CRAWFORD MEMORIAL HOSPITAL

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2025 AND 2024

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YEARS ENDED APRIL 30, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Crawford Memorial Hospital
Robinson, Illinois

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Crawford Memorial Hospital (the Hospital) which comprise the statements of net position as of April 30, 2025 and 2024, 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 April 30, 2025 and 2024, 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.

Management's Responsibility 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.

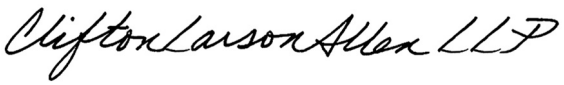
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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.

Other Matters

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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.



CliftonLarsonAllen LLP

St. Louis, Missouri
August 6, 2025

Introduction

Crawford Memorial Hospital, (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 April 30, 2025 and 2024. 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 Statements of Cash Flows

The statements 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

- Cash decreased in FY 2025 by $1,366,469 due to timing of payments made on Accounts Payable and Payroll Accruals around year end.
- Noncurrent Cash and Investment increased by $2,259,057 in FY 2025 due to improvements in market performance.
- Current liabilities decreased by $2,099,598 due to payments on Accounts Payable and Payroll Accruals around year end and Third Party Settlements.
- FY 2025 had an increase in Net Position of $6,048,954 due to operating results.
- The Hospital reported an operating income of $2,671,481 in 2025.

Net Position

The Hospital's net position is the difference between its assets and liabilities reported on the statements of net position. Net position increased by $6,048,954 9% in 2025 compared to an increase in 2024 of $5,852,989, 9%, as shown in Table 1.

Table 1: Statements of Net Position

	2025	2024	2023
Cash and Cash Equivalents	$ 6,526,481	$ 7,892,950	$ 5,346,271
Patient Accounts Receivable, Net	7,221,059	7,014,357	6,482,359
Other Current Assets	3,604,767	3,270,465	2,573,140
Current Portion of Noncurrent Cash and Investments	1,907,252	1,874,334	1,844,668
Noncurrent Cash and Investments	45,181,657	42,922,600	41,575,418
Capital, Right-to-Use Lease and SBITA Assets	38,891,223	38,338,027	38,860,434
Deferred Outflows of Resources	6,608,772	6,649,879	5,604,484
Total Assets and Deferred Outflows of Resources	$ 109,941,211	$ 107,962,612	$ 102,286,774
Current Liabilities	$ 8,710,929	$ 10,810,527	$10,125,178
Deferred Inflows of Resources	6,608,772	6,649,879	5,604,484
Bonds, Right-to-Use Lease and SBITA Obligations	19,835,237	21,764,887	23,672,782
Total Liabilities and Deferred Inflows of Resources	35,154,938	39,225,293	39,402,444
Net Position	74,786,273	68,737,319	62,884,330
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 109,941,211	$ 107,962,612	$ 102,286,774

2025 Significant Changes

The Hospital's significant changes in its assets and liabilities during 2025, as shown in Table 1:

- Cash decreased by $1,366,469 (-17%) due to a decrease in Accrued Payroll and a decrease in Accounts Payable.
- Noncurrent Cash and Investment increased by $2,259,057 in FY 2025 due to improvements in market performance.
- Net patient accounts receivable increased $206,702 (3%).
- Current Assets decreased $792,547 (-4%) while current Liabilities decreased $2,099,598 (-19%).

2024 Significant Changes

The Hospital's significant changes in its assets and liabilities during 2025, as shown in Table 1:

- Cash increased by $2,546,679 (48%) due to an increase in net patient service revenue and an increase in accounts payable.
- Noncurrent Cash and Investment increased by $1,347,182 in FY 2024 due to improvements in market values.
- Net patient accounts receivable increased $531,998 (8%).
- Current Assets increased $3,805,668 (23%) while current Liabilities increased $685,349 (7%).

Table 2: Operating Results and Changes in Net Position

	2025	2024	2023
Operating Revenues			
Net Patient Service Revenue	$ 75,956,218	$ 74,870,268	$ 67,713,426
Other Revenue	2,218,773	1,303,747	1,806,916
Total Operating Revenues	78,174,991	76,174,015	69,520,342
Operating Expenses			
Salaries, Wages, and Employee Benefits	44,110,026	40,919,644	36,891,299
Purchased Services and Professional Fees	12,662,054	12,145,656	10,865,327
Supplies and Other Expenses	13,829,151	14,809,681	13,386,764
Depreciation and Amortization	4,902,279	4,819,989	4,618,223
Total Operating Expenses	75,503,510	72,694,970	65,761,613
Operating Income	2,671,481	3,479,045	3,758,729
Nonoperating Revenues (Expenses)			
Investment Income	2,593,207	1,774,974	804,271
Provider Relief Grants	-	-	400,000
Property Taxes	1,467,895	1,341,171	1,239,246
Gain on Sale of Capital	(127,711)	(116,563)	(7,744)
Interest Expense	(555,918)	(625,640)	(674,475)
Total Nonoperating Revenues (Expenses)	3,377,473	2,373,942	1,761,298
Increase in Net Position	$ 6,048,954	$ 5,852,987	$ 5,520,027

Operating Income

The first component of the overall change in the Hospital's net position is its operating income or loss generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. The year 2025 saw an operating income of $2,671,481. In the prior two years, the Hospital has reported operating income of $3,479,045 and $3,758,729 in 2024 and 2023, respectively.

Since the Hospital receives less than 2% of its total revenue from taxes, it must over time, generate income from operations or other non-operating sources in order 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 in order to provide the necessary health care services to residents of Crawford County and surrounding areas. Likewise, the Hospital also must generate operating income or other nonoperating income in order to be able to make its payments on its significant long-term debt obligations.

2025 Operating Results

Operating results for 2025 declined by $807,564 as compared to 2024, as shown in Table 2. The Hospital had two primary components of the operating changes:

- Net Patient Revenue and Other Revenue increased $2,000,976 (3%).
- Total expense increased $2,808,540 (4%).

The Hospital expenses increased by 4% as a response to increases volumes and continued inflationary pressures in salaries and wages and purchased services.

2024 Operating Results

Operating results for 2024 declined by $279,684 as compared to 2023, as shown in Table 2. The Hospital had two primary components of the operating changes:

- Net Patient Revenue and Other Revenue increased $6,653,673 (10%).
- Total expense increased $6,933,357 (11%).

The Hospital expenses increased by 11% as a response to increases volumes and continued inflationary pressures in salaries and wages and purchased services.

Nonoperating Revenues and Expenses

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

2025 Results – Tax revenue increased $126,724 or 9%, due the increase in county tax levy, as allowed by statute. Investment income increased by $818,233 or (46%), due to increased market values of securities held. Nonoperating Revenue increased $1,003,531 (42%).

2024 Results – Tax revenue increased $101,925 or 8%, due the increase in county tax levy, as allowed by statute. Investment income increased by $970,703 or (121%), due to increased market values of securities held. Nonoperating Revenue increased $612,644 (35%).

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 April 30, 2025 and 2024, the Hospital had $38,891,223 and $38,338,027, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 5 to the financial statements.

Debt

At April 30, 2025 and 2024, the Hospital had $21,526,896 and $23,411,513, respectively, in revenue bonds, right-to-use lease and SBITA obligations outstanding.

Other Economic Factors

The health care industry continues to manage a great deal of regulatory change and uncertainty. On July 4, 2025 the One Big Beautiful Bill Act (OBBBA) was signed into law and while enactment was major, many changes in the OBBBA will roll out over months and years. The federal government will need to release regulations with additional details on tax and health care policies. The health care law changes, particularly to Medicaid, will impact states differently and states will need to decipher exactly what those impacts are and make any legislative or regulatory changes necessary. Management continues to assess what potential impacts the OBBBA may have on the Hospital, however there continues to be much uncertainty at this point in time.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, creditors, and Crawford 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 Hopsital Administration by telephoning, (618) 544-3131.

CRAWFORD MEMORIAL HOSPITAL
STATEMENTS OF NET POSITION
APRIL 30, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 6,526,481	$ 7,892,950
Current Portion of Noncurrent Cash and Investments	1,907,252	1,874,334
Patients Accounts Receivable	7,221,059	7,014,357
Property Taxes Receivable	992,097	965,706
Supplies	954,296	921,372
Prepaid Expenses and Other	1,658,374	1,383,387
Total Current Assets	19,259,559	20,052,106
NONCURRENT CASH AND INVESTMENTS		
Designated by Board of Trustees	44,312,768	42,020,793
Held by Bond Indenture	2,776,141	2,776,141
Total Investments	47,088,909	44,796,934
Less: Current Portion	(1,907,252)	(1,874,334)
Noncurrent Cash and Investments, Net of Current Portion	45,181,657	42,922,600
OTHER ASSETS		
Capital Assets, Net	38,758,908	38,139,398
Right-to-Use Lease Assets, Net of Amortization	9,530	45,148
Right-to-Use SBITA Assets, Net of Amortization	122,785	153,481
Deferred Compensation Investments	6,608,772	6,649,879
Total Other Assets	45,499,995	44,987,906
Total Assets	$ 109,941,211	$ 107,962,612

See accompanying Notes to Financial Statements.

CRAWFORD MEMORIAL HOSPITAL
STATEMENTS OF NET POSITION (CONTINUED)
APRIL 30, 2025 AND 2024

	2025	2024
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Bonds Payable	$ 1,650,000	$ 1,575,000
Current Maturities of Right-to-Use Lease Obligations	10,878	42,171
Current Maturities of Right-to-Use SBITA Obligations	30,781	29,455
Accounts Payable:		
Trade	1,599,185	2,771,038
Accrued Liabilities:		
Payroll and Related Expenses	3,399,631	4,057,187
Interest	257,252	299,334
Other Accrued Expenses	681,687	652,270
Estimated Third-Party Payor Settlements Payable	1,081,515	1,384,072
Total Current Liabilities	8,710,929	10,810,527
LONG-TERM LIABILITIES		
Bonds Payable, Less Current Maturities	19,734,331	21,622,322
Right-to-Use Lease Obligations, Less Current Portion	-	10,878
Right-to-Use SBITA Obligations, Less Current Portion	100,906	131,687
Deferred Compensation Obligations	6,608,772	6,649,879
Total Long-Term Liabilities	26,444,009	28,414,766
Total Liabilities	35,154,938	39,225,293
NET POSITION		
Net Investment in Capital Assets	17,364,327	14,926,514
Restricted by Bond Indenture	2,776,141	2,776,141
Unrestricted	54,645,805	51,034,664
Total Net Position	74,786,273	68,737,319
Total Liabilities and Net Position	$ 109,941,211	$ 107,962,612

See accompanying Notes to Financial Statements.

CRAWFORD MEMORIAL HOSPITAL
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED APRIL 30, 2025 AND 2024

	2025	2024
OPERATING REVENUES		
Net Patient Revenue	$ 75,956,218	$ 74,870,268
Other Revenue	2,218,773	1,303,747
Total Operating Revenues	78,174,991	76,174,015
OPERATING EXPENSES		
Salaries and Wages	33,690,725	32,002,115
Employee Benefits	10,419,301	8,917,529
Supplies	7,898,582	8,698,936
Purchased Services	6,021,963	5,848,582
Medical Specialist Fees	6,640,091	6,297,074
IT Expense	1,589,831	1,735,369
Repairs, Maintenance, and Utilities	2,510,389	2,409,203
Insurance Expense	727,983	828,329
Other Expenses	1,102,366	1,137,844
Depreciation and Amortization	4,902,279	4,819,989
Total Operating Expenses	75,503,510	72,694,970
OPERATING INCOME	2,671,481	3,479,045
NONOPERATING REVENUES (EXPENSES)		
Investment Income	2,593,207	1,774,974
Property Taxes	1,467,895	1,341,171
Loss on Retirement of Capital	(127,711)	(116,563)
Interest Expense	(555,918)	(625,640)
Total Nonoperating Revenues	3,377,473	2,373,942
EXCESS OF REVENUES OVER EXPENSES	6,048,954	5,852,987
Net Position - Beginning of the Year	68,737,319	62,884,332
NET POSITION - END OF THE YEAR	$ 74,786,273	$ 68,737,319

See accompanying Notes to Financial Statements.

CRAWFORD MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Patients and Third-Party Payors	$ 75,446,959	$ 74,822,935
Payments to Suppliers and Contractors	(38,360,853)	(35,978,761)
Payments to Employees	(34,348,281)	(31,385,677)
Other Receipts and Payments, Net	2,218,773	1,303,747
Net Cash Provided by Operating Activities	4,956,598	8,762,244
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
County Tax Revenue	1,441,504	1,346,216
Net Cash Provided by Noncapital Financing Activities	1,441,504	1,346,216
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds Payable	(1,575,000)	(1,525,000)
Principal Payments on Right-to-Use Lease Obligations	(42,171)	(145,161)
Principal Payments on Right-to-Use SBITA Obligations	(29,455)	(27,457)
Interest Paid on Bonds, Right-to-Use Lease and SBITA Obligations	(835,991)	(907,242)
Purchases of Capital Assets	(5,583,186)	(5,355,047)
Net Cash Used by Capital and Related Financing Activities	(8,065,803)	(7,959,907)
NET CASH PROVIDED BY INVESTING ACTIVITIES		
Change in Noncurrent Cash and Investments	(2,291,975)	(1,376,848)
Income on Investments	2,593,207	1,774,974
Net Cash Provided by Investing Activities	301,232	398,126
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,366,469)	2,546,679
Cash and Cash Equivalents - Beginning of Year	7,892,950	5,346,271
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 6,526,481	$ 7,892,950

See accompanying Notes to Financial Statements.

CRAWFORD MEMORIAL HOSPITAL
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED APRIL 30, 2025 AND 2024

	2025	2024
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ 2,671,481	$ 3,479,045
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	4,902,279	4,819,989
Increase in Current Assets:		
Patients Accounts Receivable	(206,702)	(531,998)
Other Receivables, Supplies and Prepaid Expenses	(307,911)	(702,370)
Increase (Decrease) in Current Liabilities:		
Amounts Due from/to Third-Party Payors	(302,557)	484,665
Accounts Payable	(1,171,853)	432,562
Accrued Salaries, Vacation and Other Expenses	(657,556)	616,438
Other Current Liabilities	29,417	163,913
Net Cash Provided by Operating Activities	$ 4,956,598	$ 8,762,244

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION

Organization

Crawford Memorial Hospital (the Hospital) is a 25-bed nonprofit acute care hospital which is owned and operated by the Crawford Hospital District in Crawford County, Illinois. The Hospital primarily earns revenue by providing inpatient, outpatient, emergency care and home health services to area residents. The Hospital also operates four rural health clinics in the same geographic area.

Tax-Exempt Status

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

Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles 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 and guidance from the Governmental Accounting Standards Board (GASB), where applicable.

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, which are not included in noncurrent cash and investments.

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. An estimated allowance of approximately $2,906,000 and $2,003,000 was recorded at April 30, 2025 and 2024, respectively.

Supplies

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

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

Noncurrent Cash and Investments

Noncurrent cash and investments include assets set aside by the Board of Directors (the Board) for future capital improvements, over which the Board retains control and may at its discretion subsequently use for other purposes, and assets set aside in accordance with bond indenture agreements.

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:

Land Improvements	15 to 20 Years
Buildings and Improvements	20 to 40 Years
Equipment, Computers, and Furniture	3 to 7 Years

Leases

The Hospital is a lessee for noncancellable leases for 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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ORGANIZATION (CONTINUED)

SBITAs

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The requirements of this statement provide guidance on the accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA, (2) establishes that a SBITA results in a right-to-use subscription asset, intangible asset, and a corresponding subscription liability, (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standard for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*, as amended.

Net Position

The net position of the Hospital is classified in three components. Net investment in capital assets are 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. Unrestricted net position are 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 statements 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.

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.

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

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 $2,749,000 and $4,063,000 for the years ended April 30, 2025 and 2024, respectively.

County Tax Revenue

The Hospital received property tax revenue used to support operations of approximately $930,000 and $816,000 for the years ended April 30, 2025 and 2024, respectively. The Hospital also received property tax revenue of approximately $538,000 and $525,000 to meet required debt service agreements for the years ended April 30, 2025 and 2024, respectively.

Taxes are assessed in January and are primarily received in the following December and January. Assets and revenues arising from property taxes levied for operating purposes are recognized in the year levied as those taxes are first permitted to be used in that year.

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 and provider relief grants are reported after nonoperating revenues and expenses.

Fair Value Measurements

To the extent available, the Hospital's investments are recorded at fair value. GASB Statement No. 72 – *Fair Value Measurement and Application,* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

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

Fair Value Measurements (Continued)

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent Events

In preparing these financial statements, the Hospital has evaluated events and transactions for potential recognition or disclosure through August 6, 2025, the date the financial statements were available to be issued.

The Hospital was awarded a grant from the Illinois Capital Development Board for $6,737,400. In May of 2025, the Hospital received approximately $1,000,000 of the grant funding. The grant is to be allocated for costs relating to the Hospital's Expansion Project with expected total cost of approximately $9,000,000. Expenses related to the project in 2025 were less than $1,000.

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 April 30, 2020.

Medicaid

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 assessment plan the Hospital received approximately $2,691,000 and $4,156,000 in payments for the years ended April 30, 2025 and 2024, respectively. This additional reimbursement represented approximately 4% and 6% of the Hospital's net patient revenue for the years ended 2025 and 2024. 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.

NOTE 2 NET PATIENT SERVICE REVENUE (CONTINUED)

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 change in 2025 and 2024 net patient service revenue was an increase (decrease) of approximately $53,000 and $271,000, respectively, due to prior year retroactive adjustments in excess of amounts previously estimated.

The following is a reconciliation of gross patient service revenue to net patient service revenue:

	2025	2024
Gross Patient Service Revenue	$ 181,963,451	$ 171,455,383
Discounts and Adjustments:		
Medicare Program	55,736,544	53,526,061
Medicaid Program	28,845,550	27,191,673
Other	15,686,317	13,177,978
Provision for Bad Debts	5,738,822	2,689,403
Total Discount and Adjustments	106,007,233	96,585,115
Net Patient Service Revenue	$ 75,956,218	$ 74,870,268

NOTE 3 ACCOUNTS RECEIVABLE

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

	2025	2024
Receivables From:		
Patients and Their Insurance Carriers	$ 6,875,844	$ 5,306,053
Medicare	2,408,766	2,636,084
Medicaid	842,296	1,075,475
Total Patient Accounts Receivable	10,126,906	9,017,612
Less: Allowance for Uncollectible Amounts	(2,905,847)	(2,003,255)
Patient Accounts Receivable, Net	$ 7,221,059	$ 7,014,357

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Hospital deposits may not be returned to it in full. The Hospital has a deposit policy which requires banks to collateralize deposits with securities at a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the Hospital or a disinterested third party.

The Hospital had bank balances as follows at April 30:

	2025		
Investment Type	Fair Value	Less Than 1	1 to 5
Certificates of Deposit	$ 29,269,812	$ 17,732,705	$ 11,537,107
U.S. Government and Corporate Fixed Income Investments	17,471,976	4,914,501	12,557,475
Money Markets	347,121	347,121	-
Total	$ 47,088,909	$ 22,994,327	$ 24,094,582

Investments

At April 30, 2025 and 2024, the Hospital had the following investments and maturities (in years):

	2024		
Investment Type	Fair Value	Less Than 1	1 to 5
Certificates of Deposit	$ 27,551,137	$ 11,198,900	$ 16,352,237
U.S. Government and Corporate Fixed Income Investments	16,620,616	6,482,397	10,138,219
Money Markets	571,278	571,278	-
Accrued Interest	53,903	53,903	-
Total	$ 44,796,934	$ 18,306,478	$ 26,490,456

Interest Rate Risk – Interest rate risk is the risk that the fair value of an investment will decline as the interest rate increases. Due to the Hospital's type of investments at April 30, 2025 and 2024, certificates of deposits, direct government and agency fixed income investments, interest rate risk is not significant.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Credit Risk – Credit risk is the risk that the financial counterparty will fail to meet its defined obligations. The Illinois Public Funds Investment Act allows funds belonging to the Hospital to be invested. Funds 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 does not place a limit in the amount it may invest in any one issuer.

Summary of Carrying Values

The carrying value of deposits and investments are included in the Hospital's statements of net position as of April 30 as follows:

	2025	2024
Carrying Value:		
Deposits	$ 6,526,481	$ 7,892,950
Certificates of Deposit	29,269,812	27,605,040
U.S. Government and Corporate Fixed Income Investments	17,471,976	16,620,616
Money Market	347,121	571,278
Total	$ 53,615,390	$ 52,689,884
Included in the Following Statements of Net Position:		
Cash and Cash Equivalents	$ 6,526,481	$ 7,892,950
Noncurrent Cash and Investments:		
Designated by Board of Trustees	44,312,768	42,020,793
Held by Bond Indenture	2,776,141	2,776,141
Total	$ 53,615,390	$ 52,689,884

Investment Income

Investment income consisted of the following for the years ended April 30:

	2025	2024
Interest and Dividend Income	$ 1,394,694	$ 1,101,560
Net Change in Fair Value of Investments	1,198,513	673,414
Total	$ 2,593,207	$ 1,774,974

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value of Financial Instruments

The Hospital uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. Cash and cash equivalents are stated at cost but are included in the table for comparison purposes to the balance sheet.

The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Hospital measured at fair value on a recurring basis as of April 30:

	2025	2024
Insured FDIC	$ 500,000	$ 500,000
Collateralized by Securities Held by the Pledging Financial Institution	6,026,481	7,392,950
Total	$ 6,526,481	$ 7,892,950

NOTE 5 CAPITAL, RIGHT-TO-USE LEASE AND SBITA ASSETS

Capital, right-to-use lease and SBITA asset additions, retirements, and balances are as follows for the years ended April 30:

	Balance April 30, 2024	Additions and Transfers	Retirements	Balance April 30, 2025
Capital Assets:				
Land	$ 540,645	$ -	$ -	$ 540,645
Land Improvements	2,796,845	139,929	-	2,936,774
Buildings and Improvements	68,667,076	1,693,738	(10,133)	70,350,681
Equipment	22,509,002	1,892,952	(1,582,230)	22,819,724
Construction in Progress	881,337	1,902,726	-	2,784,063
Total at Historical Cost	95,394,905	5,629,345	(1,592,363)	99,431,887
Less Accumulated Depreciation:				
Land Improvements	1,055,084	141,188	-	1,196,272
Buildings and Improvements	39,519,675	3,082,656	(10,097)	42,592,234
Equipment	16,680,748	1,642,817	(1,439,090)	16,884,473
Total Accumulated Depreciation	57,255,507	4,866,661	(1,449,187)	60,672,979
Total Capital Assets, Net	$ 38,139,398	$ 762,684	$ (143,176)	$ 38,758,908
Right-to-Use Lease Assets:	$ 371,925	$ -	$ -	$ 371,925
Less: Accumulated Amortization	326,777	35,618	-	362,395
Right-to-Use Lease Assets, Net	$ 45,148	$ (35,618)	$ -	$ 9,530
Right-to-Use SBITA Assets	$ 214,874	$ -	$ -	$ 214,874
Less: Accumulated Amortization	61,393	30,696	-	92,089
Right-to-Use SBITA Assets, Net	$ 153,481	$ (30,696)	$ -	$ 122,785

	Balance April 30, 2023	Additions and Transfers	Retirements	Balance April 30, 2024
Capital Assets:				
Land	$ 540,645	$ -	$ -	$ 540,645
Land Improvements	2,740,044	56,801	-	2,796,845
Buildings and Improvements	66,332,144	2,402,657	(67,725)	68,667,076
Equipment	20,916,526	2,211,977	(619,501)	22,509,002
Construction in Progress	1,134,204	(252,867)	-	881,337
Total at Historical Cost	91,663,563	4,418,568	(687,226)	95,394,905
Less Accumulated Depreciation:				
Land Improvements	925,909	129,175	-	1,055,084
Buildings and Improvements	36,570,784	2,953,781	(4,890)	39,519,675
Equipment	15,624,145	1,622,375	(565,773)	16,680,748
Total Accumulated Depreciation	53,120,838	4,705,331	(570,663)	57,255,507
Total Capital Assets, Net	$ 38,542,725	$ (286,763)	$ (116,563)	$ 38,139,398
Right-to-Use Lease Assets:	$ 371,925	$ -	$ -	$ 371,925
Less: Accumulated Amortization	242,816	83,961	-	326,777
Right-to-Use Lease Assets, Net	$ 129,109	$ (83,961)	$ -	$ 45,148
Right-to-Use SBITA Assets:	$ 214,874	$ -	$ -	$ 214,874
Less: Accumulated Amortization	26,275	35,118	-	61,393
Right-to-Use SBITA Assets, Net	$ 188,599	$ (35,118)	$ -	$ 153,481

NOTE 5 CAPITAL, RIGHT-TO-USE LEASE AND SBITA ASSETS (CONTINUED)

Construction in Progress

Construction in progress as of April 30, 2025 primarily represents remaining costs incurred for a MRI project which was completed in June of 2025 with a total cost of approximately $2,500,000; and approximately $1,000 towards the Expansion Project with an estimated completion cost of $9,000,000 to be funded with a $6,700,000 state grant and cash.

NOTE 6 BONDS, RIGHT-TO-USE LEASE AND SBITA OBLIGATIONS

The following schedule summarizes the changes related to bonds, right-to-use lease and SBITA obligations at April 30:

	Balance April 30, 2024	Additions	Reductions	Balance April 30, 2025	Amounts Due Within One Year
Bonds:					
2021 General Obligation Bonds	$ 10,585,000	$ -	$ (455,000)	$ 10,130,000	$ 475,000
2020 General Obligation Bonds	6,956,678	-	(575,000)	6,381,678	600,000
2019 General Obligation Bonds	4,360,000	-	(545,000)	3,815,000	575,000
Bond Premium	1,295,644	-	(237,991)	1,057,653	-
Total Bonds	$ 23,197,322	$ -	$ (1,812,991)	$ 21,384,331	$ 1,650,000
Right-to-Use Lease Obligations	$ 53,049	$ -	$ (42,171)	$ 10,878	$ 10,878
Right-to-Use SBITA Obligations	$ 161,142	$ -	$ (29,455)	$ 131,687	$ 30,781

	Balance April 30, 2023	Additions	Reductions	Balance April 30, 2024	Amounts Due Within One Year
Bonds:					
2021 General Obligation Bonds	$ 11,020,000	$ -	$ (435,000)	$ 10,585,000	$ 455,000
2020 General Obligation Bonds	7,511,678	-	(555,000)	6,956,678	575,000
2019 General Obligation Bonds	4,895,000	-	(535,000)	4,360,000	545,000
Bond Premium	1,556,912	-	(261,268)	1,295,644	-
Total Bonds	$ 24,983,590	$ -	$ (1,786,268)	$ 23,197,322	$ 1,575,000
Right-to-Use Lease Obligations	$ 198,210	$ -	$ (145,161)	$ 53,049	$ 42,171
Right-to-Use SBITA Obligations	$ 188,599	$ -	$ (27,457)	$ 161,142	$ 29,455

2021 General Obligation Hospital Refunding Bonds

The 2021 General Obligation Hospital Refunding Bonds are in the original amount of $11,440,000 dated October 28, 2021, which bear interest at 3.0% to 4.0%. The Bonds are payable in various annual installments through January 1, 2041. They are secured by the revenues of the Hospital and ad valorem taxes levied. All of the Bonds still outstanding may be redeemed, at par, on January 1, 2031, or any interest payment date thereafter. A portion of the proceeds was used to pay off the 2012 General Obligation Hospital Bonds and fund a clinic expansion.

NOTE 6 BONDS, RIGHT-TO-USE LEASE AND SBITA OBLIGATIONS (CONTINUED)

2020 General Obligation Hospital Refunding Bonds

The 2020 General Obligation Hospital Refunding Bonds are in the original amount of $9,125,000 dated March 20, 2020, which bear interest at 4.0%. The Bonds are payable in bi-annual installments through January 1, 2034. They are secured by the revenues of the Hospital and ad valorem taxes levied. All of the Bonds still outstanding may be redeemed, at par, on January 1, 2030, or any interest payment date thereafter.

2019 General Obligation Hospital Refunding Bonds

The 2019 General Obligation Hospital Refunding Bonds are in the original amount of $6,375,000 dated October 1, 2019 which bear interest at 4.0%. The Bonds are payable in bi-annual installments through January 1, 2031. They are secured by the revenues of the Hospital and ad valorem taxes levied.

Bond Premium

Certain General Obligation Bonds were issued at a premium of $2,583,038, which is presented net of accumulated amortization of $1,525,385 and $1,287,394 as of April 30, 2025 and 2024, respectively. The Bond premium is being amortized over the effective interest rate method. Amortization included in interest expense for the years ended April 30, 2025 and 2024 was $237,991 and $261,268, respectively.

Restrictive Covenants

The Hospital is subject to certain financial and non-financial covenants under the terms of their Bond Indenture. The restrictive financial covenants include minimum insurance coverage, minimum revenues available for debt service of at least 1.25 and restrictions on additional debt. Management believes they have complied with the requirements of the Bond covenants as of April 30, 2025.

Right-to-Use Asset Lease Obligations

The Hospital has entered into long-term, noncancelable lease agreements with varying terms for certain equipment and office space. 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 0.0-5.0%, as defined by the agreements, with maturities through 2026.

Right-to-Use SBITA Obligations

The Medical Center has entered into various SBITAs for finance, reporting, and health care software. The SBITAs have been recorded at the present value of the future contract payments as of the date of their inception or, for SBITAs existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at May 1, 2022. The contract liabilities are measured at discount rates of 4%, with maturities through 2029.

NOTE 6 BONDS, RIGHT-TO-USE LEASE AND SBITA OBLIGATIONS (CONTINUED)

Future Maturities

Principal and interest due on bonds, right-to-use lease and SBITA obligations are as follows:

	Bonds Payable		Lease Obligations		SBITA Obligations	
Year Ending April 30,	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 1,650,000	$ 771,750	$ 10,878	$ 237	$ 30,781	$ 4,345
2027	1,720,000	705,750	-	-	32,166	2,960
2028	1,785,000	636,950	-	-	33,614	1,513
2029	1,855,000	565,550	-	-	35,126	-
2030	1,925,000	491,350	-	-	-	-
2031-2035	6,920,000	1,427,850	-	-	-	-
2036-2040	3,660,000	513,400	-	-	-	-
2041-2045	811,678	27,250	-	-	-	-
Total	$ 20,326,678	$ 5,139,850	$ 10,878	$ 237	$ 131,687	$ 8,818

NOTE 7 EMPLOYEE RETIREMENT PLANS

457 Pension Plan

The Hospital provides a defined contribution retirement plan (the 457(b) Plan) under Section 457(b) of the IRC. The 457(b) Plan became effective on December 1, 2003. To be eligible to participate, the participant must be classified as hospital-employed physician and employees that are not certified registered nurse anesthetists. The 457(b) Plan allows eligible employees to contribute a specific percentage or dollar amount of their gross earnings on a pretax basis, subject to Internal Revenue Code limitations. There are no employer matching contributions. Employee contributions are held in a trust fund. Until paid or made available to the participant or beneficiary, all deferred amounts and investment earnings related to deferral amounts are solely the property and rights of the Hospital and are subject to claims of the Hospital's general creditors. Participants' rights under the 457(b) Plan are equal to those of a general creditor of the Hospital. As of April 30, 2025 and 2024, the 457(b) Plan assets totaled $6,608,772 and $6,649,879, respectively, and are included in other assets and in deferred compensation in the accompanying statements of financial position.

Defined Contribution Pension Plan

Effective January 1, 1991, the Hospital established a defined contribution retirement plan covering substantially all employees after completion of one year of service and 1,000 hours of service and attainment of age 21. The plan was revised on January 1, 2019 to eliminate the age requirement for eligibility and the previous Hospital 4% contribution was changed to include funded by employer discretionary contribution/match as determined by the Board of Trustees with a designated 50% match of employee contributions up to a maximum of 4%. The match is based on the employee percentage or dollar amount contribution in the 403(b) and/or the 457(b). Pension expense charged to operations during years ended April 30, 2025 and 2024 was $898,584 and $945,571, respectively.

NOTE 7 EMPLOYEE RETIREMENT PLANS (CONTINUED)

Defined Contribution Pension Plan (Continued)

Vesting of employer contributions occurs on a graduated schedule based on years of service with full vesting after six years of service. Plan provisions and contributions are established by the Crawford Memorial Hospital Board of Directors. Contributions to the plan may be directed by participants to their choice of different funds with varying levels of risk.

The Hospital also has 403(b) pension plans which also allow discretionary Hospital contributions. No Hospital contributions were made to this plan in 2025 and 2024.

NOTE 8 SELF-FUNDED 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 April 30, 2025 and 2024, the Hospital has a net liability of approximately $530,000 and $472,000 for unpaid claims, respectively. The Hospital has recognized approximately $5,972,000 and $5,337,000 in total employer health insurance expense for the years ended April 30, 2025 and 2024, respectively.

NOTE 9 340B OUTPATIENT DRUG DISCOUNT PROGRAM

The Hospital participates in the 340B outpatient drug discount program administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (HRSA). Under this program, the Hospital receives discounts on eligible purchases of outpatient pharmaceuticals. The Hospital also contracts with certain local pharmacies to assist them in providing outpatient drugs to the Hospital's patients. The Hospital purchases outpatient drugs at 340B outpatient drug discount prices to replenish those dispensed to outpatients on the Hospital's behalf. The Hospital recognized income from these contracts of $2,043,477, net of expenses of $497,555, for the year ended April 30, 2025 and income of $1,446,584, net of expenses of $705,194 for the year ended April 30, 2024.

Regulations associated with this program are complex and eligibility for the program is determined annually. Changes in 340B outpatient drug discount program regulations could have a significant impact on the operations of the Hospital.

NOTE 10 RELATED PARTIES

Foundation

Crawford Memorial Hospital Foundation (the Foundation) was established for the benefit of Crawford Memorial Hospital. The bylaws also provide that in the absence of donor restrictions, the Foundation has discretionary control over the amounts to be· distributed to the Hospital. The "unaudited" assets and net assets of the Foundation were approximately $387,000 and $367,000 for the years ended April 30, 2025 and 2024, respectively. The Foundation contributions paid to the Hospital from the Foundation were $13,000 and $500 during the years ended April 30, 2025 and 2024, respectively.

Management

The Hospital has entered into an administrative services agreement with Quorum Health Resources, LLC, which is effective through June 2029. The agreement includes the provision of certain key staff, development of business plans, group purchasing, and other consulting. The contract may be terminated by either party upon expiration or with cause by providing 30 days written notice. The total amount paid to Quorum by the Hospital for the years ended April 30, 2025 and 2024 are approximately $1,309,000 and $1,287,000, respectively, and includes administrative fees, reimbursement of director’s compensation, and other direct expenses.

NOTE 11 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 has joined together with other providers of health care services to form the Illinois Provider Trust and the Illinois Compensation Trust, two risk pools currently operating as common risk management and insurance programs for their members. The Hospital pays annual premiums to the Pools for its general liability and professional liability torts and employee injuries insurance coverage.

The Pools' governing agreements specify that the Pools will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop-loss amounts.

The Hospital purchases medical malpractice insurance under a claims-made policy from the Illinois Provider Trust (IPT). Under such a policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. The coverage per claim is $2,000,000, with no aggregate or deductible. Although the premium is fixed and not retrospectively rated, all members of the ITP are subject to additional retrospective contributions if deemed necessary by the ITP Actuary and Board of Trustees. At this time, no retrospective contributions are anticipated. Based on the Hospital's own claim experience, $30,000 was accrued as of April 30, 2025 and 2024.

NOTE 12 COMMITMENTS AND CONTINGENCIES

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.

Health Care Legislation and Regulation

The health care 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 health care providers.

Violation of these laws and regulations could result in expulsion from government health care 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 13 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 April 30 is:

	2025	2024
Medicare	36 %	37 %
Medicaid	17	22
Patients and Other Third-Party Payors	47	41
Total	100 %	100 %