluded)

Years Ended June 30, 2024 and 2023

	2024	(Restated) 2023
Change in net assets without donor restrictions	**$ 3,463,266**	$ 8,673,046
Changes in net assets with donor restrictions		
Contributions from financially interrelated organization for long-term purposes	**632,084**	-
Change in net assets of financially interrelated organization	**174,976**	(4,637,469)
Change in net assets with donor restrictions	**807,060**	(4,637,469)
Total change in net assets	**4,270,326**	4,035,577
Net assets, beginning of year	**28,843,752**	24,808,175
Net assets, end of year	**$ 33,114,078**	$28,843,752

The accompanying notes are an integral part of these consolidated financial statements.

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidated Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	(Restated) 2023
Cash flows from operating activities		
Change in net assets	**$ 4,270,326**	$ 4,035,577
Adjustments to reconcile change in net assets to net cash (uses) provided by operating activities		
Depreciation and amortization	**1,445,480**	1,318,267
Gain on disposal of equipment	**-**	(44,324)
Amortization of debt issuance costs	**15,460**	15,460
Contributions for long-term purposes from financially interrelated organization	**(171,887)**	(5,785,033)
Contribution for debt service payments from financially interrelated organization	**(426,432)**	(616,172)
Change in net assets of financially interrelated organization	**(992,486)**	3,962,066
Change in fair value of interest rate swaps	**38,436**	(147,459)
Decrease (increase) in		
Accounts receivable	**(1,485,538)**	44,317
Contribution receivable from LFF	**(632,084)**	4,719
Inventory	**(403,465)**	(167,582)
Prepaid expenses and other receivables	**(57,631)**	(384,127)
Increase (decrease) in		
Accounts payable, accrued expenses, and estimated third-party payors settlement	**471,099**	483,213
Due to members and other related parties	**(2,485,971)**	(321,276)
Net cash (used) provided by operating activities	**(414,693)**	2,397,646
Cash flows from investing activities		
Acquisition of property and equipment	**(292,457)**	(5,690,244)
Proceeds from disposal of equipment	**-**	51,000
Net cash used by investing activities	**(292,457)**	(5,639,244)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	**871,654**	591,165
Principal payments on long-term debt	**(2,509,475)**	(1,276,630)
Proceeds from contributions for long-term in debt-service purposes from financially interrelated organization	**598,319**	6,401,205
Net cash (used) provided by financing activities	**(1,039,502)**	5,715,740
Net (decrease) increase in cash	**(1,746,652)**	2,334,142
Cash, beginning of year	**4,527,878**	2,193,736
Cash, end of year	**$ 2,781,226**	$ 4,527,878
Noncash transactions		
Acquisition of equipment through vendor financing	**$ -**	$ 315,023

The accompanying notes are an integral part of these consolidated financial statements.

Background Information

LifeFlight of Maine, LLC (The Organization or LOM) is a not-for-profit limited liability company, 50% of whose membership is held by Eastern Maine Healthcare Systems d/b/a Northern Light Health and 50% of whose membership is held by Central Maine Healthcare Corporation. LOM provides emergency and critical care air ambulance services to patients across the State of Maine.

LifeFlight Aviation Services LLC (LFAS) is a for-profit limited liability company, whose sole member is LOM. The purpose of the LFAS is to engage in the operation of an U.S. Federal Aviation Administration (FAA) Part 135 certified Aviation Services Company in support of the operation and mission of its sole member LOM.

The LifeFlight Foundation (LFF), a not-for-profit corporation, was founded in 2002 to provide a number of activities, including fundraising, to support LOM's air ambulance services for critically ill and injured patients throughout New England. Although LOM and LFF are each distinct 501(c)(3) organizations, they are financially interrelated (see Note 6).

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of LOM and its subsidiary LFAS (collectively, the Organization). All material intercompany balances have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S. GAAP, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management.

Net assets with donor restrictions: Net assets subject to restrictions by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LOM or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of operations and changes in net assets.

For purposes of display, transactions deemed by management to be ongoing and central to the provision of services are reported as operating revenue and operating expenses.

Cash

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. It has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk with respect to these accounts.

Revenue Recognition and Accounts Receivable

The Organization recognizes revenue according to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*.

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others. Generally, the Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to uninsured patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of patients and records these as a direct reduction to net patient service revenue. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and changes in commercial contractual terms resulting from contract negotiations and renewals.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended June 30, 2024 and 2023 was not significant.

Because all of its performance obligations relate to short-term contracts, the Organization has elected to apply the optional exemption provided in FASB ASC Subtopic 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Organization has agreements with third-party payors to provide emergency and critical care air ambulance services to the respective beneficiaries at rates which do not equal the standard charge for such services.

Consistent with the Organization's mission, services are provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and other uninsured balances (for example, copays and deductibles). The implicit price concessions included in estimating the transaction price represents the difference between amounts billed to patients and the amounts the Organization expects to collect based on its collection history with those patients.

Patients who meet the Organization's criteria for charity care are provided services, without charge or at amounts less than its established rates. The criteria for charity care consider family size and income. The Organization does not pursue collection of amounts determined to qualify as charity care and, accordingly, these amounts are not included in net patient service revenue.

The Organization estimates the costs associated with providing charity care by calculating a ratio of total cost, excluding fundraising, to total charges, then multiplying that ratio by the gross uncompensated charges associated with providing care to patients eligible for charity care. The estimated cost of caring for charity care patients for the years ended June 30, 2024 and 2023 was approximately $135,000 and $90,000, respectively.

In furtherance of its charitable purpose, the Organization provides additional services and programs at reduced or no cost to the public, schools, and civic groups. Some of these services include continuing medical education, injury prevention programs and career and community programs.

Effective January 1, 2023, the Organization adopted FASB Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected claims and credit losses on certain financial instruments. Topic 326 requires measurement and recognition of expected versus incurred losses for financial assets held. Financial assets held by the Organization that are subject to ASU 2016-13 include accounts receivable. The adoption of this ASU did not have a material impact on the Organization's consolidated financial statements.

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management estimates implicit price concessions based on its historical collection experience with patients based on its assessment of the current status of individual accounts, current conditions, reasonable and supportable forecasts, and identified trends for each of its major payor sources. No additional valuation allowance is necessary for possible credit losses based on historical experience, current conditions, and reasonable and supportable forecasts.

In evaluating the collectibility of accounts receivable, the Organization analyzes past results and identifies trends for self-pay accounts receivable and all other payor sources. the Organization records a provision for implicit price concessions in the period of service based on experience, which indicates that many patients are unable or unwilling to pay amounts for which they are financially responsible. The allowance for implicit price concessions was approximately $2,122,800 and $1,399,600 at June 30, 2024 and 2023, respectively.

Inventory

Inventory consists of aircraft parts and fuel and is stated at the lower of cost (first-in, first-out) or market value.

Property and Equipment

Property and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. It is the Organization's policy to capitalize all assets with a cost exceeding $2,500 and a useful life of more than one year.

Income Taxes

The Internal Revenue Service has determined that LOM and LFAS are exempt from taxation under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been reflected in these financial statements.

Contributions from Financially Interrelated Organization

All contributions recognized by LOM for the years ended June 30, 2024 and 2023 were received from LFF. Contributions are recognized when LFF releases funds without donor restrictions or funds with donor restrictions to LOM for donor stipulated purpose and those contributions are, in substance, unconditional.

Debt Issuance Costs

Certain costs related to the issuance of the debt, such as accountant, attorney and underwriting fees, are capitalized and amortized on a straight-line basis over the life of the loan. Debt issuance costs have been presented as a direct deduction from the carrying amount of the related debt.

Excess of Operating Revenue and Support Over Operating Expenses

The consolidated statements of operations and changes in net assets include excess of operating revenue and support over operating expenses. Changes in net assets without donor restrictions which are excluded from excess of operating revenue and support over operating expenses, consistent with industry practice, include contributions from financially interrelated organization for long-term purposes (including assets acquired using contributions which, by donor restriction, were to be used for the purposes of acquiring such assets).

Right-of-Use Assets and Lease Liabilities

Effective July 1, 2022, the Organization adopted FASB ASC Topic 842, *Leases* (Topic 842). The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from ,and the right to, direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to control and direct the use of the identified asset. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Organization separately identifies lease and non-lease components, such as maintenance costs, in calculating the right-of-use (ROU) assets and lease liabilities for its facility and equipment leases. The Organization has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease agreement.

Leases result in the recognition of ROU assets and lease liabilities on the consolidated balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date. Operating leases are reported separately on the balance sheet.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. Topic 842 requires the use of the implicit rate in the lease when readily determinable. As the leases do not provide an implicit rate, the Organization elected the to use their incremental borrowing rate when the rate of the lease is not implicit in the lease agreement.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense for operating leases is recognized on a straight-line basis over the lease term.

The Organization has elected not to record leases with an initial term of 12 months or less on the balance sheet. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Subsequent Events

For purposes of the preparation of these consolidated financial statements in conformity with U.S. GAAP, the Organization has considered transactions or events occurring through December 9, 2024, which was the date these financial statements were available for issuance. All subsequent events requiring recognition or disclosure have been incorporated into these consolidated financial statements.

Subsequent to June 30, 2024, the Organization received approval of a $1,920,000 grant request to fund the purchase of three ground ambulances. The funds will be received after expenditures are incurred.

2. Change in Accounting Principle

Prior to 2024, the Organization expensed the cost of helicopter parts as purchased. Beginning in 2024, the Organization elected to include helicopter parts in its inventory using the FIFO method. Management believes that including the cost of its helicopter parts in inventory and expensing as used more appropriately reflects the Organization's financial position, results of operations and cash flows. This change in accounting principle has been applied through retrospective application, resulting in the restatement of the 2023 consolidated financial statements. The restatement resulted in a $140,000 increase in inventory and net assets at the beginning of 2023 and a coincidental increase in the excess of operating revenue and support over operating expenses without donor restrictions.

3. Liquidity and Availability of Financial Assets

The following table reflects the Organization’s financial assets as of June 30 available to meet cash needs for general expenditures within one year of the consolidated statements of financial position date:

	2024	2023
Cash	**$ 2,781,226**	$ 4,527,878
Accounts receivable, net	**4,945,356**	3,459,818
Other receivables	**2,404**	36,140
Due from related parties	**409,994**	97,973
Financial assets available to meet cash needs for general expenditures within one year	**$ 8,138,980**	$ 8,121,809

The Organization strives to maintain financial assets to meet 90 days of operating expenses (approximately $6,050,000 at June 30, 2024). To help achieve these targets, the Organization forecasts future cash flows and monitors its liquidity and its financial ratios. The Organization also relies on LFF for operating and capital contributions throughout the year to meet the goals and mission of the Organization.

LFF has certain assets with donor restrictions which are available to LOM for debt service of the third helicopter and support of Sanford operations. These assets have not been included in the qualitative information above. See Note 11 for LOM's interest in the net assets of LFF.

4. Net Patient Service Revenue and Accounts Receivable

Patient service revenue and contractual and other allowances consisted of the following:

	2024	2023
Patient services	**$ 56,297,159**	$ 47,853,521
Less contractual allowances	**30,975,998**	25,894,244
Less charity care allowances	**312,945**	224,134
Patient services revenue (net of contractual allowances and discounts)	**$ 25,008,216**	$ 21,735,143

Each performance obligation is separately identifiable from other promises in the customer contract. As the performance obligations are met (i.e., emergency and critical care air ambulance services), revenue is recognized based upon the allocated transaction price. The transaction price is allocated to separate performance obligations based upon the relative standalone selling price.

In assessing collectibility, the Organization has elected the portfolio approach. This portfolio approach is being used as the Organization has a large volume of similar contracts with similar classes of customers. The Organization reasonably expects the effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. As a result, aggregating all of the contracts (which are at the patient level) by the particular payor or group of payors, will result in the recognition of the same amount of revenue as applying the analysis at the individual patient level.

Net patient service revenue recognized for the years ended June 30, 2024 and 2023 by type of payor is as follows:

	2024	2023
Medicare and Medicaid	**$ 10,371,067**	$ 9,265,614
Commercial and other	**14,637,149**	12,469,529
Total	**$ 25,008,216**	$ 21,735,143

Accounts receivable are stated at the amount management expects to collect from outstanding balances. LOM's accounts receivable consists of amounts due from self-pay patients. Collateral is generally not required. Self-pay contracts have payment terms in the month of service, or within a few months thereafter. The closing balances in accounts receivable were as follows:

June 30, 2022	$ 3,504,135
June 30, 2023	3,459,818
June 30, 2024	4,945,356

5. Property and Equipment

Property and equipment consist of:

	2024	2023
Leasehold improvements	**$ 671,464**	$ 651,846
Equipment, furniture and fixtures	**35,260,686**	35,034,587
Acquisitions in progress	**60,704**	63,222
	35,992,854	35,749,655
Accumulated depreciation	**(13,013,403)**	(11,617,181)
	$ 22,979,451	$ 24,132,474

In September 2024, LOM purchased a building for $475,000 located in Auburn, Maine. The building purchase was funded with contributions from LFF.

6. Financially Interrelated Organization

LOM's interest in the net assets of LFF of $7,179,950 at June 30, 2024 and $6,187,464 at June 30, 2023 is presented separately in the consolidated statements of financial position. LOM's interest in LFF's change in total net assets of $992,486 and $(3,962,066) for 2024 and 2023, respectively, is included in the consolidated statements of operations and changes in net assets.

Between January 26, 2024 and June 27, 2024, LFF's Board approved resolutions to contribute a total of $632,084 to LOM. Of this amount, $49,766 was contributed from LFF Board designated funds, and the remaining $582,318 was contributed from several donor restricted funds. LOM has recognized the contribution in changes in net assets with donor restrictions in the consolidated statements of operations and changes in net assets and recorded a contribution receivable on the consolidated statements of financial position.

7. Fair Value Measurement

FASB ASC Topic 820, *Fair Value Measurement,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

LOM's interest rate swaps are valued using Level 2 measurements based on market interest rates using the income approach.

8. Borrowings

Long-term debt at June 30 consists of the following:

	2024	2023
Variable rate at 65% of the thirty-day Secured Overnight Financing Rate (SOFR) plus 1.90% (5.36% at June 30, 2024) note payable to Bangor Savings Bank (BSB), through a revenue obligation bond issued by the Town of Camden; due in monthly principal payments ranging from $22,104 in 2024 to $27,236 in 2032, plus interest, through January 2032 when the remaining balance is due; collateralized by Agusta Grand 109 aircraft and other business assets of LOM and guaranteed by LFF.	**$ 2,233,124**	$ 2,493,319
Variable rate at 73% of the thirty-day SOFR plus 1.90% (5.79% at June 30, 2024) note payable to BSB through a revenue obligation bond issued by the Financing Authority of Maine; due in monthly principal payments ranging from $13,795 in 2024 to $18,392 in 2032, plus interest, through January 2032 when the remaining balance is due; collateralized by Agusta Grand 109 aircraft and other business assets of LOM and guaranteed by LFF.	**1,410,188**	1,572,217
Variable rate at 65% of the thirty-day SOFR plus 2.00% (5.46% at June 30, 2024) note payable to BSB through a revenue obligation bond issued by the Town of Camden; due in monthly principal payments of $18,750, plus interest, through June 2025 when the remaining balance is due; collateralized by Beechcraft King Air B200 aircraft and guaranteed by LFF.	**225,000**	450,000

	2024	2023
Variable rate at the thirty-day SOFR plus 2.25% (7.58% at June 30, 2024) note payable to BSB due in monthly principal payments ranging from $8,781 in June 2024 to $12,574 in 2035, plus interest, through December 2035 when the remaining balance is due; collateralized by Leonardo SPA model AW109SP aircraft and guaranteed by LFF.	**1,453,727**	1,556,534
3.85% note payable to Camden National Bank; due in monthly principal payments of $47,772 plus interest through October 2024 when the remaining balance is due; collateralized by two Agusta Spa Model A109E aircrafts and guaranteed by LFF.	**234,715**	787,162
Financing agreement with Zoll Medical Corporation. Paid in full during 2024.	**-**	304,522
6.35% note payable to BankDirect. Paid in full during 2024.	**-**	591,728
6.79% note payable to BankDirect for 11 monthly payments on a premium finance agreement on Helicopter insurance. Security is interest in any and all unearned or return premium(s) and dividends which may become due under the policy(ies) being purchased.	**560,975**	-
Total long-term debt	**6,117,729**	7,755,482
Less current portion	**1,553,491**	1,945,932
Less unamortized debt issuance costs	**23,675**	39,133
Long-term debt, net	**$ 4,540,563**	$ 5,770,417

Maturities of long-term debt for the next five years are as follows:

2025	$ 1,553,491
2026	557,908
2027	574,877
2028	592,107
2029	610,376

The loan agreements for certain notes payable contain certain financial covenants. At June 30, 2024 LOM was in compliance with these covenants.

As disclosed above, the first note payable to BSB bears interest at 65% of the thirty-day SOFR plus 1.90%. In conjunction with this financing, LOM entered into an effective interest rate swap contract for this debt under which it pays interest at a fixed rate of 2.79% and receives an interest rate at 65% of the thirty-day SOFR plus 1.90%. The notional amount of the swap associated with the note payable was $2,233,124 and $2,493,319 as of June 30, 2024 and 2023, respectively. The swap contract expires in January 2032.

As disclosed above, the second note payable to BSB bears interest at 73% of the thirty-day SOFR plus 1.90%. In conjunction with this financing, LOM entered into an effective interest rate swap contract for this debt under which it pays interest at a fixed rate of 3.10% and receives an interest rate at 73% of the thirty-day SOFR plus 1.90%. The notional amount of the swap associated with the note payable was $1,410,188 and $1,572,217 as of 2024 and 2023, respectively. The swap contract expires in January 2032.

As disclosed above, the third note payable to BSB bears interest at 65% of the thirty-day LIBOR plus 2.00%. In conjunction with this financing, LOM entered into an effective interest rate swap contract for this debt under which it pays interest at a fixed rate of 2.69% and receives an interest rate at 65% of the thirty-day SOFR plus 2.00%. At June 30, 2024 and 2023, the notional amount of the swap associated with the note payable was $225,000 and $450,000, as of June 30, 2024 and 2023, respectively. The swap contract expires in June 2025.

As disclosed above, the fourth note payable to BSB bears interest equal to thirty-day SOFR plus 2.25%. In conjunction with this financing, LOM entered into an effective interest rate swap contract for this debt under which it pays interest at a fixed rate of 3.16% and receives an interest rate at thirty-day SOFR plus 2.25%. The notional amount of the swap associated with the note payable was $1,453,727 and $1,556,534 as of June 30, 2024 and 2023, respectively. The swap contract expires in December 2035.

The fair values of the swap contracts have been recorded in the consolidated statements of financial position as assets at June 30, 2024 and 2023 of $391,282 and $429,718, respectively.

Interest incurred and expensed, excluding amortization of debt insurance costs, was $220,519 in 2024 and $260,608 in 2023.

9. Related Party Transactions

LOM has entered into various contracts for services with members and other parties related through common ownership. The following is a revenue summary of transactions with these related parties:

	2024	2023
Nursing, critical care, paramedic and other services		
Central Maine Medical Center	**$ 419,081**	$ 97,973
Eastern Maine Medical Center	**141,992**	-
MedComm, LLC	**35,154**	21,612
	$ 596,227	$ 119,585

The following is an expense summary of transactions with these related parties:

	2024	2023
Administrative and executive management services		
Affiliated Healthcare Management	**$ 3,411**	$ 555,275
Nursing, critical care, paramedic and other services		
Central Maine Medical Center	**75,600**	1,129,940
Eastern Maine Medical Center	**1,791,105**	1,836,606
Northern Light Medical Transport	**313,617**	825,032
Fundraising		
LFF	**762,348**	697,054
Lease expense and support		
Northern Light Health	**76,400**	120,605
Central Maine Medical Center	**7,985**	11,138
Miscellaneous		
Affiliated Laboratory, Inc.	**1,770**	5,482
WorkHealth – Employee Health	**19,956**	12,820
Billing and dispatch services		
MedComm, LLC	**583,047**	494,761
	$ 3,635,239	$ 5,688,713

Contribution revenue without donor restrictions received from LFF was $1,230,403, of which $632,084 is included in donor restricted net assets at June 30, 2024. During 2023, LOM received contribution revenue of $6,401,205 from LFF.

Prepaid expenses at June 30, 2024 and 2023 include $33,000 to MedComm, LLC.

10. Fleet Operation and Service Commitments

LFAS obtained their Part 135 Certificate and began to provides air ambulance services for LOM during 2022. Total expenses incurred related to air ambulance services for the years ended June 30, 2024 and 2023 were $5,165,245 and $5,025,488, respectively.

11. Net Assets

Net assets without donor restrictions as of 2024 and 2023 include $3,431,185 and $2,613,675, respectively, related to LFF.

Net assets with donor restrictions are as follows:

	2024	2023
LOM's interest in LFF		
Aircraft – Fixed Wing	**$ 23,917**	$ 23,917
Aircraft Replacement Fund	**200,000**	356,933
Time Restricted	**-**	4,290
Funds Held in Perpetuity – Beneficial interest in funds held by others	**1,050,997**	978,406
Remote access	**150,000**	-
Ground Program	**98,851**	576,700
Medical Equipment	**673,463**	10,000
Crew Uniforms and Equipment	**47,000**	-
Aviation Equipment	**155,001**	-
Infrastructure	**4,852**	-
COVID-19 Support Services	**67,835**	67,835
Clinical Education and Safety	**1,276,849**	1,555,708
LOM's interest in LFF	**3,748,765**	3,573,789
LOM net assets with donor restrictions		
Ground Program	**492,367**	-
Education	**70,807**	-
Crew Uniforms	**19,144**	-
Undesignated	**49,766**	-
Total LOM net assets with donor restriction	**632,084**	-
Total net assets with donor restrictions	**$ 4,380,849**	$ 3,573,789

12. Functional Expenses

The consolidated statements of operations and changes in net assets report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses include leased office space which is allocated based on physical usage of facilities. Management fees, communication expenses, and contract services are allocated based on estimates of time and effort.

Expenses by function and natural classification are as follows:

2024	**Program**	**General and Administrative**	**Total**
Aviation operations	**$ 15,670,140**	**$ -**	**$ 15,670,140**
Medical crew and medical care	**3,082,735**	**-**	**3,082,735**
Communications	**917,591**	**-**	**917,591**
Depreciation and amortization	**1,445,480**	**-**	**1,445,480**
Insurance	**1,121,713**	**-**	**1,121,713**
Administration	**-**	**2,061,298**	**2,061,298**
Interest	**235,978**	**-**	**235,978**
	$ 22,473,637	**$ 2,061,298**	**$ 24,534,935**

2023	Program	General and Administrative	Total
Aviation operations	$ 10,633,032	$ -	$ 10,633,032
Medical crew and medical care	4,585,204	-	4,585,204
Communications	748,034	-	748,034
Depreciation and amortization	1,318,267	-	1,318,267
Insurance	1,107,058	-	1,107,058
Administration	-	1,783,704	1,783,704
Interest	276,068	-	276,068
	$ 18,667,663	$ 1,783,704	$ 20,451,367

13. Lease Obligations

The Organization has entered the following lease arrangements:

Operating Leases

The Organization has three hanger leases that expires from 2030 through 2034. Termination of the leases is generally prohibited unless there is a violation under the lease agreements.

Short-Term Leases

The Organization has certain leases that are for a period of 12 months of less or contain renewals for periods of 12 months or less. The Organization does not include short-term leases within the consolidated statements of financial position since it has elected the practical expedient not to include these leases within the recognized operating lease ROU assets and lease liabilities.

Lease Cost

Lease costs for the year ended June 30, 2024 and 2023, are as follows:

Operating and short term lease cost	217,610
Total lease cost	$ 217,610

Other Information

	2024	2023
Operating Lease:		
Weighted average remaining term:	**7.46 years**	8.79 years
Weighted average discount rate:	**2.62%**	2.75%

Future minimum lease payments and reconciliation to the consolidated statement of financial position:

2025	$ 217,610
2026	217,610
2027	217,610
2028	217,610
2029	217,610
Thereafter	416,851
Total minimum lease payments	1,504,901
Less amount representing interest	138,414
Less current portion	184,459
Lease liabilities - operating, net of current portion	$ 1,182,028

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Financial Position

June 30, 2024

ASSETS

	LOM	LFAS	Eliminations	Consolidated
Current assets				
Cash	$ 2,734,121	$ 47,105	$ -	$ 2,781,226
Accounts receivable, net	4,945,356	-	-	4,945,356
Contribution receivable from LFF	632,084	-	-	632,084
Inventory	793,287	-	-	793,287
Due from related parties	669,994	520,602	(780,602)	409,994
Prepaid expenses and other receivables	1,054,849	56,543	-	1,111,392
Total current assets	10,829,691	624,250	(780,602)	10,673,339
Property and equipment, net	22,979,451	-	-	22,979,451
Interest rate swaps	391,282	-	-	391,282
Right-of-use asset - operating leases	1,366,487	-	-	1,366,487
Interest in net assets of financially interrelated organization	7,179,950	-	-	7,179,950
Total assets	$ 42,746,861	$ 624,250	$ (780,602)	$ 42,590,509

LIABILITIES AND NET ASSETS

	LOM	LFAS	Eliminations	Consolidated
Current liabilities				
Accounts payable and accrued expenses	$ 1,161,437	$ 364,250	$ -	$ 1,525,687
Due to members and other related parties	971,759	260,000	(780,602)	451,157
Current portion of long-term debt	1,553,491	-	-	1,553,491
Current portion of lease liabilities - operating	184,459	-	-	184,459
Accounts receivable refunds due to third-party payors	39,112	-	-	39,112
Total current liabilities	3,910,258	624,250	(780,602)	3,753,906
Long-term debt, net of current portion	4,540,497	-	-	4,540,497
Lease liabilities - operating, net of current portion	1,182,028	-	-	1,182,028
Total liabilities	9,632,783	624,250	(780,602)	9,476,431
Net assets				
Without donor restrictions	28,733,229	-	-	28,733,229
With donor restrictions	4,380,849	-	-	4,380,849
Total net assets	33,114,078	-	-	33,114,078
Total liabilities and net assets	$ 42,746,861	$ 624,250	$ (780,602)	$ 42,590,509

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Financial Position

June 30, 2023
(Restated)

ASSETS

	LOM	LFAS	Eliminations	Consolidated
Current assets				
Cash	$ 4,338,988	$ 188,890	$ -	$ 4,527,878
Accounts receivable, net	3,459,818	-	-	3,459,818
Inventory	389,822	-	-	389,822
Due from related parties	360,574	336,288	(596,288)	100,574
Prepaid expenses and other receivables	1,009,576	50,189	-	1,059,765
Total current assets	9,558,778	575,367	(596,288)	9,537,857
Property and equipment, net	24,132,474	-	-	24,132,474
Interest rate swaps	429,718	-	-	429,718
Right-of-use asset - operating leases	1,546,080	-	-	1,546,080
Interest in net assets of financially interrelated organization	6,187,464	-	-	6,187,464
Total assets	$ 41,854,514	$ 575,367	$ (596,288)	$ 41,833,593

LIABILITIES AND NET ASSETS

	LOM	LFAS	Eliminations	Consolidated
Current liabilities				
Accounts payable and accrued expenses	$ 770,662	$ 315,367	$ -	$ 1,086,029
Due to members and other related parties	2,970,000	260,000	(596,288)	2,633,712
Current portion of long-term debt	1,945,932	-	-	1,945,932
Current portion of lease liabilities - operating	179,593	-	-	179,593
Accounts receivable refunds due to third-party payors	7,671	-	-	7,671
Total current liabilities	5,873,858	575,367	(596,288)	5,852,937
Long-term debt, net of current portion	5,770,417	-	-	5,770,417
Lease liabilities - operating, net of current	1,366,487	-	-	1,366,487
Total liabilities	13,010,762	575,367	(596,288)	12,989,841
Net assets				
Without donor restrictions	25,269,963	-	-	25,269,963
With donor restrictions	3,573,789	-	-	3,573,789
Total net assets	28,843,752	-	-	28,843,752
Total liabilities and net assets	$ 41,854,514	$ 575,367	$ (596,288)	$ 41,833,593

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2024

	LOM	LFAS	Eliminations	Consolidated
Changes in net assets without donor restrictions				
Operating revenue and support				
Net patient service revenue	$ 25,008,216	$ -	$ -	$ 25,008,216
Contributions from financially interrelated organization - operations and debt service	426,432	-	-	426,432
Other revenue	1,587,787	5,170,658	(5,170,658)	1,587,787
Total operating revenue and support	27,022,435	5,170,658	(5,170,658)	27,022,435
Operating expenses				
Aviation operations	15,670,140	4,367,354	(4,367,354)	15,670,140
Medical crew and medical care	3,082,735	5,366	(5,366)	3,082,735
Communications	917,591	-	-	917,591
Depreciation and amortization	1,445,480	-	-	1,445,480
Insurance	1,121,713	47	(47)	1,121,713
Administration	2,061,298	797,891	(797,891)	2,061,298
Interest	235,978	-	-	235,978
Total operating expenses	24,534,935	5,170,658	(5,170,658)	24,534,935
Gain from operations before change in fair value of interest rate swaps and other income	2,487,500	-	-	2,487,500
Change in fair value of interest rate swaps	(38,436)	-	-	(38,436)
Gain from operations before other income	2,449,064	-	-	2,449,064
Other income				
Interest and miscellaneous	24,805	-	-	24,805
Contributions from financially interrelated organization for long-term purposes	171,887	-	-	171,887
Change in net assets of financially interrelated organization	817,510	-	-	817,510
Net other income	1,014,202	-	-	1,014,202

(Continued on next page)

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Operations and Changes in Net Assets (Concluded)

Year Ended June 30, 2024

	LOM	LFAS	Eliminations	Consolidated
Excess of operating revenues and support over operating expenses and change in net assets without donor restrictions	$ 3,463,266	$ -	$ -	$ 3,463,266
Changes in net assets with donor restrictions				
Contributions from financially interrelated organization for long-term purposes	632,084	-	-	632,084
Change in net assets of financially interrelated organization	174,976	-	-	174,976
Change in net assets with donor restrictions	807,060	-	-	807,060
Total change in net assets	4,270,326	-	-	4,270,326
Net assets, beginning of year	28,843,752	-	-	28,843,752
Net assets, end of year	$ 33,114,078	$ -	$ -	$ 33,114,078

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Operations and Changes in Net Assets

Year Ended June 30, 2023
(Restated)

	LOM	LFAS	Eliminations	Consolidated
Changes in net assets without donor restrictions				
Operating revenue and support				
Net patient service revenue	$ 21,735,143	$ -	$ -	$ 21,735,143
Contributions from financially interrelated organization - operations and debt service	616,172	-	-	616,172
Other revenue	97,973	5,036,065	(5,036,065)	97,973
Total operating revenue and support	22,449,288	5,036,065	(5,036,065)	22,449,288
Operating expenses				
Aviation operations	10,633,032	4,322,804	(4,322,804)	10,633,032
Medical crew and medical care	4,585,204	5,197	(5,197)	4,585,204
Communications	748,034	-	-	748,034
Depreciation and amortization	1,318,267	-	-	1,318,267
Insurance	1,107,058	5,380	(5,380)	1,107,058
Professional fees and administration	1,783,704	702,684	(702,684)	1,783,704
Interest	276,068	-	-	276,068
Total operating expenses	20,451,367	5,036,065	(5,036,065)	20,451,367
Gain from operations before change in fair value of interest rate swaps and other income	1,997,921	-	-	1,997,921
Change in fair value of interest rate swaps	147,459	-	-	147,459
Gain from operations before other income	2,145,380	-	-	2,145,380
Other income				
Interest and miscellaneous	22,906	-	-	22,906
Contributions from financially interrelated organization for long-term purposes	5,785,033	-	-	5,785,033
Gain on disposal of equipment	44,324	-	-	44,324
Change in net assets of financially interrelated organization	675,403	-	-	675,403
Net other income	6,527,666	-	-	6,527,666

(Continued on next page)

LIFEFLIGHT OF MAINE, LLC AND SUBSIDIARY

Consolidating Statement of Operations and Changes in Net Assets (Concluded)

Year Ended June 30, 2023
(Restated)

	LOM	LFAS	Eliminations	Consolidated
Excess of operating revenues and support over operating expenses and change in net assets without donor restrictions	$ 8,673,046	$ -	$ -	$ 8,673,046
Change in net assets with donor restrictions of financially interrelated organization	(4,637,469)	-	-	(4,637,469)
Total change in net assets	4,035,577	-	-	4,035,577
Net assets, beginning of year	24,808,175	-	-	24,808,175
Net assets, end of year	$ 28,843,752	$ -	$ -	$ 28,843,752