MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

FINANCIAL STATEMENTS

MARCH 31, 2025 AND 2024

CPAs / ADVISORS
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MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

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MARCH 31, 2025 AND 2024

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REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

<u>Report on the Audit of the Financial Statements</u>

Opinion

We have audited the accompanying financial statements of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively the "Hospital"), component units of Massac County, which comprise the statements of net position as of March 31, 2025 and 2024, and the related statements of operations 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 respective financial position of the Hospital as of March 31, 2025 and 2024, and the respective changes in its net 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Hospital adopted Government Accounting Standards Board Statement No. 101, *Compensated Absences*, during 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

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 twelve months beyond the statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 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 generally accepted auditing standards and *Government Auditing Standards*, 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 management's discussion and analysis on pages i-xii 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 audits 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of net patient service revenue, schedules of other operating revenue, and schedules other operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The schedules of statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Blue & Co., LLC

Louisville, Kentucky
August 22, 2025

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
MARCH 31, 2025 AND 2024

Management's discussion and analysis of the financial performance of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively the "Hospital") provides an overview of the Hospital's financial activities and performance for the years ended March 31, 2025 and 2024. This discussion and analysis should be read in conjunction with the Hospital's accompanying financial statements. Management is responsible for the completeness and fairness of the financial statements and the related footnote disclosures along with this discussion and analysis.

FINANCIAL AND ORGANIZATIONAL HIGHLIGHTS

The Hospital's net position decreased $1,539,412 from 2024 to 2025 and includes a loss from operations of $2,031,251 in 2025. The Hospital's net position decreased $15,943 from 2023 to 2024 and includes a loss from operations of $1,501,850 in 2024.

During 2025, the Hospital's total operating revenue increased by 5.8% to $34,471,132 with total operating expenses increasing by 7.1% to $36,502,383. During 2024, the Hospital's total operating revenue increased by 5.6% to $32,570,331 with total operating expenses increasing by 16.9% to $34,072,181.

During the year ended March 31, 2025, the Hospital recognized the following accomplishments:

- In April 2024, we initiated a new service line of Pain Management. We have a nurse practitioner seeing patients in the Rural Health Clinic and we have a physician that comes in two days per month to do pain procedures in our hospital. This service line continues to expand with more clinic days and more procedure days being needed. Offering pain services was greatly needed in our community, especially for those with transportation issues.

- One of our service lines that continues to grow is therapy. During the 2025 fiscal year, therapy volume increased 16%. To help assist with the increase in volume, the therapy services were moved into a different location on the hospital campus which allowed more convenience for patient parking and increased space for exercise equipment and patient care rooms.

- New Beginnings, our geriatric behavioral health program, increased volume 41% during the 2025 fiscal year. This was made possible by hiring an additional licensed clinical professional counselor to help with services.

- The decision was made to move to a new insurance company for our employee benefits for the 2025 calendar year. This change was prompted by the ever-increasing benefit expenses and making it an initiative to improve those expenses.

- During 2025, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences*.

During the year ended March 31, 2024, the Hospital recognized the following accomplishments:

- The Hospital's rural health clinic added a mobile unit in order to service three additional communities. This brings nurse practitioners closer to the patients who have difficulty traveling to our current clinic locations. The Hospital is working on ways to make healthcare easy for its patients. Transportation is a big hindrance for many patients and continuing to help them is an area of emphasis.

- The Hospital moved to a new company furnishing emergency room physicians effective April 30, 2023. Its new partner, Integritas, is a local organization that loves to take care of the sick and injured with skill and compassion. They have committed providers using evidence-based medicine with dedicated medical directors and local administrative support.

- The Hospital added a hospitalists group as of May 1, 2023. Integritas is also providing this new service to the Hospital. As the hospitalists work side-by-side with our emergency providers, we receive seamless interaction between the emergency department and the inpatient unit.

- The swing bed program has dramatically grown during the 2024 fiscal year. The average daily census for swing beds increased 125% from 2023 to 2024. This is due to focused efforts on promoting the excellent service performed in our swing bed program.

- During 2024, the Hospital adopted Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-Based Information Technology Arrangements*.

FINANCIAL STATEMENTS

The financial statements of the Hospital present information about the Hospital using financial reporting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information. The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). It also provides the basis for compiling rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current and prior year's revenues and expenses are accounted for in the statements of operations and changes in net position. In addition, this statement measures the financial results of the Hospital's operations and presents revenues earned and expenses incurred, as well as provides information concerning the components of changes to net position. The statements of cash flows provide information about the Hospital's cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities, plus provide information on the sources and uses of cash during both the current and prior year.

FINANCIAL ANALYSIS

The statements of net position and statements of operations and changes in net position report information about the Hospital's activities. These two statements report the net position of the Hospital and its related changes. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population changes (including uninsured and medically indigent individuals and families), and new or changed governmental legislation should also be considered.

CONDENSED FINANCIAL INFORMATION

A summary of the Hospital's statements of net position as of March 31, 2025 and 2024 is presented below:

	2025	2024 As restated	$ Change	% Change
Assets				
Current assets	$ 30,356,495	$ 29,389,231	$ 967,264	3.3%
Capital assets, net	12,554,915	13,903,801	(1,348,886)	-9.7%
Other assets	168,072	167,713	359	0.2%
Total assets	$ 43,079,482	$ 43,460,745	$ (381,263)	-0.9%
Liabilities				
Current liabilities	$ 5,565,525	$ 4,293,929	$ 1,271,596	29.6%
Long-term liabilities	6,289,589	7,392,782	(1,103,193)	-14.9%
Total liabilities	11,855,114	11,686,711	168,403	1.4%
Deferred inflows	1,062,237	72,491	989,746	1365.3%
Total liabilities and deferred inflows	12,917,351	11,759,202	1,158,149	9.8%
Net position				
Net investment in capital assets	5,622,426	5,952,439	(330,013)	-5.5%
Restricted	339,506	337,530	1,976	0.6%
Unrestricted	24,200,199	25,411,574	(1,211,375)	-4.8%
Total net position	30,162,131	31,701,543	(1,539,412)	-4.9%
Total liabilities, deferred intflows, and net position	$ 43,079,482	$ 43,460,745	$ (381,263)	-0.9%

- Capital assets decreased by $1,348,886 from 2024 to 2025. The decrease is primarily due to accumulated depreciation increasing greater than new capital being added.

- Current liabilities increased by $1,271,596 from 2024 to 2025. The Hospital switched to a new health insurance provider, which resulted in administrative delays. Due to this, health insurance claims for January–March 2025 were accrued and were recorded under Miscellaneous Payables.

- Long-term liabilities decreased $1,103,193 from 2024 to 2025. The decrease is primarily due to payment of our bonds and a decrease in what is expected to be due on the Medicare Cost Report.

A summary of the Hospital's statements of net position as of March 31, 2024 and 2023 is presented below:

	2024 As restated	2023	$ Change	% Change
Assets				
Current assets	$ 29,389,231	$ 29,582,794	$ (193,563)	-0.7%
Capital assets, net	13,903,801	15,101,378	(1,197,577)	-7.9%
Other assets	167,713	167,360	353	0.2%
Total assets	$ 43,460,745	$ 44,851,532	$ (1,390,787)	-3.1%
Liabilities				
Current liabilities	$ 4,293,929	$ 4,426,714	$ (132,785)	-3.0%
Long-term liabilities	7,392,782	8,117,159	(724,377)	-8.9%
Total liabilities	11,686,711	12,543,873	(857,162)	-6.8%
Deferred inflows	72,491	590,173	(517,682)	-87.7%
Total liabilities and deferred inflows	11,759,202	13,134,046	(1,374,844)	-10.5%
Net position				
Controlling interest net position				
Net investment in capital assets	5,952,439	6,609,634	(657,195)	-9.9%
Restricted	337,530	337,920	(390)	-0.1%
Unrestricted	25,411,574	24,769,932	641,642	2.6%
Total net position	31,701,543	31,717,486	(15,943)	-0.1%
Total liabilities, deferred intflows, and net position	$ 43,460,745	$ 44,851,532	$ (1,390,787)	-3.1%

- Long-term liabilities decreased $563,598 from 2023 to 2024. This was primarily due to the annual principal and interest payment on the debt.

- Deferred inflows decreased $517,682 from 2023 to 2024. The decrease is primarily attributable to recognizing less dividend payments during the 2024 fiscal year.

A summary of the Hospital's statements of operations and statements of changes in net position for the years ended March 31, 2025 and 2024 is presented below:

	2025	2024 As restated	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 32,257,080	$ 30,644,916	$ 1,612,164	5.3%
Other revenue	2,214,052	1,925,415	288,637	15.0%
Total operating revenues	34,471,132	32,570,331	1,900,801	5.8%
Operating expenses				
Salaries and benefits	24,081,335	21,926,614	2,154,721	9.8%
Supplies and drugs	2,659,037	2,613,278	45,759	1.8%
Depreciation and amortization	2,192,948	2,183,275	9,673	0.4%
Other operating expenses	7,569,063	7,349,014	220,049	3.0%
Total operating expenses	36,502,383	34,072,181	2,430,202	7.1%
Income (loss) from operations	(2,031,251)	(1,501,850)	(529,401)	35.2%
Nonoperating revenues	491,839	1,485,907	(994,068)	-66.9%
Change in net position	$ (1,539,412)	$ (15,943)	$ (1,523,469)	9555.7%

A summary of the Hospital's statements of operations and statements of changes in net position for the years ended March 31, 2024 and 2023 is presented below:

	2024 As restated	2023	$ Change	% Change
Operating revenues				
Net patient service revenue	$ 30,644,916	$ 29,759,384	$ 885,532	3.0%
Other revenue	1,925,415	1,086,878	838,537	77.2%
Total operating revenues	32,570,331	30,846,262	1,724,069	5.6%
Operating expenses				
Salaries and benefits	21,926,614	17,757,089	4,169,525	23.5%
Supplies and drugs	2,613,278	2,363,209	250,069	10.6%
Depreciation and amortization	2,183,275	2,054,911	128,364	6.2%
Other operating expenses	7,349,014	6,956,046	392,968	5.6%
Total operating expenses	34,072,181	29,131,255	4,940,926	17.0%
Income (loss) from operations	(1,501,850)	1,715,007	(3,216,857)	187.6%
Nonoperating revenues	1,485,907	2,539,044	(1,053,137)	-41.5%
Change in net position	$ (15,943)	$ 4,254,051	$ (4,269,994)	-100.4%

FINANCIAL ANALYSIS – CASH FLOWS

The Hospital's cash flows increased $1,546,503 during 2025. The increase in cash was due to multiple reasons. One main increase was due to the receipt of payment from Medicare for the 2024 cost report and 2025 rate review. There was also a receipt of funds for the sale of a portion of our investment in the Orthopedic Institute Surgery Center (OISC). Prior to the sale Massac Memorial Hospital owned 34.4% of the OISC. In April 2024, Massac's shares were purchased down to 30%, resulting in a one-time $1M cash deposit. The transaction occurred because the physician owners moved to become employed by a neighboring hospital and a portion of the agreement was that this neighboring hospital would become a part owner in the OISC as well. These increases in cash have been offset by a continued investment in our employees salaries that continue to increase in order to stay within market and be competitive.

SOURCES OF REVENUE

The Hospital derives the majority of its revenue from charges for patient care and related services. The Hospital's revenues depend upon inpatient occupancy levels, related ancillary services, and outpatient procedures as ordered by physicians. The Hospital's gross charges typically do not reflect what is actually paid. The Hospital is reimbursed for services from a variety of sources including the Medicare and Medicaid programs, insurance carriers, managed care plans, and patients. The Hospital has established payment arrangements with Medicare, Medicaid, and various commercial insurance carriers. Services provided under those arrangements are paid at predetermined rates and/or reimbursable cost as defined. Provisions have been made in the financial statements for contractual adjustments representing the difference between the standard charges for services and the actual or estimated payment.

The Hospital receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. In 2025, inpatient revenues from the Medicare and Medicaid programs were 94.8% of total gross inpatient revenues, up from 94.5% in 2024. Outpatient revenues from the Medicare and Medicaid programs decreased from 78.9% of total gross outpatient revenues in 2024 to 77.0% during 2025.

In 2024, inpatient revenues from the Medicare and Medicaid programs were 94.5% of total gross inpatient revenues, up from 92.3% in 2023. Outpatient revenues from the Medicare and Medicaid programs increased from 77.6% of total gross outpatient revenues in 2023 to 78.9% during 2024.

The table below presents the percentages of gross revenues for patient services, by payor, for the years ended March 31, 2025, 2024, and 2023:

	2025		
	Inpatient	**Outpatient**	**Combined**
Medicare	91.3	49.0 %	50.5 %
Medicaid	3.5	28.0	27.4
Blue Cross	2.3	9.7	9.2
Other third-party payors	2.5	10.0	9.5
Self pay	0.4	3.3	3.4
Total	100.0 %	100.0 %	100.0 %

	2024		
	Inpatient	**Outpatient**	**Combined**
Medicare	86.1 %	47.7 %	50.1 %
Medicaid	8.4	31.2	29.7
Blue Cross	1.1	9.3	8.8
Other third-party payors	4.1	8.6	8.3
Self pay	0.3	3.2	3.1
Total	100.0 %	100.0 %	100.0 %

	2023		
	Inpatient	**Outpatient**	**Combined**
Medicare	85.9 %	43.4 %	47.7 %
Medicaid	6.4	34.2	31.4
Blue Cross	4.4	9.6	9.0
Other third-party payors	2.9	10.0	9.3
Self pay	0.4	2.8	2.6
Total	100.0 %	100.0 %	100.0 %

OPERATING AND FINANCIAL PERFORMANCE

The Hospital's overall operating performance decreased in 2025 when compared to 2024, with loss from operations increasing by $529,401, from loss from operations of $1,501,850 in 2024 to a loss from operations of $2,031,251 in 2025. In addition, the change in net position in 2025 was ($1,539,412) compared with ($15,943) in 2024.

The Hospital's overall operating performance decreased in 2024 when compared to 2023, with income (loss) from operations decreasing by $3,202,870, from income from operations of $1,701,020 in 2023 to a loss from operations of $1,501,850 in 2024. In addition, the change in net position in 2024 was ($15,943) compared with $4,258,357 in 2023.

A discussion of the highlights of 2025 operations and changes in activity is presented below:

<u>Revenues</u>

The Hospital's net patient service revenue increased by $1,612,164 in 2025. Highlights of this change are as follows:

- Price increases were put into effect April 1, 2024. These in turn allow an increase in net patient service revenue on those payers that pay based on a percent of charge.

- Increases in the following outpatient statistics also led to an increase in net patient service revenue: radiology, ambulance runs, therapies, geriatric behavioral health, sleep lab, outpatient infusions, and wound care.

<u>Expenses</u>

Total operating expenses increased by $2,430,202 in 2025. Highlights of this change are as follows:

- Salaries and wages increased $819,158 in 2025, or 5.7%. This was primarily due to a continued effort to make sure we stay competitive with market salaries in order to find and retain staff. A few new positions were also hired throughout the year as services grew.

- Employee benefits and payroll taxes increased $1,335,563 in 2025, or 17.6%. The employee benefits increase was primarily due to health insurance claims being greater than anticipated for the employees. We had many participants on the plan hitting stop loss limits.

- Professional medical fees increased $66K which was due to the reference lab being used more than prior year. There was also a price increase in our ER physician fees for the year. Repairs and maintenance increased $64K over the prior year due to an ambulance needing a new engine and repairs. Also, our service agreement costs increased on equipment in the lab department.

A discussion of the highlights of 2024 operations and changes in activity is presented below:

Revenues

The Hospital's net patient service revenue increased by $887,429 in 2024. Highlights of this change are as follows:

- Price increases were put into effect April 1, 2023. These in turn allow an increase in net patient service revenue on those payers that pay based on a percent of charge.

- Increases in the following outpatient statistics also led to an increase in net patient service revenue: clinic visits, lab tests, therapies, outpatient infusions, and wound care.

Expenses

Total operating expenses increased by $4,926,939 in 2024. Highlights of this change are as follows:

- Salaries and wages increased $2,203,506 in 2024, or 18.15%. This was primarily due to a continued effort to make sure we stay competitive with market salaries in order to find and retain staff. A few new positions were also hired throughout the year as services grew.

- Employee benefits and payroll taxes increased $1,966,019 in 2024, or 34.99%. The employee benefits increase was primarily due to health insurance claims being greater than anticipated for the employees. We had many participants on the plan hitting stop loss limits.

- Drugs and medical supplies increased $260,315, or 14.71%. The increase was primarily due to an increase in lab supplies and pharmacy drugs. Increases in lab volume, as well as, rate increases in most every supply costs, especially drugs caused an increase in overall supply expenses.

- Purchased services increased $219,762, or 6.76%. The increase was due to an increase in emergency room physician costs as the hospital invested in a new emergency room physician group. We also began a hospitalists program, which required an increase in purchased services expense due to having Integritas managing those providers and services.

Capital Assets

A summary of the Hospital's capital assets for the years ended March 31, 2025 and 2024 is presented below:

	2025	2024	$Change	%Change
Land and land improvements	$ 1,398,642	$ 1,398,642	$ -0-	0.0%
Buildings and improvements	22,371,937	22,357,176	14,761	0.1%
Furniture and equipment	12,115,340	11,582,416	532,924	4.6%
Intangible right-to-use assets	3,113,128	2,951,640	161,488	5.5%
Construction in progress	3,944	3,944	-0-	0.0%
	39,002,991	38,293,818	709,173	1.9%
Less accumulated depreciation and amortization	26,448,076	24,390,017	2,058,059	8.4%
Capital assets, net	$ 12,554,915	$ 13,903,801	$ (1,348,886)	-9.7%

- During 2025, the Hospital made the following significant capital acquisitions and improvements:
  - The largest purchase for the fiscal year was an ambulance.
  - A C-arm and radiofrequency generator was required due to the new service line of pain management being added to the Hospital. Due to the nature of the procedures these pieces of equipment are required for a number of the pain procedures.
  - In order to stay current with technology, the Hospital annually invests in computer bulk-buys so that our staff will always have reliable technology. This becomes even more important as technology constantly continues to change.

A summary of the Hospital's capital assets for the years ended March 31, 2024 and 2023 is presented below:

	2024	2023	$Change	%Change
Land and land improvements	$ 1,398,642	$ 1,382,458	$ 16,184	1.2%
Buildings and improvements	22,357,176	22,330,254	26,922	0.1%
Equipment	11,582,416	11,369,011	213,405	1.9%
Intangible right-to-use assets	2,951,640	2,517,129	434,511	17.3%
Construction in progress	3,944	43,804	(39,860)	-91.0%
	38,293,818	37,642,656	651,162	1.7%
Less accumulated depreciation and amortization	24,390,017	22,541,278	1,848,739	8.2%
Capital assets, net	$ 13,903,801	$ 15,101,378	$ (1,197,577)	-7.9%

- During 2024, the Hospital made the following significant capital acquisitions and improvements:
    - The largest change in capital was due to multiple new copier leases in the current year, as well as the lease of a new scope for medical procedures.
    - The Hospital invested in a new emergency room base radio, as well as emergency medical service radios. These upgrades allow emergency teams to have up-to-date technology to assure reliance on communication during emergencies.
    - In order to stay current with technology, the Hospital annually invests in computer bulk-buys so that our staff will always have reliable technology. This becomes even more important as technology constantly continues to change.

Long-Term Debt and Intangible Right-of-Use Lease Liabilities

At March 31, 2025, the Hospital had long-term debt (including current portion) of $6,932,489, an decrease of $1,018,873, compared to $7,951,362 at March 31, 2024. This is comprised mainly of outstanding revenue bonds as well as various right-to-use lease liabilities.

At March 31, 2024, the Hospital had long-term debt (including current portion) of $7,951,362, a decrease of $540,382 , compared to $8,491,744 at March 31, 2023. This is comprised mainly of outstanding revenue bonds as well as various right-to-use lease liabilities.

FUTURE OUTLOOK AND 2026 BUDGET

The Hospital's Board and management considered many factors when establishing the 2026 budget, including the status of the economy and other market factors such as:

- Hospital industry operating margins will continue to be under significant pressure due to changes in payor mix away from commercial and towards government payers.

- Continued increases in operating expenses in excess of payment increases, specifically from the Medicare and Medicaid programs.

The ongoing challenge facing the Hospital is to continue providing high quality patient care, and maintaining reasonable rates for the services it provides, while at the same time managing the growing costs of providing these services. The most significant cost factor affecting the Hospital, and the healthcare industry in general, is the increase in labor costs and benefits. Part of management's challenge in controlling these costs is to look for opportunities to increase staff productivity and efficiency, while at the same time enhancing patient care. The Hospital expects to increase prices again in 2026.

As part of the annual planning process, Hospital goals and objectives are established as areas of focus for the upcoming year. For fiscal year 2026 some of these areas include:

- Growing service lines are an important initiative for revenue at the hospital. In the 2026 fiscal year an increase was budgeted for the physical, occupational and speech therapy volumes. During the 2025 fiscal year, the therapy department moved to a different location in order to accommodate an increase in volume.

- The Hospital continues to put an emphasis on our new pain management program as we continue to add days to see patients in our clinic and on procedure days.

- One of the main goals of the Hospital has been to grow our providers and services by hiring primary care physicians. The budget was built to include a partial year of a new physician in regards to additional revenue, both in the clinic and in the ancillary areas. These goals have been fulfilled and should meet or exceed budget this year.

CONTACTING THE HOSPITAL

This report is designed to provide local citizens, customers, and creditors with a general overview of the Hospital's finances. These financial statements include the activities of Massac Memorial Hospital, and its affiliated organization, Massac Memorial Hospital Foundation. If you have questions about this report or need additional information, contact Lynn Goines, Chief Financial Officer, at (618) 524-2176 ext 2296.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF NET POSITION
MARCH 31, 2025 AND 2024

ASSETS

	2025	2024 As restated
Current assets		
Cash and cash equivalents	$ 25,955,242	$ 24,411,074
Investments	79,420	75,869
Patient accounts receivable, net of estimated uncollectibles of $1,984,891 in 2025 and $1,894,503 in 2024	2,760,277	2,838,030
Inventories	297,767	303,080
Prepaid expenses and other current assets	915,893	630,177
Estimated third-party payor settlements	8,390	793,471
Assets whose use is limited, current portion	339,506	337,530
Total current assets	30,356,495	29,389,231
Assets whose use is limited, net of current portion	143,072	142,713
Capital assets, net	12,554,915	13,903,801
Other assets	25,000	25,000
Total assets	$ 43,079,482	$ 43,460,745

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF NET POSITION
MARCH 31, 2025 AND 2024

LIABILITIES AND NET POSITION

	2025	2024 As restated
Current liabilities		
Accounts payable	$ 1,253,940	$ 941,751
Accrued personnel costs	2,985,776	2,108,675
Accrued expenses	102,449	104,463
Current portion of intangible right-of-use lease and subscription-based information technology agreements	558,360	494,040
Current portion of long-term debt	665,000	645,000
Total current liabilities	5,565,525	4,293,929
Long-term liabilities		
Refundable advances, net of current portion	580,460	580,460
Intangible right-of-use lease and subscription-based information technology agreements, net of current portion	1,314,129	1,752,322
Long-term debt, net of current portion	4,395,000	5,060,000
Total long-term liabilities	6,289,589	7,392,782
Total liabilities	11,855,114	11,686,711
Deferred inflows	1,062,237	72,491
Total liabilities and deferred inflows	12,917,351	11,759,202
Net position		
Net investment in capital assets	5,622,426	5,952,439
Restricted for debt service	339,506	337,530
Unrestricted	24,200,199	25,411,574
Total net position	30,162,131	31,701,543
Total liabilities, deferred inflows, and net position	$ 43,079,482	$ 43,460,745

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF OPERATIONS AND CHANGES IN NET POSITION
YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024 As restated
Operating revenues		
Net patient service revenue	$ 32,257,080	$ 30,644,916
Pharmacy 340B revenue, net	864,439	784,996
Other operating revenue	1,349,613	1,140,419
Total operating revenues	34,471,132	32,570,331
Operating expenses		
Salaries and wages	15,160,955	14,341,797
Employee benefits and payroll taxes	8,920,380	7,584,817
Professional medical fees	2,254,906	2,188,715
Drugs and medical supplies	2,064,675	2,029,980
Other supplies	594,362	583,298
Purchased services	3,496,081	3,470,261
Utilities	581,787	578,947
Insurance	431,658	432,744
Repairs and maintenance	444,893	380,474
Depreciation and amortization	2,192,948	2,183,275
Other operating expenses	359,738	297,873
Total operating expenses	36,502,383	34,072,181
Income (loss) from operations	(2,031,251)	(1,501,850)
Nonoperating revenues (expenses)	491,839	1,485,907
Change in net position	(1,539,412)	(15,943)
Net position, beginning of year	31,701,543	31,717,486
Net position, end of year	$ 30,162,131	$ 31,701,543

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024 As restated
Operating activities		
Cash received for patient services	$ 33,119,914	$ 28,562,549
Cash paid to/for employees	(22,214,488)	(21,776,837)
Cash paid to vendors and suppliers	(10,166,753)	(9,370,973)
Other receipts, net	2,214,052	1,925,415
Net cash flows from operating activities	2,952,725	(659,846)
Noncapital financing activities		
Change in refundable advances	-0-	(1,085,637)
Grant revenue	60,000	47,028
Net cash flows from noncapital financing activities	60,000	(1,038,609)
Capital and related financing activities		
Principal payments on intangible right-to-use lease liabilities and subscription-based information technology arrangements	(535,361)	(453,434)
Principal payments on long-term debt	(645,000)	(625,000)
Interest paid for long-term debt	(279,006)	(289,520)
Purchases of capital assets	(727,950)	(416,071)
Proceeds from sale of capital assets	22,500	2,000
(Gain) loss on disposal of capital assets	(8,699)	(2,000)
Ad valorem tax	239,330	296,315
Net cash flows from capital and related financing activities	(1,934,186)	(1,487,710)
Investing activities		
Investment income	344,999	1,285,429
Other nonoperating revenues (expenses)	126,516	146,655
Change in investments	(3,551)	(75,869)
Net cash flows from investing activities	467,964	1,356,215
Net change in cash and cash equivalents	1,546,503	(1,829,950)
Cash and cash equivalents, beginning of year	24,891,317	26,721,267
Cash and cash equivalents, end of year	$ 26,437,820	$ 24,891,317
Reconciliation of cash and cash equivalents to the statements of net position		
Cash and cash equivalents in current assets	$ 25,955,242	$ 24,411,074
Cash and cash equivalents in assets whose use is limited	482,578	480,243
Total cash and cash equivalents	$ 26,437,820	$ 24,891,317

See accompanying notes to financial statements.

MASSAC MEMORIAL HOSPITAL
AND AFFILIATED ORGANIZATION

STATEMENTS OF CASH FLOWS
YEARS ENDED MARCH 31, 2025 AND 2024

	2025	2024 As restated
Reconciliation of income from operations to net cash flows from operating activities		
Income (loss) from operations	$ (2,031,251)	$ (1,501,850)
Adjustments to reconcile income (loss) from operations to net cash flows from operating activities		
Depreciation and amortization	2,192,948	2,183,275
Provision for bad debts	2,314,643	2,227,358
Changes in operating assets and liabilities		
Patient accounts receivable	(2,236,890)	(3,101,198)
Inventories	5,313	(29,355)
Prepaid expenses and other current assets	(285,716)	135,795
Accounts payable	343,764	490,161
Accrued personnel costs	877,101	667,459
Accrued expenses	(2,014)	(5,282)
Estimated third-party payor settlements	785,081	(1,208,527)
Deferred inflows	989,746	(517,682)
Net cash flows from operating activities	$ 2,952,725	$ (659,846)
Supplemental disclosures of noncash operating and capital and related financing activities		
Property and equipment acquired included in accounts payable	$ -0-	$ 31,575
Property and equipment acquired under intangible right-of-use lease liabilities and software-based information technology agreements	$ 161,488	$ 538,052

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Massac County Hospital District d/b/a Massac Memorial Hospital ("MMH") is 25-bed acute care facility based in Metropolis, Illinois. MMH is a component unit of Massac County, Illinois. MMH's primary source of revenues are from providing inpatient, outpatient, and emergency care services to patients in the region.

Massac Memorial Hospital Foundation (the "Foundation") is a not-for-profit corporation organized exclusively to provide financial support to MMH to provide medical care to its patients, and the community.

The significant accounting policies followed by MMH and the Foundation (collectively, the "Hospital") in the preparation of the financial statements are summarized below:

Reporting Entity

The accompanying financial statements include the accounts of MMH and the Foundation. MMH's board of directors is appointed by the Massac County Board of Commissioners. Therefore, a financial benefit/burden relationship exists between MMH and the Massac County government. For these reasons, the Hospital is considered a component unit of Massac County. Similarly, the Foundation is considered a blended component unit of the Hospital. All material intercompany transactions and balances have been eliminated.

Financial Statement Presentation

The Governmental Accounting Standards Board ("GASB") is the independent, private-sector organization that establishes accounting and financial reporting standards for U.S. state and local governments that follow accounting principles generally accepted in the United States of America ("GAAP"). The Hospital follows GASB accounting and financial reporting standards in the preparation of their financial statements.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Management's Estimates

Management uses estimates and assumptions in preparing the financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, if any, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Risk Management

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

Cash and Cash Equivalents

Cash and cash equivalents include petty cash and other cash on hand, checking accounts, and savings accounts that are readily available for use and other investments in highly liquid assets with original maturity dates of 90 days or less excluding amounts reported in assets whose use is limited.

Patient Accounts Receivable and Net Patient Service Revenue

The Hospital recognizes net patient service revenues on the accrual basis of accounting in the reporting period in which services are performed based on the current gross charge structure, less actual adjustments and estimated discounts for contractual allowances, principally for patients covered by Medicare, Medicaid, managed care, and other health plans. Gross patient service revenue is recorded in the accounting records using the established rates for the types of service provided to the patient. The Hospital recognizes an estimated contractual allowance to reduce gross patient charges to the estimated net realizable amount for service rendered based upon previously agreed-to rates with a payor. The Hospital utilizes the patient accounting system to calculate contractual allowances on a payor-by-payor basis based on the rates in effect for each primary third-party payor. Another factor that is considered and could further influence the level of the contractual reserve includes the status of accounts receivable balances as inpatient or outpatient. The Hospital's management continually reviews the contractual estimation process to consider and incorporate updated laws and regulations and the frequent changes in managed care contractual terms that result from contract negotiations and renewals.

Payors include federal and state agencies, including Medicare and Medicaid, managed care health plans, commercial insurance companies, and patients. These third-party payors provide payments to the Hospital at amounts different from its established rates based on negotiated reimbursement agreements. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and fee schedule payments. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Allowance for Doubtful Accounts

Accounts receivable are reduced by an allowance for doubtful accounts based on the Hospital's evaluation of its major payor sources of revenue, the aging of the accounts, historical losses, current economic conditions, and other factors unique to the service area and the healthcare industry. Management regularly reviews data about the major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party payor coverage, the Hospital analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulty that make the realization of amounts due unlikely). For receivables associated with self-pay payments, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Hospital records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts. The March 31, 2025 and 2024 allowance for doubtful accounts balances were comprised of the following:

	2025	2024
Reserve for third-party payor balances	$ 672,412	$ 838,863
Reserve for self-pay balances	1,312,479	1,055,640
Total allowance for doubtful accounts	$ 1,984,891	$ 1,894,503

Inventories

Inventories consist of medical supplies, pharmaceuticals, and office supplies and are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out ("FIFO") method.

Investments and Assets Whose Use Is Limited

Assets whose use is limited are required for obligations classified as current liabilities are reported in current assets. Assets whose use is limited are comprised of cash and cash equivalents. Cash and cash equivalents are stated at cost, which approximates fair value and are registered in the Hospital's name. Assets whose use is limited include assets required to be set aside under a debt agreement to fund debt service obligations due within the year, and assets internally board-designated.

Investments are comprised of certificates of deposit. Certificates of deposit are stated at cost, which approximates fair value and are registered in the Hospital's name. Investment income, including interest, and dividends, is included in nonoperating revenues when earned.

Capital Assets

The Hospital's capital assets are reported at historical cost and include expenditures for additions and repairs which substantially increase the useful lives of capital assets. Maintenance, repairs, and minor improvements are expensed as incurred. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land and construction in progress are depreciated using the straight-line method of depreciation over their estimated useful lives based upon the American Hospital Association Guide for Estimated Useful Lives for Fixed Assets.

Cost of Borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets, if any, are expensed in the period in which they were incurred.

Classification of Net Position

The net position of the Hospital is classified into three components. (1) *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) *Restricted expendable net position*, if any, is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital, including amounts deposited with trustees as required by revenue bond indentures, if applicable. (3) *Unrestricted net position* is the remaining net position that does not meet the definition of *net invested in capital assets* or *restricted*. When both restricted and unrestricted resources are available for use, the Hospital's policy is to use restricted resources first, then unrestricted resources as they are needed.

Statements of Operations and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as revenues and expenses. Peripheral and incidental transactions are reported as nonoperating revenues (expenses). Nonoperating revenues (expenses) which are excluded from income from operations include investment income, interest expense, and contribution income.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs charged to operations were $49,823 and $21,142 for the years ended March 31, 2025 and 2024, respectively.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are reported as reductions of gross patient service revenue.

Income Taxes

MMH and the Foundation have been granted exemption from taxation as a not-for-profit organization under Section 115 of the Internal Revenue Code ("IRC"), which excludes income derived from the exercise of any essential government function and accruing to a state or any political subdivision thereof, from gross income. The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the IRC. Therefore, no provision for federal income taxes has been provided in the statements of operations and changes in net position. However, the Foundation is required to file a Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability if the Hospital has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken, and has concluded that as of March 31, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Hospital is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Grants and Contributions

From time to time, the Hospital receives grants as well as 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 nonoperating revenues.

Reclassifications

Certain reclassifications have been made to the 2024 financial statements to correspond to the current year presentation. Total net position and change in net position are unchanged due to these reclassifications.

Subsequent Events

The Hospital has evaluated events or transactions occurring subsequent to the date of the financial statements for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued, which is August 22, 2025.

2. CHANGE IN ACCOUNTING PRINCIPLE

On April 1, 2024, the Hospital adopted GASB Statement No. 101, *Compensated Absences* (GASB 101), which requires that liabilities for compensated absences be recognized for leave earned that has not been used and leave that has been used but not yet paid in cash or settled through noncash means. The following tables outline the proper period adjustments necessary to adopt this standard:

	As Previously Stated March 31, 2024	Cumulative-Effect Adjustment for GASB 101	As restated March 31, 2024
Statements of net position			
Accrued personnel costs	$ 1,808,927	$ 299,748	$ 2,108,675
Net position	32,001,291	(299,748)	31,701,543
	$ 33,810,218	$ -0-	$ 33,810,218

	As Previously Stated March 31, 2024	Cumulative-Effect Adjustment for GASB 101	As restated March 31, 2024
Statement of Operations			
Employee benefits and payroll taxes	$ 7,285,069	$ 299,748	$ 7,584,817
	$ 7,285,069	$ 299,748	$ 7,584,817

	As Previously Stated March 31, 2024	Cumulative-Effect Adjustment for GASB 101	As restated March 31, 2024
Statement of cash flows			
Operating activities (direct method)			
Cash paid to/for employees	$ (21,776,837)	$ -0-	$ (21,776,837)
Operating activities (indirect method)			
Income from operations	7,285,069	299,748	7,584,817

3. BANK DEPOSITS

Deposits and investments are comprised of the following at March 31, 2025 and 2024:

		2025		2024
Carrying amount				
Cash and cash equivalents	$	26,437,820	$	24,891,317
Certificates of deposit		79,420		75,869
Total	$	26,517,240	$	24,967,186

		2025		2024
Included in the statement of net position captions:				
Cash and cash equivalents	$	25,955,242	$	24,411,074
Investments		79,420		75,869
Assets whose use is limited		482,578		480,243
Total	$	26,517,240	$	24,967,186

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital does not have a deposit policy for custodial credit risk. Deposits with financial institutions are insured by the Federal Depository Insurance Corporation ("FDIC") up to FDIC limits. This includes any deposit accounts issued or offered by a qualifying financial institution.

As of March 31, 2025 and 2024, the Hospital's bank balances were exposed to custodial credit risk as follows:

		2025		2024
Cash and cash equivalents	$	26,828,506	$	25,140,054
Less: FDIC coverage (insured amounts)		250,000		250,000
Less: Collateralized with pledged securities held in the Hospital's name		26,576,445		24,888,102
Total uninsured and uncollateralized		2,061		1,952
Less: Petty cash		2,061		1,952
	$	-0-	$	-0-

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Hospital's investment policy is in compliance with state statutes on the investment of public monies, and authorizes the Chief Financial Officer to invest according to the schedule below. The schedule below also represents the Hospital's investment policy, which addresses interest rate risk.

Authorized Investment Type	Maximum Maturity	Permitted Range of Portfolio	Maximum Investment In One Issuer	Maximum Investment Amount	Minimum Investment Amount
U.S. Teasury obligations	397 days	None	None	None	None
Certificates of deposit	397 days	None	None	None	None
State of Illinois Pulic Treasurers' Investment Pool	397 days	None	None	None	None

Credit Risk – Investments

Credit risk is the risk that, in the event of a failure of a financial institution, the Hospital would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Certificates of deposits are monitored to ensure that no more than $250,000 may be invested with any bank or financial institution and are Federally Insured to $250,000. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The Hospital's investment policy is to diversify investments so as to provide a balance that will enhance total return, while avoiding undue risk of concentration in any single asset class or investment category. This is achieved by diversifying the Hospital's investment portfolio between market capitalization, market sectors, geographical regions, and investment styles.

4. PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets at March 31, 2025 and 2024, consist of the following:

	2025	2024
Medicare	$ 2,119,590	$ 2,523,725
Medicaid	1,222,017	1,751,768
Blue Cross	245,251	345,147
Other third-party payors	1,432,776	1,092,511
Self pay	1,721,064	1,374,775
Total patient accounts receivable	6,740,698	7,087,926
Less allowance for contractual discounts	1,995,530	2,355,393
Less allowance for uncollectible amounts	1,984,891	1,894,503
Patient accounts receivable, net	$ 2,760,277	$ 2,838,030

5. CAPITAL ASSETS

Capital asset activity for the years ended March 31, 2025 and 2024, was as follows:

	2025			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Non-depreciable capital assets				
Land	$ 237,159	$ -0-	$ -0-	$ 237,159
Construction in progress	3,944	-0-	-0-	3,944
Total non-depreciable capital assets	241,103	-0-	-0-	241,103
Depreciable capital assets				
Land improvements	1,161,483	-0-	-0-	1,161,483
Buildings and leasehold improvements	22,357,176	42,436	(27,675)	22,371,937
Furniture and equipment	11,582,416	653,939	(121,015)	12,115,340
Total depreciable capital assets	35,101,075	696,375	(148,690)	35,648,760
Less accumulated depreciation for				
Land improvements	(1,100,491)	(7,850)	-0-	(1,108,341)
Buildings and leasehold improvements	(13,549,247)	(849,090)	14,990	(14,383,347)
Furniture and equipment	(8,990,584)	(773,406)	119,899	(9,644,091)
Total accumulated depreciation	(23,640,322)	(1,630,346)	134,889	(25,135,779)
Total depreciable capital assets, net	11,460,753	(933,971)	(13,801)	10,512,981

Intangible right-to-use assets				
Equipment	2,550,555	-0-	-0-	2,550,555
SBITA	401,085	161,488	-0-	562,573
Total intangible right-to-use assets	2,951,640	161,488	-0-	3,113,128
Less accumulated amortization for				
Equipment	(630,934)	(414,942)	-0-	(1,045,876)
SBITA	(118,761)	(147,660)	-0-	(266,421)
Total accumulated amortization	(749,695)	(562,602)	-0-	(1,312,297)
Total intangible right-to-use assets, net	2,201,945	(401,114)	-0-	1,800,831
Capital assets, net	$ 13,903,801	$ (1,335,085)	$ (13,801)	$ 12,554,915

	2024			
	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Non-depreciable capital assets				
Land	$ 237,159	$ -0-	$ -0-	$ 237,159
Construction in progress	43,804	3,944	(43,804)	3,944
Total non-depreciable capital assets	280,963	3,944	(43,804)	241,103
Depreciable capital assets				
Land improvements	1,145,299	16,184	-0-	1,161,483
Buildings and leasehold improvements	22,330,254	26,922	-0-	22,357,176
Furniture and equipment	11,369,011	400,596	(187,191)	11,582,416
Total depreciable capital assets	34,844,564	443,702	(187,191)	35,101,075
Less accumulated depreciation for				
Land improvements	(1,065,671)	(34,820)	-0-	(1,100,491)
Buildings and improvements	(12,608,635)	(940,612)	-0-	(13,549,247)
Furniture and equipment	(8,498,270)	(732,386)	240,072	(8,990,584)
Total accumulated depreciation	(22,172,576)	(1,707,818)	240,072	(23,640,322)
Total depreciable capital assets, net	12,671,988	(1,264,116)	52,881	11,460,753
Intangible right-to-use assets				
Equipment	2,252,945	401,151	(103,541)	2,550,555
SBITA	264,184	136,901	-0-	401,085
Total intangible right-to-use assets	2,517,129	538,052	(103,541)	2,951,640
Less accumulated amortization for				
Equipment	(313,507)	(411,891)	94,464	(630,934)
SBITA	(55,195)	(63,566)	-0-	(118,761)
Total accumulated amortization	(368,702)	(475,457)	94,464	(749,695)
Total intangible right-to-use assets, net	2,148,427	62,595	(9,077)	2,201,945
Capital assets, net	$ 15,101,378	$ (1,197,577)	$ -0-	$ 13,903,801

Intangible right-to-use assets

In 2024, the Hospital implemented the guidance in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, and recognized the value of various intangible assets classified under subscription-based information technology arrangements. Terms of the various arrangements are described in Note 11.

As of March 31, 2025, the Hospital had various lease agreements in place for medical equipment. The equipment is being amortized over the various lease terms, ranging from three years to seven years. Terms of the leases can be seen in note 11. As of March 31, 2025, the Hospital also had various intangible right-to-use assets acquired under SBITAs. The intangible assets are being amortized over the various SBITAs, ranging from three years to five years. Terms of the SBITAs can be seen in note 11.

6. OTHER ASSETS

Effective January 22, 2022, the Hospital purchased a membership interest in the Illinois Rural Community Care Organization, LLC ("IRCCO"). As part of the purchase, the Hospital paid $25,000 for their membership interest, which is less than 5%. The IRCCO is an accountable care organization whose purpose is to ensure the best quality care for their patients. The IRCCO was originally started in 2014 by the Illinois Critical Access Hospital Network ("ICAHN"). Due to a Medicare Advantage product and other payor options made available through the IRCCO, ICAHN passed ownership of the IRCCO to various investors in 2022. As an investor, the Hospital paid an annual assessment fee of $10,000 through December 31, 2022. Effective January 1, 2023, the assessment fee increased to $20,000 per year. The Hospital accounts for this investment using the cost method.

7. DEFERRED INFLOWS

Deferred inflows consist of the deficit balance of the Hospital's investment in the Massac County Surgery Center, LLC (the "Surgery Center"). In February, 2014, the Hospital entered into a joint venture with a third party for a 49.00% share of the Surgery Center. Subsequent to two contractual options exercised by the third party, the Hospital's share of the Surgery Center was reduced to 30% effective April 1, 2024. The Hospital accounts for this investment using the equity method. As part of the joint venture, the Hospital receives distributions of the Surgery Center's earnings and records them as part of investment income that is included in nonoperating revenues (expenses) on the statements of operations and changes in net position. For the years ended March 31, 2025 and 2024, the Hospital recognized investment income totaling $163,934 and $1,104,098, respectively.

As part of the joint venture, the Surgery Center holds a promissory note with a local bank, which the Hospital has guaranteed 30% of the outstanding balance, should the Surgery Center not be able to make required scheduled payments under the debt agreement. The amount guaranteed by the Hospital on the outstanding balance of the promissory note as of March 31, 2025 and 2024 was $1,782,324 and $1,915,008, respectively. The guarantee remains in effect until the promissory note has been paid in full.

8. COMPENSATED ABSENCES

The Hospital provides a paid time off ("PTO") policy to employees for vacation, holiday, and sick leave benefits. Expense and the related liability for PTO benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the vesting method. For all full-time employees, vacation leave ranges at rates of 152 hours (nineteen days) to 232 hours (twenty-nine days) per year, based on the length of continuous employment and regular hours worked. The maximum amount of accumulated PTO allowed is 480 hours. Extended illness (EI) time is earned at a rate of 96 hours (twelve days) per year. The maximum accumulated amount of EI allowed is 480 hours.

A liability for compensated absences is recognized when the leave is earned by the employee and unused as of the reporting date (vacation leave and sick leave). The liability for compensated absences is measured using the employee's pay rate as of the date of the financial statements. Historical usage patterns and employment policies were considered in estimating the liability. Compensated absences are reported as accrued personnel costs in the statements of net position. The compensated absences accrual at March 31, 2025 and 2024 as restated was $1,144,766 and $1,239,795, respectively.

9. DEFINED CONTRIBUTION PLANS

The Hospital offers its employees deferred compensation plans in accordance with Internal Revenue Code Sections 457(b) and 401(a). The 457(b) and 401(a) plans, available to all Hospital employees, permit them to defer a portion of their salary until future years. Employees are eligible to participate in the plans if they are 18 years old, and after completing 30 days of service. Participation begins on the first day coinciding with, or immediately following, fulfillment of both requirements for eligibility. The Hospital matches 100% of each eligible employee's contribution to the 401(a) plan, not to exceed 6% of compensation. The Hospital does not make any contributions to the 457(b) plan. For the years ended March 31, 2025 and 2024, the Hospital incurred expenses relating to these plans in the amount of $586,205 and $544,828, respectively.

10. EMPLOYEE HEALTH BENEFIT PLAN

The Hospital operates a self-funded health plan covering substantially all employees. The Hospital has a minimum aggregate point of attachment of approximately $2,308,000. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Claims liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amounts of pay out, and other economic and social factors. The accrued liability for claims liabilities is recorded in accrued personnel costs on the statements of net position.

Changes in the balance of claims liabilities during the years ended March 31, 2025 and 2024, were as follows:

	2025	2024
Accrued liability, beginning of year	$ 316,904	$ 222,369
Incurred claims, changes in estimates, and fees/premiums	4,219,876	3,077,261
Claim and other payments	(3,289,541)	(2,982,726)
Accrued liability, end of year	$ 1,247,239	$ 316,904

11. INTANGIBLE RIGHT-TO-USE LEASE LIABILITIES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Equipment Leases

The Hospital leases a variety of surgical and lab equipment from various vendors for terms ranging from 60 to 72 months. The leases require monthly payments ranging from $455 to $11,150 expiring through September, 2029. The present value of the leased equipment was determined using discount rates ranging from 4.25% to 8.50% based on the incremental borrowing rate. The Hospital has no plans to renew any of the leases at the expiration of the current lease terms. The leased equipment and accumulated amortization of the right-to-use assets are outlined in Note 5.

Subscription-Based Information Technology Arrangements

The Hospital has various subscription-based information technology arrangements ("SBITA") with third-party vendors for use of software used by the finance department and cloud-based backup storage. The arrangements have terms of annual payments ranging from three to four years, as well as a monthly agreements with terms of 36 months, with expirations ranging from March, 2026 through December, 2028. The current annual payments range from $9,924 to $15,000, and monthly payments of $1,012 to $2,940. The present values of these agreements were determined using discount rates of 8.50% based on the incremental borrowing rate. The subscription-based intangible assets and accumulated amortization of the right-to-use assets are outlined in Note 5.

Remaining payments on these leases include:

	Equipment leases		
	Principal	Interest	Total
2026	$ 409,472	$ 64,937	$ 474,409
2027	362,251	46,172	408,423
2028	369,312	29,838	399,150
2029	351,463	13,260	364,723
2030	102,700	1,090	103,790
	$ 1,595,198	$ 155,297	$ 1,750,495

Remaining payments on SBITA include:

	Subscription-based information technology arrangements		
	Principal	Interest	Total
2026	$ 148,888	$ 21,219	$ 170,107
2027	108,063	8,237	116,300
2028	20,340	1,012	21,352
	$ 277,291	$ 30,468	$ 307,759

Lease and SBITA activity for the years ended March 31, 2025 and 2024 was as follows:

	2025				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Equipment leases	$ 1,988,973	$ -0-	$ (393,775)	$ 1,595,198	$ 409,472
SBITA	257,389	161,488	(141,586)	277,291	148,888
Total lease liabilities and SBITA	$ 2,246,362	$ 161,488	$ (535,361)	$ 1,872,489	$ 558,360

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Equipment leases	$ 1,948,449	$ 401,150	$ (360,626)	$ 1,988,973	$ 393,774
SBITA	213,295	136,901	(92,807)	257,389	100,266
Total lease liabilities and SBITA	$ 2,161,744	$ 538,051	$ (453,433)	$ 2,246,362	$ 494,040

12. LONG-TERM DEBT

At March 31, 2025 and 2024, the Hospital was obligated for long-term debt agreements as follows:

	2025	2024
Privately held Series 2016 Revenue Bonds in the original amount of $9,730,000 dated November 2016. Payable in annual principal installments through November 2031 in amounts ranging from $520,000 to $785,000. The bonds are subject to optional redemption in whole, or in part, on any date on or after November 1, 2019 at par plus accrued interest to the redemption date. Fixed interest of 2.80% until November 1, 2025, at which point the rate changes to the 6-year U.S. Treasury Rate plus 1.60%, multiplied by 65%. Secured by net revenues of the Hospital and the ad valorem property taxes levied against all taxable property in the Hospital's district.	$ 5,060,000	$ 5,705,000
Less current portion	(665,000)	(645,000)
Long-term debt, net of current portion	$ 4,395,000	$ 5,060,000

Long-term debt activity for the years ended March 31, 2025 and 2024 was as follows:

	2025				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, Series 2016	$ 5,705,000	$ -0-	$ (645,000)	$ 5,060,000	$ 665,000

	2024				
	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Revenue bonds, Series 2016	$ 6,330,000	$ -0-	$ (625,000)	$ 5,705,000	$ 645,000

Debt service requirements on long-term debt at March 31, 2025, are as follows:

Year Ending March 31,	Principal	Interest
2026	$ 665,000	$ 141,478
2027	680,000	162,176
2028	700,000	137,084
2029	720,000	111,254
2030	745,000	84,686
2031 - 2035	1,550,000	86,162
Total	$ 5,060,000	$ 722,840

The Series 2016 revenue bonds agreement requires that certain funds be established with the trustee for future debt service requirements. Accordingly, these funds are included as assets whose use is limited on the statements of net position. In addition, this agreement contains restrictive covenant requiring audited financial statements are submitted within six months after year-end, as well as a minimum debt service coverage ratio. The Hospital has obtained a waiver for the debt service coverage ratio covenant.

13. NET PATIENT SERVICE REVENUE

For the years ended March 31, 2025 and 2024, net patient service revenue was as follows:

	2025	2024
Gross patient service revenue		
Inpatient services	$ 2,506,929	$ 3,158,162
Outpatient services	53,001,094	47,533,905
Total gross patient service revenue	55,508,023	50,692,067
Deductions from revenue		
Contractual allowances	(20,885,186)	(17,770,842)
Provision for bad debts	(2,314,643)	(2,227,358)
Charity care	(51,114)	(48,951)
Total deductions from revenue	(23,250,943)	(20,047,151)
Total net patient service revenue	$ 32,257,080	$ 30,644,916

The Hospital grants credit without collateral to its patients, most of who are local residents and insured under third-party payor agreements. The mix of gross revenues and receivables from patients and third-party payors at March 31, 2025 and 2024 is as follows:

	2025		2024	
	Revenues	Receivables	Revenues	Receivables
Medicare	51 %	31 %	50 %	36 %
Medicaid	27	18	30	25
Blue Cross	9	4	9	5
Other third-party payors	10	21	8	15
Self Pay	3	26	3	19
	100 %	100 %	100 %	100 %

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 ("CAH"). This designation provides for most inpatient and outpatient services to be reimbursed on a cost basis methodology. The Hospital has clinics which are designated as 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.

- ***Medicaid***. Inpatient and substantially all outpatient services rendered to Medicaid program beneficiaries and reimbursed at prospectively determined rates. The State of Illinois previously enacted legislation that provides for a hospital assessment program intended to qualify for federal matching funds under the Illinois Medicaid program. The legislation provides that no additional Medicaid payments are to be paid until the program receives the required federal government approval through the Center for Medicare and Medicaid Services ("CMS").

  In addition, the State of Illinois passed legislation in State Fiscal Year 2012 that expanded the program by providing additional Hospital Access Improvement Payments to qualifying hospitals, also referred to as Enhanced Hospital Assessment. CMS approved the program on October 1, 2013, with a retroactive date of June 10, 2012.

  In 2014, CMS approved an additional supplemental payment to Illinois' hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act ("ACA"). The supplemental payment to hospitals was retroactive to March 1, 2014. The assessments were effective until June 30, 2018 to align with the transition periods of both rate reform and the ACA Medicaid expansion payments.

In fiscal year 2017, CMS extended the ACA Access Payments for adults in managed care organizations ("MCOs") to address the shift to MCOs for services provided to newly eligible Medicaid beneficiaries under the ACA. The supplemental payment to hospitals was retroactive to January 1, 2016. The assessments were effective until June 30, 2018 to align with transition periods of both rate reform and the ACA Medicaid expansion payments.

The effects of the programs in the statements of operations and changes in net position for the years ended March 31, 2025 and 2024 are as follows:

	2025	2024
Additional Medicaid payments included in net patient service revenue	$ 1,395,429	$ 2,228,268

These additional reimbursement programs represented approximately 4% and 7% of the Hospital's net patient service revenue for the years ended March 31, 2025 and 2024, respectively. The programs are subject to future modification through legislative action, specifically related to Medicaid reform initiatives that are ongoing with the State of Illinois. Given the impact of these programs on the Hospital's net patient service revenue, dependency on these programs is a significant concentration of revenue risk for the Hospital.

- ***Other.*** The Hospital has also entered into preferred provider agreements with certain commercial insurance carriers. The basis for payment to the Hospital under these agreements is a discount from established charges.

- ***Charity Care.*** The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of costs to charges is calculated based on the Hospital's total operating expenses divided by gross patient service revenue. For the years ended March 31, 2025 and 2024, the Hospital incurred estimated costs of $33,613 and $32,612, respectively.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigation and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. 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. Final determination of compliance with such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

CMS has been granted authority to suspend payments, in whole or in part, to Medicare providers if CMS possess reliable information on overpayment, fraud or if willful misrepresentation exists. If CMS suspects payments are being made as the result of fraud or misrepresentation, CMS may suspend payment at any time without providing prior notice to the Hospital. The initial suspension period is limited to 180 days. However, the payment suspension period can be extended indefinitely is the matter is under investigation by the United States Department of Health and Human Services Office of Inspector General or the United States Department of Justice. Therefore, the Hospital is unable to predict if or when it may be subject to a suspension of payments by the Medicare and/or Medicaid programs, the possible length of the suspension period, or the potential cash flow impact of a payment suspension. Any such suspension would adversely impact the Hospital's financial position, results of operations, and cash flows. The Hospital believes that it is in compliance with all applicable laws and regulations.

14. NONOPERATING REVENUES (EXPENSES)

For the years ended March 31, 2025 and 2024, nonoperating revenues (expenses) were as follows:

	2025	2024 As restated
Grant revenue	$ 60,000	$ 47,028
Investment income	344,999	1,285,429
Interest expense	(271,492)	(282,238)
Ad valorem tax revenue	239,330	296,315
Contributions	212,976	166,756
Donations	(102,673)	(40,255)
Other	8,699	12,872
Total nonoperating revenues (expenses)	$ 491,839	$ 1,485,907

15. REFUNDABLE ADVANCES

During the Hospital's fiscal year 2022 and 2021, Provider Relief Fund grants authorized under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act were distributed to healthcare providers impacted by the outbreak of the COVID-19 pandemic under Assistance Listing Number ("ALN") #93.498. Revenues from Provider Relief Fund grants are recognized to the extent of patient revenues lost as a result of the pandemic and allowable expenses incurred, and are included in the statements of operations and changes in net position as grant revenue. Patient revenues lost represent the deficiency of net patient service revenues recognized over the period impacted by the pandemic when compared with net patient service revenues recognized over the same period in the previous year, taking into account allowable expenses.

Provider Relief Fund grants included in refundable advances on the statements of net position represent grant funds received in excess of revenues recognized. These funds are subject to recoupment by the grantor in the event that the conditions for recognition are not met.

The passage of the CARES Act also authorized CMS to expand the Medicare Accelerated and Advance Payment Program to a broader group of Medicare Part A providers and Part B suppliers. As an eligible Inpatient Acute Care Hospital, the Hospital was eligible to request up to 100% of the Medicare payment amount for a six-month period. The Hospital was issued the accelerated/advance payment in April 2020. Recoupment of the advance payment began in August 2020 following a 120 day deferral period. During the 120 day period, Medicare claims submitted by the Hospital were reimbursed at standard rates, after which, the recoupment process began and payment for submitted claims reduced the balance of the accelerated or advance payment. Any outstanding balance that had not been recouped one year after the beginning of the recoupment period was due in full from the Hospital to CMS. The advance payment is included in refundable advances on the statements of net position.

As of and for the year ended March 31, 2025 and 2024, respectively, revenues recognized and refundable advances were as follows:

	March 31, 2025			
	Refundable Advances March 31, 2024	Payments Received	Recouped/ Refunded	Refundable Advances March 31, 2025
Provider Relief Fund	$ 580,460	$ -0-	$ -0-	$ 580,460

	March 31, 2024			
	Refundable Advances March 31, 2023	Payments Received	Recouped/ Refunded	Refundable Advances March 31, 2024
Provider Relief Fund	$ 1,666,097	$ -0-	$ (1,085,637)	$ 580,460

16. MALPRACTICE

The Hospital has joined together with other providers of health care services to form the Illinois Provider Trust and a risk pool self-insurance trust program organized under Illinois Statutes for the purpose of providing general and professional liability. The Hospital pays annual premiums to the pools for its general liability torts, medical malpractice, 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 is insured against professional liability claims on a claims-made basis. Liabilities for incurred but not reported losses at March 31, 2025 and 2024, are not determinable; however, in management's opinion, such liabilities, if any, will not have a material effect on the Hospital's financial position and its malpractice and general liability insurance is adequate to cover losses, if any. Should the claims-made policies not be renewed or replaced with appropriate insurance coverage, claims based upon occurrences during these terms, but reported subsequently, will be uninsured. The Hospital intends to continue carrying such insurance.

17. CONCENTRATIONS OF CREDIT RISK

The Hospital maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Hospital has not experienced any losses on such accounts. The Hospital believes it is not exposed to any significant credit risk on cash.

18. COMMITMENTS AND CONTINGENCIES

Commitments

As of March 31, 2025, the Hospital has construction and renovation project commitments as follows:

Project	Expected Date of Completion	Estimated Total Cost of Project	As of March 31, 2025
Emergenc room renovation	March 2026	$ 95,000	$ 3,944

Contingencies

Legal Matters

The Hospital is susceptible to a variety of legal proceedings and claims by others against the Hospital in a variety of matters arising out of the conduct of the Hospital's business. The ultimate resolution of such claims would not, in the opinion of management, have a material adverse effect on the financial statements.

HIPAA

Management continues to implement policies, procedures, and a compliance-monitoring organizational structure to enforce and monitor compliance with the Health Insurance Portability Accountability Act of 1996 ("HIPAA") and other government statutes and regulations. The Hospital's compliance with such laws and regulations is subject to future government review and interpretations, as well as regulatory actions which are unknown or unasserted at this time.

19. CONDENSED FINANCIAL INFORMATION

The Hospital includes one blended component unit in its reporting entity. Condensed component unit information for its blended component unit as of and for the year ended March 31, 2025 is as follows:

Statement of net position	
Assets	
Cash	$ 192,480
Investments	79,420
Total assets	$ 271,900
Liabilities	
Accounts payable	$ 71,547
Net position	
Unrestricted	200,353
Total liabilities and net position	$ 271,900
Statement of operations and changes in net position	
Nonoperating revenues (expenses)	$ 17,898
Change in net position	17,898
Net position - beginning of year	182,455
Net position - end of year	$ 200,353
Statement of cash flows	
Cash provided by	
Operating activities	$ 69,445
Investing acitvities	(3,551)
Total	65,894
Cash - beginning of year	126,586
Cash - end of year	$ 192,480

Condensed component unit information for its blended component as of and for the year ended March 31, 2024 is as follows:

Statement of net position	
Assets	
Cash	$ 126,586
Investments	75,869
Total assets	$ 202,455
Liabilities	
Accounts payable	$ 20,000
Net position	
Unrestricted	182,455
Total liabilities and net position	$ 202,455
Statement of operations and changes in net position	
Nonoperating revenues (expenses)	$ 77,733
Change in net position	77,733
Net position - beginning of year	104,722
Net position - end of year	$ 182,455
Statement of cash flows	
Cash provided by	
Operating activities	$ 19,048
Investing activities	1,863
Total	20,911
Cash - beginning of year	105,675
Cash - end of year	$ 126,586

SUPPLEMENTARY INFORMATION

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED MARCH 31, 2025 and 2024

	Total		Inpatient		Outpatient	
	2025	2024	2025	2024	2025	2024
Patient service revenue						
Acute care	$ 747,489	$ 997,385	$ 747,489	$ 997,385	$ -0-	$ -0-
Skilled nursing	3,998	78,173	3,998	71,419	-0-	6,754
Special care unit	-0-	-0-	-0-	-0-	-0-	-0-
	751,487	1,075,558	751,487	1,068,804	-0-	6,754
Operating and recovery rooms	2,230,654	2,289,436	-0-	-0-	2,230,654	2,289,436
Anesthesiology	265,200	292,848	-0-	-0-	265,200	292,848
Radiology	16,650,648	15,865,120	260,411	380,782	16,390,237	15,484,338
Laboratory and blood bank	9,820,518	10,229,535	374,669	493,896	9,445,849	9,735,639
Respiratory therapy	1,531,739	1,334,932	34,056	85,415	1,497,683	1,249,517
Physical therapy	1,602,571	1,326,576	246,349	219,062	1,356,222	1,107,514
Speech therapy	106,665	47,647	31,551	15,013	75,114	32,634
Occupational therapy	711,303	572,654	239,618	225,669	471,685	346,985
Audiology	107,145	130,214	-0-	-0-	107,145	130,214
Electrocardiology	1,697,740	2,018,419	89,013	178,719	1,608,727	1,839,700
Medical supplies	67,271	74,452	5,031	8,750	62,240	65,702
Pharmacy	3,102,936	2,502,684	469,352	475,834	2,633,584	2,026,850
Emergency services	7,329,314	6,665,082	-0-	-0-	7,329,314	6,665,082
Ambulance	3,172,055	2,005,845	5,392	-0-	3,166,663	2,005,845
New beginnings	684,033	476,930	-0-	-0-	684,033	476,930
Clinics	3,242,777	3,264,155	-0-	-0-	3,242,777	3,264,155
Wound care	528,786	519,980	-0-	-0-	528,786	519,980
Pain management	1,905,181	-0-	-0-	-0-	1,905,181	-0-
Total patient service revenue	55,508,023	50,692,067	2,506,929	3,151,944	53,001,094	47,540,123
Charity care	(51,114)	(48,951)				
Total patient service revenue, net of charity care	55,456,909	50,643,116				
Contractual adjustments						
Medicare	(8,561,160)	(7,309,791)				
Medicaid	(9,037,930)	(8,324,330)				
Other	(3,286,096)	(2,136,721)				
	(20,885,186)	(17,770,842)				
Total patient service revenue, net of charity care and contractual adjustments	34,571,723	32,872,274				
Bad debt expense	(2,314,643)	(2,227,358)				
Net patient service revenue	$ 32,257,080	$ 30,644,916				

SCHEDULES OF OTHER OPERATING REVENUES
YEARS ENDED MARCH 31, 2024 AND 2023

	2025	2024
Rental income	$ 100,288	$ 101,770
Cafeteria and dietary	97,482	103,884
Purchase discounts/rebates	27,028	10,221
Pharmacy 340B revenue, net	864,439	784,996
Employee scripts	935,752	835,846
Other operating revenue	189,063	88,698
	$ 2,214,052	$ 1,925,415

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2025 and 2024

	2025	2024 As restated
Nursing administration		
Salaries and wages	$ 118,105	$ 112,341
Supplies and other expenses	18,554	16,679
	$ 136,659	$ 129,020
Routine services		
Salaries and wages	$ 1,461,935	$ 1,474,067
Supplies and other expenses	599,490	687,342
	$ 2,061,425	$ 2,161,409
Operating and recovery rooms		
Salaries and wages	$ 166,973	$ 201,614
Supplies and other expenses	112,001	117,647
	$ 278,974	$ 319,261
Anesthesiology		
Salaries and wages	$ -0-	$ -0-
Supplies and other expenses	310,587	310,397
	$ 310,587	$ 310,397
Radiology		
Salaries and wages	$ 698,081	$ 705,202
Supplies and other expenses	444,986	437,859
	$ 1,143,067	$ 1,143,061
Laboratory and blood bank		
Salaries and wages	$ 808,778	$ 791,120
Supplies and other expenses	1,136,497	1,110,649
	$ 1,945,275	$ 1,901,769
Respiratory therapy		
Salaries and wages	$ 553,550	$ 472,682
Supplies and other expenses	160,999	163,216
	$ 714,549	$ 635,898

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2025 and 2024

	2025	2024 As restated
Physical therapy		
Salaries and wages	$ 481,762	$ 434,135
Supplies and other expenses	62,913	55,630
	$ 544,675	$ 489,765
Speech therapy		
Salaries and wages	$ 44,548	$ 20,564
Supplies and other expenses	10,830	4,751
	$ 55,378	$ 25,315
Occupational therapy		
Salaries and wages	$ 146,587	$ 132,741
Supplies and other expenses	16,930	15,975
	$ 163,517	$ 148,716
Audiology		
Salaries and wages	$ 41,906	$ 44,491
Supplies and other expenses	-0-	-0-
	$ 41,906	$ 44,491
Electrocardiology		
Salaries and wages	$ 279,905	$ 306,732
Supplies and other expenses	17,112	14,871
	$ 297,017	$ 321,603
Medical supplies		
Salaries and wages	$ 92,419	$ 66,646
Supplies and other expenses	35,471	41,639
	$ 127,890	$ 108,285
Pharmacy		
Salaries and wages	$ 454,952	$ 447,807
Supplies and other expenses	785,943	684,790
	$ 1,240,895	$ 1,132,597

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2025 and 2024

	2025	2024 As restated
Emergency services		
Salaries and wages	$ 890,309	$ 1,003,938
Supplies and other expenses	1,791,064	1,637,877
	$ 2,681,373	$ 2,641,815
Ambulance		
Salaries and wages	$ 779,034	$ 672,207
Supplies and other expenses	158,589	129,938
	$ 937,623	$ 802,145
New beginnings - geriatric psychology		
Salaries and wages	$ 324,808	$ 252,037
Supplies and other expenses	153,284	146,002
	$ 478,092	$ 398,039
Clinics		
Salaries and wages	$ 3,211,678	$ 3,276,584
Supplies and other expenses	565,500	742,175
	$ 3,777,178	$ 4,018,759
Social services		
Salaries and wages	$ 220,069	$ 214,374
Supplies and other expenses	309,331	35,945
	$ 529,400	$ 250,319
Medical records		
Salaries and wages	$ 215,741	$ 227,277
Supplies and other expenses	85,090	102,321
	$ 300,831	$ 329,598
Dietary		
Salaries and wages	$ 437,452	$ 411,951
Supplies and other expenses	271,514	263,397
	$ 708,966	$ 675,348

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF OPERATING EXPENSES
YEARS ENDED MARCH 31, 2025 and 2024

	2025	2024 As restated
Plant operations and maintenance		
Salaries and wages	$ 315,290	$ 288,090
Supplies and other expenses	1,374,279	1,341,124
	$ 1,689,569	$ 1,629,214
Housekeeping		
Salaries and wages	$ 470,420	$ 469,912
Supplies and other expenses	160,001	161,377
	$ 630,421	$ 631,289
Laundry		
Salaries and wages	$ 17,257	$ 16,445
Supplies and other expenses	119,400	122,001
	$ 136,657	$ 138,446
Administrative services		
Salaries and wages	$ 2,534,112	$ 2,280,389
Supplies and other expenses	4,069,827	3,919,616
	$ 6,603,939	$ 6,200,005
Wound care		
Salaries and wages	$ 13,545	$ 12,865
Supplies and other expenses	94,910	96,175
	$ 108,455	$ 109,040
COVID-19		
Salaries and wages	$ -0-	$ 635
Supplies and other expenses	-0-	-0-
	$ -0-	$ 635
Pain management		
Salaries and wages	$ 184,837	$ 4,951
Supplies and other expenses	521	442
	$ 185,358	$ 5,393
Unassigned expenses		
Employee benefits	$ 6,479,759	$ 5,187,274
Depreciation and amortization	2,192,948	2,183,275
	$ 8,672,707	$ 7,370,549

MASSAC MEMORIAL HOSPITAL AND AFFILIATED ORGANIZATION

SCHEDULES OF STATISTICAL INFORMATION (UNAUDITED)
YEARS ENDED MARCH 31, 2025 and 2024

	2025	2024
Patient days		
Acute	527	869
Swing-bed	769	650
Number of beds	25	25
Percentage of occupancy (acute and swing-bed)	14%	17%
Discharges		
Acute	192	256
Swing-bed	93	77
Average length of stay		
Acute	2.74	3.39
Swing-bed	8.27	8.44
Outpatient visits	24,582	23,826
Most recent year-end routine service rates		
Monitored	$ 781	$ 781
Semi-private	$ 490	$ 490

CPAs / ADVISORS

blue

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massac County Hospital District d/b/a Massac Memorial Hospital and Affiliated Organization (collectively, the "Hospital"), component units of the Massac County, which comprise the statement of net position as of March 31, 2025, and the related statements of operations and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 22, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Board of Trustees
Massac Memorial Hospital and Affiliated Organization
Metropolis, Illinois

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blue & Co., LLC

Louisville, Kentucky
August 22, 2025

No findings were noted during 2025.

No findings were noted during 2024.