

ANNUAL REPORT
2025



FONAR CHAIRMAN'S LETTER TO SHAREHOLDERS

MAY 2026

Dear Shareholders:

It was not too long ago when hardly anyone had heard of MRI. Today, it's a household word, understood by nearly everyone throughout the world to be the premier diagnostic imaging modality. Between 150 and 200 million MRIs are performed worldwide each year, including approximately 40 million MRI scans in America. The rapidly growing global MRI market was valued at approximately \$7.1 billion in 2024 and is projected to reach \$10 billion by 2030*. The ever-expanding diagnostic information derived from MR imaging has helped or saved the lives of millions of people the world over.

A deep dive into the origin of the staggering success of the MRI scanner leads to one person: my father, Dr. Raymond V. Damadian. To this day, the fundamental means of producing MRI pictures is attributable to the seminal discovery he made over 50 years ago. Here is a brief history:

Nearly 60 years ago (1969), while a professor at SUNY Downstate Medical Center in Brooklyn, New York, Dr. Damadian was introduced to a physical phenomenon known as Nuclear Magnetic Resonance (NMR). NMR spectrometers, which had been used by chemists for years, are able to detect signals from the contents of a test tube for the purpose of analyzing chemical composition. Captivated by this instrument, Professor Damadian envisioned a machine that could noninvasively and harmlessly (unlike X-rays) look inside the human body, not just inside a test tube. On September 17, 1969, he wrote to the Health Research Council of the City of New York requesting funds to pursue a Nuclear Magnetic Resonance (NMR) body scanner to detect malignant tumors. Unfortunately, and to his surprise, the idea was met with resistance and even ridicule from the scientific community. One prominent scientist at the time dismissed it as "visionary nonsense." Though disappointed and dismayed by their reaction, Dr. Damadian was determined to transform his idea into reality.

In the following year (1970), Dr. Damadian made the remarkable discovery that the relaxation times of NMR signals from normal and cancerous tissues of the same type were markedly different, as were the signals from different types of tissues. These pronounced differences overcame X-ray's (including CT's) long-standing (over a 100 years) inability to visualize soft tissue, which was critical for the assessment and treatment of life-sustaining organs (e.g., brain, heart, liver, kidney, spleen, pancreas, etc.). Every MRI image ever made rests upon Dr. Damadian's seminal discovery.

In 1974, Dr. Damadian was granted a patent for the machine that he envisioned: U.S. Patent #3,789,832, the world's first MRI patent. In 1977, he built it, the world's first human-size MRI machine (*Indomitable*), and, in 1978, launched FONAR, the world's first MRI Company. A new industry was born.

While FONAR is now a very successful company, the path from its inception in 1978 to the present was very difficult. Soon after FONAR introduced the world's first commercial MRI in 1980, well-heeled medical equipment manufacturers, including Johnson & Johnson, General Electric, Philips, Hitachi and Siemens began making their own MRIs. By 1983, FONAR had 13 competitors. Over its first 20 years FONAR installed over 400 MRIs. But it was a constant David-versus-Goliath struggle that included battles in court rooms protecting itself against patent infringement, and in the marketplace battling for a share of the market that, ironically, it created.

Over those first 20 years, FONAR worked with hundreds of customers, most of them independent MRI business owners. We became well acquainted with their day-to-day operations, their sales and marketing strategies, and the interests and needs of their referring physicians. We had, inadvertently, learned how to manage MRI centers. The MRI sales market was erratic and we needed a supplemental, steady source of revenue. So in 1997, FONAR created its diagnostic management subsidiary, Health Management Company of America (HMCA), to provide MRI users with a full range of non-medical services. By 2009, HMCA was managing nine MRI facilities, six in New York and three in Florida.

In 2010, HMCA assembled a new and very experienced management team under whose leadership HMCA has grown steadily - from managing six MRI scanners in 2009 to currently managing 45 MRIs; 27 in New York and 18 in Florida. Annual scan volume grew from 29,000 in 2009 to 216,317 in Fiscal 2025, and FONAR Total Revenues-Net grew from \$31.8 million in Fiscal 2010 to \$104.4 million in Fiscal 2025.

HMCA

HMCA grows the businesses at the sites it manages by (1) aggressively marketing the advantages of the STAND-UP® (UPRIGHT®) MRI: the "Non-Claustrophobic MRI," its unique ability to scan patients in weight-bearing positions (sitting, standing, and bending) as well as the ability to scan the cervical and lumbar spines in flexion and extension. Every HMCA-managed scanning facility is equipped with a FONAR STAND-UP® (UPRIGHT®) MRI; (2) employing proven marketing strategies; (3) acquiring or establishing de novo sites that can enhance or expand HMCA's existing networks; (4) adding high-field-strength MRIs to sites in order to accommodate referring physicians who demand the benefits of high-field technology; (5) adding Artificial Intelligence (AI) software to dramatically improve image quality and reduce scan times; and, of course, (6) providing outstanding service to patients and their physicians.

HMCA has continued to grow. In Fiscal 2025 we added high-field MRIs to two existing HMCA-managed sites: one in Naples, Florida (September 2024) and one in Melville, New York (March 2025). Total scan volume at HMCA-managed sites in Fiscal 2025 was 216,317, 3.3% higher than in Fiscal 2024 (209,346).

In Fiscal 2026, we added a high-field MRI at the existing HMCA-managed site in Lynbrook, New York (October 2026), and we expect to be managing an entirely new MRI center in Nassau County, New York by the end of Fiscal 2026. As always, we continue to search for locations where the introduction of our technology and services would profitably enhance our existing New York and Florida networks.

FONAR UPDATES

AIRS Medical

FONAR is now in the third year of its agreement with AIRS Medical, a leading provider of the Artificial Intelligence (AI)-powered healthcare solutions. FONAR is the exclusive distributor of AIR's products, **SwiftMR™** and **SwiftSight™**, to FONAR customers for use on their FONAR MRIs or on any other MRI scanners they own.

SwiftMR™ is a post-processing, cloud-based software product that uses sophisticated deep-learning AI models to dramatically de-noise and sharpen MRI images. **SwiftMR™** also enables scan times to be reduced by 30-50%. Every HMCA-managed MRI scanner has been upgraded with **SWIFTMR™** and a growing number of FONAR users have signed on as well

With AIR's recently introduced product, **SwiftSight™**, brain atrophy can be reliably tracked over the full evaluation period, regardless of the various makes and strengths of the MRIs used. It also provides greater diagnostic detail and enables segmentation of structures that conventional tools cannot reliably quantify. Both of these products can be installed on any MRI scanner, regardless of make or magnetic field strength.

The results of our agreement with AIRS have met our expectations and we look forward to continuing success.

OPUS

Over a year ago, FONAR formed Opus Diagnostic Services, LLC (OPUS). With over 40 years of experience in servicing MRI scanners, the OPUS team is equipped to expertly service MRI scanners of all makes, models and field strengths. Since OPUS regularly interacts with its customers, it is in the position to introduce AIRS products to them. The synergy between OPUS and AIRS Medical is very promising.

Ongoing Research

As I have reported in the past, up until the time of his passing (August 3, 2022), Dr. Damadian was conducting research on cerebrospinal fluid (CSF) flow in the neck and brain. I am pleased to report that FONAR continues to support this program.

The FONAR UPRIGHT® MRI's unique ability to scan patients in both recumbent and upright positions, makes it possible to see significant position-dependent differences in the flow of cerebrospinal fluid. CSF flow impairments can be investigated to access the degree to which such impairments are responsible for a patient's symptoms, and also the degree to which a patient's surgical or non-surgical CCJ (craniocervical junction) treatment restores normal brain and central nervous system function. Dr. Damadian believed the results of this research could lead to a better understanding of the role of CSF in normal physiological function, as well as in the pathophysiology of neurodegenerative diseases such as Multiple Sclerosis.

CONCLUSION

While FONAR's early years were very challenging, I'm proud that the company has now been successful for quite some time. As of June 30, 2025, we've posted 63 consecutive quarters of positive net income and positive income from operations.

Thank you friends, family, and investors and all of our hard-working employees for your parts in fulfilling my father's dream of making a diagnostic machine to benefit all of mankind.

Sincerely,

Timothy R. Damadian

Chairman and CEO

FONAR Corporation

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended June 30, 2025

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-10248



FONAR CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State of incorporation)

110 Marcus Drive, Melville, New York

(Address of principal executive offices)

11-2464137

(IRS Employer Identification Number)

11747

(Zip Code)

(631) 694-2929

(Registrant's Telephone Number, including area code)

Securities Registered pursuant to Section 12(b) of the Act

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Exchange Registered</u>
Common Stock, \$.0001 par value	FONR	NASDAQ Capital Market

Securities Registered pursuant to Section 12(g) of the Act

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No .

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No .

FONAR CORPORATION AND SUBSIDIARIES

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

Indicate by check mark whether the registrant (1) has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Smaller reporting company Emerging Growth Company

If securities are registers pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. Yes No .

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b). Yes No .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No .

The aggregate market value of the shares of Common Stock held by non-affiliates as of December 31, 2024 based on the closing price of \$15.14 per share on such date as reported on the NASDAQ System, was approximately \$91.8 million. The other outstanding classes do not have a readily determinable market value.

As of September 8, 2025, 6,203,465 shares of Common Stock, 146 shares of Class B Common Stock, 382,513 shares of Class C Common Stock and 313,438 shares of Class A Non-voting Preferred Stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

FONAR CORPORATION AND SUBSIDIARIES

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FONAR CORPORATION AND SUBSIDIARIES

PART I

ITEM 1. BUSINESS

GENERAL

FONAR Corporation, sometimes referred to as the “Company” or “FONAR”, is a Delaware corporation which was incorporated on July 17, 1978. Our address is 110 Marcus Drive, Melville, New York 11747 and our telephone number is 631-694-2929. FONAR also maintains a website at www.fonar.com. FONAR provides copies of its filings with the Securities and Exchange Commission on Forms 10-K, 10-Q and 8-K and amendments to these reports to stockholders on request.

We conduct our business in two segments. Our medical equipment segment is conducted directly through FONAR. Our physician management and diagnostic services segment is conducted through our subsidiary Health Management Corporation of America (“HMCA”). HMCA provides management services, administrative services, billing and collection services, credentialing services, contract negotiations, compliance consulting, purchasing, IT services, hiring, conducting interviews and managing personnel, storage of medical records, office space, equipment, repair, maintenance service, and clerical and other non-medical personnel to medical providers engaged in diagnostic imaging. In addition to acting as a management company, HMCA owns and operates six diagnostic imaging facilities in Florida. See Note 15 for a more detailed analysis.

FONAR is engaged in the business of designing, manufacturing, selling and servicing magnetic resonance imaging scanners, also referred to as “MRI” or “MR” scanners, which utilize MRI technology for the detection and diagnosis of human disease, abnormalities, other medical conditions and injuries. FONAR’s founders built the first MRI scanner in 1977 and FONAR introduced the first commercial MRI scanner in 1980. FONAR is also the originator of the iron-core non-superconductive and permanent magnet MRI technology.

FONAR’s iron frame technology made FONAR the originator of “open” MRI scanners. We introduced the first “open” MRI in 1980. Since that time we have concentrated on further application of our “open” MRI, introducing most recently the Upright® Multi-Position™ MRI scanner (also referred to as the “Upright®” or “Stand-Up®” MRI scanner) and the FONAR 360™ MRI scanner. The FONAR 360™ MRI is not presently being marketed.

See Note 15 to the Consolidated Financial Statements for separate financial information regarding our medical equipment and physician and diagnostic management services segments.

On July 7, 2025, the board of directors received a non-binding proposal from a group led by Timothy Damadian, the Company’s Chief Executive Officer, and Luciano Bonanni, the Company’s Chief Operating Officer, pursuant to which proposal the group would acquire all of the outstanding common stock and other securities of the Company not currently owned by the members of the group. Members of the group have voting control of the Company’s equity securities and the group advised the Company that it was unwilling to support any alternative transaction. As proposed, the transaction, if completed, would result in the Company no longer being a publicly held company, and its Common Stock would be delisted from the NASDAQ Stock Market.

FONAR CORPORATION AND SUBSIDIARIES

The Board of Directors has established a Special Committee of independent and disinterested directors to consider the proposal and negotiate on behalf of the Company and its stockholders. The Special Committee has retained its own independent financial and legal advisors to assist it in this process. The group and the Special Committee are engaged in negotiations related to the proposed going private transaction. No definitive agreements or terms have been executed by the parties and there is no assurance that the transaction will be completed. Any definitive agreement and transaction will require approval by the Company's common stock holders and will require the filing of definitive proxy materials in accordance with the SEC's proxy rules to obtain such approval.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS.

We make certain statements in this Annual Report on Form 10-K regarding our assumptions, projections, expectations, targets, intentions or beliefs about future events. All statements, other than statements of historical facts, included or incorporated by reference herein relating to management's current expectations of future financial performance, continued growth and changes in economic conditions or capital markets are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended.

Forward-looking statements involve risks and uncertainties which may cause actual results or outcomes to differ materially from those expressed herein. While we make such statements in good faith and we believe such statements are based on reasonable assumptions, including without limitation, management's examination of historical operating trends, data contained in records and other data available from third parties, we cannot assure you that our projections will be achieved. These assumptions involve judgments with respect to future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Factors that may cause such differences include: economic conditions generally and in each of the markets in which we are located, the amount of sales contributed by new and existing locations, labor costs for our personnel, and the level of competition from existing or new competitors.

While we believe that our assumptions are reasonable, it is very difficult to predict the impact of unknown factors, and it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of the factors that could cause outcomes to differ materially from our expectations. These statements are not guarantees of future performance and undue reliance should not be placed on them.

The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

PHYSICIAN AND DIAGNOSTIC SERVICES MANAGEMENT SEGMENT

Health Diagnostics Management, LLC (HDM) is owned by Health Management Corporation of America (70.6%) and investors (29.4%). Health Management Corporation of America is owned 100% by FONAR Corporation.

HDM operates under the assumed name "Health Management Company of America" ("HMCA").

FONAR CORPORATION AND SUBSIDIARIES

The combined business (HDM and Health Management Corporation of America) will be referred to as “HMCA” for all periods before and after July 1, 2015, unless otherwise indicated.

HMCA provides comprehensive non-medical management services to diagnostic imaging facilities. These services include administrative services, billing and collection services, credentialing services, contract negotiations, compliance consulting, purchasing IT services, hiring, conducting interviews, training, supervision and management of non-medical personnel, storage of medical records, office space, equipment, repair & maintenance services, accounting, assistance with legal and regulatory matters, and the development and implementation of practice growth and marketing strategies.

As of June 30, 2025, HMCA managed a total of 44 MRI scanners. Twenty-six (26) scanners are located in New York and eighteen (18) scanners are located in Florida. For the 2025 fiscal year, the revenues HMCA recognized from the MRI facilities has increased to \$95.4 million from \$94.6 million in fiscal 2024. Six of the facilities in Florida are owned and operated by HMCA subsidiaries.

We believe the utilization of FONAR Upright® MRI scanning systems, which are produced under the protection of our patents, accounts for the historically robust patient volume at the scanning facilities.

During fiscal 2025, two additional high field magnets were installed at our existing facilities in Naples, FL and Melville, NY, respectively. During fiscal year 2026, we expect to complete installation of an additional high field magnet in Lynbrook, NY, to supplement the existing FONAR Upright® MRI scanning systems at that facility along with a new location in Nassau County, NY.

HMCA GROWTH STRATEGY

HMCA’s growth strategy focuses on upgrading and expanding the existing facilities it manages and expanding the number of facilities it either owns or manages for its clients, including new sites. In connection with improving the performance of the facilities, we have added high field MRI scanners, extremity scanners and x-ray machines to the Upright® MRI scanners at certain of the sites where such additional diagnostic imaging modalities are expected to produce the greatest return.

PHYSICIAN AND DIAGNOSTIC MANAGEMENT SERVICES

HMCA’s services to the facilities it manages encompass substantially all of their business operations. Each facility is controlled, however, not by HMCA, but by the physician owner, or in the case of the six Florida sites owned by HMCA subsidiaries, by the medical director. All medical services are performed by physicians and other medical personnel under the physician-owner’s supervision. HMCA is the management company and performs services of a non-medical nature. These services include:

1. **Offices and Equipment.** HMCA identifies, negotiates leases for and/or provides office space and equipment to its clients. This includes technologically sophisticated medical equipment. HMCA also provides improvements to leaseholds, assistance in site selection and advice on improving, updating, expanding and adapting to new technology.
2. **Personnel.** HMCA staffs all the non-medical positions of its clients with its own employees, eliminating the client’s need to interview, train and manage non-medical employees. HMCA processes the necessary tax, insurance and other documentation relating to employees.

FONAR CORPORATION AND SUBSIDIARIES

3. Administrative. HMCA assists in scheduling patient appointments, purchasing medical supplies and equipment, and handles the reporting, accounting, processing and filing systems. It prepares and files the complex applications which enables our clients to participate in managed care programs and to qualify for insurance reimbursement. HMCA assists the clients to implement programs and procedures to ensure full and timely regulatory compliance and appropriate cost reimbursement under no-fault insurance and Workers' Compensation guidelines, as well as compliance with other applicable governmental requirements and regulations, including HIPAA and other privacy requirements.
4. Billing and Collections. HMCA is responsible for the billing and collection of revenues from third-party payors including those governed by No-Fault and Workers' Compensation statutes.
5. Cost Saving Programs. Based on available volume discounts, HMCA seeks to assist in obtaining favorable pricing for office and medical supplies, equipment, contrast agents, and other inventory for its clients.
6. Diagnostic Imaging and Ancillary Services. HMCA can offer access to diagnostic imaging equipment through diagnostic imaging facilities it manages. The Company is expanding the ancillary services offered in its network to include x-rays, and other MRI equipment such as high-field (1.5 or 3.0 Tesla magnet strength) MRI scanners and extremity MRI scanners.
7. Marketing Strategies. HMCA is responsible for developing and proposing marketing plans for its clients.
8. Expansion Plans. HMCA assists the clients in developing expansion plans including the opening of new or replacement facilities where appropriate.

HMCA's objective is to free physicians from as many non-medical duties as is practicable, allowing physicians to spend less time on business and administrative matters and more time practicing medicine.

The exceptions to this general model of operation are six of the facilities located in Florida. These Florida facilities are owned by limited liability companies which, as our subsidiaries, conduct their operations directly and bill and collect their fees from the patients and third-party payors.

The facilities enter into contracts with third-party payors, including managed care companies. None of HMCA's clients participate in any capitated plans or other risk-sharing arrangements. Capitated plans are those Health Maintenance Organization programs where the provider is paid a flat monthly fee per patient.

The management fees payable by the facilities to HMCA are flat monthly fees. In fiscal 2025, the aggregate amount of active management fees was \$5,160,735 per month. In fiscal 2024, the aggregate amount of active management fees was \$4,960,733 per month. Fees under the management agreements are subject to adjustment by mutual agreement on an annual basis.

Timothy Damadian currently owns three HMCA-managed MRI facilities in Florida. The facilities were owned by the Company's founder and former CEO, Dr. Raymond Damadian until his passing in August of 2022. The fees for these three sites are flat monthly fees which are subject to adjustment by mutual agreement on an annual basis. In fiscal 2025 and fiscal 2024, the aggregate monthly amount of management fees payable to HMCA by these sites was \$995,825.

FONAR CORPORATION AND SUBSIDIARIES

The six Florida facilities owned by HMCA subsidiaries directly bill their patients or the patients' insurance carriers. Patient fees net of contractual allowances and discounts were \$33,179,446 in fiscal 2025 as compared to \$33,815,796 in fiscal 2024.

HMCA MARKETING

HMCA's marketing strategy is to expand the business and improve the facilities which it manages. HMCA is seeking to increase the number of locations of those facilities where market conditions are promising and to promote growth of our clients' and Florida subsidiaries' patient volume and revenue.

DIAGNOSTIC IMAGING FACILITIES

Diagnostic imaging facilities managed by HMCA provide diagnostic imaging services to patients referred by physicians. The facilities are operated in a manner which eliminates the admission and other administrative inconveniences of in-hospital diagnostic imaging services. Imaging services are performed in an outpatient setting by trained medical technologists under the direction of physicians. Following diagnostic procedures, the images are reviewed by the interpreting physicians who prepare reports of these tests and their findings. The vast majority of reports for the New York facilities are transcribed by HMCA personnel and the remainder are outsourced to professional transcription services. Reports for the Florida facilities are outsourced to professional transcription services.

HMCA develops marketing programs and educational programs in an effort to establish and maintain referring physician relationships for our clients and Florida subsidiaries.

To further its position, HMCA is seeking to expand the imaging modalities offered at its managed and owned diagnostic imaging facilities. Six facilities in New York and nine facilities in Florida have two or more MRI scanners. One facility in New York and three in Florida also perform X-rays.

REIMBURSEMENT

HMCA's clients receive reimbursements for their services through Medicare, Medicaid, managed care, private commercial insurance, third-party administrators, Workers' Compensation, No-Fault and other insurance.

Medicare

The Medicare program provides reimbursement for hospitalization, physician, diagnostic and certain other services to eligible persons 65 years of age and over and certain other individuals. Providers are paid by the federal government in accordance with regulations promulgated by the Department of Health and Human Services, HSS, and generally accept the payment with nominal deductible and co-insurance amounts required to be paid by the service recipient, as payment in full. Hospital inpatient services are reimbursed under a prospective payment system. Hospitals receive a specific prospective payment for inpatient treatment services based upon the diagnosis of the patient.

Under Medicare's prospective payment system for hospital outpatient services, or OPSS, a hospital is paid for outpatient services on a rate per service basis that varies according to the ambulatory payment classification group, or APC, to which the service is assigned rather than on a hospital's costs. Each year the Centers for Medicare and Medicaid Services, or CMS, publishes new APC rates that are determined in accordance with the promulgated methodology.

FONAR CORPORATION AND SUBSIDIARIES

Services provided in non-hospital based freestanding facilities are paid under the Medicare Physician Fee Schedule, or MPFS. All of HMCA's clients are presently in this category. The MPFS is updated on an annual basis and sometimes modified more frequently.

We have experienced reimbursement reductions for radiology services provided to Medicare beneficiaries. In calendar year 2025, changes to the MPFS included a reduction in the conversion factor. For our fiscal year ended June 30, 2025, Medicare revenues represented approximately 2.6% of the revenues for HMCA's clients and subsidiaries as compared to 2.7% for the fiscal year ended June 30, 2024.

Medicaid

The Medicaid program is a jointly-funded federal and state program providing coverage for low-income persons. In addition to federally-mandated basic services, the services offered and reimbursement methods vary from state to state. In many states, Medicaid reimbursement is patterned after the Medicare program; however, an increasing number of states have established or are establishing payment methodologies intended to provide healthcare services to Medicaid patients through managed care arrangements. In fiscal 2025, approximately .05% of the revenues of HMCA's clients and subsidiaries were attributable to Medicaid, as compared to 0.06% in fiscal 2024.

Managed Care and Private Insurance

Health Maintenance Organizations, or HMOs, Preferred Provider Organizations, or PPOs, and other managed care organizations attempt to control the cost of healthcare services by a variety of measures, including imposing lower payment rates, preauthorization requirements, limiting services and mandating less costly treatment alternatives. Managed care contracting is competitive and reimbursement schedules in many cases can be at or below Medicare reimbursement levels. Some managed care organizations have reduced or otherwise limited, and other managed care organizations may reduce or otherwise limit, reimbursement in response to reductions in government reimbursement. These reductions could have an adverse impact on our financial condition and results of operations. These reductions have been, and any future reductions may be, similar to the reimbursement reductions previously proposed.

HMCA COMPETITION

The physician and diagnostic management services field is highly competitive. A number of large health systems have acquired medical practices, and this trend is expected to continue. HMCA anticipates that more competition will develop. Many competitors have greater financial and other resources than HMCA.

With respect to the diagnostic imaging facilities managed by HMCA, the outpatient diagnostic imaging industry is highly competitive. Competition focuses primarily on attracting physician referrals at the local market level and increasing referrals through relationships with managed care organizations, as well as emphasizing to potential referral sources the advantages of Upright® MRI scanning. HMCA believes that principal competitors for the diagnostic imaging centers are hospitals and independent or management company-owned imaging centers. Competitive factors include quality and timeliness of test results, ability to develop and maintain relationships with managed care organizations and referring physicians, type and quality of equipment, facility location, convenience of scheduling and availability of patient appointment times. HMCA believes that it will be able to effectively meet the competition in the outpatient diagnostic imaging industry with the FONAR Upright® MRI scanners and strategically placed high field MRI scanners at its facilities.

FONAR CORPORATION AND SUBSIDIARIES

GOVERNMENT REGULATION APPLICABLE TO HMCA

FEDERAL REGULATION

The healthcare industry is highly regulated and changes in laws and regulations can be significant. Changes in the law or new interpretation of existing laws can have a material effect on our permissible activities, the relative costs associated with doing business and the amount of reimbursement by government and other third-party payors.

Federal False Claims Act

The federal False Claims Act and, in particular, the False Claims Act's "qui tam" or "whistleblower" provisions allow a private individual to bring actions in the name of the government alleging that a defendant has made false claims for payment from federal funds. After the individual has initiated the lawsuit the government must decide whether to intervene in the lawsuit and to become the primary prosecutor. If the government declines to join the lawsuit, the individual may choose to pursue the case alone, although the government must be kept apprised of the progress of the lawsuit, and may intervene later. Whether or not the federal government intervenes in the case, it will receive the majority of any recovery.

When an entity is determined to have violated the federal False Claims Act, it must pay three times the actual damages sustained by the government, plus mandatory civil penalties for each separate false claim and the government's attorneys' fees. Liability arises when an entity knowingly submits, or causes someone else to submit, a false claim for reimbursement to the federal government. The False Claims Act defines the term "knowingly" broadly, though simple negligence will not give rise to liability under the False Claims Act. Examples of the other actions which may lead to liability under the False Claims Act are set forth below:

Failure to comply with the many technical billing requirements applicable to our Medicare and Medicaid business;

Failure to comply with the prohibition against billing for services ordered or supervised by a physician who is excluded from any federal healthcare program, or the prohibition against employing or contracting with any person or entity excluded from any federal healthcare program;

Failure to comply with the Medicare physician supervision requirements for the services we provide, or the Medicare documentation requirements concerning physician supervision.

The Fraud Enforcement and Recovery Act of 2009 expanded the scope of the False Claims Act by, among other things, broadening protections for whistleblowers and creating liability for knowingly retaining a government overpayment, acting in deliberate ignorance of a government overpayment or acting in reckless disregard of a government overpayment. The healthcare reform bills in the form of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, "PPACA") expanded on changes made by the 2009 Fraud Enforcement and Recovery Act with regard to such "reverse false claims." Under PPACA, the knowing failure to report and return an overpayment within 60 days of identifying the overpayment or by the date a corresponding cost report is due, whichever is later, constitutes a violation of the False Claims Act. HMCA and its clients have never been sued under the False Claims Act and believe we are in compliance with the law.

FONAR CORPORATION AND SUBSIDIARIES

Stark Law

Under the federal Self-Referral Law, also referred to as the “Stark Law”, which is applicable to Medicare and Medicaid patients, and the self-referral laws of various States, certain health practitioners, including physicians, chiropractors and podiatrists, are prohibited from referring their patients for the provision of designated health services, including diagnostic imaging services, to any entity with which they or their immediate family members have a financial relationship, unless the referral fits within one of the specific exceptions in the statutes or regulations. The federal government has taken the position that a violation of the federal Stark Law is also a violation of the Federal False Claims Act. Statutory exceptions under the Stark Law include, among others, direct physician services, in-office ancillary services rendered within a group practice, space and equipment rental and services rendered to enrollees of certain prepaid health plans. Some of these exceptions are also available under the State self-referral laws. HMCA believes that it and its clients are in compliance with these laws.

Anti-Kickback Regulation

We are subject to federal and state laws which govern financial and other arrangements between healthcare providers. These include the federal anti-kickback statute which, among other things, prohibits the knowing and willful solicitation, offer, payment or receipt of any remuneration, direct or indirect, in cash or in kind, in return for or to induce the referral of patients for items or services covered by Medicare, Medicaid and certain other governmental health programs. Under PPACA, knowledge of the anti-kickback statute or the specific intent to violate the law is not required. Violation of the anti-kickback statute may result in civil or criminal penalties and exclusion from the Medicare, Medicaid and other federal healthcare programs, and according to PPACA, now provides a basis for liability under the False Claims Act. In addition, it is possible that private parties may file “qui tam” actions based on claims resulting from relationships that violate the anti-kickback statute, seeking significant financial rewards. Many states have enacted similar statutes, which are not limited to items and services paid for under Medicare or a federally funded healthcare program. Neither HMCA nor its clients engage in this practice.

Health Insurance Portability and Accountability Act

Congress enacted the Health Insurance Portability and Accountability Act of 1996, or HIPAA, in part, to combat healthcare fraud and to protect the privacy and security of patients’ individually identifiable healthcare information. HIPAA, among other things, amends existing crimes and criminal penalties for Medicare fraud and enacts new federal healthcare fraud crimes, including actions affecting non-governmental healthcare benefit programs by means of false or fraudulent representations in connection with the delivery of healthcare services is subject to a fine or imprisonment, or potentially both. In addition, HIPAA authorizes the imposition of civil money penalties against entities that employ or enter into contracts with excluded Medicare or Medicaid program participants if such entities provide services to federal health program beneficiaries. A finding of liability under HIPAA could have a material adverse effect on our business, financial condition and results of operations.

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Further, HIPAA requires healthcare providers and their business associates to maintain the privacy and security of individually identifiable protected health information (“PHI”). HIPAA imposes federal standards for electronic transactions, for the security of electronic health information and for protecting the privacy of PHI. The Health Information Technology for Economic and Clinical Health Act of 2009 (“HITECH”), signed into law on February 17, 2009, dramatically expanded, among other things, (1) the scope of HIPAA to now apply directly to “business associates,” or independent contractors who receive or obtain PHI in connection with providing a service to a covered entity, (2) substantive security and privacy obligations, including new federal security breach notification requirements to affected individuals, HHS and prominent media outlets, of certain breaches of unsecured PHI, (3) restrictions on marketing communications and a prohibition on covered entities or business associates from receiving remuneration in exchange for PHI, and (4) the civil and criminal penalties that may be imposed for HIPAA violations, increasing the annual cap in penalties from \$25,000 to \$1.5 million per occurrence. In 2013 additional legal requirements were adopted to provide further protection for PHI.

In addition, many states have enacted comparable privacy and security statutes or regulations that, in some cases, are more stringent than HIPAA requirements. It may be necessary to modify our operations and procedures to comply with the more stringent state laws, which may entail significant and costly changes for us. We believe that we are in compliance with such state laws and regulations. However, if we fail to comply with applicable state laws and regulations, we could be subject to sanctions.

We believe that we are in compliance with the current HIPAA requirements, as amended by HITECH, together with other legislation and regulations, and comparable state laws, but we anticipate that we may encounter certain costs associated with future compliance. Moreover, we cannot guarantee that enforcement agencies or courts will not make interpretations of the HIPAA standards that are inconsistent with our own interpretation, or the interpretations of our contracted radiology practices or their affiliated physicians. A finding of liability under the HIPAA standards may result in significant criminal and civil penalties. Noncompliance also may result in exclusion from participation in government programs, including Medicare and Medicaid. These actions could have a material adverse effect on our business, financial condition, and results of operations.

Civil Money Penalty Law and Other Federal Statutes

The Civil Money Penalty, or CMP, law covers a variety of practices. It provides a means of administrative enforcement of the anti-kickback statute, and prohibits false claims, claims for medically unnecessary services, violations of Medicare participating provider or assignment agreements and other practices. The statute gives the Office of Inspector General of the HHS the power to seek substantial civil fines, exclusion and other sanctions against providers or others who violate the CMP prohibitions.

In addition, in 1996, Congress created a new federal crime: healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony and may result in fines, imprisonment or exclusion from government sponsored programs such as the Medicare and Medicaid programs.

Certificates of Need

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Some states require hospitals and certain other healthcare facilities and providers to obtain a certificate of need, or CON, or similar regulatory approval prior to establishing certain healthcare operations or services, incurring certain capital projects and/or the acquisition of major medical equipment including MRI and PET/CT systems. We are not currently operating in any such states.

State Regulation

In addition to the federal self-referral law and federal Anti-kickback statute, many States, including those in which HMCA and its clients operate, have their own versions of self-referral and anti-kickback laws. These laws are not limited in their applicability, as are the federal laws, to specific programs. HMCA believes that it and its clients are in compliance with these laws.

Various States prohibit business corporations from practicing medicine. Various States, including New York, also prohibit the sharing of professional fees or fee splitting. Consequently, in New York HMCA leases space and equipment to clients and provides clients with a range of non-medical administrative and managerial services for agreed upon fees. Under Florida law a business entity can bill patients and third-party payors directly if that entity is properly licensed through AHCA. All of the nine facilities in Florida are licensed healthcare clinics through AHCA.

HMCA's clients and subsidiaries generate revenue from patients covered by no-fault insurance and workers' compensation programs. For the fiscal year ended June 30, 2025 approximately 58.0% of our clients' receipts were from patients covered by no-fault insurance and approximately 9.1% of our client's receipts were from patients covered by workers' compensation programs. For the fiscal year ended June 30, 2024, approximately 58.0% of HMCA's clients' receipts were from patients covered by no-fault insurance and approximately 8.8% of HMCA's clients' receipts were from patients covered by workers' compensation programs. The foregoing numbers do not include payments from third-party administrators. In the event that changes in these laws alter the fee structures or methods of providing service, or impose additional or different requirements, HMCA could be required to modify its business practices and services in ways that could be more costly to HMCA or in ways that decrease the revenues which HMCA receives from its clients.

Compliance Program

We maintain a program to monitor compliance with federal and state laws and regulations applicable to the healthcare entities. The compliance program includes the adoption of (i) Standards of Conduct for our employees and affiliates and (ii) a process that specifies how employees, affiliates and others may report regulatory or ethical concerns. We believe that our compliance program meets the relevant standards provided by the Office of Inspector General of the Department of Health and Human Services.

An important part of our compliance program consists of conducting periodic audits of various aspects of our operations and that of the contracted radiology practices. We also assist our clients with educational programs designed to familiarize them with the regulatory requirements and specific elements of our compliance program.

HMCA believes that it and its clients are in compliance with applicable Federal, State and local laws. HMCA does not believe that such laws will have any adverse material effect on its business.

MEDICAL EQUIPMENT SEGMENT

PRODUCTS

The Upright® MRI scanner is our primary product.

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The Upright® MRI is a “whole-body” MRI, meaning that it can be used to scan virtually any part of the body. The Upright® MRI differs from conventional MRI scanners in that it is not limited to scanning patients in the recumbent posture. For example, patients can be scanned while sitting, standing, bending, or lying down.

The fact that the patient space is unobstructed permits scanning in a variety of postures that cannot be duplicated in conventional MRI scanners. Most conventional MRI scanners in use today employ solenoidal super-conducting magnets whose magnetic field orientation is along the axis of the patient’s body, which must be placed into the bore of the scanner in either a supine or prone posture. Our experience is that when presented with a choice between being scanned lying down in a tunnel-like enclosure or seated in an open MRI, most patients will choose the latter.

The Upright® MRI is also, by design, a non-claustrophobic MRI scanner. The Upright® MRI employs a dipole magnet whose magnetic field orientation is transverse to the axis of the patient’s body. The gap between the poles of the magnet is the space into which the patient is placed. Because the magnetic field direction is horizontal and transverse to the body, a patient who is scanned seated or standing has an unobstructed view out of the gap of the magnet. In typical installations, patients watch television while being scanned, without the aid of special glasses with mirrors.

The Upright® MRI facilitates patient scanning in a variety of postures thanks to a unique, three-axis patient handling system. The motorized patient table, or bed, can be rotated to any angle between 0 (horizontal) and 84 degrees (nearly vertical). Unlike a conventional recumbent MRI patient table, which can only move into or out of the scanner’s bore, the Upright® MRI bed can be translated with two degrees of freedom, in/out and up/down. User-friendly software allows the scanner operator to move the anatomical region of interest precisely to the center of the magnet using a cursor placed on a localizer image. Anatomically true image orientation is assured, regardless of the rotation angle of the bed, via computer read-back of the table’s position. A seat can be hooked onto the bed in a variety of locations, or removed, as needed. Transpolar VersaRests™ and other devices can be used to keep the patient comfortable and motionless throughout the scanning process.

IMAGE QUALITY AND FIELD STRENGTH

Most commercially available MRI scanners range in magnetic field strength from about 0.2 T (Tesla) to 7.0 T, and open MRI scanners range from about 0.2 T to 1.2 T.

Field strength is an important characteristic of MRI scanners, but not the only one. Higher field strengths generally provide higher signal-to-noise ratios (SNR) on account of the Boltzmann distribution, but SNR is not the only determinant of image quality. For example, the spin-lattice relaxation time T_1 that characterizes the nuclear magnetic resonance (NMR) signal increases with field strength, decreasing the difference in T_1 values between tissues that is an essential contributor to contrast in images. For example, grey/white matter contrast in the brain falls off rapidly above about 1.0 T, and some studies have shown that optimal tissue contrast occurs in the mid-field region, down to 0.2 T. Imaging bandwidth, receiver coil design, pulse sequence design, and scan parameters significantly affect image quality. Indeed, researchers and MRI vendors are pushing the boundaries of MRI technology in both directions, that is, to very low (1 – 199 mT) and very high (7.0 T and above) field strengths for a variety of technical and diagnostic reasons. For instance, one advantage of lower field strengths is that image artifacts arising from metallic implants such as surgical screws diminish as field strength decreases. This is particularly important for surgeons referring their postoperative patients for diagnostic imaging studies.

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The Upright® MRI operates at a mid-field strength of 0.6 T and enjoys wide acceptance in the radiological community. The scanner is diagnostically versatile and equipped with a broad range of clinically proven imaging protocols that produce images of exceptional quality, and a fully-featured, robust, and user-friendly software interface.

DIAGNOSTIC ADVANTAGES OF POSITIONAL MRI

Apart from its attractiveness as an open, non-claustrophobic, general-purpose MRI, the Upright® MRI can deliver diagnostically relevant information that correlates with patient posture.

For example, a variety of injuries to and pathologies of the spine, such as spondylolisthesis (“slipped disc”), may go undetected in the recumbent posture, but manifest themselves when the patient is scanned in a normal, weight-bearing (“physiological”) position, such as seated, or seated in forward flexion, extension, or standing.

The Upright® MRI has demonstrated its value for patients suffering from scoliosis, who typically undergo regular x-ray exams over a course of years. A study by the National Cancer Institute (2000) of 5,466 women with scoliosis reported a 70% increase in breast cancer resulting from 24.7 chest x-rays received on average over the course of their treatment. Prior to the advent of the Upright® MRI, the x-ray machine was the only imaging modality that could evaluate the condition because the patient must be imaged standing. FONAR has developed an RF receiver coil and a 3D scanning protocol that for the first time allows scoliosis patients to obtain diagnostic, multi-slice images of their spines while standing, without the risks associated with radiation, and with the soft-tissue-contrast benefits of MRI over x-ray.

The utility of upright, weight-bearing MRI is not limited to the spine. For example, approximately one in a thousand people (some 200,000 to 500,000 in the US) have a congenital condition known as Chiari malformation, an abnormality of the brain at the junction with the spine at the base of the skull. In people with Chiari malformation, the lowest lying structures of the brain, the tonsils of the cerebellum, descend into and become entrapped by the foramen magnum, the circular bony opening at the base of the skull where the spinal cord exits. While most of these individuals are asymptomatic, many suffer from more severe forms of the syndrome (e.g., type II or Arnold-Chiari syndrome), in which brain stem compression results in severe neurological symptoms. The Chiari syndrome is also called Cerebellar Tonsillar Ectopia (CTE) because of the displacement (ectopia) of the cerebellar tonsils. Classic symptoms of Chiari syndrome include the “drop attack,” in which the afflicted individual unexpectedly experiences an explosive rush at the base of the brain that runs down the body to the extremities, causing the patient to collapse in a temporary neuromuscular paralysis. These symptoms subside when the patient is lying down. Conventional lie-down MRI scanners cannot make an adequate evaluation of the pathology since this pathology is most visible and the symptoms are most acute when the patient is scanned in the upright, weight-bearing position (Brain Injury 2010, 24 (7-8) 988-994).

In the body, the Upright® MRI is being utilized in a variety of ways, for example to image pelvic organ prolapse in the standing posture, inguinal hernias, defecation in the sitting posture (utilizing cine MRI), and the prostate in the sitting posture (utilizing a flat, multi-channel receiver coil on top of which the patient simply sits).

PRODUCT MARKETING

FONAR’s principal marketing efforts in the medical equipment segment have been focused on the Upright® MRI, which we believe is a unique product. We expect to focus on the Upright® MRI going forward.

FONAR CORPORATION AND SUBSIDIARIES

The principal markets for the Company's scanners are private diagnostic imaging centers and hospital outpatient imaging facilities.

FONAR's marketing strategy has been designed to reach key purchasing decision makers with information concerning the Upright® MRI. This has led to many inquiries and some sales of the Upright® MRI scanner and is intended to increase FONAR's presence in the medical equipment market. FONAR focuses primarily on four target audiences: neurosurgeons, orthopedic surgeons, radiologists, and general physicians.

Our advertising for FONAR and HMCA reinforces the unique value provided by the FONAR Upright® MRI scanner. We have increased internet awareness of our product by driving patient traffic to the HMCA scanning centers we manage via the FONAR website as well as through websites for each HMCA location. These websites give prospective customers of Upright® MRI scanners a view of operating Upright® MRI centers and highlight the benefits of using the Upright® MRI scanner.

SERVICE AND UPGRADES FOR MRI SCANNERS

Income is generated from the installed base in two principal areas, namely, service and upgrades. Service and maintenance revenues from our external installed base were approximately \$8.4 million in fiscal 2025 and \$7.6 million in fiscal 2024.

We hope to maintain service revenues at present levels, based on the demonstrated longevity of the Upright® MRI scanner and continued customer satisfaction with the product. Critical to this longevity and customer satisfaction is the stream of software improvements and hardware upgrades that FONAR has delivered over the years to keep the scanners competitive with the latest technology in the marketplace. We also anticipate that our installed base of scanners will generate income from upgrades in future fiscal years.

We have engaged with AIRS Medical USA, Inc., to distribute their SwiftMR™ product to our installed base of customers. We believe that the SwiftMR™ product significantly improves the image quality and efficiency of both the Upright® MRI and the outside manufacturer equipment that is operated by our installed base. Revenues from the sale of SwiftMR™ are included in the service and maintenance revenues described above.

In 2024, we formed a new subsidiary, Opus Diagnostic Management, LLC, which is focused on providing service for MRI scanners sold by other manufacturers. We hope to control the cost of maintaining and repairing the outside manufacturer equipment operated by HMCA, and to expand into providing maintenance and repair services to other third party operators of outside manufacturer equipment. Revenues from Opus are included in the service and maintenance revenues described above.

RESEARCH AND DEVELOPMENT

During the fiscal year ended June 30, 2025, we incurred expenditures of \$1,576,086, none of which were capitalized, on research and development, as compared to \$1,735,949, none of which were capitalized, during the fiscal year ended June 30, 2024.

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Research and development activities have focused principally on software improvements to the user interface of the MRI scanner. The Windows-based Sympulse™ platform controls all of the functions of the Upright® scanner except those of the versatile, multi-position patient table. Separate, dedicated, motion-control software is used to maneuver the Upright® bed, and development of this software is ongoing as well.

While software improvements to the user interface are important in their own right, significant value is added to the MRI scanner by the modification of existing protocols for examining various parts of the body, and the development of new protocols that utilize new underlying capabilities of the pulse sequence software. Over time, FONAR users have become accustomed to the steady improvement in the recommended clinical protocols that accompany new software releases. More significantly, in recent years we have seen increasing adoption of FONAR-recommended clinical protocols over those developed on site. This is a testament to the superior image quality they produce in attractively short scan times.

The development of clinically practical scan protocols and software depends on close contact between research and development scientists and engineers, and end users. That close contact is facilitated in part by the relationship with HMCA and the scanning centers. In addition to that collaboration, R&D staff have pursued a variety of novel and Upright® MRI-specific research projects. It is anticipated that these will ultimately lead to new applications that are made available to existing customers as upgrade add-ons to their machines. For example, phase-contrast imaging techniques originally developed for angiography have recently been applied to cerebrospinal fluid (CSF) flow. Analysis of CSF flow in upright and recumbent postures may prove to be of significant value in the evaluation of a variety of disorders and lead to a better understanding of human physiology.

PATENTS AND LICENSES

We currently have numerous patents in effect which relate to the technology and components of our MRI scanners. We believe that these patents, and the know-how we have developed, are material to our business.

Our seminal patent, issued in the name of Dr. Damadian and licensed to FONAR, was United States patent No. 3,789,832, Apparatus and Method for Detecting Cancer in Tissue, also referred to in this report as the “1974 Patent”. The 1974 Patent was the first MRI patent issued by the United States Patent Office. The development of our MRI scanners has been based upon the 1974 Patent, and we believe that the 1974 Patent was the first of its kind to utilize MR to scan the human body and to detect cancer. The 1974 Patent was extended beyond its original 17-year term and expired in February, 1992. A number of FONAR’s existing patents specifically relate to protecting FONAR’s position in the Upright MRI market. The patents further enhance Dr. Damadian’s pioneer patent that initiated the MRI industry and provided the original invention of MRI scanning.

We maintain a robust patent portfolio that provides us, under the aegis of United States patent law, “the exclusive right to make, use and sell” many of the scanner features which FONAR pioneered and which are now incorporated in most MRI scanners sold by the industry. As of June 30, 2025, a total of 245 patents have been issued to FONAR. In fiscal year 2025, we obtained four new patents. Most significantly, we obtained approval for a patent related to the development of our next generation patient positioning system. Other patents issued in fiscal 2025 include a system for monitoring the effectiveness of a treatment regimen, and a method for assessing risk of cerebral palsy based on cerebrospinal fluid flow.

FONAR CORPORATION AND SUBSIDIARIES

PRODUCT COMPETITION

MRI SCANNERS

FONAR faces competition for MRI product sales from companies such as Siemens, General Electric, Philips, Fujifilm, Canon, and United Imaging. Each of these is primarily focused on the high-field (1.0 T and above) marketplace, though some have produced open MRI scanners for imaging in the recumbent posture. None of these firms has so far introduced an open, upright MRI.

In recent years, other companies have introduced MRI scanners aimed at the upright, weight-bearing MRI market. Their success in the US has so far been limited. We believe that the higher field strength and larger dimensions of the FONAR Upright® MRI magnet, together with the greater variety of patient positioning possibilities afforded by the FONAR Upright® MRI bed, give us a competitive advantage over the products introduced by these companies.

Most of our competitors have marketing and financial resources more substantial than those available to us. They have in the past, and may in the future, heavily discount the sales price of their scanners.

OTHER IMAGING MODALITIES

FONAR's MRI scanners also compete with other diagnostic imaging systems, all of which are based upon the ability of some form of energetic wave to penetrate human tissue and be detected by either photographic film or electronic devices for presentation on a display monitor. Three different kinds of energy waves – x-ray, gamma, and sound – are used in medical imaging techniques that compete with MRI, the first two of which involve exposing the patient to potentially harmful radiation. These other imaging modalities compete with MRI products on the basis of cost, space requirements, and specific clinical applications.

X-rays are the most common energy source used in imaging the body and are employed in three imaging modalities: conventional x-ray systems, computerized tomography (CT), and digital radiography. None of these enjoy the exquisite soft-tissue contrast of MRI, but they do offer high resolution imaging in certain applications and high speed of image acquisition.

Nuclear medicine systems, which are based upon the detection of photons (gamma radiation) generated by radioactive pharmaceuticals introduced into the body, are used to provide information concerning soft tissue and internal body organs and particularly to examine organ function over time.

Ultrasound systems emit, detect, and process high frequency sound waves reflected from organ boundaries and tissue interfaces to generate images of soft tissue and internal body organs. Although the images are substantially less detailed than those obtainable with x-rays or MRI, ultrasound is generally considered harmless and therefore has found applications in imaging the pregnant uterus and the breast, to name two.

X-ray (including CT), nuclear medicine, and ultrasound compete with the MRI scanners by offering significantly lower price and space requirements. However, history has shown that the superior tissue contrast characteristics of MRI have secured its place as the diagnostic imaging modality of choice for a wide variety of pathologies.

FONAR CORPORATION AND SUBSIDIARIES

GOVERNMENT REGULATION

FDA Regulation

The Food and Drug Administration in accordance with Title 21 of the Code of Federal Regulations regulates the manufacturing and marketing of FONAR's MRI scanners. The regulations can be classified as either pre-market or post-market. The pre-market requirements include obtaining marketing clearance, proper device labeling, establishment registration and device listing. Once the products are on the market, FONAR must comply with post-market surveillance controls. These requirements include the Quality Systems Regulation, or "QSR", also known as Current Good Manufacturing Practices or CGMPs, and Medical Device Reporting, also referred to as MDR regulations. The QSR is a quality assurance requirement that covers the design, packaging, labeling and manufacturing of a medical device. The MDR regulation is an adverse event-reporting program.

Classes of Products

Under the Medical Device Amendments of 1976 to the Federal Food, Drug and Cosmetic Act, all medical devices are classified by the FDA into one of three classes. A Class I device is subject only to general controls, such as labeling requirements and manufacturing practices; a Class II device must comply with certain performance standards established by the FDA; and a Class III device must obtain pre-market approval from the FDA prior to commercial marketing. FONAR's products are Class II devices. Class II devices are subject to "General Controls"; General Controls include:

1. Establishment registration of companies which are required to register under 21 CFR Part 807.20, such as manufacturers, distributors, re-packagers and re-labelers.
2. Medical device listing with FDA of devices to be marketed.
3. Manufacturing devices in accordance with the Current Good Manufacturing Practices Quality System Regulation in 21 CFR Part 820.
4. Labeling devices in accordance with labeling regulations in 21 CFR Part 801 or 809.
5. Submission of a Premarket Notification, pursuant to 510(k), before marketing a device.

In addition to complying with general controls, Class II devices are also subject to special controls. Special controls may include special labeling requirements, guidance documents, mandatory performance standards and post-market surveillance.

On October 3, 2000 FONAR received FDA clearance for the Upright® MRI under the name "Indomitable".

Premarketing Submission

Each person who wants to market Class I, II and some III devices intended for human use in the U.S. must submit a 510(k) to FDA at least 90 days before marketing unless the device is exempt from 510(k) requirements. A 510(k) is a pre-marketing submission made to FDA to demonstrate that the device to be marketed is as safe and effective, that is, substantially equivalent, SE, to a legally marketed device that is not subject to pre-market approval, PMA. Applicants must compare their 510(k) device to one or more similar devices currently on the U.S. market and make and support their substantial equivalency claims.

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The FDA is committed to a 90-day clearance after submission of a 510(k), provided the 510(k) is complete and there is no need to submit additional information or data.

The 510(k) is essentially a brief statement and description of the product. As FONAR's scanner products are Class II products, there are no pre-market data requirements.

An investigational device exemption, also referred to as IDE, allows the investigational device to be used in a clinical study pending FDA clearance in order to collect safety and effectiveness data required to support the Premarket Approval, also referred to as PMA, application or a Premarket Notification pursuant to 510(k), submission to the FDA. Clinical studies are most often conducted to support a PMA.

For the most part, however, we have not found it necessary to utilize IDE's. The standard 90 day clearance for our new MRI scanner products classified as Class II products makes the IDE unnecessary, particularly in view of the time and effort involved in compiling the information necessary to support an IDE.

Quality System Regulation

The Quality Management System is applicable to the design, manufacture, administration of installation and servicing of magnetic resonance imaging scanner systems. The FDA has authority to conduct detailed inspections of manufacturing plants, to establish Good Manufacturing Practices which must be followed in the manufacture of medical devices, to require periodic reporting of product defects and to prohibit the exportation of medical devices that do not comply with the law.

Medical Device Reporting Regulation

Manufacturers must report all MDR reportable events to the FDA. Each manufacturer must review and evaluate all complaints to determine whether the complaint represents an event which is required to be reported to FDA. Section 820.3(b) of the Quality Systems regulation defines a complaint as, "any written, electronic or oral communication that alleges deficiencies related to the identity, quality, durability, reliability, safety, effectiveness, or performance of a device after it is released for distribution."

A report is required when a manufacturer becomes aware of information that reasonably suggests that one of their marketed devices has or may have caused or contributed to a death, serious injury, or has malfunctioned and that the device or a similar device marketed by the manufacturer would be likely to cause or contribute to a death or serious injury if the malfunction were to recur.

Malfunctions are not reportable if they are not likely to result in a death, serious injury or other significant adverse event experience.

A malfunction which is or can be corrected during routine service or device maintenance still must be reported if the recurrence of the malfunction is likely to cause or contribute to a death or serious injury if it were to recur.

We have established and maintained written procedures for implementation of the MDR regulation. These procedures include internal systems that:

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- provide for timely and effective identification, communication and evaluation of adverse events;
- provide a standardized review process and procedures for determining whether or not an event is reportable; and
- provide procedures to insure the timely transmission of complete reports.

These procedures also include documentation and record keeping requirements for information that was evaluated to determine if an event was reportable; all medical device reports and information submitted to the FDA; any information that was evaluated during preparation of annual certification reports; and systems that ensure access to information that facilitates timely follow up and inspection by the FDA.

FDA Enforcement

FDA may take the following actions to enforce the MDR regulation:

FDA-Initiated or Voluntary Recalls

Recalls are regulatory actions that remove a hazardous, potentially hazardous, or a misbranded product from the marketplace. Recalls are also used to convey additional information to the user concerning the safe use of the product. Either FDA or the manufacturer can initiate recalls.

There are three classifications, i.e., I, II, or III, assigned by the Food and Drug Administration to a particular product recall to indicate the relative degree of health hazard presented by the product being recalled.

Class I

Is a situation in which there is a reasonable probability that the use of, or exposure to, a violative product will cause serious adverse health consequences or death.

Class II

Is a situation in which use of, or exposure to, a violative product may cause temporary or medically reversible adverse health consequences or where the probability of serious adverse health consequences is remote.

Class III

Is a situation in which use of, or exposure to, a violative product is not likely to cause adverse health consequences.

FONAR has initiated six voluntary recalls which occurred between 1987 and 2016. Five of the recalls were Class II and one was Class III. The recalls involved making minor corrections to the product in the field. Frequently, corrections which are made at the site of the device are called field corrections as opposed to recalls.

Civil Money Penalties

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The FDA, after an appropriate hearing, may impose civil money penalties for violations of the Food Drug & Cosmetic Act that relate to medical devices. In determining the amount of a civil penalty, FDA will take into account the nature, circumstances, extent, and gravity of the violations, the violator's ability to pay, the effect on the violator's ability to continue to do business, and any history of prior violations.

Warning Letters

FDA issues written communications to a firm, indicating that the firm may incur more severe sanctions if the violations described in the letter are not corrected. Warning letters are issued to cause prompt correction of violations that pose a hazard to health or that involve economic deception. The FDA generally issues the letters before pursuing more severe sanctions.

Seizure

A seizure is a civil court action against a specific quantity of goods which enables the FDA to remove these goods from commercial channels. After seizure, no one may tamper with the goods except by permission of the court. The court usually gives the owner or claimant of the seized merchandise approximately 30 days to decide a course of action. If they take no action, the court will recommend disposal of the goods. If the owner decides to contest the government's charges, the court will schedule the case for trial. A third option allows the owner of the goods to request permission of the court to bring the goods into compliance with the law. The owner of the goods is required to provide a bond or, security deposit, to assure that they will perform the orders of the court, and the owner must pay for FDA supervision of any activities by the company to bring the goods into compliance.

Citation

A citation is a formal warning to a firm of intent to prosecute the firm if violations of the FD&C Act are not corrected. It provides the firm an opportunity to convince FDA not to prosecute.

Injunction

An injunction is a civil action filed by FDA against an individual or company. Usually, FDA files an injunction to stop a company from continuing to manufacture, package or distribute products that are in violation of the law.

Prosecution

Prosecution is a criminal action filed by FDA against a company or individual charging violation of the law for past practices.

Foreign and Export Regulation

We obtain approvals as necessary in connection with the sales of our products in foreign countries. In some cases, FDA approval has been sufficient for foreign sales as well. Our standard practice has been to require either the distributor or the customer to obtain any such foreign approvals or licenses which may be required.

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Legally marketed devices that comply with the requirements of the FD&C Act require a Certificate to Foreign Government issued by the FDA for export. Other devices that do not meet the requirements of the FD&C Act but comply with the laws of a foreign government require a Certificate of Exportability issued by the FDA. All products which we sell have FDA clearance and would fall into the first category.

Foreign governments have differing requirements concerning the import of medical devices into their respective jurisdictions. The European Union's new medical device regulation, EU 2017/745 went into effect on May 25, 2021, and contains significant changes from the prior European regulatory scheme. We have applied to the Notified Body, TUV-SUD, to perform a Conformity Assessment of our technical documentation and our Quality Management System.

Other countries require that their own testing laboratories perform an evaluation of our devices. This requires that we must bring the foreign agency's personnel to the USA to perform the evaluation at our expense before exporting.

Some countries, including many in Latin America and Africa, have very few regulatory requirements, beyond FDA clearance.

To date, FONAR has been able to comply with all foreign regulatory requirements applicable to its export sales.

EMPLOYEES

FONAR and HMCA had approximately 535 employees as of August 7, 2025. This total number included employees engaged in production, customer support, research and development, information technology, employees engaged in marketing and sales, billing and collection, legal and compliance matters, as well as transcriptionists, Florida technologists, field service technicians and individuals in various administrative positions. A significant number of employees were employed at the MRI facilities managed or owned by HMCA, primarily in administrative positions.

ITEM 1A. RISK FACTORS

1. **Reduced Reimbursement Rates.** Most of our revenues are derived from our scanning center business conducted by HMCA. Our scanning center clients and the Florida facilities owned by HMCA are experiencing lower reimbursement rates from Medicare, other government programs and private insurance companies. To the extent possible, we counter these reductions by increasing scanning volume and controlling operating expenses. Inflation in the cost of both materials and labor have limited our ability to control our costs, negatively impacting our ability to maintain profitability in this business segment.

2. **Inflation.** Inflation has drastically increased our costs for both materials and labor. Diagnostic imaging facilities require significant amounts of capital to operate, particularly in the context of opening new diagnostic imaging centers. These increased costs make it more difficult to achieve organic growth and extend the time that a new center takes to achieve profitability. Continued cost increases, coupled with reduced reimbursement rates may threaten the profitability of our current operations and cause the cost of expansion to become prohibitively high.

FONAR CORPORATION AND SUBSIDIARIES

3. **Cybersecurity threats.** Diagnostic imaging centers have increasingly become a target for threat actors. Our organization relies on information technology systems and computer networks to operate. Our partners, vendors, and business associates are equally reliant on their own computer systems to provide the services that we depend on to perform core functions. Data incidents in the form of breaches, ransomware attacks, denial-of-service attacks, and a variety of other hazards could materially disrupt our operations, or the operations of our partners. In addition, the costs to respond to such incidents related to rebuilding internal systems, restoring data, responding to regulatory investigations and/or litigation could be significant. Our cybersecurity liability insurance may be inadequate to cover these losses. Management has identified a material weakness in our internal controls over our information technology systems during the fiscal year ending June 30, 2025. While management has enacted a plan for remediation by improving these internal controls and implementing additional controls, there is no guarantee these remediation efforts will be adequate. Further, there is no guarantee that other, unidentified risks could negatively impact our operations in the future. The cost of maintaining and improving our security technologies to protect ourselves from these threats, and to comply with associated regulatory requirements related to cybersecurity, has increased substantially in the most recent fiscal year and will continue to increase in the future. Previous cybersecurity incidents have not materially affected our results of operations or financial condition. However, cybersecurity threats have the potential to significantly impair our operations and the operations of the various third parties upon whom we rely. Risks outside of our control, such as cybersecurity attacks to our partners, vendors and business associates could threaten our ability to operate and reduce operating margins.

4. **Dependence on Referrals.** HMCA derives substantially all of its revenue, directly or indirectly, from fees charged for the diagnostic imaging services performed at the facilities. We depend on referrals of patients from unaffiliated physicians and other third parties to the facilities we manage or own for the services we perform. If these physicians and other third parties were to reduce the number of patients they refer or discontinue referring patients, scan volumes could decrease, which would reduce our net revenue and operating margins.

5. **Current and future changes in Florida Insurance Law.** On March 24, 2023, Florida enacted House Bill 837. Dubbed the Tort Reform Act, the bill made sweeping changes to Florida's negligence laws that negatively impact our Florida diagnostic imaging facilities (both those we own and those we manage) with more unpaid bills, higher administrative costs, and lower reimbursement rates. Florida legislators continue to propose significant changes to the current structure of Florida's insurance industry, including an annual proposal to repeal of Florida's no-fault insurance law and replace it with a fault-based system. This proposal was vetoed by Governor Ron DeSantis after passing both houses in 2021, but similar legislation was proposed in 2022, 2023, and again in 2025. The 2025 proposal died unheard in the Florida Senate's Banking and Insurance committee. A repeal of the no-fault law will result in significant delays in payment for the services we render and will have a negative effect on our operations. The full impact of these proposed changes, including their impact on scan volume, are impossible to estimate at this time. We will continue to monitor this bill as it continues through the legislative process.

6. **Scanning Facility Competition.** The market for diagnostic imaging services is highly competitive. The facilities we manage or own compete for patients on the basis of reputation, location and the quality of diagnostic imaging services. Groups of radiologists, established hospitals, clinics and other independent organizations that own and operate imaging equipment are the principal competitors. The Florida market in particular is experiencing a high level of competition, which, coupled with recent Tort Reform, has created a challenging landscape for the centers we own and manage in that state, and may deter future expansion.

FONAR CORPORATION AND SUBSIDIARIES

7. **Pressure to Control Healthcare Costs.** One of the principal objectives of health maintenance organizations and preferred provider organizations is to control the cost of healthcare services. Healthcare providers participating in managed care plans may be required to refer diagnostic imaging tests to certain providers depending on the plan in which a covered patient is enrolled. In addition, managed care contracting has become very competitive. The expansion of health maintenance organizations, preferred provider organizations and other managed care organizations in New York or Florida could have a negative impact on the utilization and pricing of services performed at the facilities HMCA manages or owns to the extent these organizations exert control over patients' access to diagnostic imaging services, selections of the provider of such services and reimbursement rates for those services.

8. **Eligibility Changes to Insurance Programs.** Due to potential decreased availability of healthcare through private employers, the number of patients who are uninsured or participate in governmental programs may increase. Healthcare reform legislation will continue to increase the participation of individuals in the Medicaid program in states that elect to participate in the expanded Medicaid coverage. A shift in payor mix from managed care and other private payors to government payors or an increase in the number of uninsured patients may result in a reduction in the rates of reimbursement or an increase in uncollectible receivables or uncompensated care, with a corresponding decrease in net revenue. Policies now being offered under various insurance plans are expected to reduce demand for MRI scans as they become less affordable. Changes in the eligibility requirements for governmental programs such as the Medicaid program and state decisions on whether to participate in the expansion of such programs also could increase the number of patients who participate in such programs and the number of uninsured patients. Even for those patients who remain in private insurance plans, changes to those plans could increase patient financial responsibility, resulting in a greater risk of uncollectible receivables. These factors and events could have a material adverse effect on our business, financial condition, and results of operations.

9. **Federal and state privacy and information security laws.** We must comply with numerous federal and state laws and regulations governing the collection, dissemination, access, use, security and privacy of PHI, including HIPAA and its implementing privacy and security regulations, as amended by the federal HITECH Act. If we fail to comply with applicable privacy and security laws, regulations and standards, properly maintain the integrity of our data, or protect our proprietary rights to our systems, our business, reputation, results of operations, financial position and cash flows could be materially and adversely affected.

10. **Demand for MRI Scanners.** The reduced reimbursement rates have a negative effect on our sales of MRI scanners. With lower revenue projections, prospective customers would demand lower prices for scanners. Although the reduced reimbursements may not affect foreign demand, a lower number of sales in the aggregate could reduce economies of scale and consequently, profit margins.

11. **Manufacturing Competition.** Many if not most of our competing scanner manufacturers have significantly greater financial resources, production capacity, and other resources than we do. Such competitors would include General Electric, Siemens, Hitachi and Phillips. Although FONAR is the only company which can manufacture and sell the unique Stand-Up® (Upright®) MRI scanner, potential customers must be convinced that the purchase of a FONAR scanner is their best choice. We believe that with time, that objective will be reached, particularly with customers scanning patients having neck, back, knee and various orthopedic issues who would benefit from being scanned in weight-bearing positions.

FONAR CORPORATION AND SUBSIDIARIES

12. Other changes in Domestic and Worldwide Economic Conditions. We are subject to risk arising from adverse changes in general domestic and global economic and other conditions, including tariffs, recessions or economic slowdowns, disruptions of credit markets and military conflicts. Turbulence and uncertainty in the United States and international markets and economies may adversely affect our workforce, liquidity, financial condition, revenues, profitability and business operations generally.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

Our Cybersecurity Risk Management Strategy includes a myriad of tools and resources that are designed to ensure the integrity of our information systems. We place particular emphasis on protecting the privacy of our patient data pursuant to the HIPAA Security Rule. Our cybersecurity risk management process is integrated with our larger risk management system and is considered a core function of our overall risk management strategy.

Our strategy is based around identification, mitigation, avoidance and response to material cybersecurity risks. We employ physical and electronic safeguards to control access to our systems. We employ additional electronic safeguards to control/limit access to the data contained in those systems. We review and re-assess these processes on a rolling basis with the assistance of both internal staff and outside vendors, including assessors, consultants, auditors, and other third parties. Some steps we take include the use of standard security protocols such as password maintenance, multi-factor identification, and penetration testing. We take other steps as may be situationally appropriate for the specific risk presented.

For the fiscal year ended June 30, 2025, management has identified a material weakness in our internal controls over our information technology systems, as described in greater detail in Item 9A. In response, we have taken several steps to enhance our cybersecurity efforts. Those steps include increasing the scope of our Multi-Factor Authentication requirement to include additional tertiary information systems, improving password security, upgrading our anti-virus software, upgrading our threat detection tools, implementing additional threat detection tools, and replacing and/or decommissioning hardware that has known vulnerabilities.

We require all of our employees to receive cybersecurity training as part of their initial onboarding process, and employees are required to complete additional training throughout the year.

We evaluate all of our vendors and third-party partners for material cybersecurity risks and take steps to mitigate risk through insurance and contractual risk transfer provisions when appropriate. Our Information Technology department works collaboratively with our third-party vendors to coordinate a mutually beneficial approach to cybersecurity in the specific context in which risk is presented. These collaborations sometimes take place on a rolling basis, and sometimes take place on a semi-annual or annual basis.

FONAR CORPORATION AND SUBSIDIARIES

Cybersecurity threats, including previous cybersecurity incidents, have not materially affected our results of operations or financial condition. However, cybersecurity threats have the potential to significantly impair our operations and the operations of the various third parties upon whom we rely.

Governance

The audit committee of our Board of Directors provides oversight of cybersecurity risks. It receives regular reports from management, including our General Counsel, on various cybersecurity matters during each board meeting. Such reports include information on current cybersecurity risks facing the organization, cybersecurity incidents involving our partners and/or other participants in our industry, and routine updates on the status of our internal cybersecurity risk management plan. Our General Counsel oversees and manages our cybersecurity program. Our General Counsel acts as the coordinator of our cybersecurity team, which includes representatives from our Information Technology department and Compliance department. In addition, he regularly interacts with various department heads from both our New York and Florida regions regarding the prevention, detection, mitigation and remediation of cybersecurity risks. Our General Counsel has an educational background in computer science and has relevant work experience in cybersecurity insurance and risk management.

ITEM 2. PROPERTIES

FONAR and HMCA currently lease approximately 78,000 square feet of office and plant space at its principal offices in Melville, New York. The term of the lease runs through November, 2033. Management believes that the premises will be adequate for its current needs. HMCA also maintains office space for the Facilities owned by its subsidiaries in Florida and for its clients at the clients' sites in New York and Florida under leases having various terms. HMCA owns the building for the client's premises in Tallahassee, Florida.

ITEM 3. LEGAL PROCEEDINGS.

From time to time we are involved in various litigation matters arising in the ordinary course of our business. We do not believe the disposition of any current matter will have a material adverse effect on our consolidated financial position or results of operations. There are no material legal proceedings threatened or pending against the Company.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is traded on NASDAQ Capital Markets under the symbol FONR.

FONAR CORPORATION AND SUBSIDIARIES

On September 8, 2025 we had approximately 922 stockholders of record of our Common Stock, 12 stockholders of record of our Class B Common Stock, 3 stockholders of record of our Class C Common Stock and 992 stockholders of record of our Class A Non-voting Preferred Stock.

The only class of our securities for which there is a market is the Common Stock.

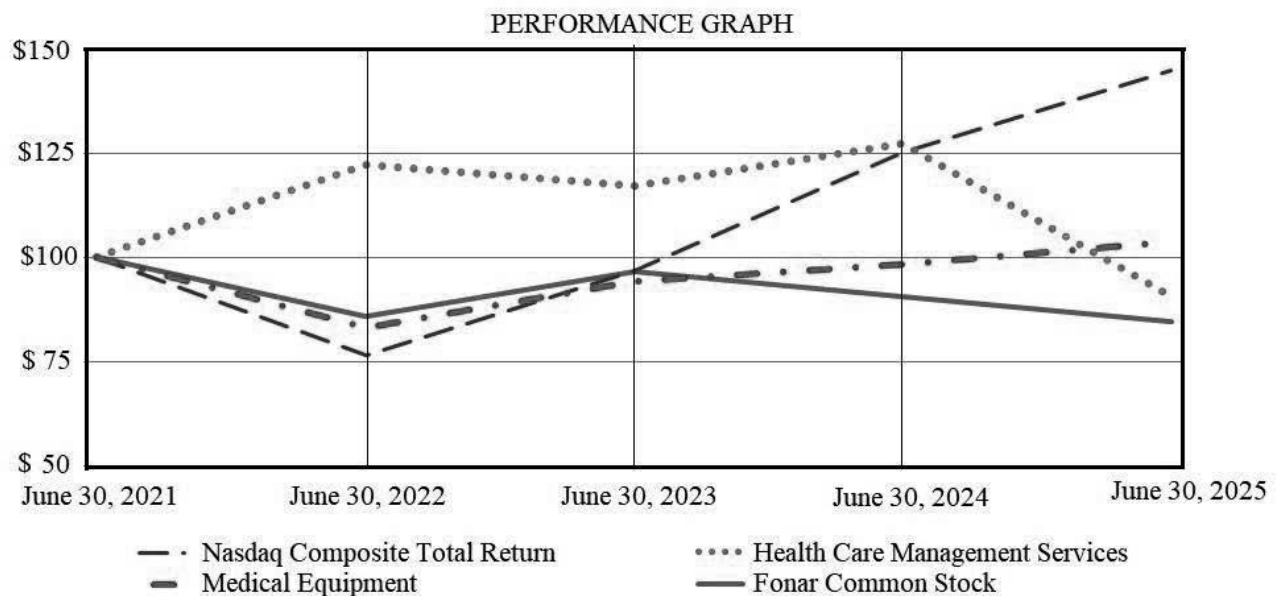
We currently have a policy of retaining earnings to finance the development and expansion of our business. We expect to continue this policy for the foreseeable future.

Performance Graph

The following graph compares the Company's cumulative total stockholder return on its Common Stock against industry and broad-market indexes which have been compiled by the Nasdaq Global Index Group. The periods commence on June 30, 2021 for five years and end on June 30, 2025. The graph assumes \$100 is invested in FONAR Common Stock (NASDAQ: FONR), the Nasdaq Composite Total Return (Nasdaq Composite), Nasdaq Health Care Management Services (Nasdaq Health), and Nasdaq Medical Equipment (Nasdaq Equipment). The comparisons in the graph below are based on historical data and are not intended to forecast the possible future performance of the common stock.

Relative Dollar Values

	June 30, <u>2021</u>	June 30, <u>2022</u>	June 30, <u>2023</u>	June 30, <u>2024</u>	June 30, <u>2025</u>
FONR Common Stock	\$100	\$86	\$97	\$90	\$85
NASDAQ Composite	\$100	\$77	\$97	\$125	\$145
Health Care Management Services	\$100	\$122	\$117	\$127	\$91
Medical Equipment	\$100	\$83	\$94	\$98	\$104



FONAR CORPORATION AND SUBSIDIARIES

Share Repurchase Program

In September 2022, our Board of Directors authorized a program to repurchase up to \$9 million of our common stock. Under this program, we may purchase stock in the open market or through privately negotiated transactions in accordance with applicable securities laws, including pursuant to pre-arranged stock trading plans. The timing and actual amount of the stock repurchases will depend on several factors including price, capital availability, regulatory requirements, and other market conditions. We are not obligated to repurchase a specific number of shares under this program and it may be modified, suspended or discontinued at any time.

The following table summarizes the number of shares repurchased during the three months ended June 30, 2025:

Fiscal Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value that May Still Be Purchased Under the Program (In Thousands)
April 1, 2025 – April 30, 2025	0	\$--	0	2,928
May 1, 2025 – May 31, 2025	0	\$--	0	2,928
June 1, 2025 – June 30, 2025	0	\$--	0	2,928
Total	0	\$--	0	

ITEM 6. [Reserved]

Not applicable.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

INTRODUCTION.

FONAR was formed in 1978 to engage in the business of designing, manufacturing and selling MRI scanners. HMCA, a subsidiary of FONAR, provides management services to diagnostic imaging facilities.

FONAR’s principal MRI product is its Upright® MRI (also called Stand-Up® MRI) scanner. The Upright® MRI allows patients to be scanned for the first time under weight-bearing conditions. The Stand-Up® MRI is the only MRI capable of producing images in the weight-bearing state.

At 0.6 Tesla field strength, the Upright® MRI is among the highest field open MRI scanners in the industry, offering non-claustrophobic MRI together with high-field image quality. FONAR’s open MRI scanners were the first high field strength open MRI scanners in the industry.

FONAR CORPORATION AND SUBSIDIARIES

FONAR's wholly owned subsidiary, Health Management Corporation of America ("HMCA"), has the controlling interest in Health Diagnostics Management, LLC ("HDM"). HMCA presently has a direct ownership interest of 70.6% in HDM, and the investors in HDM have a 29.4% ownership interest. During the fiscal year ended June 30, 2025, the Company sold non-controlling interests to a minority shareholder for \$132,000. The management of the diagnostic imaging centers business segment is being conducted by HDM, operating under the name "Health Management Company of America". For the sake of simplicity, HMCA, and HDM are referred to as "HMCA", unless otherwise indicated. HMCA generates revenues from providing comprehensive management services, including development, administration, accounting, billing and collection services, together with office space, medical equipment, supplies and non-medical personnel to its clients. Revenues are in the form of fees which are earned under contracts with HMCA's clients, except for its six Florida subsidiaries which bill and collect fees from patients, insurers and other third-party payors directly.

In February 2024, FONAR formed a wholly-owned subsidiary, Opus Diagnostic Management, LLC, to provide repair and maintenance of third party manufactured MRI equipment that HMCA operates.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements that were prepared in accordance with U.S. generally accepted accounting principles, or GAAP. Management makes estimates and assumptions when preparing financial statements. These estimates and assumptions affect various matters, including:

Our reported amounts of assets and liabilities in our consolidated balance sheets at the dates of the financial statements;

Our disclosure of contingent assets and liabilities at the dates of the financial statements; and

Our reported amounts of net revenue and expenses in our consolidated statements of operations during the reporting periods

These estimates involve judgments with respect to numerous factors that are difficult to predict and are beyond management's control. As a result, actual amounts could differ materially from these estimates.

We believe our critical accounting estimates in the following areas affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition and Receivable Allowances

The Company's receivables from the related and non-related professional corporations, as well as those receivables due under fee-for-service contracts at the Florida subsidiaries, are largely dependent on collection of fees from various third-party payors. As described in greater detail in Note 2 to the Consolidated Financial Statements, we recognize revenue in accordance with Accounting Standards Codification 606, as the services are provided.

Medical receivables are due under fee-for-service contracts with third-party payors, such as hospitals, government sponsored healthcare programs, patients' legal counsel and directly from patients. The carrying amount of the medical receivable is reduced by contractual allowances and discounts based on the historical experience with each payor class on a per location basis.

FONAR CORPORATION AND SUBSIDIARIES

Management fee receivable is related to the management fees outstanding from the related and non-related professional corporations (“PCs”) under management agreements. The Company establishes a current expected credit loss (“CECL”) to address the risk that a portion of the contractually obligated management fees receivable from the PCs may not be paid. The PCs may be limited in their ability to pay the full management fees receivable if they do not collect sufficient expected fees from third-party payers and patients. The Company’s management fees are collateralized, individually and collectively, by the assets of the PCs. The CECL is determined based upon the difference between the management fee receivable and the current amount of outstanding fees estimated to be collected by the PCs. The Company’s considerations into the estimate of the PCs fee collection included historical loss rates to pools of receivables with similar risks and characteristics, current and forward looking economic conditions, and the financial condition of each PC.

We recognize revenue and related costs of revenue from sales contracts for our MRI scanners and major upgrades, under the percentage-of-completion method. Under this method, we recognize revenue and related costs of revenue, as each sub-assembly is completed. Amounts received in advance of our commencement of production are recorded as customer advances.

RESULTS OF OPERATIONS. FISCAL 2025 COMPARED TO FISCAL 2024

In fiscal 2025, we recognized net income of \$10.7 million on revenues of \$104.4 million, as compared to net income of \$14.1 million on revenues of \$102.9 million for fiscal 2024. This represents an increase in revenues of 1.4%. Total costs and expenses increased by 7.4%. Our consolidated operating results decreased by 29.7% to an operating income of \$11.6 million for fiscal 2025 as compared to operating income of \$16.5 million for fiscal 2024.

Discussion of Consolidated Results of Operations

Fiscal 2025 Compared to Fiscal 2024

While revenue increased by 1.4% selling, general and administrative expenses increased by 10.7% to \$29.7 million in fiscal 2025 from \$26.9 million in fiscal 2024. This difference in selling, general and administrative expenses was largely due to a \$2,300,000 increase on reserves for credit losses for a single payer – American Transit Insurance Company. American Transit Insurance Company (ATIC) is a New York based motor vehicle insurer primarily focused on for-hire automobile insurance. During Fiscal 2025, ATIC posted over \$750 million in net losses and has indicated that they are approaching insolvency. ATIC continues to operate and is working with the New York Department of Financial Services to resolve its issues. We are monitoring the situation for new developments. If ATIC enters receivership or suffers additional adverse consequences, we may need to take additional reserves in the future.

Interest and investment income remained constant in 2025 compared to 2024. We recognized investment income of \$2.1 million in fiscal 2025 and 2024. This is due to the Company placing cash in interest bearing accounts and purchasing short term treasury bills.

Interest expense of \$25,611 was recognized in fiscal 2025, as compared to interest expense of \$76,997 in fiscal 2024. The Company repaid the outstanding debt for a building located in Florida during fiscal 2025.

FONAR CORPORATION AND SUBSIDIARIES

The 29.4% non-controlling interest allocations of \$2,339,000 and \$3,530,000 for fiscal 2025 and fiscal 2024, respectively, have been calculated by Income from operations, and adding depreciation and amortization net of miscellaneous losses and other income from the Physician and Diagnostic Service Management segment (See Note 15).

We incurred some unusual one-time expenses during Fiscal Year 2025. We settled an outstanding tax debt related to New York City Commercial Rent Tax in the amount of \$172,000. We also incurred a significant expense from Consolidated Edison Company in the amount of \$206,000 for unreported electricity bills at our Midtown Manhattan location, due to faulty meter reading over a period of years. These one-time expenses have been resolved.

Continuing our tradition as the originator of MRI, we remain committed to maintaining our position as the leading innovator of the industry through investing in research and development. In fiscal 2025 we continued our investment in the development of various upgrades for the UPRIGHT® MRI, with an investment of \$1,576,086 in research and development, none of which was capitalized, as compared to \$1,735,949, none of which was capitalized, in fiscal 2024. The research and development expenditures were approximately 17.6% of revenues attributable to our medical equipment segment and 1.5% of total revenues in 2025, and 20.8% of medical equipment segment revenues and 1.7% of total revenues in fiscal 2024. This represented a 9.2% decrease in research and development expenditures in fiscal 2025 as compared to fiscal 2024.

For the fiscal year 2025 the Company recorded an income tax expense of \$3.1 million compared with an income tax expense of \$5.2 million for 2024. The Company has recorded a deferred tax asset of \$6.3 million as of June 30, 2025, primarily relating to the tax benefits from the net allowance for credit losses and tax credits available to offset future taxable income. The income tax benefits are attributable to the expected tax benefits associated with the projected realization and utilization of our net state operating losses in future periods. The utilization of these tax benefits is dependent on the Company generating future taxable income and other factors. A partial valuation allowance will be maintained until evidence exists to support that it is no longer needed, (principally related to unrealizable state operating losses). Although the Company is expecting to generate taxable income in future periods, we cannot accurately measure the full impact of the adoption of healthcare regulations, including the impact of continuing changes in MRI scanning reimbursement rates, which could materially impact operations. A partial valuation allowance will be maintained until evidence exists to support that it is no longer needed. As of June 30, 2025, the valuation allowance was \$252,000.

We have been taking steps to improve HMCA revenues by our marketing efforts, which focus on the unique capability of our Upright® MRI scanners to scan patients in different positions. We have also been increasing the number of health insurance plans in which our clients participate. Operationally, we have invested in technology that we believe will reduce scan times and improve operational efficiency in the centers that we manage.

Our management fees are dependent on collection by our clients of fees from reimbursements from Medicare, Medicaid, private insurance, no fault and workers' compensation carriers, self-pay and other third-party payers. The health care industry is experiencing the effects of the federal and state governments' trend toward cost containment, as governments and other third-party payers seek to impose lower reimbursement and utilization rates and negotiate reduced payment schedules with providers. The cost-containment measures, consolidated with the increasing influence of managed-care payers and competition for patients, have resulted in reduced rates of reimbursement for services provided by our clients from time to time. Our future revenues and results of operations may be adversely impacted by future reductions in reimbursement rates.

FONAR CORPORATION AND SUBSIDIARIES

Certain third-party payers have proposed and implemented changes in the methods and rates of reimbursement that have had the effect of substantially decreasing reimbursement for diagnostic imaging services that HMCA's clients provide. To the extent reimbursement from third-party payers is reduced, it will likely have an adverse impact on the rates they pay us, as they would need to reduce the management fees they pay HMCA to offset such decreased reimbursement rates. Furthermore, many commercial health care insurance arrangements are changing, so that individuals bear greater financial responsibility through high deductible plans, co-insurance and higher co-payments, which may result in patients delaying or foregoing medical procedures. More frequently, however, patients are scanned and we experience difficulty in collecting deductibles and co-payments. We expect recent changes to the Florida insurance laws to result in less patients being reimbursed through no-fault auto insurance, resulting in both lower reimbursement rates and a higher rate of uncollectible billings. Further, we believe that the passage of New York Public Health Law Article 49A will have a significant negative impact on our collection rates. We expect that any further changes to the rates or methods of reimbursement for services, which reduce the reimbursement per scan of our clients may partially offset the increases in scan volume we are working to achieve for our clients, and indirectly will result in a decline in our revenues.

In addition, the use of radiology benefit managers, or RBM's has increased in recent years. It is common practice for health insurance carriers to contract with RBMs to manage utilization of diagnostic imaging procedures for their insureds. In many cases, this leads to lower utilization of imaging procedures based on a determination of medical necessity. The efficacy of RBMs is still a highly controversial topic. We cannot predict whether the use of RBMs will negatively impact our business, but it is possible that our financial position and results of operations could be negatively affected.

Discussion of Operating Results of Management of Diagnostic Imaging Centers

Fiscal 2025 Compared to Fiscal 2024

Revenues attributable to the Company's physician and diagnostic services management segment, HMCA, increased to \$95.4 million in fiscal 2025 as compared to \$94.6 million in fiscal 2024. The increase in revenues was due to an increase of \$1.5 million of management and other fees which was offset from a decrease of patient fees (net of contractual allowances and discounts) from patient and third-party payers recognized by six of the facilities in Florida of approximately \$636,000. The decrease in patient fees at our Florida locations is a consequence of Florida's 2023 Tort Reform Act. We have seen a decrease in both volume and average reimbursement rate since the act took effect, and we expect that trend to continue for the immediate future.

Cost of revenues as a percentage of the related revenues for our physician and diagnostic services management segment increased from \$53.0 million or 56.0% of related revenues for the year ended June 30, 2024 to \$55.6 million, or 58.3% of related revenues for the year ended June 30, 2025.

Operating results of this segment decreased from operating income of \$23.5 million in fiscal 2024 to operating income of \$19.2 million in fiscal 2025. The decrease is due mainly to taking a large reserve for the American Transit Insurance Company business along with increased expenses in the form of staffing costs, equipment repair costs and helium replacement costs. We believe that our efforts to expand and improve the operation of our physician and diagnostic services management segment are directly responsible for the profitability of this segment and our company as a whole.

FONAR CORPORATION AND SUBSIDIARIES

For the fiscal year ended June 30, 2025, 11.5% of total revenues were derived from contracts with facilities that are currently owned by Timothy Damadian, the Chief Executive Officer of FONAR as compared to 11.6% of total revenues were derived from these contracts for the 2024 fiscal year. The agreements with these MRI facilities are for one-year terms which renew automatically on an annual basis, unless terminated. The fees for these sites, which are located in Florida, are flat monthly fees.

Discussion of Operating Results of Medical Equipment - Manufacturing and Service of MRI Equipment

Fiscal 2025 Compared to Fiscal 2024

Revenues attributable to our medical equipment segment increased to \$9.0 million in fiscal 2025 as compared to \$8.4 million in fiscal 2024, with product sales revenues decreasing by 23.6% from \$738,000 in fiscal 2024 to \$563,000 in fiscal 2025. Service revenue increased by 10.8% from \$7.6 million in fiscal 2024 to \$8.4 million in fiscal 2025.

Lower reimbursement rates have reduced the demand for our MRI products, resulting in lower sales volumes. As a result of fewer sales, service revenues have decreased since as older scanners are taken out of service, there are fewer new scanners available to sign service contracts.

The operating loss for the medical equipment segment increased from an operating loss of \$7.0 million in fiscal 2024 to an operating loss of \$7.6 million in fiscal 2025. The losses are attributable most significantly to the fact that costs increased by a greater amount than revenues.

The increase in costs was the result of several factors. We made a significant investment into developing the capacity to service MRI equipment manufactured by third manufacturers through our Opus Diagnostic Services, LLC subsidiary. We made additional investments into sales and marketing of image enhancement software SwiftMR™ pursuant to our distribution agreement with AIRS Medical USA, Inc. We hope these ventures will develop into a viable source of new revenue in the future.

Research and development expenses decreased to \$1.6 million in fiscal 2025 from \$1.7 million in fiscal 2024. Our expenses for fiscal 2025 represented continued research and development of various upgrades for the Upright® MRI scanner.

LIQUIDITY AND CAPITAL RESOURCES

Cash, and cash equivalents remained constant at \$56.3 million at June 30, 2025 and June 30, 2024.

Cash provided by operating activities for fiscal 2025 was approximately \$11.3 million. Cash provided by operating activities was attributable to the consolidated net income of \$10.7 million, adjusted primarily for depreciation and amortization of \$4.7 million, provision for credit losses of \$3.2 million, and an increase in other current liabilities of \$2.7 million which was offset by the increase in accounts, and medical and management fee receivables of \$9.0 million and an increase in prepaid expenses and other current assets of \$1.2 million.

Cash used in investing activities for fiscal 2025 was approximately \$3.8 million. The cash used in investing activities was attributable to purchases of property and equipment of \$3.8 million, costs of patents of \$25,325, offset by proceeds from short term investments of \$15,608. The majority of the purchases of property and equipment was due to the addition of an additional high field scanners at two existing centers.

FONAR CORPORATION AND SUBSIDIARIES

Cash used in financing activities for fiscal 2025 approximated \$7.5 million. The principal uses of cash used in financing activities included the repayment of borrowings and capital lease obligations of \$113,940, purchase of treasury stock of \$1.8 million and distributions to non-controlling interests of \$5.7 million which was offset by the sale of noncontrolling interests of \$132,000.

Total liabilities decreased by 1.2% during fiscal 2025 from approximately \$57.5 million at June 30, 2024 to approximately \$56.8 million at June 30, 2025.

At June 30, 2025, we had working capital of approximately \$127.5 million as compared to working capital of \$122.5 million at June 30, 2024, and equity of \$160.1 million at June 30, 2025 as compared to equity of \$156.8 million at June 30, 2024. This resulted from an increase in current assets (\$140.3 million at June 30, 2024 as compared to \$144.7 million at June 30, 2025), and a decrease in current liabilities from \$17.9 million at June 30, 2024 to \$17.1 million at June 30, 2025.

Our principal sources of liquidity are derived from revenues.

Our business plan includes a program for manufacturing, selling, maintaining and repairing our Upright® MRI scanners. In addition, we generate the majority of our revenue by participating in the physician and diagnostic services management business through our subsidiary, HMCA. As of June 30, 2025, HMCA manages a total of 44 MRI scanners of which 26 MRI scanners are located in New York and 18 are located in Florida.

Our business plan also calls for a continuing emphasis on providing our customers with enhanced equipment service and maintenance capabilities and delivering state-of-the-art, innovative and high quality equipment upgrades at competitive prices. Fees for on-going service and maintenance from our installed base of scanners were \$7.6 million for the year ended June 30, 2024 and \$8.4 million for the year ended June 30, 2025.

In order to promote profitability and to reduce demands on our cash and other liquid reserves, we maintain an aggressive program of cost containment. Previously, these measures included consolidating HMCA's office space with FONAR's office space and reducing the size of our workforce, compensation and benefits. We continue to attempt to contain expenses across the board, despite significant increases in the cost of labor and materials as the result of inflation. The cost control efforts are intended to keep expenditures at levels which can be supported by service revenues and HMCA revenues. To this end, in February 2024, we have formed a subsidiary, Opus Diagnostic Management, LLC, to provide in-house repair and maintenance of third party manufactured MRI equipment that we operate. We hope this entity will contain the maintenance and repair costs of our equipment fleet, and eventually expand into providing service to outside entities, including third party equipment operated by FONAR's existing installed base.

Current economic credit conditions have contributed to a slower than optimal business environment. As a result our business may suffer, should the credit markets not improve in the near future. The direct impact of these conditions is not fully known.

Revenues from HMCA have been the principal reason for our profitability, and we have so far been able to maintain such revenues by increasing the number of scans being performed by the sites we manage and those we own, notwithstanding reductions in reimbursement rates and increases in operating costs.

Capital expenditures for fiscal 2025 approximated \$3.8 million and capitalized patent costs were approximately \$25,000. Purchases of property and equipment were approximately \$3.8 million.

FONAR CORPORATION AND SUBSIDIARIES

We have committed to making material capital expenditures in the 2026 fiscal year. We expect to complete the installation of an additional high field scanner in Lynbrook, New York in the first quarter of fiscal 2026. The capital expenditures for this project will approximate \$1.5 million for the purchase of a new scanner. We also intend to open an additional location in New York, and we hope to have that center operational before the end of the fiscal year. The expected cost of this project will approximate \$400,000 for the purchase of a new scanner and related buildout costs to be approximately \$500,000.

The Company believes that its business plan has been responsible for the past five consecutive fiscal years of profitability (fiscal 2025, fiscal 2024, fiscal 2023, fiscal 2022 and fiscal 2021), our current cash balance of \$56.3 million, along with a working capital of \$127.5 million and its capital resources will be adequate to support operations at current levels through September 30, 2026.

On September 13, 2022, the Company adopted a stock repurchase plan. On September 26, 2022, the Board of Directors has approved up to \$9 million to be repurchased under the plan which will be purchased on the open market at prevailing prices. During fiscal 2025, we repurchased 114,588 shares for \$1.8 million. Since the adoption of the repurchase plan, the Company has repurchased 373,942 shares for \$6.1 million.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company does not have any significant investments in marketable securities, foreign currencies, mutual funds, certificates of deposit or other fixed rate instruments. The Company currently has 2 certificates of deposits totaling approximately \$120,000 with maturities under 1 year. Most of our funds are in cash accounts or money market accounts which are liquid. The Company has been investing in short term Treasury bills with a maturity date of 90 days or less.

All of our revenue, expense and capital purchasing activities are transacted in United States dollars.

ITEM 8. – FINANCIAL STATEMENTS AND FOOTNOTES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
FONAR Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of FONAR Corporation and Subsidiaries (the “Company”) as of June 30, 2025 and the related consolidated statements of income, stockholders’ equity and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2025, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of June 30, 2025, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”), and our report dated September 19, 2025 expressed an adverse opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

Medical Receivable – Refer to Note 2 to the financial statements

Critical Audit Matter Description

Net realizable value of patient fee revenue and medical receivables are due under fee-for-service contracts from third-party payors, such as hospitals, government sponsored healthcare programs, patients legal counsel, and directly from patients. Medical receivables are recorded at net realizable value based on the estimated amounts the Company expects to receive from patients and third-party payors. The medical receivable is reduced by contractual adjustments estimated by management based on historical experience with each payor class at each location. Given these factors, the related audit effort in evaluating management's judgments in determining the medical receivables was challenging, subjective, and complex and required a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the net realizable value of patient fee revenues and medical receivables included the following:

- We tested the effectiveness of internal controls related to the measurement of patient fee revenue and medical receivables.
- We evaluated management's significant accounting policies related to patient fee revenue for reasonableness.
- We tested information technology general controls around the Company's billing system and associated database.
- We tested the underlying data related to the recognition of patient level charges and the subsequent activities, including cash collections and non-cash adjustments.
- We tested the estimated contractual adjustments set forth by the third-party payors.
- We tested the mathematical accuracy of the estimates applied to patient fee revenue and medical receivables.

Management Fees Receivable – Refer to Note 2 to the financial statements.

Management fees receivable is related to management fees outstanding from the related and non-related professional corporations ("PCs") under management agreements. The Company has established a current expected credit loss ("CECL") to address the risk that a portion of the contractually obligated management fees receivable from the PCs may not be paid. The PCs may be limited in their ability to pay the full management fee receivable if they do not collect sufficient expected fees from third-party payors and patients. The Company's management fees are collateralized, individually and collectively, by the assets of the PCs. The CECL is determined based on the difference between the management fee receivable and the current amount of outstanding fees estimated to be collected by the PCs. The Company's considerations into the estimate of the PCs' fee collection include historical loss rates to pools of receivables with similar risks characteristics, current and forward-looking economic conditions, and the financial condition of each PC. Given these factors, the related audit effort in evaluating management's judgments in determining CECL was challenging, subjective, and complex and required a high degree of auditor judgment.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the CECL estimate of management fees receivable included the following:

- We tested the effectiveness of internal controls that address the risk of material misstatement related to the measurement of the CECL estimate.
- We evaluated management's significant accounting policies related to CECL for reasonableness.
- We tested that management fees for the year agreed with the executed management fee contracts with each PC.
- We tested information technology general controls surrounding the billing system utilized by the PCs.
- We tested the mathematical accuracy of the calculations used to determine the CECL estimate.

We have served as the auditors since 2025

/s/ CohnReznick LLP

Melville, NY
September 22, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of FONAR Corporation and Subsidiaries

Adverse Opinion on Internal Control over Financial Reporting

We have audited FONAR Corporation and Subsidiaries' (the Company's) internal control over financial reporting as of June 30, 2025, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, because of the effect of the material weakness described in the following paragraph on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of June 30, 2025, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in logical access within its systems supporting the Company's accounting and reporting processes. This material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2025 consolidated financial statements, and this report does not affect our report dated September 19, 2025, on those consolidated financial statements.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet and the related consolidated statements of income, stockholders' equity, and cash flows of the Company as of and for the year ended June 30, 2025, and our report dated September 19, 2025 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (CONTINUED)

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ CohnReznick LLP

Melville, NY
September 22, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
Fonar Corporation and Subsidiaries

Opinion on the Financial Statements

We have audited, before the effects of the retrospective adjustments to the disclosures for the adoption of ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (“ASU 2023-07”) discussed in Notes 2 and 15 and before the effects of the retrospective adjustments to the disclosures for the adoption of ASU 2023-09, Improvements to Income Tax Disclosures discussed in Notes 2 and 10 to the consolidated financial statements, the accompanying consolidated balance sheet of Fonar Corporation and Subsidiaries (the “Company”) as of June 30, 2024, the related consolidated statements of income, stockholders’ equity and cash flows for the year ended June 30, 2024, and the related notes (collectively referred to as the “financial statements”) (the 2024 financial statements before the effects of the adjustments discussed in Notes 2 and 10 and 15 to the financial statements are not presented herein). In our opinion, the June 30, 2024 financial statements before the effects of the retrospective adjustments to the disclosures for the adoption of ASU 2023-07 discussed in Notes 2 and 15 to the financial statements and before the effects of the retrospective adjustments to the disclosures for the adoption of ASU 2023-09 discussed in Notes 2 and 10 to the financial statements, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024, and the results of its operations and its cash flows for the year ended June 30, 2024, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments to the disclosures for the adoption of ASU 2023-07 discussed in Notes 2 and 15 and we were not engaged to audit, review, or apply any procedures to the retrospective adjustments to the disclosures for the adoption of ASU 2023-09 discussed in Notes 2 and 10.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Report of Independent Registered Public Accounting Firm (Continued)

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. we believe that our audit provides a reasonable basis for our opinion.

/s/Marcum LLP

Marcum LLP

We served as the Company's auditor from 1990, such date takes into account the merger of Tabb, Conigliaro, McGann, P.C. ("Tabb") into another firm in approximately 2001 and the former partners of Tabb joining Marcum LLP in 2002 to 2024.

New York, NY
September 27, 2024

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS

	June 30,	
	2025	2024
Current Assets:		
Cash and cash equivalents	\$ 56,333,636	\$ 56,341,193
Short-term investments	120,494	136,102
Accounts receivable – net of allowances for credit losses of \$264,212 and \$166,049 at June 30, 2025 and 2024, respectively	5,304,698	4,035,336
Medical receivables	24,489,808	23,991,533
Management and other fees receivable – net of allowances for credit losses of \$14,295,988 and \$12,369,921 at June 30, 2025 and 2024, respectively	43,401,252	41,953,657
Management and other fees receivable – related party medical practices – net of allowances for credit losses of \$7,136,836 and \$6,110,399 at June 30, 2025 and 2024, respectively	9,748,521	9,865,061
Inventories - net	2,812,682	2,715,441
Prepaid expenses and other current assets – related party	410,659	—
Prepaid expenses and other current assets	2,050,060	1,285,962
Total Current Assets	144,671,810	140,324,285
Accounts receivable – long term	3,549,956	829,473
Note receivable – related party	554,857	581,183
Deferred income tax asset	6,349,194	7,223,255
Property and equipment – net	18,531,919	18,708,920
Right-of-use-asset – operating leases	35,136,412	38,427,757
Right-of-use-asset – finance lease	376,569	530,348
Goodwill	4,269,277	4,269,277
Other intangible assets – net	2,992,203	2,870,324
Other assets	475,680	481,147
Total Assets	\$ 216,907,877	\$ 214,245,969

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES

	June 30,	
	2025	2024
Current Liabilities:		
Current portion of long-term debt	\$ —	\$ 47,002
Accounts payable	1,302,317	1,855,879
Other current liabilities	6,974,997	7,941,039
Operating lease liabilities – current portion	3,382,675	3,473,674
Finance lease liability – current portion	244,237	225,786
Unearned revenue on service contracts	4,865,936	3,870,229
Customer deposits	354,244	443,471
Total Current Liabilities	17,124,406	17,857,080
Long-Term Liabilities:		
Unearned revenue on service contracts	3,800,746	1,174,844
Deferred income tax liability	321,159	371,560
Due to related party medical practices	92,663	92,663
Operating lease liabilities – net of current portion	35,148,907	37,467,746
Finance lease liability – net of current portion	142,523	394,723
Long-term debt, less current portion	—	66,938
Other liabilities	172,853	32,026
Total Long-Term Liabilities	39,678,851	39,600,500
Total Liabilities	\$ 56,803,257	\$ 57,457,580

Commitments and Contingencies

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
EQUITY

	June 30,	
	2025	2024
Equity:		
Class A non-voting preferred stock \$.0001 par value; 453,000 shares authorized at June 30, 2025 and 2024, 313,438 issued and outstanding at June 30, 2025 and 2024	\$ 31	\$ 31
Preferred stock \$.001 par value; 567,000 shares authorized at June 30, 2025 and 2024, issued and outstanding – none	—	—
Common stock \$.0001 par value; 8,500,000 shares authorized at June 30, 2025 and 2024, 6,203,465 and 6,328,494 issued at June 30, 2025 and 2024, respectively 6,168,625 and 6,283,213 outstanding at June 30, 2025 and 2024, respectively	622	635
Class B convertible common stock (10 votes per share) \$.0001 par value; 227,000 shares authorized at June 30, 2025 and 2024, 146 issued and outstanding at June 30, 2025 and 2024	—	—
Class C common stock (25 votes per share) \$.0001 par value; 567,000 shares authorized at June 30, 2025 and 2024, 382,513 issued and outstanding at June 30, 2025 and 2024	38	38
Paid-in capital in excess of par value	178,756,712	180,607,510
Accumulated deficit	(5,289,324)	(13,623,585)
Treasury stock, at cost – 34,840 and 45,081 shares of common stock at June 30, 2025 and 2024, respectively	(859,893)	(1,016,632)
Total Fonar Corporation’s Stockholders’ Equity	172,608,186	165,967,997
Noncontrolling interests	(12,503,566)	(9,179,608)
Total Equity	160,104,620	156,788,389
Total Liabilities and Equity	\$ 216,907,877	\$ 214,245,969

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended June 30,	
	2025	2024
Revenues		
Patient fee revenue – net of contractual allowances and discounts	\$ 33,179,446	\$ 33,815,796
Product sales	563,296	737,727
Service and repair fees	8,234,053	7,452,212
Service and repair fees – related parties	180,000	139,167
Management and other fees	49,900,555	48,789,287
Management and other fees – related medical practices	12,293,968	11,949,900
Total Revenues – Net	104,351,318	102,884,089
Costs and Expenses		
Costs related to product sales	1,018,029	1,052,159
Costs related to service and repair fees	4,508,518	3,577,570
Costs related to service and repair fees – related parties	323,504	144,413
Costs related to patient fee revenue	19,130,935	18,199,579
Costs related to management and other fees	30,073,045	28,626,595
Costs related to management and other fees – related medical practices	6,388,281	6,143,728
Research and development	1,576,086	1,735,949
Selling, general and administrative expenses	29,734,163	26,868,732
Total Costs and Expenses	92,752,561	86,348,725
Income from Operations	11,598,757	16,535,364
Other Income and (Expenses):		
Interest expense	(25,611)	(76,997)
Interest income – related party	51,917	25,959
Investment income	2,118,980	2,126,439
Other income – related party	—	576,857
Other income	36,195	78,763
Income before Provision for Income Taxes and Noncontrolling Interests	13,780,238	19,266,385
Provision for Income Taxes	(3,106,805)	(5,168,968)
Consolidated Net Income	\$ 10,673,433	\$ 14,097,417
Net Income – Noncontrolling Interests	(2,339,172)	(3,530,021)
Net Income – Attributable to FONAR	\$ 8,334,261	\$ 10,567,396

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Continued)

	<u>For the Years Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Net Income Available to Common Stockholders	<u>\$7,802,351</u>	<u>\$9,908,920</u>
Net Income Available to Class A Non – Voting Preferred Stockholders	<u>\$ 396,443</u>	<u>\$ 490,776</u>
Net Income Available to Class C Common Stockholders	<u>\$ 135,467</u>	<u>\$ 167,700</u>
Basic Net Income Per Common Share Available to Common Stockholders	<u>\$ 1.26</u>	<u>\$ 1.56</u>
Diluted Net Income Per Common Share Available to Common Stockholders	<u>\$ 1.23</u>	<u>\$ 1.53</u>
Basic and Diluted Income Per Share – Class C Common	<u>\$ 0.35</u>	<u>\$ 0.44</u>
Weighted Average Basic Shares Outstanding – Common Stockholders	<u>6,210,852</u>	<u>6,351,008</u>
Weighted Average Diluted Shares Outstanding – Common Stockholders	<u>6,338,356</u>	<u>6,478,512</u>
Weighted Average Basic and Diluted Shares Outstanding – Class C Common	<u>382,513</u>	<u>382,513</u>

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Common Stock	Common Stock Issued (Shares)	Class A Preferred Stock (Shares)	Class A Preferred Stock	Class C Common Stock (Shares)
Balance – July 1, 2023	\$ 647	6,450,882	313,438	\$ 31	382,513
Net Income	—	—	—	—	—
Purchase of Treasury Stock	—	—	—	—	—
Cancellation of Treasury Stock	(12)	(122,588)	—	—	—
Distributions – Non controlling interest	—	—	—	—	—
Net Income – Non controlling interests	—	—	—	—	—
Balance – June 30, 2024	\$ 635	6,328,294	313,438	\$ 31	382,513
Net Income	—	—	—	—	—
Purchase of Treasury Stock	—	—	—	—	—
Cancellation of Treasury Stock	(13)	(124,829)	—	—	—
Sale – Non controlling interest	—	—	—	—	—
Distributions – Non controlling interest	—	—	—	—	—
Net Income – Non controlling interests	—	—	—	—	—
Balance – June 30, 2025	\$ <u>622</u>	<u>6,203,465</u>	<u>313,438</u>	<u>\$ 31</u>	<u>382,513</u>

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	Class C Common Stock	Paid-in Capital in Excess of Par Value	Treasury Stock (Shares)	Treasury Stock
Balance – July 1, 2023	\$ 38	\$ 182,612,518	11,463	\$ (515,820)
Net Income	—	—	—	—
Purchase of Treasury Stock	—	—	156,206	(2,505,832)
Cancellation of Treasury Stock	—	(2,005,008)	(122,588)	2,005,020
Distributions – Non controlling interest	—	—	—	—
Net Income – Non controlling interests	—	—	—	—
Balance – June 30, 2024	\$ 38	\$ 180,607,510	45,081	\$ (1,016,632)
Net Income	—	—	—	—
Purchase of Treasury Stock	—	—	114,588	(1,806,646)
Cancellation of Treasury Stock	—	(1,963,373)	(124,829)	1,963,385
Sale – Non controlling interest	—	112,575	—	—
Distributions – Non controlling interest	—	—	—	—
Net Income – Non controlling interests	—	—	—	—
Balance – June 30, 2025	\$ <u>38</u>	\$ <u>178,756,712</u>	<u>34,840</u>	\$ <u>(859,893)</u>

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED JUNE 30, 2025 AND 2024

	<u>Accumulated Deficit</u>	<u>Non Controlling Interests</u>	<u>Total</u>
Balance – July 1, 2023	\$ (24,190,981)	\$ (7,079,293)	\$ 150,827,140
Net Income	10,567,396	—	10,567,396
Purchase of Treasury Stock	—	—	(2,505,832)
Cancellation of Treasury Stock	—	—	—
Distributions – Non controlling interest	—	(5,630,336)	(5,630,336)
Net Income – Non controlling interests	—	3,530,021	3,530,021
	<u>—</u>	<u>3,530,021</u>	<u>3,530,021</u>
Balance – June 30, 2024	\$ (13,623,585)	\$ (9,179,608)	\$ 156,788,389
Net Income	8,334,261	—	8,334,261
Purchase of Treasury Stock	—	—	(1,806,646)
Cancellation of Treasury Stock	—	—	(1)
Sale – Non controlling interest	—	19,425	132,000
Distributions – Non controlling interest	—	(5,682,555)	(5,682,555)
Net Income – Non controlling interests	—	2,339,172	2,339,172
	<u>—</u>	<u>2,339,172</u>	<u>2,339,172</u>
Balance – June 30, 2025	\$ <u>(5,289,324)</u>	\$ <u>(12,503,566)</u>	\$ <u>160,104,620</u>

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES	For the Years Ended June 30,	
	2025	2024
Consolidated Net Income	\$10,673,433	\$14,097,417
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	4,698,321	4,596,421
Provision for credit losses	3,206,756	1,882,061
Deferred income tax - net	823,660	2,795,507
Net change in operating right-of-use assets and lease liabilities	(493)	(229,590)
Gain on sale of equipment – related party	—	(581,183)
Gain on disposition of fixed assets	—	(75,411)
Abandoned patents	55,707	225,419
Changes in operating assets and liabilities, net:		
Accounts, medical and management fee receivable(s)	(9,005,766)	(11,676,139)
Notes receivable	—	55,200
Notes receivable – related party	26,326	—
Inventories	(97,241)	(145,775)
Prepaid expenses and other current assets	(1,194,922)	266,606
Other assets	5,467	42,359
Accounts payable	(553,562)	276,669
Other current liabilities	2,655,567	2,949,962
Customer advances	(89,227)	(158,906)
Finance lease liabilities	(79,970)	(217,569)
Other liabilities	140,826	(9,724)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,264,882	14,093,294

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	For the Years Ended June 30,	
	2025	2024
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,791,581)	(789,961)
Proceeds (Purchase) from short-term investment	15,608	(103,303)
Proceeds from sale of equipment	—	75,411
Cost of patents	(25,325)	(32,885)
NET CASH USED IN INVESTING ACTIVITIES	(3,801,298)	(850,738)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings and finance obligations	(113,940)	(44,902)
Sale of noncontrolling interest	132,000	—
Purchase of treasury stock	(1,806,646)	(2,505,832)
Distributions to noncontrolling interests	(5,682,555)	(5,630,336)
NET CASH USED IN FINANCING ACTIVITIES	(7,471,141)	(8,181,070)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(7,557)	5,061,486
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	56,341,193	51,279,707
CASH AND CASH EQUIVALENTS - END OF YEAR	\$56,333,636	\$56,341,193

See accompanying notes to consolidated financial statements.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 1 - DESCRIPTION OF BUSINESS AND LIQUIDITY AND CAPITAL RESOURCES

Description of Business

FONAR is a Delaware corporation, which was incorporated on July 17, 1978. FONAR is engaged in the research, development, production and marketing of medical scanning equipment, which uses principles of MRI for the detection and diagnosis of human diseases. In addition to deriving revenues from the direct sale of MRI equipment, revenue is also generated from our installed-base of customers through our service and upgrade programs.

FONAR, through its wholly-owned subsidiary Health Management Company of America (“HMCA”) provides comprehensive management services to diagnostic imaging facilities. The services provided by the Company include development, administration, leasing of office space, facilities and medical equipment, provision of supplies, staffing and supervision of non-medical personnel, legal services, accounting, billing and collection and the development and implementation of practice growth and marketing strategies.

On July 1, 2015, the Company restructured the corporate organization of the management of diagnostic imaging centers segment of our business. The reorganization was structured to more completely integrate the operations of Health Management Corporation of America and Health Diagnostics Management (“HDM”). Imperial contributed all of its assets (which were utilized in the business of Health Management Corporation of America) to HDM and received a 24.2% interest in HDM. Health Management Corporation of America retained a direct ownership interest of 45.8% in HDM, and the original investors in HDM retained a 30.0% ownership interest in the newly expanded HDM. As of June 30, 2024 the Company had direct ownership interest of 70.8% and the investors’ a 29.2% ownership interest. During the year ended June 30, 2025, the Company sold non-controlling interests to a minority shareholder for \$132,000. Currently, the Company has a direct ownership interest of 70.63% and the investors have a 29.37% ownership interest. The entire management of diagnostic imaging centers business segment is now being conducted by HDM, operating under the name “Health Management Company of America”.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of FONAR Corporation, its majority and wholly-owned subsidiaries and partnerships. The operating activities of subsidiaries are included in the accompanying consolidated statements from the date of acquisition. All significant intercompany accounts and transactions have been eliminated in consolidation.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the consolidated financial statements and accompanying notes. The most significant estimates relate to receivable allowances, and revenue recognition. In addition, healthcare industry reforms and reimbursement practices will continue to impact the Company's operations and the determination of contractual and other allowance estimates. Actual results could differ from those estimates.

Inventories

Inventories consist of purchased parts, components and supplies, as well as work-in-process, and are stated at the lower of cost or net realizable value.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Property and equipment purchased in connection with an acquisition is stated at its estimated fair value, generally based on an appraisal. Property and equipment is being depreciated for financial accounting purposes using the straight-line method over their estimated useful lives. Leasehold improvements are being amortized over the shorter of the useful life or the remaining lease term. Upon retirement or other disposition of these assets, the cost and related accumulated depreciation of these assets are removed from the accounts and the resulting gains or losses are reflected in the results of operations. Expenses for maintenance and repairs are charged to operations. Renewals and betterments are capitalized. Maintenance and repair expenses totaled approximately \$2,751,000 and \$2,948,000 for the years ended June 30, 2025 and 2024 respectively. The estimated useful lives in years are generally as follows:

<u>Estimated Useful Life in Years for Property and Equipment</u>	
Diagnostic equipment	5-13
Research, development and demonstration equipment	3-7
Machinery and equipment	2-7
Furniture and fixtures	3-9
Leasehold improvements	5-10
Building	28

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Intangible Assets

1) Patents and Copyrights

Patent and copyrights are professional costs incurred to acquire certain patent and copyrights. Amortization is calculated on the straight-line basis over 15 years.

2) Non-Competition Agreements

The non-competition agreements are agreements entered into with past principal owners of entities that the Company had acquired. The non-competition agreements are being amortized on the straight-line basis over the length of the agreement (7 years).

3) Customer Relationships

Customer relationships represents customer lists acquired in acquisition of prior entities. Amortization is calculated on the straight-line basis over 20 years.

4) Software License

Software license represents a license to improve the image quality and efficiency of the MRI scanners. Amortization is calculated on the straight-line basis over 3 years.

Goodwill

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying amount including goodwill. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the Company performs a quantitative test to identify and measure the amount of goodwill impairment loss. The Company compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, goodwill of the reporting unit is considered impaired, and that excess is recognized as a goodwill impairment loss.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue on sales contracts for scanners, included in “product sales” in the accompanying consolidated statements of operations, is recognized under the percentage-of-completion method in accordance with Financial Accounting Standards Board (“FASB”) ASC 606, “Revenue Recognition – Construction-Type and Production-Type Contracts”. The Company manufactures its scanners under specific contracts that provide for progress payments. Production and installation take approximately three to six months.

Revenue on scanner service contracts is recognized on the straight-line method over the related contract period, usually one year. As of June 30, 2024, the Company had unearned revenue on service contracts of \$3,870,229 of which all was recognized as revenue in the fiscal year ending June 30, 2025.

Revenue from product sales (upgrades and supplies) is recognized upon shipment.

Revenue under management contracts is recognized based upon contractual agreements for management services rendered by the Company primarily under various long-term agreements with various medical providers (the “PCs”). As of June 30, 2025, the Company has 22 management agreements of which 3 were with PC’s owned by Timothy Damadian, Chairman of the Board, President, Chief Executive Officer and Treasurer (formerly owned by Raymond V. Damadian, M.D., Chairman of the Board of FONAR until his unexpected death in August 2022) (“the Related medical practices”) and 19 are with PC’s, which are all located in the state of New York (“the New York PC’s”), owned by four unrelated radiologists. The contractual fees for services rendered to the PCs consists of fixed monthly fees per diagnostic imaging facility ranging from approximately \$70,000 to \$460,000. All fees are re-negotiable at the anniversary of the agreements and each year thereafter. The Company records a credit loss expense for estimated uncollectible fees, which is reflected in other operating expenses on the Consolidated Statement of Operations.

The Company currently recognizes revenue in accordance with the recognition accounting standard issued by the FASB and codified in the ASC 606. The revenue recognition standard in ASC 606 outlines a single comprehensive model for recognizing revenue as performance obligations, defined in a contract with a customer as goods or services transferred to the customer in exchange for consideration, are satisfied. The standard also requires expanded disclosures regarding the Company’s revenue recognition policies and significant judgments employed in the determination of revenue.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Company’s revenues generally relate to net patient fees received from various payers and patients themselves under contracts in which our performance obligations are to provide diagnostic services to the patients. Revenues are recorded during the period our obligations to provide diagnostic services are satisfied. Our performance obligations for diagnostic services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer (Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges and generally provide for payments based upon predetermined rates per diagnostic services or discounted fee-for-service rates. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms resulting from contract renegotiations and renewals.

The Company’s patient fee revenues, net of contractual allowances and discounts for the years ended June 30, 2025 and 2024 are summarized in the following table.

Patient Fee Revenue - Net

	For the Years Ended June 30	
	2025	2024
Commercial Insurance/ Managed Care	\$ 4,957,159	\$ 4,952,712
Medicare/Medicaid	1,160,839	1,138,176
Workers’ Compensation/Personal Injury	19,876,923	20,673,483
Other	7,184,525	7,051,425
Net Patient Fee Revenue	\$ 33,179,446	\$ 33,815,796

Medical Receivable

Medical receivables are due under fee-for-service contracts from third-party payors, such as hospitals, government sponsored healthcare programs, patient’s legal counsel and directly from patients. Substantially all the revenue relates to patients residing in Florida. Medical receivables are recorded at net realizable value based on the estimated amounts the Company expects to receive from patients and third-party payers. The medical receivable is reduced by an allowance for contractual adjustments based on the historical experience with each payor class at each location. The medical fee receivable as of July 1, 2023 was \$21,259,262.

For LLCs owned by the Company, approximately 57% and 67% of net revenues were derived from no-fault and personal injury protection for the years end June 30, 2025 and 2024.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management and Other Fees Receivable

Management fees receivable is related to management fees outstanding from the related and non related PCs under management agreements. The Company has established a current expected credit loss (“CECL”) reserve to address the risk that a portion of the contractually obligated management fees receivable from the PCs may not be collectible. The PC’s may be limited in their ability to pay the full management fee receivable if they do not collect sufficient expected fees from third-party payors and patients. The Company’s management fees are collateralized, individually and collectively, by the assets of the PCs. The CECL reserve is determined based on the difference between the management fee receivable and the current amount of outstanding fees estimated to be collected by the PCs.

The Company’s considerations into the estimate of the PC’s fee collection is based on a combination of factors. As each management agreement specifies the Company’s ultimate collateral for unpaid management fees are the patient fee receivables owned by each PC, the Company considers the historical loss rates to pools of receivables with similar risks characteristics, aging of the patient fee receivables, and the financial condition of each PC. In addition, the Company subjectively adjusts its estimated expected credit losses for current and forward-looking economic conditions which would include trends seen within the industry and newly enacted regulation. Specifically, insurance carriers covering automobile no-fault and workers compensation claims incur longer payment cycles and rigorous informational requirements and certain other disallowed claims.

The Company combines an objective and subjective loss-rate methodology to estimate expected credit losses based on the collateral owned by each PC. This involves objectively using historical loss rates to pools of receivables with similar risk characteristics (i.e., various insurance payors) and then subjectively adjusting for current and forward-looking economic conditions which would include trends seen within the industry and newly enacted regulation.

The provision for credit losses for the year ended June 30, 2025 was \$3,079,261. The provision for credit losses is attributable to scan volume at all the PC’s and the nature of the payor classes, where there can be longer expected payment terms. Also, during the year ended June 30, 2025, the Company recorded an additional reserve of approximately \$2,300,000 for a specific receivable that is attributable to a American Transit Insurance Company (ATIC). This reserve for credit losses relates specifically to ATIC, which owes no-fault insurance claims by the PCs to the PCs, which are collateral for the Company’s management and other fees receivable. ATIC is a New York based motor vehicle insurer primarily focused on for-hire automobile insurance. During Fiscal 2025, ATIC posted over \$750 million in net losses and has indicated that they are approaching insolvency. ATIC continues to operate and is working with the New York Department of Financial Services (DFS) to resolve its issues. We continue to monitor the situation for new developments. However, at the time of this filing, DFS has not publicly announced approval of any plans for ATIC to resolve its financial situation. In addition, Uber has filed a lawsuit against ATIC alleging they are not properly paying claims. Additional legislation in New York City to reduce coverage minimums and increase premiums may help to resolve the crisis, but there is no certainty these efforts will be successful. If ATIC enters receivership or suffers additional adverse consequences, we may need to take additional reserves in the future. The management fee receivable for unrelated and related parties as of July 1, 2023 was \$35,888,253 and \$9,161,870, respectively.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Credit risk with respect to the Company's accounts receivable related to product sales and service and repair fees is limited due to the customer advances received prior to the commencement of work performed and the billing of amounts to customers as sub-assemblies are completed. Service and repair fees are billed on a monthly or quarterly basis and the Company does not continue providing these services if accounts receivable become past due. The Company controls credit risk with respect to accounts receivable from service and repair fees through its credit evaluation process, credit limits, monitoring procedures and reasonably short collection terms. The Company performs ongoing credit authorizations before a product sales contract is entered into or service and repair fees are provided. The account receivable balance for scanner service contracts as of July 1, 2023 was \$4,571,597.

Research and Development Costs

Research and development costs are charged to expense as incurred. The costs of equipment that are acquired or constructed for research and development activities, and have alternative future uses (either in research and development, marketing or production), are classified as property and equipment and depreciated over their estimated useful lives.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense approximated \$ 773,000 and \$731,000 and for the years ended June 30, 2025 and 2024, respectively.

Income Taxes

Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse.

The ultimate realization of deferred tax assets is dependent on the generation of future taxable income during the periods in which temporary differences become deductible or when such net operating losses can be utilized. The Company considers projected future taxable income, the regulatory environment of the industry, and tax planning strategies in making this assessment. At present, the Company believes that it is more likely than not that the benefits from certain deferred tax asset carryforwards, will not all be fully realized. In recognition of this inherent risk, a valuation allowance was established for the partial value of the deferred tax asset, which principally related to certain state net operating losses. A valuation allowance will be maintained until sufficient positive evidence exists to support the reversal of the remainder of the valuation.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

ASC 740, “Accounting for Income Taxes”, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a corporate tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. Differences between tax positions taken or expected to be taken in a tax return and the benefit recognized and measured pursuant to the interpretation are referred to as unrecognized benefits. A liability is recognized (or amount of net operating loss carryforward or amount of tax refundable is reduced) for an unrecognized tax benefit because it represents an enterprise’s potential future obligation to the taxing authority for a tax position that was not recognized as a result of applying the provisions of ASC 740. The Company believes there are no uncertain tax positions in prior year’s tax filings and therefore it has not recorded a liability for unrecognized tax benefits.

In accordance with ASC 740, interest costs related to unrecognized tax benefits are required to be calculated (if applicable) and would be classified as “Interest expense, net. Penalties if incurred would be recognized as a component of “Selling, general and administrative” expenses. Penalties for the years ended June 30, 2025 and June 30, 2024 were \$0 and \$20,444, respectively.

Customer Advances

Cash advances and progress payments received on sales orders are reflected as customer advances until such time as revenue recognition occurs.

Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. In accordance with ASC topic 260-10, “Participating Securities and the Two-Class Method”, the Company used the Two-Class method for calculating basic earnings per share and applied the if converted method in calculating diluted earnings per share for the years ended June 30, 2025 and 2024.

Diluted EPS reflects the potential dilution from the exercise or conversion of all dilutive securities into common stock based on the average market price of common shares outstanding during the period. For the years ended June 30, 2025 and 2024, diluted EPS for common shareholders includes 127,504 shares upon conversion of Class C Common.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash in banks, investments in certificates of deposit with original maturities of 90 days or less, and money market funds.

Short-Term Investments

Short-term investments include certificates of deposit with original maturities of greater than 90 days. Interest is recorded as earned.

Concentration of Credit Risk

Cash: The Company maintains its cash and cash equivalents with various financial institutions, which exceed federally insured limits throughout the year. At June 30, 2025, the Company had cash on deposit of approximately \$53,676,000 in excess of federally insured limits of \$250,000.

Related Parties: Net revenues from related parties accounted for approximately 12% of the consolidated net revenues for the years ended June 30, 2025 and 2024. Net management fee receivables from the related party medical practices accounted for approximately 12% of the consolidated accounts receivable as of June 30, 2025 and 2024.

For the years ended June 30, 2025 and June 30, 2024, the Company made purchases from two vendors that accounted for 36% and 0% of total purchases, respectively.

See Note 3 regarding the Company's concentrations in the healthcare industry.

Fair Value of Financial Instruments

The Company measures fair value in accordance with ASC 820-10, "Fair Value Measurements and Disclosures". ASC 820-10 clarifies that fair value is an exit price, representing the amount that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions.

The standard establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring and revaluing fair value. These tiers include, Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

Cash and cash equivalents: The carrying amount approximates fair value because of the short-term maturity of those instruments.

Short-term investments: The carrying amount approximates fair value because of the short-term maturity of those instruments. Such amounts include Certificates of Deposits with original maturities greater than 90 days. These securities are classified as Level 1.

Receivable and accounts payable: The carrying amounts approximate fair value because of the short maturity of those instruments.

Long-term debt and notes payable: The carrying amounts of debt and notes payable approximate fair value due to the length of the maturities, the interest rates being tied to market indices and/or due to the interest rates not being significantly different from the current market rates available to the Company.

All of the Company's financial instruments are held for purposes other than trading.

Recently Adopted Accounting Standards

In December 2023, The Financial Accounting Standards Board ("FASB") issued ASU 2023-09, "Income Taxes (740) "Improvements to Income Tax Disclosures", which requires the annual financial statements to include consistent categories and great disaggregation of information in the rate reconciliation and income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for the Company's annual reporting beginning after December 15, 2024, with early adoption permitted, and should be applied on a prospective basis, with a retrospective option. The Company recently adopted this ASU retrospectively for the year ended June 30, 2025 and 2024 and it impacts only our disclosures with no impacts to our financial condition and results of operations.

In November 2023, FASB issued ASU 2023-07, "Segment Reporting (Topic 280)", which is intended to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The amendments require disclosure of significant segment expenses regularly provided to the chief operating decision maker (CODM) as well as other segment items, extended certain annual disclosures to interim periods, clarify the applicability to single reportable segment entities, permit more than one measure of profit or loss to be reported under certain conditions, and require disclosure of the title and position of the CODM. The effective date for public entities is for fiscal years beginning after December 15, 2023 and interim periods with fiscal years beginning after December 15, 2024. The Company adopted ASU for the year ended June 30, 2025 and it impacts only our disclosures with no impacts to our financial condition and results of operations.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Standards (Continued)

In November 2024, the FASB issued ASU 2024-03, “Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures” (Subtopic 220-40): Disaggregation of Income Statement Expenses”. This ASU requires disaggregation of certain income statement expense captions into specified categories to be disclosed within the notes to the financial statements, but does not change the expense captions on the income statement. The amendments in this ASU are to be applied prospectively, although retrospective application is permitted, and is effective for annual financial statements starting in fiscal 2028 and interim periods starting in fiscal 2029, with early adoption permitted. The Company is currently evaluating the effect that the adoption of ASU 2024-03 will have on our disclosures.

FASB, the Emerging Issues Task Force and the SEC have issued certain other accounting standards, updates, and regulations as of June 30, 2025 that will become effective in subsequent periods; however, management does not believe that any of those updates would have significantly affected the Company’s financial accounting measures or disclosures had they been in effect during 2025 or 2024, and it does not believe that any of those standards will have a significant impact on the Company’s consolidated financial statements at the time they become effective.

NOTE 3 – ACCOUNTS RECEIVABLE, MEDICAL RECEIVABLE AND MANAGEMENT AND OTHER FEES RECEIVABLE

Long Term Accounts Receivable

Long term accounts receivable balances at June 30, 2025 and June 30, 2024 amounted to \$3,549,956 and \$829,473, respectively. The Company will generate revenue from long-term, non-cancellable contracts to provide service and repair services. Future revenue to be recognized over the following four years at June 30, 2025 is as follows:

<u>Receivables - Non Current - net</u>	
2027	\$ 1,592,426
2028	1,031,910
2029	831,660
2030	344,750
Total	<u>\$ 3,800,746</u>

The following represents a summary of allowance for credit losses for the years ended June 30, 2025 and 2024, respectively:

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 3 – ACCOUNTS RECEIVABLE, MEDICAL RECEIVABLE AND MANAGEMENT AND OTHER FEES RECEIVABLE (CONTINUED)

Long Term Accounts Receivable (Continued)

Summary of Allowance For Credit Losses

Description	Balance June 30, 2024	Additions (1)	Deductions	Balance June 30, 2025
Accounts receivable	\$ 166,049	\$ 107,330	\$ 9,167	\$ 264,212
Management and other fees receivable	12,369,921	2,052,824	126,757	14,295,988
Management and other fees receivable - related medical practices	6,110,399	1,026,437	—	7,136,836
Notes receivable	777,354	—	777,354	—

Description	Balance June 30, 2023	Additions(Recovery)	Deductions	Balance June 30, 2024
Accounts receivable	\$ 198,593	\$ —	\$ 32,544	\$ 166,049
Management and other fees receivable	12,608,567	(238,646)	—	12,369,921
Management and other fees receivable - related medical practices	3,989,692	2,120,707	—	6,110,399
Notes receivable	777,354	—	—	777,354

(1) Included in provision for credit losses.

Net revenues from management and other fees charged to the related party medical practices accounted for approximately 11% and 12% of the consolidated net revenues for the years ended June 30, 2025 and 2024, respectively.

Tallahassee Magnetic Resonance Imaging, Inc., Stand Up MRI of Boca Raton, Inc. and Stand Up MRI & Diagnostic Center, Inc. (all related party medical practices) entered into a guaranty agreement, pursuant to which they cross guaranteed all management fees which are payable to the Company, which have arisen under each individual management agreement.

The following table sets forth the number of our facilities for the years ended June 30, 2025 and 2024.

	Total Facilities	
	For the Year Ended June 30, 2025	2024
Total Facilities Owned or Managed (at Beginning of Year)	28	27
Facilities Added by:		
Internal development	—	1
Managed Facilities Closed	—	—
Total Facilities Owned or Managed (at End of Year)	28	28

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 4 – INVENTORIES

Inventories included in the accompanying consolidated balance sheets consist of:

	As of June 30,	
	2025	2024
Purchased parts and components	\$ 2,630,439	\$ 2,524,201
Work-in-process	182,243	191,240
Inventories	\$ 2,812,682	\$ 2,715,441

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, less accumulated depreciation and amortization, at June 30, 2025 and 2024, is comprised of:

	As of June 30,	
	2025	2024
Diagnostic equipment	\$ 35,276,823	\$ 33,243,694
Research, development and demonstration equipment	6,490,872	6,199,941
Machinery and equipment	2,128,398	2,069,055
Furniture and fixtures	3,756,017	3,742,169
Leasehold improvements	17,707,234	16,312,904
Building	939,614	939,614
	66,298,958	62,507,377
Less: Accumulated depreciation and amortization	47,767,039	43,798,457
	\$ 18,531,919	\$ 18,708,920

Depreciation of property and equipment for the years ended June 30, 2025 and 2024 was \$3,968,582 and \$4,227,414, respectively.

NOTE 6 – OPERATING AND FINANCE LEASES

The Company accounts for its various operating leases in accordance with Accounting Standards Codification ('ASC') 842 – Lease, as updated by ASU 2016-02. At the inception of a lease, the Company recognizes right-of-use lease assets and related lease liabilities measured at present value of future lease payments on its balance sheet. Lease expense is recognized on a straight-line basis over the term of the lease. Our most common initial term varies in length from 2 to 19 years. Including renewal options negotiated with the landlord, we have a total span of 2 to 16 years at the facilities we lease. The Company reviewed its contracts with vendors and customers, determining that its right-to-use lease assets consisted of only office space operating leases. In determining the right-to-use lease assets and liabilities, the Company did recognize lease extension options which the Company feels would be reasonably exercised. Our incremental borrowing rate ("IBR") used to discount the stream of operating lease payments is closely related to the interest rates available to the Company. A reconciliation of operating and finance lease payments undiscounted cash flows to lease liabilities recognized as of June 30, 2025 is as follows:

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 6 – OPERATING AND FINANCE LEASES (CONTINUED)

<u>Year Ending June 30,</u>	<u>Operating Lease Payments</u>	<u>Finance Lease Payments</u>
2026	\$ 5,753,674	\$ 244,343
2027	5,718,999	142,534
2028	5,629,193	—
2029	5,240,019	—
2030	5,120,717	—
Thereafter	25,496,885	—
Present value discount	(14,427,905)	(117)
Total lease liability	<u>\$ 38,531,582</u>	<u>\$ 386,760</u>

Weighted Average Remaining Lease Term

	<u>As of June 30,</u>	
	<u>2025</u>	<u>2024</u>
Operating leases - years	10.2	11.0
Finance lease - years	1.6	2.6
Weighted Average Discount Rate		
Operating leases	6.5 %	6.4 %
Finance lease	3.6 %	3.6 %

The components of lease expense were as follows:

Components of lease expense

	<u>For Year Ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 6,110,496	\$ 5,685,008
Finance lease cost:		
Depreciation of leased equipment	\$ 198,881	\$ 198,881
Interest on lease liabilities	16,812	26,534
Total finance lease cost	<u>\$ 215,693</u>	<u>\$ 225,415</u>

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 6 – OPERATING AND FINANCE LEASES (CONTINUED)

Supplemental cash flow information related to leases was as follows:

Supplemental cash flow information related to leases

	For Year Ended June 30,	
	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,729,571	\$ 6,363,561
Financing cash flows from finance leases	\$ 264,705	\$ 244,344
Right-of-use and equipment assets obtained in exchange for lease obligations:		
Operating leases	\$ 2,319,913	\$ 3,715,138

The Company rents its operating facilities and certain equipment, pursuant to operating lease agreements expiring at various dates through November 2033. The leases for certain facilities contain escalation clauses relating to increases in real property taxes as well as certain maintenance costs.

Rent expense for operating leases approximated \$6,110,000 and \$5,685,000, for the years ended June 30, 2025 and 2024, respectively.

Rent expense for the finance lease approximated \$216,000 and \$225,000 for the years ended June 30, 2025 and 2024, respectively.

NOTE 7 - OTHER INTANGIBLE ASSETS

Other intangible assets, net of accumulated amortization, at June 30, 2025 and 2024, are comprised of:

	Weighted average useful lives	Gross carrying amount – June 30, 2025	Accumulated amortization – June 30, 2025	Net carrying amount – June 30, 2025
Capitalized software development costs	5 years	\$ 7,004,847	\$ (7,004,847)	\$ —
Software License	3 years	1,260,000	(756,000)	504,000
Patents and copy rights	15 years	5,229,429	(4,255,393)	974,036
Non-compete	7 years	4,150,000	(4,150,000)	—
Customer relationships	20 years	3,900,000	(2,385,833)	1,514,167
Total		\$ 21,544,276	\$ (18,552,073)	\$ 2,992,203

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 7 - OTHER INTANGIBLE ASSETS (CONTINUED)

	Weighted average useful lives	Gross carrying amount – June 30, 2024	Accumulated amortization – June 30, 2024	Net carrying amount – June 30, 2024
Capitalized software development costs	5 years	\$ 7,004,847	\$ (7,004,847)	\$ —
Patents and copy rights	15 years	5,259,811	(4,103,654)	1,156,157
Non-compete	7 years	4,150,000	(4,150,000)	—
Customer relationships	20 years	3,900,000	(2,185,833)	1,714,167
Total		<u>\$ 20,314,658</u>	<u>\$ (17,444,334)</u>	<u>\$ 2,870,324</u>

The estimated amortization of other intangible assets for the five years ending June 30, 2030 and thereafter is as follows:

Schedule Of Other Intangible Assets For the Years Ending June 30,	Total	Software License	Patents and Copyrights	Customer Relationships
2026	\$ 756,880	\$ 420,000	\$ 136,880	\$ 200,000
2027	402,426	84,000	118,426	200,000
2028	306,103	—	106,103	200,000
2029	295,898	—	95,898	200,000
2030	291,464	—	91,464	200,000
Thereafter	939,432	—	425,265	514,167
Other intangible assets - net	<u>\$ 2,992,203</u>	<u>\$ 504,000</u>	<u>\$ 974,036</u>	<u>\$ 1,514,167</u>

The weighted average amortization period for other intangible assets is 9.0 years and they have no expected residual value.

Information related to the above intangible assets for the years ended June 30, 2025 and 2024 is as follows:

Other Intangible Assets

	For the Year-ended June 30,	
	2025	2024
Balance – Beginning of Year	\$ 2,870,324	\$ 3,431,865
Amounts capitalized	25,325	32,885
Patents written off	(55,707)	(225,419)
Correction of an error (Note 2)	882,000	—
Amortization	(729,739)	(369,007)
Balance – End of Year	<u>\$ 2,992,203</u>	<u>\$ 2,870,324</u>

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 7 - OTHER INTANGIBLE ASSETS (CONTINUED)

Amortization of patents and copyrights for the years ended June 30, 2025 and 2024 amounted to \$151,739 and \$169,007, respectively.

Amortization of customer relationships for the years ended June 30, 2025 and 2024 amounted to \$200,000 and \$200,000, respectively.

Amortization of software licenses for the years ended June 30, 2025 and 2024 amounted to \$378,000 and \$0, respectively.

NOTE 8 - CAPITAL STOCK

Common Stock

Cash dividends payable on the common stock shall, in all cases, be on a per share basis, one hundred twenty percent (120%) of the cash dividend payable on shares of Class B common stock and three hundred sixty percent (360%) of the cash dividend payable on a share of Class C common stock.

Class B Common Stock

Class B common stock is convertible into shares of common stock on a one-for-one basis. Class B common stock has 10 votes per share. There were 146 of such shares outstanding at June 30, 2025 and 2024.

Class C Common Stock

The Class C common stock has 25 votes per share, as compared to 10 votes per share for the Class B common stock and one vote per share for the common stock. The Class C common stock was offered on a three-for-one basis to the holders of the Class B common stock. Although having greater voting power, each share of Class C common stock has only one-third of the rights of a share of Class B common stock to dividends and distributions. Class C common stock is convertible into shares of common stock on a three-for-one basis.

Class A Non-Voting Preferred Stock

On April 3, 1995, the stockholders ratified a proposal consisting of the creation of a new class of Class A non-voting preferred stock with special dividend rights and the declaration of a stock dividend on the Company's common stock consisting of one share of Class A non-voting preferred stock for every five shares of common stock. The stock dividend was payable to holders of common stock on October 20, 1995. Class A non-voting preferred stock issued pursuant to such stock dividend approximates 313,000 shares.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 8 - CAPITAL STOCK (CONTINUED)

Class A Non-Voting Preferred Stock (Continued)

The Class A non-voting preferred stock is entitled to a special dividend equal to 3-1/4% of the first \$10 million, 4-1/2% of the next \$20 million and 5-1/2% on amounts in excess of \$30 million of the amount of any cash awards or settlements received by the Company in connection with the enforcement of five of the Company's patents in its patent lawsuits, less the revised special dividend payable on the common stock with respect to one of the Company's patents.

The Class A non-voting preferred stock participates on an equal per share basis with the common stock in any dividends declared and ranks equally with the common stock on distribution rights, liquidation rights and other rights and preferences (other than the voting rights).

Stock Bonus Plans

On April 23, 2010, the Board approved the 2010 Stock Bonus Plan. The plan entitles the Company to reserve 2,000,000 shares of common stock. On August 10, 2010, the Company filed Form S-8 to register the 2,000,000 shares. As of June 30, 2025, 450,177 shares of common stock of FONAR were available for future grant under this plan. For the years ended June 30, 2025 and 2024, no shares were issued.

Treasury Stock

On September 13, 2022, the Company adopted a stock repurchase plan. The plan has no expiration date and cannot determine the number of shares which will be repurchased. On September 26, 2022, the Board of Directors has approved up to \$9 million to be repurchased under the plan which will be purchased on the publicly traded open market at prevailing prices.

The Company utilizes the cost method of accounting to value the treasury stock when repurchasing stock. Under this method, the shares are valued at the price paid and recorded to treasury stock. When the treasury stock is cancelled, the par value of the stock is reduced and the additional paid in capital is reduced for the remaining value based upon the original stock sale. For the year ended June 30, 2025, the Company purchased 114,588 shares at a cost of \$1,806,646 and cancelled 124,829 shares valued at \$1,963,385. For the year ended June 30, 2024, the Company purchased 156,206 shares at a cost of \$2,505,832 and cancelled 122,588 shares valued at \$2,005,020.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 9 – CONTROLLING AND NONCONTROLLING INTERESTS

On February 13, 2013, the Company entered into an agreement with outside investors to acquire a 50.5% controlling interest in a newly formed limited liability company, Health Diagnostics Management LLC (HDM). According to the February 13, 2013, LLC operating agreement of HDM there are two classes of members; Class A members and one Class B member. The Class A members have an ownership interest of 49.5% of HDM. The Class B member (HMCA) has an ownership of 50.5% of HDM. On all matters on which members may vote every member is entitled to cast the percentage of votes equal to their percentage of ownership interest. Profits and losses on all items of income, gain or loss, deductions or other allocations of the Company will be allocated among the members in the same proportions as their membership interests in the Company bear to all the Class A and Class B membership interests of the Company in the aggregate outstanding. All of the depreciation and amortization of the assets of the Company will be allocated solely to the Class A members, unless and until their interests have been redeemed by the Company in full pursuant to the provisions of the operating agreement. The Company contributed \$20,200,000 to HDM and the group of outside investors contributed \$19,800,000 for its non-controlling membership interest.

On March 5, 2013, HDM purchased from Health Diagnostics, LLC (“HD”) and certain of its subsidiaries, a business managing twelve (12) Stand-Up MRI Centers and two (2) other scanning centers located in the States of New York and Florida for a total purchase price (including consideration of \$1.5 million to outside investors) aggregating \$35.9 million. Concurrently with the acquisition, HDM entered into several consulting and non-competition agreements for a consideration of \$4.1 million. The acquisition was accounted for using the purchase method in accordance with ASC 805, “Business Combinations”. The Company recognized and measured goodwill as of the acquisition date, as the excess of the fair value of the consideration paid over the fair value of the identified net assets acquired.

On January 8, 2015, the Company purchased 20% of the Class A members ownership interest at a cost of \$4,971,094. The Company has a 60.4% ownership interest in HDM after this transaction. During the year ended June 30, 2025, the Company sold non-controlling interests to a minority shareholder for \$132,000. Currently, the Company has a direct ownership interest of 70.63% and the investors have a 29.37% ownership interest.

The amount of each class of HDM members’ equity as of June 30, 2025 and 2024 is as follows:

	June 30, 2025		June 30, 2024	
	Class A Members	Class B Member	Class A Members	Class B Member
Opening Members' Equity	(\$9,179,608)	\$61,817,830	(\$7,079,293)	\$54,781,813
Share of Net Income	2,339,172	16,727,492	3,530,021	20,705,681
Buyout of noncontrolling interests	19,425	-	-	-
Distributions	(5,682,555)	(13,717,445)	(5,630,336)	(13,669,664)
Ending Members' Equity	<u>(\$12,503,566)</u>	<u>\$64,827,877</u>	<u>(\$9,179,608)</u>	<u>\$61,817,830</u>

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 10 - INCOME TAXES

Income tax expense is computed using an asset and liability method using expected annual effective tax rates. Under this method, deferred income tax assets and liabilities result from temporary differences in the financial reporting basis and the income tax basis of assets and liabilities. The measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefit that, based on available evidence, is not expected to be realized. When it appears more than likely than not that deferred taxes will not be realized, a valuation allowance is recorded to reduce the deferred tax asset to its realizable value. For net deferred tax assets we consider estimates of future taxable income in determining whether or net deferred tax assets are more likely than not to be realized.

The Company has recorded a deferred tax asset of \$6,349,194 and a deferred tax liability of \$321,159 as of June 30, 2025, primarily relating to its allowance for credit losses of \$4,366,000, non deductible accruals of \$759,000 and capitalized research and development costs of approximately \$960,000. During fiscal 2025, the Company utilized all tax credits pertaining to research and development costs. In addition the Company has state operating loss carryforwards of approximately \$3,694,000. The Company has also fully recorded a valuation allowance against all of the state operating losses since the Company doesn't anticipate being able to utilize them.

The Company files corporate income tax returns in the United States (federal) and in various state and local jurisdictions. In most instances, the Company is no longer subject to federal, state and local income tax examinations by tax authorities for years prior to 2021.

Future ownership changes as determined under Section 382 of the Internal Revenue code could further limit the utilization of net operating loss carryforwards. As of June 30, 2025, no such changes in ownership have occurred.

On July 4, 2025, the One Big Beautiful Act ("OBBBA") was signed into law, which enacts significant changes to the U.S. tax and related laws. Some of the provisions of the new tax law that affect corporations include but are not limited to expensing of domestic specified research or experimental expenditures, increasing the limit of the deduction to thirty percent of EBITDA, and one hundred percent bonus depreciation on eligible property acquired after January 19, 2025. The Company is currently evaluating the impact that the new tax law will have on its financial condition and results of operations.

The valuation allowance for deferred tax assets decreased during the year ended June 30, 2025, by approximately \$67,000. The valuation allowance decreased by approximately \$171,000 during the year ended June 30, 2024.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 10 - INCOME TAXES (CONTINUED)

Components of the provision for income taxes are as follows:

Components Of The Provision For Income Taxes	Years Ended June 30,	
	2025	2024
Current:		
Federal	\$ 1,374,724	\$ 429,873
State	908,421	1,943,588
Subtotal	2,283,145	2,373,461
Deferred:		
Federal deferred taxes	838,154	2,585,515
State deferred taxes	(14,494)	209,992
Subtotal	823,660	2,795,507
Provision (Benefit) for Income Taxes - Net	\$ 3,106,805	\$ 5,168,968

A reconciliation of the federal statutory income tax rate to the Company's effective tax rate as reported is as follows:

	For the Year Ended June 30, 2025		For the Year Ended June 30, 2024	
	Amount	Percent	Amount	Percent
Taxes at federal statutory rate	\$ 2,893,850	21%	\$ 4,169,123	21%
State and local income taxes	\$978,397	7.1%	\$ 1,409,561	7.1%
Noncontrolling interests	(\$657,307)	(4.6%)	(\$1,049,294)	(5.3%)
Valuation Allowance	(\$218,390)	(1.6%)	(\$48,179)	(0.2%)
Permanent items – Meals and Entertainment	\$131,956	1.0%	\$126,719	1.5%
Other	(\$21,701)	(0.8%)	\$561,038	2.7%
Provision for income taxes	(\$3,106,805)	22.8%	\$5,168,968	26.8%

The Company has, for federal income tax purposes, research and development tax credits and investments tax credits carryforwards aggregating \$1,323,000 as of June 30, 2024. The Company will utilize the full amount for the tax return for the year ended June 30, 2025. These credits can only be applied after all net operating losses have been used.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 10 - INCOME TAXES (CONTINUED)

Significant components of the Company's deferred tax assets and liabilities at June 30, 2025 and 2024 are as follows:

	June 30,	
	2025	2024
Deferred tax assets:		
Allowance for credit losses	\$ 4,366,361	\$ 3,969,819
Non-deductible accruals	758,700	758,700
Net operating carryforwards	259,319	396,092
Tax credits	—	1,323,018
Capitalized research and development	960,343	747,407
Right of use assets and lease liabilities	146,934	114,116
Inventories	116,856	106,879
Deferred Tax Assets - gross	6,608,513	7,416,031
Valuation allowance	(259,319)	(192,776)
Total deferred tax assets	6,349,194	7,223,255
Property and equipment and depreciation	165,532)	(267,124)
Intangibles	(155,627)	(104,436)
Total deferred tax liabilities	(321,159)	(371,560)
Net deferred tax asset	\$ 6,028,035	\$ 6,851,695

NOTE 11 - OTHER CURRENT LIABILITIES

Included in other current liabilities are the following:

	June 30,	
	2025	2024
Accrued salaries, commissions and payroll taxes	\$ 3,993,773	\$ 4,677,690
Sales tax payable	248,845	197,317
State income taxes payable	—	1,461,336
Legal and other professional fees	93,207	11,207
Property taxes	391,479	—
Utilities	449,277	—
Accounting fees	38,000	119,800
Software Licenses	442,305	—
Recruiting fees	135,952	—
Self-funded health insurance reserve	259,661	121,445
Accrued interest and penalty	3,534	3,534
Other general and administrative expenses	918,964	1,348,710
Other Current Liabilities	\$ 6,974,997	\$ 7,941,039

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Employee Benefit Plans

The Company has a non-contributory 401(k) Plan (the “401(k) Plan”). The 401(k) Plan covers all non-union employees who are at least 21 years of age with no minimum service requirements. There were no employer contributions to the Plan for the years ended June 30, 2025 and 2024.

The stockholders of the Company approved the 2000 Employee Stock Purchase Plan (“ESPP”) at the Company’s annual stockholders’ meeting in April 2000. The ESPP provides for eligible employees to acquire common stock of the Company at a discount, not to exceed 15%. This plan has not been put into effect as of June 30, 2025.

Other Matters

The Company is subject to other legal proceedings and claims arising from the ordinary course of its business, including personal injury, customer contract and employment claims besides the claim above. The Company is also subject to cybersecurity threats that could lead to future litigation. In the opinion of management, and with consultation with legal counsel, the aggregate liability, if any, with respect to such actions, will not have a material adverse effect on the consolidated financial position or results of operations of the Company. The Company continuously evaluates these actions to ensure they are not material, however, it is possible that management’s estimate may change in the near term and the effect could have a material impact on the consolidated financial statements.

The Company maintains a self-funded health insurance program with a stop-loss umbrella policy with a third-party insurer to limit the maximum potential liability for individual claims to \$150,000 per person and for a maximum potential claim liability based on member enrollment. With respect to this program, the Company considers historical and projected medical utilization data when estimating its health insurance program liability and related expense. As of June 30, 2025 and 2024, the Company had approximately \$260,000 and \$121,000, respectively, in reserve for its self-funded health insurance programs. The reserves are included in “Other current liabilities” in the consolidated balance sheets.

The Company regularly analyzes its reserves for incurred but not reported claims, and for reported but not paid claims related to its reinsurance and self-funded insurance programs. The Company believes its reserves are adequate. However, significant judgment is involved in assessing these reserves such as assessing historical paid claims, average lags between the claims’ incurred date, reported dates and paid dates, and the frequency and severity of claims. There may be differences between actual settlement amounts and recorded reserves and any resulting adjustments are included in expense once a probable amount is known. There were no significant adjustments recorded in the years covered by this report.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 13 - SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended June 30, 2025 and 2024 the Company paid \$25,611 and \$76,997 for interest, respectively.

During the years ended June 30, 2025 and 2024 the Company paid \$4,664,984 and \$507,139 for income taxes, respectively.

During the years ended June 30, 2025 and June 30, 2024, the Company obtained right-of-use and equipment assets in exchange for lease obligations of \$2,319,913 and \$9,471,883 respectively.

During the year ended June 30, 2025, the Company sold a 0.197% interest in HDM to an employee. The interest was sold for \$132,000 in a noncash transaction.

NOTE 14 – RELATED PARTY TRANSACTIONS

On December 31, 2023, the Company entered into an agreement with Magnetic Resonance Management, LLC (“MRM”) for the sale of a MRI scanner. MRM is owned by the CEO and President of the Company. The sales price of the equipment was \$576,857 which is payable based upon a promissory note dated December 1, 2023. The note bears interest at a rate of 9% and is payable in full at the maturity of the note in December 2028. The MRI scanner had zero basis, which resulted in a gain of \$576,857. The Company has the option but not the obligation to re-take possession of the scanner in lieu of payment upon maturity of the note. During fiscal year ended June 30, 2025, MRM paid \$22,000 towards the principal balance.

Bensonhurst MRI Limited Partnership (“Bensonhurst”), in which the CEO and President of the Company holds an interest, is party to an agreement with the Company for the service and maintenance of its Upright MRI Scanner for a price of \$110,000 per annum. On February 1, 2024, Bensonhurst entered into a second contract with the Company for the service and maintenance of a High-Field MRI Scanner for a price of \$70,000 per annum. Also during fiscal year ended June 30, 2025 and 2024, the Company charged Bensonhurst MRI Limited Partnership \$344,068 and \$190,362, respectively, for reimbursable salaries and marketing expenses.

Integrity Healthcare Management, LLC, which is owned by the CEO and President of the Company owns a 7.1% interest in HMCA’s Class A membership and receives distributions from the Company.

Radian Healthcare Management, LLC (“Radian”), which is owned by the son-in-law of the CEO and President of the Company provided the Company with personnel recruitment of new employees at a fee of approximately \$165,000 and \$200,000 during the fiscal year ended June 30, 2025 and 2024, respectively.

There are two board of directors that own .04% and .02% interest in HMCA’s Class A membership, respectively. Each board member receives distributions from the Company with regards to these interests.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 15 - SEGMENT AND RELATED INFORMATION

The Company provides segment data in accordance with the provisions of ASC 280, “Disclosures about Segments of an Enterprise and Related Information” which was adopted during our fiscal ending June 30, 2025.

Our chief operating decision maker (“CODM”), who is also our CEO, evaluates the financial performance of our segments based upon their respective revenue and segmented internal profit and loss statements prepared on a basis not consistent with GAAP. The CODM considers actual to budget and current year actual to prior year actual for revenue and other profit and loss measures on a monthly basis for evaluating performance of each segment and making decisions about allocating capital and other resources to each segment.

The Company operates in two industry segments - manufacturing and the servicing of medical equipment and management of diagnostic imaging centers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. All intersegment sales are market-based. The Company evaluates performance based on income or loss from operations.

Summarized financial information concerning the Company’s reportable segments is shown in the following table:

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 15 - SEGMENT AND RELATED INFORMATION (CONTINUED)

Summarized Segment Financial Information

Fiscal 2025:	Manufacturing and Servicing of Medical Equipment	Management of Diagnostic Imaging Centers	Totals
Net revenues from external customers	\$ 8,977,349	\$ 95,373,969	\$ 104,351,318
Cost of Sales			
Salaries and wages	2,905,311	19,384,410	22,289,721
Rent expense	—	4,822,044	4,822,044
Other Cost of sales expenses**	2,944,740	31,385,807	34,330,547
Total Cost of sales	\$ 5,850,051	\$ 55,592,261	\$ 61,442,312
Research and development			
Salaries and wages	766,963	—	766,963
Other research and development costs**	809,123	—	809,123
Total Research and development costs	\$ 1,576,086	\$ —	\$ 1,576,086
Selling, general and administrative expenses			
Salaries and wages	4,934,716	10,983,643	15,918,359
Rent expense	1,251,924	36,528	1,288,452
Other selling, general and administrative expenses**	2,970,693	9,556,659	12,527,352
Total Selling, general and administrative expenses	\$ 9,157,333	\$ 20,576,830	\$ 29,734,163
Total costs and expenses	\$ 16,619,740	\$ 76,133,091	\$ 92,752,561
(Loss) Income from operations	\$ (7,606,121)	\$ 19,204,878	\$ 11,598,757
Investment income	107,777	2,011,203	2,118,980
Other income	52,508	9,993	62,501
(Loss) Income before provision for income taxes	\$ (7,445,836)	\$ 21,226,074	\$ 13,780,238
Provision for income taxes	(2,885,852)	(220,953)	(3,106,805)
Net (Loss) income	\$ (10,331,688)	\$ 21,005,121	\$ 10,673,433
Intersegment net revenues *	1,189,130	—	1,189,130
Depreciation and amortization	209,325	4,488,996	4,698,321
Total identifiable assets	\$ 34,401,915	\$ 182,646,336	\$ 217,048,251
Capital expenditures	375,599	3,441,307	3,816,906

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 15 - SEGMENT AND RELATED INFORMATION (CONTINUED)

Fiscal 2024:

Net revenues from external customers	\$	8,329,106	\$	94,554,983	\$	102,884,089
Cost of Sales						
Salaries and wages		2,684,218		18,913,412		21,597,630
Rent expense		—		4,532,535		4,532,535
Other Cost of sales expenses**		2,089,924		29,523,955		31,613,879
Total Cost of sales	\$	4,774,142	\$	52,969,902	\$	57,744,044
Research and development						
Salaries and wages		781,012		—		781,012
Other research and development costs**		954,937		—		954,937
Total Research and development costs	\$	1,735,949	\$	—	\$	1,735,949
Selling, general and administrative expenses						
Salaries and wages		4,794,512		10,156,520		14,951,032
Rent expense		1,076,069		73,676		1,149,745
Other selling, general and administrative expenses**		2,906,446		7,861,509		10,767,955
Total Selling, general and administrative expenses	\$	8,777,027	\$	18,091,705	\$	26,868,732
Total costs and expenses	\$	15,287,118	\$	71,061,607	\$	86,348,725
(Loss) Income from operations	\$	(6,958,012)	\$	23,493,376	\$	16,535,364
Investment income		120,387		2,006,052		2,126,439
Other income (expenses)		640,952		(36,370)		604,582
(Loss) Income before provision for income taxes	\$	(6,196,673)	\$	25,463,058	\$	19,266,385
Provision for income taxes		(4,788,028)		(380,940)		(5,168,968)
Net (Loss) income	\$	(10,984,701)	\$	25,082,118	\$	14,097,417
Intersegment net revenues *		1,073,333		—		1,073,333
Depreciation and amortization		238,802		4,357,619		4,596,421
Total identifiable assets	\$	30,360,188	\$	183,885,781	\$	214,245,969
Capital expenditures		32,885		789,961		822,846

* Amounts eliminated in consolidation

** Other segment costs include supplies, professional fees, marketing expenses, repairs and maintenance and other operational costs.

Export Product Sales

The Company's areas of operations are principally in the United States. The Company had export sales of medical equipment amounting to 1.4% and 0.2% of product sales revenues to third parties for the years ended June 30, 2025 and 2024, respectively.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 15 - SEGMENT AND RELATED INFORMATION (CONTINUED)

Export Product Sales (Continued)

The foreign product sales, as a percentage of product sales to unrelated parties, were made to customers in the following countries:

	For the Years Ended June 30	
	2025	2024
Canada	—	0.2%
Puerto Rico	1.4%	—
	1.4%	0.2%

Foreign Service and Repair Fees

The Company's areas of service and repair are principally in the United States. The Company had foreign revenues of service and repair of medical equipment amounting to 7.7% and 7.4% of consolidated net service and repair fees for the years ended June 30, 2025 and 2024, respectively. Foreign service and repair fees, as a percentage of total service and repair fees, were provided principally to the following countries:

Foreign Service and Repair Fees

	For the Years Ended June 30,	
	2025	2024
Puerto Rico	1.3%	1.9%
Switzerland	0.3	0.3
Germany	3	2
England	1.3	0.7
United Arab Emirates	0.1	0.3
Dominican Republic	1.2	1.2
Canada	0.1	—
Greece	0.4	0.3
Australia	—	0.7
	7.7%	7.4%

The Company does not have any material assets outside of the United States.

FONAR CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2025 and 2024

NOTE 16 – SUBSEQUENT EVENTS

The Company evaluates events that have occurred after the balance sheet date, but before the consolidated financial statements are issued.

On July 7, 2025, the board of directors received a non-binding proposal from a group led by Timothy Damadian, the Company’s Chief Executive Officer, and Luciano Bonanni, the Company’s Chief Operating Officer, pursuant to which proposal the group would acquire all of the outstanding common stock and other securities of the Company not currently owned by the members of the group. Members of the group have voting control of the Company’s equity securities and the group advised the Company that it was unwilling to support any alternative transaction. As proposed, the transaction, if completed, would result in the Company no longer being a publicly held company, and its Common Stock would be de-listed from the NASDAQ Stock Market. The Board of Directors has established a Special Committee of independent and disinterested directors to consider the proposal and negotiate on behalf of the Company and its stockholders. The Special Committee has retained its own independent financial and legal advisors to assist it in this process. The group and the Special Committee are engaged in negotiations related to the proposed going private transaction. No definitive agreements or terms have been executed by the parties and there is no assurance that the transaction will be completed. Any definitive agreement and transaction will require approval by the Company’s common stock holders and will require the filing of definitive proxy materials in accordance with the SEC’s proxy rules to obtain such approval.

In July 2025, the Company entered into a new 10 year lease for a property in New York where a new MRI is to be built.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There have been no disagreements with our independent registered public accounting firm or other matters requiring disclosure under Regulation S-K, Item 304(b).

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

FONAR CORPORATION AND SUBSIDIARIES

Our Chief Executive Officer and our Chief Operating Officer, Executive Vice President and acting Principal Financial Officer after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)), have concluded that, due to the existence of material weaknesses in our internal controls in the Company's internal control over financial reporting described below, that the Company's disclosure controls and procedures were not effective as of June 30, 2025.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, including our Chief Executive Officer and our Chief Operating Officer, Executive Vice President and acting Principal Financial Officer assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2025. In making this assessment, management used the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Based on its assessment, management has concluded that the Company did not maintain effective internal control over financial reporting as of June 30, 2025, due to the following material weakness identified by management during the current period:

- Management did not maintain effective information technology general controls in the areas of logical access management within its systems supporting the Company's accounting and reporting processes.

Although this material weaknesses did not result in any material misstatement of our consolidated financial statements for the periods presented, there is a possibility they could lead to a material misstatement of account balances or disclosures. Accordingly, management has concluded that these control deficiencies constitute material weaknesses.

Management's Plan for Remediation

In response to the material weaknesses, management, with oversight of the Audit Committee of the Board of Directors, has identified and begun to implement steps to remediate the material weaknesses. While the Company has made progress during the fiscal year 2025, the remediation efforts are ongoing, as additional time is needed to complete the remediation and allow for the internal controls to be tested by management. Our continued internal control remediation efforts include the following:

FONAR CORPORATION AND SUBSIDIARIES

- Enhancing risk assessment processes, user authentication, and monitoring controls to enforce appropriate system access.

We are committed to ensuring that our internal controls over financial reporting are designed and operating effectively. Management believes the efforts taken to date and the planned remediation will improve the effectiveness of our internal control over financial reporting. While these remediation efforts are ongoing, the controls must be operating effectively for a sufficient period of time and be tested by management in order to consider them remediated and conclude that the design is effective to address the risks of material misstatement.

Attestation Report of Independent Registered Public Accounting Firm

Our independent registered public accounting firm, CohnReznick LLP, has independently assessed our internal control over financial reporting and its report is included in Part II, Item 8 of the Annual Report on Form 10-K.

Changes in Internal Control Over Financial Reporting

Other than the material weakness and the remediation plan described above, there were no changes in the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the fourth quarter of fiscal year 2025.

Item 9B. OTHER INFORMATION

Rule 10b5-1 Trading Plan

During the fiscal quarter ended June 30, 2025, none of our directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intend to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement".

Item 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

Directors serve from the date of their election until the next annual meeting of stockholders and until their successors are elected and qualify. During fiscal 2025, each director received a base fee of \$20,000 per annum for his or her service as a director, with greater amounts for additional services on the Board of Directors. Officers serve at the discretion of the Board of Directors.

FONAR CORPORATION AND SUBSIDIARIES

A majority of our board of directors is composed of independent directors: consisting of, Ronald G. Lehman, Richard E. Turk and Jessica Maher. The outside directors also serve as the members of the audit committee, which is a standing committee of the board of directors having a charter describing its responsibilities.

Claudette J.V. Chan retired from her role on the Board of Directors on June 23, 2025. Ms. Chan has been an instrumental figure in the Company for the majority of its existence, and we are grateful for her innumerable contributions to our success during her thirty seven years of service.

On July 2, 2025, the board seat vacated by Ms. Chan was filled by Robert M. Carrino. Mr. Carrino is an independent director pursuant to NASDAQ standards.

We have adopted a code of ethics applicable to, among other personnel, our principal executive officer, principal financial officer, controllers and persons performing similar functions. The code is designed to deter wrongdoing and to promote: 1. honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; 2. full, fair, accurate, timely and understandable disclosure in reports and documents that we file or submit to the Securities and Exchange Commission and in other public communications we make; 3. compliance with applicable governmental laws, rules and regulations; 4. the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code and 5. accountability for adherence to the code. We will provide a copy of the code to any person who requests a copy. A person may request a copy by writing to FONAR Corporation, 110 Marcus Drive, Melville, New York 11747, to the attention of the Legal Department or Investor Relations.

The officers and directors of the Company are set forth below:

Timothy R. Damadian	60	Chairman of the Board, President, Chief Executive Officer and Treasurer
Luciano B. Bonanni	70	Executive Vice President, Chief Operating Officer and acting Principal Financial Officer
Claudette J.V. Chan	87	Director
Ronald J. Lehman	49	Director
Richard E. Turk	41	Director
Jessica Maher	28	Director
Robert M. Carrino	38	Director

Timothy Damadian has been the Chairman of the Board and Treasurer of FONAR since September 7, 2022 and the President and Chief Executive Officer of FONAR since February 11, 2016. From 2010 to 2016 he served as an independent consultant, with a focus on the Company's MRI facility management business. Timothy Damadian began his career at FONAR in 1985, installing MRI scanners and components for FONAR customers. Over the course of the following 16 years, he held positions of increasing authority, eventually becoming Vice President of Operations. In 1997, Timothy Damadian was appointed President of the newly formed Health Management Corporation of America (HMCA), a wholly-owned subsidiary of FONAR that was formed to manage medical and diagnostic imaging offices. In 2001, Timothy Damadian left FONAR to form Integrity Healthcare Management, Inc., a diagnostic imaging management company that would eventually manage MRI scanning centers in New York and Florida. The company was a success and was sold to Health Diagnostics, LLC in 2007. Mr. Damadian returned to FONAR as a consultant in 2010. He also serves as a Manager of Health Diagnostics Management, LLC, which are subsidiaries of HMCA.

FONAR CORPORATION AND SUBSIDIARIES

Luciano B. Bonanni has served as Chief Operating Officer (COO) and Executive Vice President (EVP) for FONAR Corporation since June 27, 2016. In September 2022, he was appointed to fill the position of acting Principal Financial Officer. Prior to his appointment as COO, Mr. Bonanni had served the Company as Vice President since 1989, during which time he oversaw general operations, research and development, manufacturing, service, sales, finance, accounting and regulatory compliance. Prior to 1989, Mr. Bonanni held the title of Vice President of Production and Engineering from the time of FONAR's initial public offering in 1981. Mr. Bonanni joined the Company as an electrical engineer in 1978. He holds a Bachelor of Electrical Engineering degree from Manhattan College.

Claudette J.V. Chan has been a Director of FONAR since October 1987 and Secretary of FONAR since January 2008. Mrs. Chan was employed from 1992 through 1997 by Raymond V. Damadian, M.D. MR Scanning Centers Management Company and since 1997 by HMCA, as "site inspector," in which capacity she is responsible for supervising and implementing standard procedures and policies for MRI scanning centers. From 1989 to 1994 Mrs. Chan was employed by St. Matthew's and St. Timothy's Neighborhood Center, Inc., as the director of volunteers in the "Meals on Wheels" program, a program which cares for the elderly. From approximately 1983 to 1989, Mrs. Chan was President of the Claudette Penot Collection, a retail mail-order business specializing in women's apparel and gifts. Mrs. Chan practiced and taught in the field of nursing until 1973, when her son was born. She received a Bachelor of Science degree in nursing from Cornell University in 1960.

Ronald G. Lehman has been a Director of FONAR since April, 2012, and chair of the audit committee since 2021. Mr. Lehman is Managing Director and Head of Investment Banking at Bruderman Advisory Group, LLC where he is responsible for the firm's sell-side advisory and capital raising processes. Mr. Lehman is also a Partner at Sandy Hill Investors, LLC, participating in and overseeing many of the firm's investments. He is Chairman of portfolio company Persante Acquisition Corp., and was a board member at Seviroli Foods, LLC during the firm's investment period. From 2000-2008, Mr. Lehman worked for various Bruderman entities as a buy and sell-side advisor, and as a principal in several private equity transactions. In 2008, Mr. Lehman joined Health Diagnostics, LLC, one of the country's fastest growing diagnostic imaging providers, as Senior Vice President of Acquisitions, where he managed the company's acquisition and corporate finance activities. Mr. Lehman returned to Bruderman in 2010 to lead the firm's investment banking efforts. Lehman is a graduate of Columbia University and worked at Deutsche Bank from 1998-2000.

Richard E. Turk has been a Director of FONAR since June, 2020. Mr. Turk is the Chief Financial Officer of PRISM Vision Group, a subsidiary of McKesson Corporation (MCK). PRISM Vision Group is a multi-location, outpatient comprehensive eye care practice headquartered in New Providence, New Jersey. Mr. Turk joined PRISM in November, 2018 as the Chief Development Officer and became CFO in March 2021. Mr. Turk has helped PRISM expand from a single-specialty (retina) provider with 17 locations and 21 physicians to a comprehensive, vertically-integrated, multi-specialty, eye care organization with approximately 190 physicians and more than 90 locations across New Jersey, Pennsylvania, Delaware, Virginia, Washington, DC, and Maryland. Mr. Turk helped lead the sale of PRISM Vision Group to McKesson Corporation in 2025. Prior to his tenure at PRISM, Mr. Turk was employed by Professional Physical Therapy, a private equity-backed outpatient physical and occupational therapy company headquartered in Uniondale, New York with more than 180 locations across New York, New Jersey, Connecticut, Massachusetts and New Hampshire. During his four years at Professional Physical Therapy, Mr. Turk sourced, analyzed, and completed 32 acquisitions comprised of 116 clinics, expanding the company's services and adding three states to its geographic footprint. From 2007 to 2014, Mr. Turk was employed by Bruderman Brothers, a broker dealer involved in investment banking, merchant banking, investment advisory, and consulting for lower middle market companies (\$10M-\$250M of enterprise value) in a variety of industries, including healthcare. Mr. Turk was Vice President of Bruderman Brothers from 2011 to 2014. Mr. Turk graduated from Columbia University in 2007.

FONAR CORPORATION AND SUBSIDIARIES

Jessica Maher has been a Director of FONAR since March 2023. Mrs. Maher is a staff accountant at Ives & Sultan, LLP in Woodbury, New York, where she is responsible for preparing audited financial statements for various clients, overseeing audit testing areas, audits of 401(k) plans, and personal and company tax returns. Mrs. Maher holds a Bachelor of Science in Accounting with a minor in Accounting Information Systems, and a Master of Science in Accounting from Fairfield University in Fairfield, Connecticut. During her early undergraduate years, Mrs. Maher worked for Tritech Healthcare Management in Melville, New York, where she reviewed patient files, insurance, charts and documents to ensure that the services provided by clients were being properly billed. In her senior year, Mrs. Maher interned at Northwell Health in Westbury, New York, where she supported the financial reporting team for two hospitals, reported into accounts receivable software, and analyzed patient billing records to identify overpayments. Mrs. Maher's first position out of college was with PriceWaterhouseCoopers in Melville, New York, where she was assigned to two private equity clients, was responsible for a variety of the audit areas, and assisted managers in reviewing financial statements, footnote disclosures, and audit opinions.

Robert M. Carrino has been a Director of FONAR since July 2025. Mr. Carrino is a Partner at CFGI, LLC, the leading global independent accounting and business advisory firm, backed by The Carlyle Group and CVC Capital Partners. At CFGI, Mr. Carrino provides complex accounting and consulting services to both public and private companies of all sizes across various industries. Additionally, Mr. Carrino leads the firms SPAC practice. Mr. Carrino joined CFGI in 2016 as a Manager and became Partner in January 2023. Prior to joining CFGI, Mr. Carrino was an audit manager at KPMG, LLP's Metro New York Long Island Office servicing clients mainly in the media and entertainment industry. Mr. Carrino, a Certified Public Accountant, earned the degree of Bachelor of Science in Business Administration with a concentration in accounting from Western New England University.

ITEM 11. EXECUTIVE COMPENSATION.

With the exception of the Chief Executive Officer and the Chairman of the Board of Directors, the compensation of the Company's executive officers consist of salary and bonuses based on performance. The Chief Executive Officer and the Chairman of the Board has no understanding with the Company with respect to bonuses, options or other incentives, and is not subject to our general policy later discussed.

The Board of Directors does not have a compensation Committee. The Chief Executive Officer and the Chief Operating Officer participate in the determination of compensation for the Company's management and other employees.

The Board of Directors has established an audit committee. The members of the committee are Ronald G. Lehman, Richard E. Turk and Jessica Maher.

Our compensation policy includes a combination of salary, commissions, bonuses, stock bonuses and stock options, designed to incentivize our employees. There is no universal plan applicable to all of our employees. The fixed and variable components of our employees' compensation tend to be individualized, based on a combination of the employees' performance, responsibilities and position, our assessment of how best to motivate a person in such a position and the needs and preferences of the particular employees, as negotiated between employees and their supervisors or management.

FONAR CORPORATION AND SUBSIDIARIES

There is set forth in the following Summary Compensation Table the compensation provided by us during fiscal 2025, 2024 and 2022 to our Principal Executive Officer, and our acting Principal Financial Officer. There is set forth in the following Outstanding Equity Awards Table and Director Compensation Table the required information.

I. SUMMARY COMPENSATION TABLE

(Reflects information up to end of Fiscal 2024)

Name and All Other Principal Position	Year	Salary (\$)	Cash Bonuses (\$)	Stock Awards (\$)	Total Compensation (\$)
(a)	(b)	(c)	(d)	(e)	(f)
Timothy R. Damadian	2025	\$ 0	\$ 295,000	\$ 0	295,000
President, Principal Executive Officer	2024	\$ 0	\$ 372,885	\$ 0	372,885
	2023	\$ 0	\$ 152,900	\$ 0	152,900
Luciano Bonanni	2025	\$ 148,241	\$ 350,000	\$ 0	498,241
Chief Operating Officer,	2024	\$ 148,241	\$ 350,000	\$ 0	498,241
Executive Vice President and acting Principal Financial Officer	2023	\$ 143,416	\$ 305,800	\$ 0	449,216
Raymond V. Damadian	2025	\$ 0	\$ 0	\$ 0	0
Chairman of the Board,	2024	\$ 0	\$ 0	\$ 0	0
Treasurer and Principal Financial Officer	2023	\$ 23,553	\$ 305,800	\$ 0	329,353
John P. Collins ¹	2025	\$ 294,988	\$ 142,167	\$ 0	437,155
General Counsel	2024	\$ 249,990	\$ 172,000	\$ 0	421,990
	2023	\$ 0	\$ 0	\$ -	0

¹ John Collins was promoted to General Counsel on September 17, 2023.

FONAR CORPORATION AND SUBSIDIARIES

II. OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number Of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price (\$)	Option Exercise Expiration Date
	(a)	(b)	(c)
Timothy R. Damadian, President and Principal Executive Officer	0	0	N/A
Luciano Bonanni, Chief Operating Officer, Executive Vice President and acting Principal Financial Officer	0	0	N/A
Raymond V. Damadian Chairman of the Board, Treasurer and Principal Financial Officer	0	0	N/A

III DIRECTOR COMPENSATION

The following table shows the compensation paid to the Directors for fiscal 2025:

Name	Fees earned in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A. Claudette J.V. Chan	\$20,000	0	0	0	0	39,486 \$	59,486
B. Ronald G. Lehman	\$20,000	0	0	0	0	65,000 \$	85,000
C. Richard E. Turk	\$20,000	0	0	0	0	\$15,000 \$	35,000
D. Jessica Maher	\$20,000	0	0	0	0	\$15,000 \$	35,000

EMPLOYEE COMPENSATION PLANS

FONAR adopted its 2010 Stock Bonus Plan, on June 28, 2010. This Plan permits FONAR to issue an aggregate of 2,000,000 shares of common stock of FONAR as bonus or compensation. As of June 30, 2025, 450,177 shares were available for issuance.

FONAR CORPORATION AND SUBSIDIARIES

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The following table sets forth the number and percentage of shares of FONAR's securities held by each director, by each person known by us to own in excess of five percent of FONAR's voting securities and by all officers and directors as a group as of August 8, 2025.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned	Percent of Class
Timothy R. Damadian, as Trustee of the FONAR Class C Trust c/o FONAR Corporation, Melville, New York Class C Stock	382,447	99.98%
Kayne Anderson Rudnick Investment Management LLC 1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067 Common Stock	544,036	8.77%
Money Concepts Capital Corp.. 11440 North Jog Road Palm Beach Gardens, FL 33418-3764 Common Stock	462,760	7.46%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355-2331 Common Stock	390,345	6.29%
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, Texas 78746 Common Stock	372,563	6.01%
Renaissance Technologies, LLC 800 Third Avenue New York, NY 10022 Common Stock	315,516	5.09%
Timothy R. Damadian, Chairman of the Board, President, Chief Executive Officer and Treasurer Common Stock	79,059	*
Class A Preferred	800	*

FONAR CORPORATION AND SUBSIDIARIES

Continued:

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned	Percent of Class
Luciano B. Bonanni, Executive Vice President, Chief Operating Officer and acting Principal Financial Officer		
Common Stock	54,253	*
Class A Preferred	1,285	*
 Claudette Chan Director and Secretary		
Common Stock	106	*
Class A Preferred	32	*
 Ronald G. Lehman Director		
Common Stock	4,330	*
 Richard E. Turk Director		
Common Stock	0	*
 Jessica Maher Director		
Common Stock	0	*
 Robert M. Carrino Director		
Common Stock	0	*
 All Officers and Directors as a Group (6 persons)		
Common Stock	137,721	2.18 %
Class C Stock	382,447	99.98 %
Class A Preferred	2,117	*
* Less than one percent		

1. Address provided for each beneficial owner owning more than five percent of the voting securities of FONAR.

FONAR CORPORATION AND SUBSIDIARIES

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Pursuant to HMCA's management agreements with its clients, HMCA provides comprehensive non-medical management and administrative services, including billing and collection of accounts, payroll and accounts payable processing, office facilities, supplies and utilities. Under the management agreements, HMCA also provides service for the Fonar Upright® MRI scanners through Fonar. In total, as of September 5, 2025, 22 of our clients had management agreements with HMCA. Six sites in Florida are owned and operated directly by HMCA subsidiaries.

The fees charged under the management agreements are flat fees charged on a monthly basis. These fees ranged from \$70,358 to \$459,544 per month in fiscal 2025.

Timothy Damadian, Chairman of the Board, President, Chief Executive Officer and Treasurer owned three of the imaging facilities in Florida managed by HMCA. (See note below) The facilities owned by Timothy Damadian in Florida pay HMCA flat rate monthly fees ranging from \$271,517 to \$411,589 per month. These fees are renegotiable on an annual basis.

During the fiscal years ended June 30, 2025, June 30, 2024 and June 30, 2023, the net revenues received by HMCA from the imaging facilities owned by Timothy Damadian were approximately \$11.9 million, \$11.9 million and \$11.9 million respectively.

Magnetic Resonance Management, LLC, in which Timothy Damadian, the CEO and President of the Company owns, entered into an agreement to purchase equipment from the Company. The selling price of such equipment was \$567,857 which is payable based upon a promissory note dated December 1, 2023. The note bears interest at a rate of 9% and is payable in full at the maturity of the note in December 2028. The equipment had a zero basis which resulted in a gain of \$576,857. The Company has the option but not the obligation to re-take possession in lieu of payment upon maturity of the note. The balance of the note as of June 30, 2025 was \$554,857.

Bensonhurst MRI Limited Partnership, in which Timothy Damadian, the CEO and President of the Company holds an interest, is party to two agreements with the Company for the service and maintenance of its Upright MRI and High-Field Scanners for a price of \$110,000 per annum and \$70,000 per annum, respectively. Also during fiscal year ended June 30, 2025 and fiscal year ended June 30, 2024, the Company charged Bensonhurst MRI Limited Partnership \$301,480 and \$190,362, respectively for reimbursable salaries and marketing expenses.

Radian Healthcare Management, LLC which Matt Pluta, the son-in-law of Timothy Damadian, the CEO and President of the Company owns, provided the Company with personnel recruitment of employees at a fee \$165,000 and \$200,347 during the fiscal years ended June 30, 2025 and June 30, 2024, respectively.

Ronald Lehman, a Director of Fonar, holds a .0378% interest in Health Management Company of America's Class A membership interests.

Jessica Maher, a Director of Fonar, holds a .015% interest in Health Management Company of America's Class A membership interests.

Claudette J.V. Chan, a Director Fonar until June 23, 2025, owns a .0378% interest in Health Management Company of America's Class A Membership interests.

FONAR CORPORATION AND SUBSIDIARIES

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

The aggregate fees billed by Cohn Reznick LLP for the audit of our annual consolidated financial statements for the fiscal year ended June 30, 2025 and the reviews of the financial statements included in our Forms 10-Q for the second and third quarter of the fiscal year ended June 30, 2025 were \$478,000.

The aggregate fees billed by Marcum LLP for the reviews of the financial statements included in our Form 10-Q for the first quarter and audit of annual consolidated financial statements for the fiscal year ended June 30, 2025 were \$67,600

The aggregate fees billed by Marcum LLP for the audit of our annual financial statements for the fiscal year ended June 30, 2024 and the reviews of the financial statements included in our Forms 10-Q for the fiscal year ended June 30, 2024 were \$379,000.

Audit Related Fees

No fees were billed by CohnReznick LLP for the fiscal year ended June 30, 2025 for services related to the Audit or review of our financial statements that are not included under the caption "Audit Fees".

No fees were billed by Marcum LLP for the fiscal years ended June 30, 2025 or June 30, 2024 for services related to the Audit or review of our financial statements that are not included under the caption "Audit Fees".

No fees were billed by CohnReznick LLP for the fiscal year ended June 30, 2025 for designing, operating, supervising or implementing any of our financial information systems or any hardware or software systems for our financial information.

No fees were billed by Marcum LLP for the fiscal years ended June 30, 2025 or June 30, 2024 for designing, operating, supervising or implementing any of our financial information systems or any hardware or software systems for our financial information.

Tax Fees

No fees were billed by CohnReznick LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2025.

No fees were billed by Marcum LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2025.

No fees billed by Marcum LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2024.

All Other Fees

No fees were billed by CohnReznick LLP for any other services during the fiscal year ended June 30, 2025.

FONAR CORPORATION AND SUBSIDIARIES

No fees were billed by Marcum LLP for any other services during the fiscal years ended June 30, 2025 and June 30, 2024.

Since January 1, 2003, the audit committee has adopted policies and procedures for pre-approving all non-audit work performed by the auditors. Specifically, the committee must pre-approve the use of the auditors for all such services. The audit committee has pre-approved all non-audit work since that time and in making its determination has considered whether the provision of such services was compatible with the independence of the auditors.

Our audit committee believes that the provision by Marcum LLP of services in addition to audit services in previous years were compatible with maintaining their independence.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

a) FINANCIAL STATEMENTS AND SCHEDULES

The following consolidated financial statements are included in Part II, Item 8.

Report of Independent Registered Public Accounting Firm (PCAOB ID 596)

Consolidated Balance Sheets as at June 30, 2025 and 2024.

Consolidated Statements of Income for the Years Ended June 30, 2025 and 2024.

Consolidated Statements of Stockholders' Equity for the Years Ended June 30, 2025 and 2024.

Consolidated Statements of Cash Flows for the Years Ended June 30, 2025 and 2024 .

Notes to Consolidated Financial Statements.

Information required by schedules called for under Regulation S-X is either not applicable or is included in the consolidated financial statements or notes to the consolidated financial statements.

b) REPORTS ON FORM 8-K

1. Registrant's Report on Form 8-K: Item 2.02, Results of Operations and Financial Condition for the Fiscal Year ended June 30, 2022, reported September 28, 2022. Commission File No. 0-10248.

2. Registrant's Report on Form 8-K: Item 5.02, Departure of Directors or Certain Officers, reported March 20, 2023. Commission File No. 0-10248.

3. Registrant's Report on Form 8-K: Item 5.07, Submission of Matters to a Vote of Security Holders, at the annual meeting of stockholders, reported on May 22, 2023. Commission File No. 0-10248.

FONAR CORPORATION AND SUBSIDIARIES

c) EXHIBITS

3.1 Certificate of Incorporation, as amended, of the Registrant incorporated by reference to Exhibit 3.1 to the Registrant's registration statement on Form S-1, Commission File No. 33-13365.

3.2 Article Fourth of the Certificate of Incorporation, as amended, of the Registrant incorporated by reference to Exhibit 4.1 to the Registrant's registration statement on Form S-8, Commission File No. 33-62099.

3.3 Section A of Article Fourth of the Certificate of Incorporation, as amended, of the Registrant incorporated by reference to Exhibit 4.3 to the Registrant's registration statement on Form S-3, Commission File No. 333-63782.

3.4 Section A of Article Fourth of the Certificate of Incorporation, as amended, of the Registrant incorporated by reference to Exhibit 3.3 of the Registrant's Annual Report on Form 10-K for the fiscal year ended June 30, 2003, Commission File No. 0-10248.

3.5 By-Laws, as amended, of the Registrant incorporated by reference to Exhibit 3.2 to the Registrant's registration statement on Form S-1, Commission File No. 33-13365.

4.1 Specimen Common Stock Certificate incorporated by reference to Exhibit 4.1 to the Registrant's registration statement on Form S-1, Commission File No. 33-13365.

4.2 Specimen Class B Common Stock Certificate incorporated by reference to Exhibit 4.2 to the Registrant's registration statement on Form S-1, Commission File No. 33-13365.

10.1 License Agreement between the Registrant and Raymond V. Damadian incorporated by reference to Exhibit 10 (e) to Form 10-K for the fiscal year ended June 30, 1983, Commission File No. 0-10248.

10.2 Stock Purchase Agreement, dated July 31, 1997, by and between U.S. Health Management Corporation, Raymond V. Damadian, M.D. MR Scanning Centers Management Company and Raymond V. Damadian, incorporated by reference to Exhibit 2.1 to the Registrant's Form 8-K, July 31, 1997, commission File No: 0-10248.

10.3 Merger Agreement and Supplemental Agreement dated June 17, 1997 and Letter of Amendment dated June 27, 1997 by and among U.S. Health Management Corporation and Affordable Diagnostics Inc. et al., incorporated by reference to Exhibit 2.1 to the Registrant's 8-K, June 30, 1997, Commission File No: 0-10248.

10.4 Stock Purchase Agreement dated March 20, 1998 by and among Health Management Corporation of America, FONAR Corporation, Giovanni Marciano, Glenn Muraca et al., incorporated by reference to Exhibit 2.1 to the Registrant's 8-K, March 20, 1998, Commission File No: 0-10248.

10.5 Stock Purchase Agreement dated August 20, 1998 by and among Health Management Corporation of America, FONAR Corporation, Stuart Blumberg and Steven Jonas, incorporated by reference to Exhibit 2 to the Registrant's 8-K, September 3, 1998, Commission File No. 0-10248.

10.6 2002 Incentive Stock Option Plan incorporated by reference to Exhibit 99.1 to the Registrant's registration statement on Form S-8, Commission File No.: 333-96557.

FONAR CORPORATION AND SUBSIDIARIES

10.7 Asset Purchase Agreement dated July 28, 2005 among Health Plus Management Services, L.L.C., Health Management Corporation of America, Dynamic Healthcare Management, Inc. and FONAR Corporation, incorporated by reference to Exhibit 2 to the Registrant's Form 8-K, August 2, 2005, Commission File No. 0-10248.

10.8 Partnership Interest Purchase Agreement dated September 29, 2008 by and between Diagnostic Management, LLC and Raymond V. Damadian, M.D. MR Scanning Centers Management Company, incorporated by reference to Exhibit 10.35 to Form 10-K for the fiscal year ended June 30, 2008. Commission File No. 0-10248.

10.9 2010 Stock Bonus Plan, incorporated by reference to Exhibit 99.1 to the Registrant's registration statement on Form S-8, Commission File No. 333-168771.

10.10 Operating Agreement for Imperial Management Services, LLC, incorporated by reference to Exhibit 10.37 to Form 10-K for the fiscal year ended June 30, 2011. Commission File No. 0-10248.

10.11 Operating Agreement for Health Diagnostics Management, LLC, incorporated by reference to Exhibit 10.38 to Form 10-K for the fiscal year ended June 30, 2013. Commission File No. 0-10248.

10.12 Modification to Operating Agreement for Health Diagnostics Management, LLC., See Exhibits. incorporated by reference to Exhibit 10.38 to Form 10-K for the fiscal year ended June 30, 2013. Commission File No. 0-10248.

10.13 Purchase Agreement dated March 5, 2013 among Health Diagnostics Management, LLC, Health Diagnostics, LLC and others. Incorporated by reference to Exhibit 10.1 to the Registrant's Form 8-K filed March 11, 2013. Commission File No. 0-10248.

14.1 Code of Ethics, incorporated by reference to Exhibit 14.1 of Registrant's Form 10-K for the fiscal year ended June 30, 2004, Commission File No.: 0-10248.

21.1 Subsidiaries of the Registrant. See Exhibits.

23.1 Consent of Marcum LLP Independent Registered Public Accounting Firm. See Exhibits.

31.1 Section 302 Certification. See Exhibits.

32.1 Section 906 Certification. See Exhibits.

97.1 Policy for the Recovery of Erroneously Awarded Compensation Pursuant to SEC Exchange Act Rule 10D-1

FONAR CORPORATION AND SUBSIDIARIES

SIGNATURES.

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FONAR CORPORATION

Dated: September 15, 2025

By: /s/Timothy Damadian
 Timothy Damadian,
 Chairman of the Board of Directors
 Chief Executive Officer
 President and Treasurer

By /s/Luciano B. Bonanni
 Luciano B. Bonanni
 Executive Vice President,
 Chief Operating Officer and
 Acting Principal Financial Officer

<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ Timothy R. Damadian Timothy R. Damadian	Chairman of the Board of Directors Chief Executive Officer President and Treasurer	September 22, 2025
/s/Claudette J.V. Chan Claudette J.V. Chan	Director	September 22, 2025
/s/Ronald G. Lehman Ronald G. Lehman	Director	September 22, 2025
/s/Richard E. Turk Richard E. Turk	Director	September 22, 2025
/s/Jessica Maher Jessica Maher	Director	September 22, 2025

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CORPORATE INFORMATION

Corporate Headquarters
110 Marcus Drive
Melville, NY 11747
(631) 694-2929

Investor Relations
FONAR Corporation
110 Marcus Drive
Melville, NY 11747
(631) 694-2929

Stock Transfer Agency
Computershare Investor Services
Shareholder Services Number 800-962-4284
Investor Centre™ portal: www.computershare.com/investor

By Mail:
Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078

By Overnight Delivery:
Computershare Investor Services
150 Royall Street - Suite 101
Canton, MA 02021

Auditors
CohnReznick LLP
New York, New York

Board of Directors
Timothy R. Damadian
Chairman of the Board
Robert M. Carrino
Director
Ronald G. Lehman
Director
Richard E. Turk
Director
Jessica Maher
Director

Officers
Timothy R. Damadian
President, Chief Executive Officer and Treasurer
Luciano B. Bonanni
Executive Vice President, Chief Operating Officer and acting Principal Financial Officer

FONAR CORPORATION
110 Marcus Drive
Melville, New York 11747
(631) 694-2929



NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
Wednesday, June 17, 2026

To The Stockholders:

The Annual Meeting of the stockholders of Fonar Corporation, a Delaware corporation (the “Company” or “FONAR”) will be held at the Hilton Long Island Huntington Hotel, 598 Broadhollow Road, Melville, New York 11747 (631-845-1000), on Wednesday, June 17, 2026, at 10:00 a.m. local time for the following purposes:

1. To elect five Directors to the Board of Directors.
2. To approve, on an advisory basis, the compensation of the Company’s named executive officers.
3. To ratify the selection of CohnReznick LLP as the Company’s independent auditors for the fiscal year ending June 30, 2026.
4. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on April 20, 2026 are entitled to notice of, and to vote at, this meeting. A list of such stockholders will be available for examination by any stockholder for any purpose germane to the meeting, during normal business hours, at the principal office of the Company, 110 Marcus Drive, Melville, New York, for a period of ten days prior to the meeting.

Whether or not you expect to attend in person, we urge you to vote your shares at your earliest convenience. You may vote by internet, by phone or by signing, dating, and returning your proxy at your earliest convenience. Voting by internet, telephone or mail will not prevent you from voting your stock at the meeting if you desire to do so, as your proxy is revocable at your option.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ John Collins
John P. Collins, Acting Secretary

**PROXY STATEMENT
FOR ANNUAL MEETING OF
STOCKHOLDERS TO BE HELD MONDAY, JUNE 17, 2026**

This proxy statement, which is first being made available to shareholders on or about May 5, 2026 on the internet, is furnished in connection with the solicitation of proxies by the Board of Directors of Fonar Corporation (the "Company"), to be voted at the annual meeting of the stockholders of the Company to be held at 10:00 a.m. on June 17, 2026, and any adjournment(s) thereof for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. At the same time a paper notice regarding the availability of proxy materials will be mailed to stockholders. Stockholders who execute proxies retain the right to revoke them at any time prior to the exercise of the powers conferred thereby. The cost of solicitation of proxies will be borne by the Company.

The stockholders will have several options as to how to view the materials and vote their shares.

The Company is posting the Notice of Annual Meeting and Proxy Statement, together with the Annual Report on the internet. You may read the materials online or print out a copy. You will also have the ability to vote online.

In the alternative, you may elect to receive an e-mail or the traditional paper copies of the Notice of Annual Meeting and Proxy Statement, and the Annual Report. There is no charge for receiving e-mail or paper copies, BUT you must request paper copies if you want them. To facilitate timely delivery please make the request as instructed on or before May 26, 2026.

To view the materials and vote on the internet, have the 12 Digit Control Number(s) located on the Notice Regarding the Availability of Proxy Materials available and visit: www.proxyvote.com.

Stockholders may request a copy of the Proxy Materials:

1. By internet – visit www.proxy.com
2. By telephone – 1-800-579-1639
3. By e-mail – sendmaterial@proxyvote.com

Only stockholders of record at the close of business on April 20, 2026, will be entitled to vote at the meeting. Shares of Common Stock are entitled to one vote per share, shares of Class B Common Stock are entitled to ten votes per share and shares of Class C Common Stock are entitled to twenty-five votes per share. At the close of business on April 20, 2026, there were issued and outstanding 6,173,008 shares of Common Stock held of record by approximately 895 stockholders, 146 shares of Class B Common Stock held of record by 12 stockholders and 382,513 shares of Class C Common Stock held of record by 4 shareholders. The 313,438 shares of Class A Nonvoting Preferred Stock were held by 998 stockholders at the close of business on April 20, 2026; these shares are not entitled to vote. Except for the shares of Class A Nonvoting Preferred Stock, there are no shares of Preferred Stock issued and outstanding.

Any proxy may be revoked at any time before it is exercised by delivery of a written instrument of revocation or a later dated proxy to the Secretary of the Company at the principal executive office of the Company or, while the meeting is in session, to the Secretary of the meeting, without, however, affecting any vote previously taken. The presence of a stockholder at the meeting will not operate to revoke his proxy. The casting of a ballot by a stockholder who is present at the meeting, however, will revoke his proxy, but only as to the matters on which the ballot is cast and not as to any matters on which he does not cast a ballot or as to matters previously voted upon.

Proxies received by management will be voted at the meeting or any adjournment thereof. EACH PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS MADE THEREIN BY THE PERSON GIVING THE PROXY. TO THE EXTENT NO CHOICE IS SPECIFIED, HOWEVER, THE PROXY WILL BE VOTED FOR MANAGEMENT'S PROPOSALS. All of management's proposals have been unanimously approved by the Board of Directors.

1. ELECTION OF DIRECTORS AND MANAGEMENT INFORMATION

Five directors are to be elected at the annual meeting, to hold office until the next annual meeting of stockholders and until their successors are elected and qualified. It is intended that the accompanying proxy will be voted in favor of the following nominees to serve as directors unless the stockholder indicates to the contrary on the proxy. All of the nominees are currently directors. Management expects that each of the nominees will be available for election.

NOMINEES FOR ELECTION OF DIRECTORS

1. Timothy Damadian
2. Robert M. Carrino
3. Ronald G. Lehman
4. Richard E. Turk
5. Jessica Maher

BIOGRAPHIES FOR DIRECTORS AND OFFICERS

Timothy Damadian (age 61) has served as the Chairman of the FONAR Board since September 2022, and as the President and Chief Executive Officer of FONAR since February 2016. He has also served as FONAR's Treasurer since August 2022. From 2010 to 2016 he served as an independent consultant, with a focus on FONAR's MRI facility management business. Mr. Damadian began his career at FONAR in 1985, installing MRI scanners and components for FONAR customers. Over the course of the following 16 years, he held positions of increasing authority, eventually becoming Vice President of Operations. In 1997, Mr. Damadian was appointed President of the newly formed HMCA, a subsidiary of FONAR that was formed to manage medical and diagnostic imaging offices. In 2001, Mr. Damadian left FONAR to form Integrity Healthcare Management, Inc., a diagnostic imaging management company that would eventually manage 11 MRI scanning centers in New York and Florida. The company was a success and was sold to Health Diagnostics, LLC in 2007. Mr. Damadian returned to Fonar as a consultant in 2010 and was appointed as FONAR's Chief Executive Officer and President in February 2016. He also serves as a Manager of HDM.

Luciano B. Bonanni (age 70) has served as FONAR's Chief Operating Officer and Executive Vice President since June 2016. Prior to his appointment as our Chief Operating Officer, Mr. Bonanni had served the Company as Vice President since 1989, during which time he oversaw general operations, research and development, manufacturing, service, sales, finance, accounting and regulatory compliance. Prior to 1989, Mr. Bonanni held the title of Vice President of Production and Engineering from the time of FONAR's initial public offering in 1981. Mr. Bonanni joined the Company as an electrical engineer in 1978. He holds a Bachelor of Electrical Engineering degree from Manhattan College.

Robert M. Carrino (age 38) has served as a director of FONAR since July 2025. Mr. Carrino is a Partner at CFGI, LLC, the leading global independent accounting and business advisory firm, backed by The Carlyle Group and CVC Capital Partners. At CFGI, Mr. Carrino provides complex accounting and consulting services to both public and private companies of all sizes across various industries. Additionally, Mr. Carrino leads the firm's SPAC practice. Mr. Carrino joined CFGI in 2016 as a Manager and became Partner in January 2023. Prior to joining CFGI, Mr. Carrino was an audit manager at KPMG, LLP's Metro New York Long Island Office servicing clients mainly in the media and entertainment industry. Mr. Carrino, a Certified Public Accountant, earned the degree of Bachelor of Science in Business Administration with a concentration in accounting from Western New England University.

Ronald G. Lehman (age 49) has served as a director of FONAR since April 2012, and as Chair of the Company's Audit Committee since 2021. Since January 2010, Mr. Lehman is Managing Director and Head of Investment Banking at Bruderman Advisory Group, LLC where he is responsible for the firm's sell-side advisory and capital raising processes. Mr. Lehman is also a Partner at Sandy Hill Investors, LLC, participating in and overseeing many of the firm's investments, since January 2024. Mr. Lehman has also served as the Chairman of portfolio company Persante Acquisition Corp. since November 2021, and was a board member at Seviroli Foods, LLC during the firm's investment period from 2022 to 2023. Prior to then, Mr. Lehman worked at Deutsche Bank from 1998 to 2000. Beginning in 2000 until 2008, Mr. Lehman worked for various Bruderman entities as a buy- and sell-side advisor, and as a principal in several private equity transactions. In 2008, Mr. Lehman joined Health Diagnostics, LLC, one of the country's fastest growing diagnostic imaging providers, as Senior Vice President of Acquisitions, where he managed the company's acquisition and corporate finance activities until 2010. Mr. Lehman returned to Bruderman in 2010 to lead the firm's investment banking efforts. Mr. Lehman is a graduate of Columbia University with a B.A. in History.

Richard E. Turk (age 41) has served as a director of FONAR since June 2020. Mr. Turk is the Chief Financial Officer of PRISM Vision Group, a subsidiary of McKesson Corporation (NYSE: MCK). PRISM Vision Group is a multi-location, outpatient comprehensive eye care practice headquartered in New Providence, New Jersey. Mr. Turk joined PRISM in November, 2018 as the Chief Development Officer and became CFO in March 2021. Mr. Turk has helped PRISM expand from a single-specialty (retina) provider with 17 locations and 21 physicians to a comprehensive, vertically-integrated, multi-specialty, eye care organization with approximately 2 physicians and more than 90 locations across New Jersey, Pennsylvania, Delaware, Virginia, Washington DC, Maryland, and Washington. Mr. Turk helped lead the sale of PRISM Vision Group to McKesson Corporation in 2025. Prior to his tenure at PRISM, Mr. Turk was employed by Professional Physical Therapy, a private equity-backed outpatient physical and occupational therapy company headquartered in Uniondale, New York with more than 180 locations across New York, New Jersey, Connecticut, Massachusetts and New Hampshire. During his four years at Professional Physical Therapy, Mr. Turk sourced, analyzed, and completed 32 acquisitions comprised of 116 clinics, expanding the company's services and adding three states to its geographic footprint. From 2007 to 2014, Mr. Turk was employed by Bruderman Brothers, a broker dealer involved in investment banking, merchant banking, investment advisory, and consulting for lower middle market companies (\$10M-\$250M of enterprise value) in a variety of industries, including healthcare. Mr. Turk was Vice President of Bruderman Brothers from 2011 to 2014. Mr. Turk graduated from Columbia University with a B.A. in American History in 2007.

Jessica Maher (age 28) has served as a director of FONAR since March 2023. Since June 2022, Mrs. Maher is a staff accountant at Ives & Sultan, LLP in Woodbury, New York, where she is responsible for preparing audited financial statements for various clients, overseeing audit testing areas, audits of 401(k) plans, and personal and company tax returns. From 2014 to 2017, Mrs. Maher worked for Tritech Healthcare Management in Melville, New York, where she reviewed patient files, insurance, charts and documents to ensure that the services provided by clients were being properly billed. In 2018, Mrs. Maher interned at Northwell Health in Westbury, New York, where she supported the financial reporting team for two hospitals, reported into accounts receivable software, and analyzed patient billing records to identify overpayments. Mrs. Maher's first position out of college was with PricewaterhouseCoopers in Melville, New York, where she was assigned to two private equity clients, was responsible for a variety of the audit areas, and assisted managers in reviewing financial statements, footnote disclosures, and audit opinions. Mrs. Maher holds a Bachelor of Science in Accounting with a minor in Accounting Information Systems, and a Master of Science in Accounting from Fairfield University in Fairfield, Connecticut.

CORPORATE GOVERNANCE, THE BOARD AND ITS COMMITTEES

All of the nominees are presently directors of the Company. The five nominees will be elected to hold office for the ensuing year or until their respective successors are elected and qualified. Of the five nominees, Ronald G. Lehman, Richard E. Turk, Robert M. Carrino and Jessica Maher are independent, as defined in the Securities and Exchange Commission Regulations and NASDAQ Market Place Rules. In making such determinations, there were no transactions, relationships or arrangements not disclosed in our SEC filings to be considered by the Board of Directors, in determining whether the director was independent.

BOARD MEETINGS

During the year ended June 30, 2025, the Board of Directors and the audit committee met four times.

The attendance of the Board of Directors at annual meetings is not required. The Chairman of the Board, however, when he attends the annual meeting of stockholders, acts as Chairman of the Meeting.

Timothy Damadian receives no compensation for serving on the Board. The other directors are each paid a minimum of \$20,000 per year in their capacities as directors. This is the sole compensation payable to the directors.

Board Leadership Structure. The current Board Chairman is Timothy Damadian. In addition, although the Company has not selected a lead independent director, Ronald G. Lehman effectively functions as such. The Company believes that the current leadership structure is appropriate for the Company in the context of the specific circumstances facing the Company. Consideration of the Company's leadership structure is a continuing process which the Board of Directors and Management of the Company undertake in coordination with each other.

The lead independent director, Ronald G. Lehman, acts as the Chairman of the Audit Committee. As such he plays a leading role in the engagement of auditors and the review of the Company's financial statements. Under certain circumstances, he will also serve as the principal point for employees.

The Company believes its present leadership structure is successfully meeting the Company's current needs, including:

- * Efficient communication between Management and the Board;
- * Clarity for the Company's stockholders on corporate leadership and accountability;
- * The Chairman of the Board having the Company's strategy, operations and financial conditions; and
- * Continuity in the Company's leadership, as the Chairman of the Board, Timothy Damadian, began his career at Fonar in 1985.

The Company's Board of Directors has an audit committee. There is no standing compensation committee, nominating committee or other committee of the Board.

In accordance with the NASDAQ Marketplace Rules, the Board of Directors adopted a written charter for the audit committee which took effect in June 2001 and was revised on November 17, 2004. All of the directors on the audit committee are independent.

Stockholders may communicate with directors by writing to them at the Company in accordance with the Company's corporate governance policies and code of conduct, or in any other manner the particular director may provide. Depending on the sensitivity and timing of a matter raised by a stockholder and the need for disclosure of matters to be made not to just one stockholder, but to the stockholders as a whole, it may not be possible for the director to reply to the stockholder.

The Company's Chairman of the Board, Timothy Damadian, as trustee and individually, controls more than 50% of the voting power of the Company's outstanding stock. Consequently, the Company is a controlled company for purposes of NASDAQ Marketplace Rule 4350(c).

AUDIT COMMITTEE

The Audit Committee, which is comprised solely of independent directors, is governed by a Board approved charter that contains, among other things, the Committee's membership requirements and responsibilities. The audit committee oversees the Company's accounting, financial reporting processes, internal controls and audits, and consults with management and the independent public accountants on, among other items, matters related to the annual audit, the published financial statements and the accounting principles applied. As part of its duties, the audit committee appoints, evaluates and retains the Company's independent public accountants. It also maintains direct responsibility for the compensation, termination and oversight of the Company's independent public accountants and evaluates the independent public accountants' qualifications, performance and independence. On December 4, 2024, the audit committee resolved to dismiss Marcum LLP and retain Cohn Reznick LLP as the Company's independent public accountant.

Financial Expert on Audit Committee: The Board has determined that Mr. Ronald G. Lehman, is the audit committee financial expert. The Board made a qualitative assessment of Mr. Lehman's level of knowledge and experience based on a number of factors, including his formal education and experience.

Board Oversight of Risk Management. The Company faces risk in many different areas, including business strategy; government regulation; financial condition; health care compliance; product research and development; competition for talent; business vitality; operational efficiency; quality assurance; reputation; intellectual property; cybersecurity; and trade secrets, among others. The oversight function is carried out in the quarterly and annual Audit Committee meetings and by communication and meetings with the Company's Management, which exercises the responsibility for oversight of risk management.

AUDIT COMMITTEE REPORT

The audit committee has (a) reviewed and discussed the audited financial statements with management, (b) discussed with the independent auditors the matters required to be discussed by SAS 61 (Statement on Auditing Standards No. 61) and (c) has received the written disclosures and the letter from the independent auditors required by Independence Standards Board, Standard No. 1 and has discussed with the independent auditors the independent accountants' independence.

Based on the foregoing review and discussions, the audit committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2025.

The members of the audit committee are Ronald G. Lehman, Richard E. Turk and Jessica Maher, all of whom are independent directors, as defined in the Securities and Exchange Commission Regulations and NASDAQ Market Place Rules.

NOMINATING COMMITTEE

The Board of Directors does not believe it requires a separate standing nominating committee because the Board of Directors is relatively small and can make the nominations acting as a whole. The Board does not have a policy with regard to director candidates recommended by stockholders because the absence of such recommendations makes a formal policy unnecessary. Historically, there usually has not been a need for a committee to identify new nominees in the case of the resignation or death of an existing director. The remaining directors evaluate a new nominee based on the nominee's integrity, loyalty, competence and experience, and how the nominee's background complements that of the remaining directors.

Promoting diversity in the selection of nominees has not yet been considered, but the Board follows a policy of nondiscrimination and equal opportunity.

COMPENSATION COMMITTEE

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Board of Directors does not believe it requires a separate standing compensation committee because the management, under the authority of the Chairman of the Board and the Chief Executive Officer, is best equipped to make compensation decisions. The Board reserves the right to change this policy at any time.

Timothy Damadian, who serves as the Chairman of the Board, Chief Executive Officer and President of the Company, participates in the deliberation and determination of executive officer and director compensation.

VOTE REQUIRED AND BOARD RECOMMENDATION

The directors will be elected by the vote of a plurality of the votes represented at the meeting. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ALL OF THE NOMINEES FOR THE DIRECTORS OF THE COMPANY.

INFORMATION REGARDING BENEFICIAL OWNERSHIP OF PRINCIPAL STOCKHOLDERS, DIRECTORS,
AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of the Company's securities, by holders of at least 5% of the shares of any class, by the Company's nominees for directors and named executive officers, and by the director nominees and named executive officers as a group, as of the close of business on April 20, 2026 unless otherwise noted. The information set forth in the following table is based on (i) 6,173,008 shares of issued and outstanding Common Stock, (ii) 146 shares of issued and outstanding Class B Common Stock, and (iii) 382,513 shares of issued and outstanding Class C Common Stock, as of the close of business on April 20, 2026. We believe, based on information provided to us, that each of the stockholders listed below has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise.

<u>Name and Address of Beneficial Owner (1)</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Timothy Damadian Chairman of the Board, CEO and President 5% + Stockholder Common Stock (2)	79,464	1.29%
Class C Common Stock (3)	382,446	99.98%
Citigroup Global Markets Inc 399 Park Avenue, Level B New York, New York 10022 Class B Common Stock	24	16.42%
Elaine B Dohan & Marc Dohan TR UA 12/05/1993 J Lawrence Dohan Irrevocable Trust Class B Common Stock	16	10.95%
First Clearing LLC PO BOX 6570, Glen Allen Virginia 23058 Class B Common Stock	50	34.22%
Gerlach & Co FBO Comptroller State of New York Office of Unclaimed Funds 110 State Street, Albany, New York 12236 Class B Common Stock	10	6.84%
Money Concepts Capital Corp. 11440 North Jog Road Palm Beach Gardens, Florida 33418 Common Stock (4)	510,672	8.27%

<u>Name and Address of Beneficial Owner (1)</u>	<u>Shares Beneficially Owned</u>	<u>Percent of Class</u>
Morgan Stanley DW Inc 1300 Thames Street, 6th Floor Baltimore, Maryland 21231 Class B Common Stock	8	5.47%
Hilary L. Shane Revocable Trust 78 Lighthouse Drive Jupiter, FL 33469 Common Stock (5)	413,206	6.70%
Renaissance Technologies, LLC Renaissance Technologies Holding Corporation 800 Third Avenue New York, NY 10022 Common Stock (6)	315,716	5.11%
Richard N. Dods Class B Common Stock	24	16.42%
Dimensional Fund Advisors LP Building One 6300 Bee Cave Road Austin, TX 78746 Common Stock (7)	315,471	5.11%
Luciano B. Bonanni, EVP and COO Common Stock	54,253	*
John P. Collins General Counsel Common Stock	0	*
Robert M. Carrino Director Common Stock	0	*
Ronald G. Lehman Director Common Stock	4,330	*

Richard E. Turk		
Director		
Common Stock	0	*
Jessica Maher		
Director		
Common Stock	0	*
All NEOs and Directors as a Group (7 persons)		
Common Stock	138,047	2.24%
Class C Common Stock (3)	382,446	99.98%

* Less than one percent

(1). Unless otherwise provided, the address for each beneficial owner is c/o Fonar Corporation, 110 Marcus Drive, Melville, New York 11747.

(2). Consists of (a) 79,059 shares held directly by Timothy Damadian, (b) 5 shares held directly by Raymond Damadian Cust Timothy R Damadian UGMA NY, a custodial account of which Timothy Damadian is the sole beneficiary, and (c) 400 shares held directly by Raymond Damadian TR Timothy Damadian Trust, of which Timothy Damadian is the trustee and sole beneficiary.

(3). Consists of an aggregate of 382,446 shares of Class C Common Stock, of which (a) 127,482 shares are held directly by the Timothy R Damadian TR UA 11/08/2022 Timothy Damadian Fonar Class C Trust, of which Mr. Damadian is the trustee and sole beneficiary, (b) 127,482 shares are held directly by the Keira Damadian Reinmund TR UA 11/08/2022 Keira Damadian Reinmund Fonar Class C Trust, of which Keira Damadian Reinmund is the sole beneficiary, and (c) 127,482 shares are held directly by the Jevan Damadian TR UA 11/08/2022 Jevan Damadian Fonar Class C Trust, of which Jevan Damadian is the sole beneficiary. Solely with respect to the Company's annual meeting and not for any other purpose, under the terms of the testamentary trusts established for the benefit of Jevan Damadian and Keira Damadian Reinmund, respectively, that are the registered holders of the shares beneficially owned by them, Timothy Damadian is the trustee with the power to direct the voting of the shares of Class C Common Stock beneficially owned by Jevan Damadian and Keira Damadian Reinmund, respectively, on the matters to be presented for a vote at the Company's annual meeting.

(4). Based on information reported on a Schedule 13G filed on February 12, 2026 by Renaissance Technologies LLC and Renaissance Technologies Holdings Corporation.

(5). Based on information reported on a Schedule 13G filed on January 9, 2026 by Hilary L. Shane Revocable Trust and Hilary L. Shane. Hilary L. Shane Revocable Trust is the direct holder of 413,206 shares of Common Stock. Hilary L. Shane has shared voting and dispositive power over all such shares held by Hilary L. Shane Revocable Trust.

(6). Based on information reported on a Schedule 13F filed on February 4, 2026 by Money Concepts Capital Corp.

(7). Based on information reported on a Schedule 13G/A filed on April 9, 2026 by Dimensional Fund Advisors LP.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

See Item 13, "Certain Relationships and Related Transactions" of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2025, which is specifically incorporated by reference herein. A copy of the Form 10-K is included in the Annual Report to Stockholders which is being sent to the Company's stockholders with this Proxy Statement.

The Company believes that each of the related transactions described therein were on terms at least as favorable to the Company as were available from non-affiliated parties.

COMPENSATION DISCUSSION AND ANALYSIS OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation of the Company's executive officers is based on a combination of salary and bonuses based on performance. Decisions concerning compensation are made on a case-by-case basis and not pursuant to standardized formulas, programs, policies or criteria, except for commissions in the case of sales. The Board of Directors does not have a compensation committee and does not believe such a committee is required, in view of the manner in which compensation matters are handled. Timothy Damadian is an executive officer as well as members of the Board of Directors. Mr. Damadian, who also has voting control of the Company and serves as Chairman of the Board, and who has served as CEO and President of the Company since February 11, 2016, and Luciano Bonanni the Executive Vice President and Chief Operating Officer of the Company since June 27, 2016, participate in the determination of executive compensation for the Company's officers.

As noted above, the Company's compensation policy is primarily based upon the practice of pay-for-performance. Section 162(m) of the Internal Revenue Code imposes a limitation on the deductibility of nonperformance-based compensation in excess of \$1 million paid to the Principal Executive Officer. No officer of the Company received compensation in excess of \$1 million in fiscal 2025 or in any previous fiscal year. The Board currently believes that the Company should be able to continue to manage its executive compensation program for others so as to preserve the related federal income tax deductions.

The Company does not believe that there are any risks arising from its compensation policies and practices for its employees that are likely to have a material adverse effect on the Company.

The Company maintains no pension or deferred compensation plans except for a 401(k) plan.

SUMMARY COMPENSATION TABLE

The following table discloses compensation received for the three years ended June 30, 2023, June 30, 2024 and June 30, 2025 by the Company's Principal Executive Officer, the Company's Principal Financial Officer and any officer of the Company receiving at least \$100,000 for the year.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary</u>	<u>Cash Bonus</u>	<u>Stock Awards</u>	<u>Total</u>
Timothy R. Damadian	2025	\$0	\$295,000	\$0	\$295,000
President, Principal Executive Officer	2024	\$0	\$372,885	\$0	\$372,885
	2023	\$0	\$152,900	\$0	\$152,900
Luciano Bonanni	2025	\$148,241	\$350,000	\$0	\$498,241
Chief Operating Officer,	2024	\$148,241	\$350,000	\$0	\$498,241
Executive Vice President and Acting Principal Financial Officer	2023	\$143,416	\$305,800	\$0	\$449,216
Raymond V. Damadian	2025	\$0	\$0	\$0	\$0
deceased (August 3, 2022)	2024	\$0	\$0	\$0	\$0
Chairman of the Board; Treasurer and Principal Financial Officer	2023	\$23,553	\$305,800	\$0	\$329,353
John P. Collins	2025	\$294,988	\$142,167	\$0	\$437,155
General Counsel	2024	\$249,990	\$172,000	\$0	\$421,990
	2023	0	0		0

Compensation Pursuant to Stock Options and SAR Grants

No stock options or stock appreciation rights were granted to the Company's Principal Executive Officer and Principal Financial Officer during fiscal 2025.

Option/SAR Exercises and Year End Values

No options or stock appreciation rights were exercised by the Company's Chief Executive Officer during fiscal 2025. The Company's Chief Executive Officer did not hold any unexercised stock options or stock appreciation rights at the end of fiscal 2025.

The following table shows the compensation paid to the Directors for fiscal 2025:

Name	Fees earned paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Non-qualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
A. Claudette J.V. Chan	\$20,000	\$0	\$0	\$0	\$0	\$39,486	\$5,486
B. Ronald G. Lehman	\$20,000	\$0	\$0	\$0	\$0	\$65,000	\$85,000
C. Richard E. Turk	\$20,000	\$0	\$0	\$0	\$0	\$15,000	\$35,000
D. Jessica Maher	\$20,000	\$0	\$0	\$0	\$0	\$15,000	\$35,000

With the exception of Timothy Damadian, who receives no compensation for serving as a director, each director is entitled to receive a minimum of \$20,000 per annum for his or her services as a director of the Company, including service on any committee of the Board of Directors.

2. ADVISORY VOTE ON COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

The following proposal provides the Company's stockholders with an opportunity to vote to approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this proxy statement. In considering your vote, you may wish to review with care the "Compensation Discussion and Analysis" section, which provides details as to the Company's compensation policies, procedures and decisions, as well as the Summary Compensation Table and other related compensation tables, notes and narrative disclosures under the executive compensation section of this proxy statement. This vote is not intended to address any specific element of the Company's executive compensation program, but rather the overall compensation program for the Company's named executive officers. This vote currently is being taken on an annual basis at the Company's annual meeting.

In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking stockholders to approve the following advisory resolution at the Annual Meeting of Stockholders

RESOLVED, that the stockholders of Fonar Corporation (the "Corporation") approve, on an advisory basis, the overall compensation of the Corporation's named executive officers disclosed in the Compensation Discussion and Analysis, Summary Compensation Table and related compensation tables, notes and narrative discussion in this Proxy Statement for the Annual Meeting of Stockholders.

The Board of Directors recommends a vote FOR this resolution because it believes that the policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company's goals of rewarding sustained financial and operating performance and leadership excellence and aligning the executives' long-term interests with those of the stockholders, as well as motivating the executives to remain with the Company for long and productive careers.

This advisory resolution, commonly referred to as a "say-on-pay" resolution, is non-binding on the Board of Directors. Although non-binding, the Board will review and consider the voting results when evaluating our executive compensation program.

3. RATIFICATION OF SELECTION OF AUDITORS

The Board of Directors selected CohnReznick LLP, as the Company's independent auditors for the fiscal year ending June 30, 2026. The stockholders will be asked to ratify this action by the Board. CohnReznick, LLP were the Company's

auditors for the fiscal year ended June 30, 2025. Marcum LLP were the Company's auditors for the fiscal years ended June 30, 2023 and June 30, 2024.

One or more representatives of CohnReznick LLP, may be present at the Meeting with the opportunity to make a statement if they desire to do so, and to be available to respond to appropriate questions.

The affirmative vote of shares holding a majority of the votes represented at the meeting is required to ratify the selection of auditors by the Board of Directors. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSAL.**

AUDIT FEES

The aggregate fees billed by Cohn Reznick LLP for the audit of our annual consolidated financial statements for the fiscal year ended June 30, 2025, and the reviews of the financial statements included in our Forms 10-Q for the second and third quarter of the fiscal year ended June 30, 2025, were \$478,000.

The aggregate fees billed by Marcum LLP for the reviews of the financial statements included in our Form 10-Q for the first quarter and audit of annual consolidated financial statements for the fiscal year ended June 30, 2025, were \$67,600

The aggregate fees billed by Marcum LLP for the audit of the Company's annual financial statements for the fiscal year ended June 30, 2024, and the reviews of the financial statements included in the Company's Forms 10-Q for the fiscal year ended June 30, 2024, were \$442,000.

The aggregate fees billed by Marcum LLP for the audit of the Company's annual financial statements for the fiscal year ended June 30, 2023, and the reviews of the financial statements included in the Company's Forms 10-Q for the fiscal year ended June 30, 2023, were \$374,000.

All work on the audit in fiscal year 2025 was performed by full-time permanent employees of CohnReznick LLP. All work on the audit in fiscal year 2024 was performed by full-time permanent employees of Marcum LLP.

AUDIT-RELATED FEES

No fees were billed by CohnReznick LLP for the fiscal year ended June 30, 2025, for services related to the Audit or review of our financial statements that are not included under the caption "Audit Fees".

No fees were billed by Marcum LLP for the fiscal years ended June 30, 2025, or June 30, 2024, for services related to the Audit or review of our financial statements that are not included under the caption "Audit Fees".

No fees were billed by CohnReznick LLP for the fiscal year ended June 30, 2025, for designing, operating, supervising or implementing any of our financial information systems or any hardware or software systems for our financial information.

No fees were billed by Marcum LLP for the fiscal years ended June 30, 2025, or June 30, 2024, for designing, operating, supervising or implementing any of our financial information systems or any hardware or software systems for our financial information.

TAX FEES

No fees were billed by CohnReznick LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2025.

No fees were billed by Marcum LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2025.

No fees billed by Marcum LLP for tax compliance, tax advice and tax planning in the fiscal year ended June 30, 2024.

ALL OTHER FEES

No fees were billed by CohnReznick LLP for any other services during the fiscal year ended June 30, 2025.

No fees were billed by Marcum LLP for any other services during the fiscal years ended June 30, 2025 and June 30, 2024.

Since January 1, 2003, the audit committee has adopted policies and procedures for pre-approving all non-audit work performed by its auditors. Specifically, the committee must pre-approve the use of the auditors for all such services. The audit committee has pre-approved all non-audit work since that time and in making its determination has considered whether the provision of such services was compatible with the independence of the auditors. CohnReznick LLP has not provided any services in addition to audit services in fiscal 2025. Marcum LLP has not provided any services in addition to audit services in fiscal 2024.

Our audit committee believes that the provision by Marcum LLP of services in addition to audit services in previous years were compatible with maintaining their independence.

PROPOSALS OF STOCKHOLDERS

Proposals of stockholders intended to be presented at next year's annual meeting of stockholders must be received by the Company no later than January 16, 2026, to be included in the Company's proxy statement and form of proxy related to that meeting.

SOLICITATION OF PROXIES

The proxy accompanying this proxy statement is solicited by the Board of Directors of the Company. Proxies may be solicited by officers, directors, and regular supervisory and executive employees of the Company, none of whom will receive any additional compensation for their services. Such solicitations may be made personally, or by mail, e-mail, facsimile, telephone, telegraph, or messenger. The Company will pay persons holding shares of stock in their names or in the names of nominees, but not owning such shares beneficially, such as brokerage houses, banks, and other fiduciaries, for the expense of forwarding solicitation materials to their principals. All of the costs of solicitation of proxies will be paid by the Company.

VOTING TABULATION

The election of the Company's directors requires a plurality of the votes represented in person or by proxy at the meeting. The ratification of proposals and the selection of auditors requires the affirmative vote of a majority of the votes represented in person or by proxy at the meeting. Votes cast by proxy or in person at the meeting will be tabulated by the Company.

A stockholder who abstains from voting on any or all proposals will be included in the number of shareholders present at the meeting for the purpose of determining the presence of a quorum. Abstentions will not be counted either in favor of or against the election of the nominees or other proposals. Under the rules of the Financial Industry Regulatory Authority, brokers holding stock for the accounts of their clients who have not been given specific voting instructions as to a matter by their clients in certain cases may vote their clients' proxies in their own discretion. Where a proposal requires a majority of the votes present for its passage, an abstention or broker non-vote will have the same effect as a negative vote.

OTHER MATTERS

The Board of Directors does not intend to bring any other business before the meeting, and so far as is known to the Board, no matters are to be brought before the meeting except as specified in the notice of the meeting. However, as to any other business which may properly come before the meeting, it is intended that proxies, in the form enclosed, will be voted in respect thereof in accordance with the judgment of the persons voting such proxies, where the authorization to do so has been granted.

As previously disclosed, the Company is separately soliciting stockholder approval of a “going private” transaction under the rules of the SEC. In connection with that transaction, the Company has filed with the SEC a definitive proxy statement, dated April 16, 2026, under Regulation 14A of the Exchange Act, and a related Transaction Statement on Schedule 13E-3/A, as amended, for use at a special meeting of the Company’s stockholders to be held at 11:00 a.m., New York time, on May 28, 2026 (the “Special Meeting”). The matters to be considered at the Special Meeting (and any adjournment or postponement thereof), as described in the notice of meeting accompanying the Company’s definitive proxy statement for the Special Meeting, are not covered by this proxy statement and will not be presented for a vote at the Company’s annual meeting of stockholders to be held at 10:00 a.m., New York time, on June 17, 2026. The Company’s annual meeting is being held solely for the purposes of considering and voting upon the matters specified in the notice of meeting accompanying this proxy statement.

DATED: Melville, New York, May 3, 2026

A COPY OF THE COMPANY'S FORM 10-K REPORT FOR FISCAL YEAR 2025 CONTAINING INFORMATION ON OPERATIONS, FILED WITH THE SECURITIES AND EXCHANGE COMMISSION, IS AVAILABLE UPON REQUEST. PLEASE WRITE TO:

**INVESTOR RELATIONS DEPARTMENT
FONAR CORPORATION
110 MARCUS DRIVE
MELVILLE, NEW YORK 11747**

