FRANKLIN HOSPITAL DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2024 AND 2023

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FRANKLIN HOSPITAL DISTRICT
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Franklin Hospital District
Benton, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Franklin Hospital District (the Hospital) which comprise the statements of net position as of June 30, 2024 and 2023, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 9 be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information on pages 26 through 27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Louis, Missouri
October 4, 2024

Introduction

Franklin Hospital District, (the Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended June 30, 2024 and 2023. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

Using This Annual Report

The Hospital's financial statements consist of three statements: a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

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

One of the most important questions asked about any hospital's finances is "Is the Hospital as a whole better or worse off as a result of the year's activities?" The statements of net position and the statements of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in them. The Hospital's total net position, the difference between assets and liabilities, are one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for and what was the change in cash during the reporting period.

Financial Highlights

- The Hospital's total cash and investments decreased by $1,100,595 in 2024 from that reported in 2023.
- The Hospital's total liabilities decreased by $704,768 in 2024 from those reported in 2023.
- The Hospital's total net position increased by $472,179 in 2024 from that reported in 2023.
- The Hospital's total long-term debt decreased by $161,082 in 2024 from that reported in 2023.
- The Hospital reported an operating loss of $2,024,033 in 2024 and an operating loss of $792,436 in 2023.
- The Hospital reported total income of $472,178 and $954,066 in 2024 and 2023.
- Total operating revenues of $27,655,540 and $27,635,823 were reported for 2024 and 2023.
- Total operating expenses of $29,679,573 and $28,428,259 were reported for 2024 and 2023.

Net Position

The Hospital's net position is the difference between its assets and liabilities reported on the statement of net position. Net position increased by $472,179 (4.7%) in 2024 compared to 2023 and increased by $954,068 (11%) in 2023 over 2022, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2024	2023	2022
Cash and Cash Equivalents	$ 2,593,292	$ 3,693,887	$ 5,172,275
Restricted Cash - Provider Relief Funds	-	-	547,557
Patient Accounts Receivable, Net	2,981,363	2,596,804	2,887,058
Taxes Receivable	1,115,827	886,378	878,179
Other Receivable	462,443	77,067	170,632
Estimated Third-Party Payor Settlements Receivable	50,997	-	-
Inventory	552,300	602,669	572,485
Prepaid Expenses	262,286	207,560	123,019
Noncurrent Cash and Cash Equivalents	1,096,194	1,126,782	1,357,578
Capital and Right to Use Assets, Net	7,250,861	7,407,006	6,244,137
Total Assets	$ 16,365,563	$ 16,598,153	$ 17,952,920
Current Liabilities	$ 3,683,896	$ 4,227,582	$ 6,158,864
Long-Term Debt	2,247,533	2,408,615	2,786,168
Total Liabilities	5,931,429	6,636,197	8,945,032
Net Position	10,434,134	9,961,956	9,007,888
Total Liabilities and Net Position	$ 16,365,563	$ 16,598,153	$ 17,952,920

2024 Significant Changes

The Hospital had four significant changes in its assets and liabilities during 2024, as shown in Table 1:

- Current cash and cash equivalents decreased by $1,100,595 (30%).
- Patient accounts receivable increased by $384,559 (15%).
- Current Liabilities decreased by $543,686 (13%).
- Long-Term Debt decreased by $161,082 (7%).

The Hospital experienced a decrease in total cash and cash equivalents primarily due operating activities. Decrease in current liabilities is due to repayment of the Third-Party Payor Settlements.

The overall decrease in long-term debt is related to payments made on long term debt.

2023 Significant Changes

The Hospital had four significant changes in its assets and liabilities during 2023, as shown in Table 1:

- Current cash and cash equivalents decreased by $2,025,945 (35%).
- Patient accounts receivable decreased by $290,254 (10%).
- Current Liabilities decreased by $1,931,282 (31%).
- Long-Term Debt decreased by $377,553 (14%).

The Hospital experienced a decrease in total cash, cash equivalents, and restricted cash primarily due operating activities and the addition of capital assets. Decrease in current liabilities is due to repayment of the Third-Party Payor Settlements.

The overall decrease in long-term debt is related to payments made on long term debt.

Operating Results and Changes in the Hospital's Net Position

In 2024, the Hospital's net position increased by $472,178 as shown in Table 2. This increase is made up of several different components, noted similar increase in net assets for 2023 of $954,068.

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net Patient Service Revenue	$ 26,652,267	$ 26,615,429	$ 24,720,312
Other Revenue	963,305	958,567	824,345
Other Grant Revenue	39,968	61,827	158,943
Total Operating Revenues	27,655,540	27,635,823	25,703,600
Operating Expenses			
Salaries and Wages	10,748,295	10,668,016	9,737,575
Employee Benefits	3,215,369	3,644,580	2,896,639
Physicians' Services	7,589,371	6,696,104	4,167,387
Supplies	3,181,364	3,072,622	2,932,281
Other Expenses	3,275,870	2,883,454	4,317,965
Utilities	567,546	571,766	500,905
Depreciation and Amortization	1,101,758	891,717	950,890
Total Operating Expenses	29,679,573	28,428,259	25,503,642
Operating Income (Loss)	(2,024,033)	(792,436)	199,958
Nonoperating Revenues (Expenses)			
Interest Income	16,485	16,592	33,140
Property Taxes	973,499	928,502	886,064
Replacement Taxes	382,985	382,985	356,232
Pandemic Funding Grants	1,231,000	547,557	389,265
Paycheck Protection Program Funds	-	-	2,000,000
Interest Expense	(108,358)	(129,134)	(149,733)
Loss on Disposal of Assets	600	-	(10,637)
Total Nonoperating Revenues	2,496,211	1,746,502	3,504,331
Excess of Revenues Over Expenses	$ 472,178	$ 954,066	$ 3,704,289

Operating Income (Loss)

The main component of the overall change in the Hospital's net position in the year 2024 is operating loss of $2,024,033, largely due to rising expenses as a result of inflation of $1,251,314 compared to increases in operating revenues of $19,717 for the year ended. In the prior two years, the Hospital has reported an operating loss in 2023 of $792,436 and a gain of $199,958 in 2022, respectively.

Operating Income (Loss) (Continued)

Since the Hospital receives less than 5% of its total revenue from taxes, it must over time, generate income from operations or other nonoperating sources to be able to pay for updating its building and equipment as well as providing the resources to maintain a viable health care facility. The Hospital must have facilities and technology that meet or exceed the current standard of care to provide the necessary health care services to residents of Franklin County and surrounding areas. Likewise, the Hospital also must generate operating income or other nonoperating income to be able to make its payments on its significant long-term debt obligations.

2024 Operating Results

The operating results for 2024 decreased from the operating results in 2023. The primary components of the increase in operating results were:

- An increase in total operating revenue of $19,717 or 0.07%.
- An increase in overall operating expenses of $1,251,314 or 4%.

The Hospital's 2024 total operating expense increased 4% due to routine increases in expenses as well as increased salaries to match the nationwide inflation in compensation within the health care industry.

2023 Operating Results

The operating results for 2023 decreased from the operating results in 2022. The primary components of the increase in operating results were:

- An increase in total operating revenue of $1,932,223 or 8%.
- An increase in overall operating expenses of $2,924,617 or 11%.

The Hospital's 2023 increase in total operating revenue of 8% is a result of increased patient volume and price increases.

The Hospital's 2023 total operating expense increased 11% due to routine increases in expenses as well as increased salaries to match the nationwide inflation in compensation within the health care industry.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of tax revenue appropriations from Franklin County, interest income, contributions, and interest expense.

2024 Results – Interest expense decreased by $20,776 or 16% due to the Hospital reducing its long-term debt. Tax revenue increased by $44,997 or 5%. Interest income decreased by $107 or 1%.

Nonoperating Revenues and Expenses (Continued)

2023 Results – Interest expense decreased by $20,599 or 14% due to the Hospital reducing its long-term debt. Tax revenue increased by $42,438 or 5% and replacement taxes increased by $26,753 or 8% due to the annual county tax levy in 2022 allowed by statute. Interest income decreased by $16,548 or 50%. Paycheck Protection Program Loan Forgiveness decreased by $2,000,000 or 10% due to the loan being forgiven in 2022. Loss on disposal of assets decreased by $10,637 due to assets disposed during 2023.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating results and nonoperating revenues and expenses, discussed earlier.

Capital and Right to Use Assets

At June 30, 2024 and 2023, the Hospital had $7,250,861 and $7,407,006, respectively, invested in capital and right to use assets, net of accumulated depreciation and amortization, as detailed in Note 4 to the financial statements.

Debt

At June 30, 2024 and 2023, the Hospital had $2,675,173 and $2,984,339 respectively, in long-term and short-term debt outstanding.

Other Economic Factors

Management believes the hospital industry will continue to be under significant pressure to control costs and maintain reasonable rates while providing higher quality services. As our nation's health care delivery system begins to adjust to the realities of the Affordable Care Act, providers will face ever mounting pressure in the form of tightening reimbursement levels across all payors. Despite the approval of a FY25 budget, ongoing financial difficulties facing the state of Illinois will almost certainly have negative impacts for all health care providers throughout the state as well. Finally, a major challenge as a small rural hospital is to compete in the recruitment and retention of primary care physicians and mid-level providers.

As always, the Hospital continuously strives to provide quality patient care. Plans, strategies, and decisions made by the Hospital management in Fiscal 2025 will always be made in conjunction with the best interests of the patients we serve in Franklin County and surrounding areas.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, creditors, and Franklin County taxpayers with a general overview of the Hospital's financial condition and to show its accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the Hospital's Chief Excecutive Officer at Franklin Hospital District, 201 Bailey Lane, Benton IL 62812.

FRANKLIN HOSPITAL DISTRICT
STATEMENTS OF NET POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 2,593,292	$ 3,693,887
Patients Accounts Receivable, Net	2,981,363	2,596,804
Taxes Receivable	1,115,827	886,378
Other Receivable	462,443	77,067
Estimated Third-Party Payor Settlements Receivable	50,997	-
Inventory	552,300	602,669
Prepaid Expenses	262,286	207,560
Total Current Assets	8,018,508	8,064,365
NONCURRENT CASH AND CASH EQUIVALENTS	1,096,194	1,126,782
CAPITAL ASSETS, NET	7,100,985	7,092,021
RIGHT TO USE ASSETS, NET OF AMORTIZATION	149,876	314,985
Total Assets	$ 16,365,563	$ 16,598,153
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable	$ 1,177,310	$ 1,218,386
Current Maturities of Long-Term Debt	171,344	169,835
Current Portion of Right to Use Assets Lease Obligations	80,296	205,889
Line of Credit	176,000	200,000
Accrued Expenses:		
Payroll	466,114	428,315
Vacation Pay	571,294	681,976
Interest	42,713	48,219
Other Accrued Expenses	395,425	234,384
Change Healthcare Advance	603,400	-
Estimated Third-Party Payor Settlements Payable	-	1,040,578
Total Current Liabilities	3,683,896	4,227,582
RIGHT TO USE ASSETS LEASE OBLIGATIONS, NET OF CURRENT PORTION	115,125	104,862
LONG-TERM DEBT, NET OF CURRENT PORTION	2,132,408	2,303,753
Total Liabilities	5,931,429	6,636,197
NET POSITION		
Net Investment in Capital Assets	4,751,688	4,622,667
Restricted Expendable for Debt Service	1,096,194	1,126,782
Unrestricted	4,586,252	4,212,507
Total Net Position	10,434,134	9,961,956
Total Liabilities and Net Position	$ 16,365,563	$ 16,598,153

See accompanying Notes to Financial Statements.

FRANKLIN HOSPITAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
OPERATING REVENUES		
Net Patient Revenue	$ 26,652,267	$ 26,615,429
Other Revenue	963,305	958,567
Operating Grant and Donation Revenue	39,968	61,827
Total Operating Revenues	27,655,540	27,635,823
OPERATING EXPENSES		
Salaries and Wages	10,748,295	10,668,016
Employee Benefits	3,215,369	3,644,580
Physicians' Services	7,589,371	6,696,104
Supplies	3,181,364	3,072,622
Other Expenses	3,275,870	2,883,454
Utilities	567,546	571,766
Depreciation and Amortization	1,101,758	891,717
Total Operating Expenses	29,679,573	28,428,259
OPERATING LOSS	(2,024,033)	(792,436)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	16,485	16,592
Property Taxes	973,499	928,502
Replacement Taxes	382,985	382,985
Pandemic Funding Grants	1,231,000	547,557
Interest Expense	(108,358)	(129,134)
Gain on Disposal of Assets	600	-
Total Nonoperating Revenues	2,496,211	1,746,502
EXCESS OF REVENUES OVER EXPENSES	472,178	954,066
Net Position - Beginning of the Year	9,961,956	9,007,890
NET POSITION - END OF THE YEAR	$ 10,434,134	$ 9,961,956

See accompanying Notes to Financial Statements.

FRANKLIN HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Patients and Third-Party Payors	$ 27,010,533	$ 26,177,482
Payments to Suppliers and Contractors	(17,874,953)	(16,965,583)
Payments to Employees	(10,660,137)	(10,805,005)
Other Receipts and Payments, Net	617,897	1,113,959
Net Cash Used by Operating Activities	(906,660)	(479,147)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County Tax Revenue	1,127,035	1,303,288
Net Payments on Lines of Credit	(24,000)	(152,506)
Interest Paid on Noncapital Related Financing	13,433	12,402
Net Cash Provided by Noncapital Financing Activities	1,116,468	1,163,184
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(169,836)	(517,467)
Purchases of Capital Assets	(945,013)	(2,054,586)
Payment of Right to Use Assets Lease Obligations	(115,330)	(230,256)
Interest Paid on Capital Related Financing	(127,297)	(155,061)
Net Cash Used by Capital and Related Financing Activities	(1,357,476)	(2,957,370)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	16,485	16,592
CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(1,131,183)	(2,256,741)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	4,820,669	7,077,410
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	$ 3,689,486	$ 4,820,669
RECONCILIATION OF CASH TO STATEMENTS OF NET POSITION		
Cash in Current Assets	$ 2,593,292	$ 3,693,887
Cash in Noncurrent Cash	1,096,194	1,126,782
Total	$ 3,689,486	$ 4,820,669

See accompanying Notes to Financial Statements.

FRANKLIN HOSPITAL DISTRICT
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$ (2,024,033)	$ (792,436)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization	1,101,758	891,717
(Increase) Decrease in Current Assets:		
Accounts Receivable Patients	(384,559)	290,254
Supplies and Other	(335,007)	63,381
Prepaid Expenses	(54,726)	(84,541)
Estimated Third-Party Payor Settlements	742,825	(728,201)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(41,076)	17,802
Accrued Expenses	161,041	(202,387)
Accrued Salaries	37,799	63,382
Accrued Paid Time Off	(110,682)	1,882
Net Cash Used by Operating Activities	$ (906,660)	$ (479,147)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

Franklin Hospital District (the Hospital) was established in 1950 under and pursuant to the provisions of the general laws of the state of Illinois including Hospital District Law. The Hospital is an acute care hospital located in Benton, Illinois. The Hospital primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in Franklin County, Illinois.

Tax Exempt Status

The Hospital is exempt from income taxes under provisions of the Internal Revenue Code as a political subdivision of the state of Illinois.

Use of Estimates

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

Standards of Accounting and Financial Reporting

The accompanying financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles) in accordance with the American Institute of Certified Public Accountants' audit and accounting guide, Health Care Entities, and other pronouncements applicable to health care organizations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less.

Noncurrent Cash

These assets include assets restricted under a note payable agreement, an indenture agreement and internally designated unrestricted assets set aside by the board of directors over which the board retains control and may at its discretion use for other purposes.

Patient Accounts Receivable

The Hospital provides an allowance for bad debts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Patient services are provided on an unsecured basis. Payment is required upon receipt of the invoice. The Hospital bills third-party payors directly and bills the patient when the patient's liability is determined. Accounts are considered delinquent and subsequently written off as bad debts based on individual credit evaluation and specific circumstances of the account.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Budget

The Hospital was formed in accordance with Illinois Hospital District Law and operates as an Illinois Municipal Corporation. Due to provisions in its enabling legislation, the Hospital is not subject to Illinois Municipal Budget Law and is not legally required to adopt a formal budget.

Inventory

Supply inventories are stated at the lower of cost or net realizable value using the first-in, first-out method.

Capital Assets

The Hospital's capital assets are reported at historical cost. Capital assets are depreciated on a straight-line basis over the estimated useful life of each asset following guidelines of the American Hospital Association. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective useful lives. Amortization of assets subject to leases is reported as part of depreciation expense. The following estimated useful lives are being used by the Hospital:

Buildings and Improvements	7 to 40 Years
Equipment	2 to 20 Years

Right to Use Assets

The Hospital has recorded right to use lease assets as a result of implementing GASB Statement No. 87, *Leases*. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Net Position

The net position of the Hospital is classified in three components. *Net investment in capital assets* is capital assets net of accumulated depreciation, reduced by total outstanding debt used to finance the purchase or construction of those assets. Restricted-expendable net position is noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Restricted net position* is reduced by any liabilities payable from restricted assets. Unrestricted *net position* is remaining net position that do not meet the definition of invested in capital assets net of related debt or restricted-expendable net position.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services—the Hospital's principal activity. Nonexchange revenues and expenses, including interest income, property taxes and interest expense are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policies without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges excluded from revenue under the Hospital's Charity Care policy were approximately $550,000 and $540,000 for the years ended June 30, 2024 and 2023, respectively.

County Tax Revenue

The Hospital received Property Tax Revenue used to support operations of approximately $973,000 and $929,000 for the years ended June 30, 2024 and 2023, respectively. The Hospital additionally received Replacement Tax Revenue used to support operations of approximately $383,000 for the years ended June 30, 2024 and 2023, respectively. Taxes are levied each fiscal year on all taxable real property located in the County. Property taxes are recorded on an accrual basis of accounting. Pursuant to board of director's ordinance, property tax levies passed in September 2023 (the 2024 levy) were for the fiscal year ended June 30, 2024.

The personal property replacement tax is recorded on the accrual basis, based on estimated state allocations for each fiscal year ending June 30. Revenue is recognized in the fiscal year that tax allocations are received.

The County Assessor is responsible for assessment of all taxable real property within Franklin County. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Collector as the basis for issuing tax bills to all taxpayers in the County.

Grants and Contributions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

Leases

The Hospital is a lessee for noncancellable leases of buildings and equipment. The Hospital recognizes a lease liability and capital assets in the financial statements. The Hospital recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the Hospital initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Hospital determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Hospital uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Hospital generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the Hospital reasonably certain to exercise.

The Hospital monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

NOTE 2 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare

The Hospital is designated as a critical access hospital. This designation provides for most inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital's clinics are designated rural health clinics, which are also reimbursed on a cost basis methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost reports have been finalized by the Medicare fiscal intermediary through June 30, 2021.

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

Medicaid

Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. The state of Illinois has previously enacted legislation that provides for a hospital assessment program intended to qualify for federal matching funds under the Illinois Medicaid program.

Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates. In addition, the Hospital qualifies for additional payments under the state of Illinois Medicaid hospital assessment program.

Under the historical and the newly enacted assessment plan the Hospital received approximately $1,674,000 and $1,887,000 in payments for the years ended June 30, 2024 and 2023, respectively. This additional reimbursement represented approximately 6% and 7% of the Hospital's net patient revenue for the years ended June 30, 2024 and 2023, respectively. The programs are subject to future modification through legislative action, specifically related to Medicaid reform initiatives.

Other

The Hospital has also entered into payment agreements with Blue Cross and other commercial insurance carriers. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

Uninsured

For uninsured patients that do not qualify for charity care, the Hospital recognizes revenue on the basis of its standard rates for services provided. On the basis of historical experience, an increased portion of the Hospital's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Hospital records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2024 and 2023 net patient service revenue increased (decreased) approximately ($270,000) and $300,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

The following is a reconciliation of gross patient service revenue to net patient service revenue for the years ended June 30:

	2024	2023
Gross Patient Service Revenue	$ 62,931,773	$ 61,577,868
Discounts and Adjustments:		
Medicare Program	11,908,662	11,332,405
Medicaid Program	9,618,989	10,545,832
Other	12,789,186	11,445,152
Provision for Bad Debts	1,962,669	1,639,050
Total Discount and Adjustments	36,279,506	34,962,439
Net Patient Service Revenue	$ 26,652,267	$ 26,615,429

NOTE 3 ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets by the Hospital at June 30 consist of these amounts:

	2024	2023
Receivables from:		
Patients and their Insurance Carriers	$ 852,921	$ 515,932
Medicare	3,194,511	2,781,872
Medicaid	101,275	279,228
Total Patient Accounts Receivable	4,148,707	3,577,032
Less: Allowance for Uncollectible Amounts	(1,167,344)	(980,228)
Patient Accounts Receivable, Net	$ 2,981,363	$ 2,596,804

NOTE 4 CAPITAL ASSETS AND RIGHT TO USE LEASE ASSETS

The Hospital has recorded various right to use lease assets. The assets are right to use assets for leased equipment. The right to use lease assets are amortized on a straight-line basis over the term of the related leases.

NOTE 4 CAPITAL ASSETS AND RIGHT TO USE LEASE ASSETS (CONTINUED)

Capital asset and right to use asset additions, retirements, and balances for the years ended June 30 were as follows:

	Balance June 30, 2023	Additions and Transfers	Retirements	Balance June 30, 2024
Land	$ 18,401	$ -	$ -	$ 18,401
Land Improvements	318,817	-	-	318,817
Buildings and Improvements	16,326,775	258,685	-	16,585,460
Equipment	10,088,330	1,282,457	(51,276)	11,319,511
Construction in Progress	55,801	180,171	-	235,972
Total at Historical Cost	26,808,124	1,721,313	(51,276)	28,478,161
Less: Accumulated Depreciation for:				
Land Improvements	101,054	25,052	-	126,106
Buildings and Improvements	11,790,535	451,192	-	12,241,727
Equipment	7,824,514	1,133,553	51,276	9,009,343
Total Accumulated Depreciation	19,716,103	1,609,797	51,276	21,377,176
Capital Assets, Net	$ 7,092,021	$ 111,516	$ (102,552)	$ 7,100,985
Right to Use Assets	$ 1,082,765	96,371	(382,337)	$ 796,799
Less: Accumulated Amortization	767,780	180,639	(301,496)	646,923
Right of Use Assets, Net	$ 314,985	$ (84,268)	$ (80,841)	$ 149,876

	Balance June 30, 2022	Additions and Transfers	Retirements	Balance June 30, 2023
Land	$ 18,401	$ -	$ -	$ 18,401
Land Improvements	341,588	(22,771)	-	318,817
Buildings and Improvements	13,958,347	2,368,428	-	16,326,775
Equipment	9,379,906	778,430	(70,006)	10,088,330
Construction in Progress	1,125,301	(1,069,500)	-	55,801
Total at Historical Cost	24,823,543	2,054,587	(70,006)	26,808,124
Less: Accumulated Depreciation for:				
Land Improvements	98,772	2,282	-	101,054
Buildings and Improvements	11,610,959	249,582	(70,006)	11,790,535
Equipment	7,270,058	554,456	-	7,824,514
Total Accumulated Depreciation	18,979,789	806,320	(70,006)	19,716,103
Capital Assets, Net	$ 5,843,754	$ 1,248,267	$ -	$ 7,092,021
Right to Use Assets	$ 1,082,765	-	-	$ 1,082,765
Less: Accumulated Amortization	682,382	85,398	-	767,780
Right of Use Assets, Net	$ 400,383	$ (85,398)	$ -	$ 314,985

NOTE 5 DEPOSITS AND INVESTMENTS

The Illinois Public Funds Investment Act allows funds belonging to the Hospital to be invested. Fund may be invested in the following types of securities within certain limitations: United States government securities, securities backed by the full faith and credit of the United Sates, bank certificates of deposit, commercial paper, money market mutual funds, public treasurers' investment pool, and repurchase agreements. The Hospital has no investment policy that would further limit its investment choices.

The Hospital's bank balance were $4,282,817 and $5,040,561 at June 30, 2024 and 2023, respectively. As of June 30, 2024 and 2023, $250,000 of the Hospital's bank balance at each financial institution was covered by FDIC insurance, and the remaining balance of $4,032,816 and $4,790,561, respectively, was covered by an insured cash sweep deposit placement agreement.

NOTE 6 LINE OF CREDIT

The Hospital entered into a line of credit with People's National Bank, N.A. in April 2015 in the amount of $1,300,000, which was subsequently renewed annually through September 2025. The line has a variable interest rate and is secured by the Hospital's accounts receivable. The balance on the line of credit outstanding at June 30, 2024 and 2023 was approximately $176,000 and $200,000, respectively. The purpose of this line of credit is to provide liquidity to the Hospital.

NOTE 7 LONG-TERM DEBT AND RIGHT TO USE ASSET LEASE OBLIGATIONS

The following schedule summarizes the changes related to the outstanding long-term debt at June 30:

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Amounts Due Within One Year
General Obligation Debt Certificates	$ 2,310,000	$ -	$ (110,000)	$ 2,200,000	$ 110,000
Certificates Payable	163,588	-	(59,836)	103,752	61,344
Total Long-Term Debt	2,473,588	-	(169,836)	2,303,752	171,344
Right to Use Asset Lease Obligations	310,751	-	(115,330)	195,421	80,296
Total Long-Term Debt and Right to Use Asset Lease Obligations	$ 2,784,339	$ -	$ (285,166)	$ 2,499,173	$ 251,640

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Amounts Due Within One Year
USDA Bonds	$ 360,000	$ -	$ (360,000)	$ -	$ -
General Obligation Debt Certificates	2,410,000	-	(100,000)	2,310,000	110,000
Certificates Payable	221,057	-	(57,469)	163,588	59,835
Total Long-Term Debt	2,991,057	-	(517,469)	2,473,588	169,835
Right to Use Asset Lease Obligations	541,007	-	(230,256)	310,751	205,889
Total Long-Term Debt and Right to Use Asset Lease Obligations	$ 3,532,064	$ -	$ (747,725)	$ 2,784,339	$ 375,724

General Obligation Debt Certificates

The Hospital issued general obligation debt certificates in February 2019 in the amount of $2,600,000 for the purpose of refunding certain existing obligations and funding of a construction account for a capital project. The certificates will be repaid in 20 annual installments beginning July 1, 2020, ranging from $90,000 to $175,000, with an interest rate of 3.875% due in semi-annual installments.

Certificates Payable

The Hospital issued general obligation debt certificates in February 2006 in the amount of $915,000 to be repaid in 240 consecutive monthly installments with an interest rate of prime that resets every five years (3.25% at June 2024).

NOTE 7 LONG-TERM DEBT AND RIGHT TO USE ASSET LEASE OBLIGATIONS (CONTINUED)

Right to Use Asset Lease Obligations

The Hospital has entered into various long-term, noncancelable lease agreements with varying terms for certain equipment. The lease agreements qualify as other than short-term leases under GASB Statement 87 and, therefore, have been recorded as the present value of the future minimum lease payments as of the date of their inception. The lease liabilities are measured at discount rates ranging from 3.0-6.5%, as defined by the agreements, with maturities through 2027.

Future Maturities

Future maturities on long-term debt are as follows:

	Bonds and Notes Payable		Right to Use Asset Lease Obligations	
Year Ending June 30,	Principal	Interest	Principal	Interest
2025	$ 171,344	$ 88,249	$ 80,296	$ 8,049
2026	152,408	82,090	57,170	4,621
2027	115,000	75,881	24,492	2,426
2028	120,000	69,485	20,481	1,402
2029	125,000	64,325	12,982	381
2030-2034	705,000	244,706	-	-
2035-2041	915,000	98,619	-	-
Total	$ 2,303,752	$ 723,355	$ 195,421	$ 16,879

NOTE 8 EMPLOYEE RETIREMENT PLAN

The Hospital has adopted an employee retirement savings plan for its employees under provisions of Internal Revenue Code Section 457. The Plan, available to all full-time employees, allows participants to defer a portion of their salary until future years. Effective July 1, 2022 the Hospital contributes a minimum 2% contribution on behalf of employees. In addition, the Hospital matches employees' contributions up to 2% of eligible compensation. Hospital contributions to the Plan were approximately $300,000 and $311,000 for the years ended June 30, 2024 and 2023, respectively. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Pursuant to Governmental Accounting Standards Board Statement No. 32, the assets and liabilities of the Plan are not reported in the financial statements.

NOTE 9 RISK MANAGEMENT

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than worker's compensation, malpractice coverage, and employee health insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital insures against losses from professional liability claims on a claims-made basis. The limits of this coverage were $1,000,000 per occurrence and $3,000,000 in the aggregate. Management's future intention is to maintain professional liability insurance coverage. Based on the Hospital's claims experience, management has determined that the accrual for such claims is not significant to the financial statements.

NOTE 10 SELF-INSURANCE, COMMITMENTS, AND CONTINGENCIES

Self-Funded Health Insurance

Substantially all of the Hospital's employees are eligible to participate in the Hospital's health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to limits provided for in an agreement with its insurance plan administrator. At June 30, 2024 and 2023, the Hospital has a net liability of approximately $395,000 and $235,000 for unpaid claims, respectively. The Hospital has recognized approximately $2,025,000 and $2,450,000 in total employer health insurance expense for the years ended June 30, 2024 and 2023, respectively.

Litigation

In the normal course of business, the Hospital is, from time-to-time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's insurance program (discussed elsewhere in these notes), for example, allegations regarding performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Litigation based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

NOTE 10 SELF-INSURANCE, COMMITMENTS, AND CONTINGENCIES (CONTINUED)

Healthcare Legislation and Regulation

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers.

Violation of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 11 CONCENTRATION OF CREDIT RISK

Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at June 30 is:

	2024	2023
Medicare	45 %	41 %
Medicaid	14	24
Patients and Other Third-Party Payors	41	35
Total	100 %	100 %

FRANKLIN HOSPITAL DISTRICT
SCHEDULE OF INSURANCE COVERAGE (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023

		Amount of Coverage	
	Expires	Building	Contents
Fire and Extended Coverage (Cincinnati Insurance Co.):			
Building	May 22, 2025	$ 35,000,000	$ 2,400,000
Mine Subsidence	May 22, 2025	750,000	350,000
Data Processing	May 22, 2025	-	660,000
Sign	May 22, 2025	-	17,000
Property in Open (Oxygen Tanks)	May 22, 2025	-	76,000
		$ 35,750,000	$ 3,503,000
Collision, Comprehensive, and Property (Cincinnati Insurance Co.):			
Damage:			
Liability	May 22, 2025	$ -	$ 1,000,000
Uninsured Motorist		-	1,000,000
Underinsured Motorist		-	1,000,000
Personal Injury		-	1,000,000
General Liability			
Business Income (Cincinnati Insurance Co.)	May 22, 2025	-	6,000,000
Underground Storage Tank (Cincinnati Insurance Co.)	May 22, 2025	500,000	1,000,000
General Liability (Pro Assurance)	September 1, 2024	1,000,000	3,000,000
Umbrella Coverage (Pro Assurance)	September 1, 2024	-	3,000,000
Professional Liability (Pro Assurance)	September 1, 2024	1,000,000	3,000,000
Per Provider			
Workmen's Compensation Insurance			
(Illinois Compensation Trust):	1/1/2025		
Net Position:		-	1,000,000
BI Disease		-	1,000,000
Blanket Fidelity Bond - All			
Employees (Hartford Insurance Co.)	July 1, 2025	-	500,000
Illinois Notary Bond (Western Surety)	December 1, 2024	-	5,000
Directors and Officers (Cincinnati Insurance Co.)	September 24,2024	-	1,000,000
Cyber (Tokio Marine HCC)	1-Jan-25	-	1,000,000

FRANKLIN HOSPITAL DISTRICT
SCHEDULE OF PATIENTS SERVED (UNAUDITED)
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
IP Admits	127	189
Swingbed Admits	74	32
Observation Admits	481	428
IP Pt. Days	291	411
Swingbed Pt. Days	653	342
OBS Pt. Days	556	445
Self Pay Pt. Days	7	1
Total Medicare pt. Days	222	244
Total Managed Medicare pt. Days	32	85
Total Medicaid pt. Days	-	28
Total Managed Medicaid pt. Days	6	31
Total Medicare Swingbed Days	362	234
Total Managed Medicare Swingbed Days	180	101
Total Insurance Swingbed Days	167	7
Total Medicare Admits	92	124
Total Managed Medicare Admits	17	35
Total Managed Medicaid Admits	5	17
Total Medicare Discharges	94	131
Total Managed Medicare Discharges	25	35
Total Managed Medicaid Discharges	6	17
Total Medicare SB Admits	47	20
Total Managed Medicare SB Admits	24	12
Total Medicare SB Discharges	56	21
Total Manage Medicare SB Discharges	23	12
Total Inpatient Discharges	140	202
ER Visits OP	6,922	6,856
ER Visits IP	24	64
OP Visits OP	17,300	17,477
RHC	2,005	2,230
CCC	13,291	15,745
AMM	1,148	1,314
WFC	2,172	1,968
Senior Care	103	142
Coumadin Clinic	547	638
OR/OP	1	3
OR/Endoscopy	319	357
Cataracts	210	81
Totals	44,676	47,082
O/P	20,286	20,283
RHC	17,468	19,943
ER	6,922	6,856