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Pinckneyville Community Hospital District

Financial Statements and Supplementary Information

Years Ended April 30, 2025 and 2024

Pinckneyville Community Hospital District

Years Ended April 30, 2025 and 2024

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Independent Auditor's Report

Board of Trustees
Pinckneyville Community Hospital District
Pinckneyville, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Pinckneyville Community Hospital District (the "Hospital"), which comprise the statements of net position as of April 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of April 30, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (''GAAP'').

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. 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.

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.

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

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 GAAS 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that a management's discussion and analysis as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included in the schedule of insurance in force. The other information comprises the insurance policies currently active and available for the Hospital but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 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. That 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.

Wipfli LLP
Eau Claire, Wisconsin
October 9, 2025

Pinckneyville Community Hospital District
Management's Discussion and Analysis

Introduction

Pinckneyville Community Hospital District's (the "Hospital's") management discussion and analysis (MD&A) is generally intended to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Hospital's financial activities, (3) identify changes in the Hospital's financial position (its ability to meet future financial demands and conditions), (4) identify any material deviations from the governmental unit's financial plan (approved budget), and (5) identify individual fund issues or concerns.

The MD&A is provided at the beginning of the report to provide an overview of the Hospital's financial position at April 30, 2025, and the results of operations for the year. This summary should not be taken as a replacement for the audit report, which consists of the basic financial statements, notes to the financial statements, and required and supplementary information.

Overview of the Financial Statements

The annual financial report consists of two parts: the MD&A and the financial statements, including notes to the financial statements and supplementary information. The financial statements present different views of the Hospital's financial activities and consist of the following:

- The statements of net position compare assets to liabilities to give an overall view of the Hospital's financial health. The statements of net position list the Hospital's assets, liabilities, and net position.
- The statements of revenue, expenses, and changes in net position provide information on an aggregate view of the Hospital's finances and define the Hospital's revenue and expenses by category.
- The statements of cash flows provide the Hospital's sources and uses of cash for the Hospital.

Financial Statements

As of April 30, 2025, the Hospital's assets exceeded its liabilities and deferred inflows of resources by $43,406,580; an increase of 8.23% from April 30, 2024.

The Hospital's total assets increased approximately 6.11% from April 30, 2024 through April 30, 2025. The net increase in assets in 2025 was related to an increase in cash and investments (including those investments in assets limited as to use). The increase in cash and investments was also assisted by strong collections on patient accounts receivable in 2025 which decreased the outstanding balance of patient accounts receivable between 2024 and 2025.

The Hospital's total liabilities decreased by $1,257,126 from April 30, 2024 through April 30, 2025 which was primarily related to continued repayments on the Hospital's previously issued long-term debt.

As of April 30, 2024, the Hospital's assets exceeded its liabilities and deferred inflows of resources by $40,104,963; an increase of 9.51% from April 30, 2023.

The Hospital's total assets increased approximately 4.36% from April 30, 2023 through April 30, 2024. The net increase in assets in 2024 was related to an increase in investments and an increase in accounts receivable.

The Hospital's total liabilities decreased by $363,662 from April 30, 2023 through April 30, 2024 which was relatively stagnant between years.

Financial Statements (Continued)

Condensed Statements of Net Position
April 30, 2025, 2024, and 2023

	2025	2024	2023
Assets:			
Current assets	$ 38,033,730	$ 34,593,617	$ 31,080,073
Long-term assets limited as to use	5,928,259	2,280,631	2,341,119
Nondepreciable capital assets	435,158	1,882,910	1,064,278
Depreciable capital assets - Net	34,784,246	35,865,542	37,017,651
TOTAL ASSETS	$ 79,181,393	$ 74,622,700	$ 71,503,121
Liabilities:			
Current liabilities	$ 5,963,785	$ 4,037,143	$ 3,626,912
Long-term liabilities	29,528,498	30,198,014	30,971,907
Total liabilities	35,492,283	34,235,157	34,598,819
Deferred inflows of resources	282,530	282,580	282,580
Net position:			
Unrestricted	35,449,862	30,359,021	27,691,565
Net investment in capital assets	4,871,853	6,776,545	6,546,129
Restricted expendable net position	3,084,865	2,969,397	2,384,028
Total net position	43,406,580	40,104,963	36,621,722
TOTAL LIABILITIES AND NET POSITION	$ 79,181,393	$ 74,622,700	$ 71,503,121

Financial Statements (Continued)

Condensed Statements of Revenue, Expenses, and Changes in Net Position
Years Ended April 30, 2025, 2024, and 2023

	2025	2024	2023
Revenue:			
Net patient services revenue	$ 45,258,839	$ 41,695,001	$ 38,858,063
Other operation revenue	770,455	1,033,213	766,740
Total operating revenue	46,029,294	42,728,214	39,624,803
Total nonoperating revenue - Net	2,048,013	2,286,448	1,144,235
Total revenue	48,077,307	45,014,662	40,769,038
Expenses:			
Salaries, wages and employee benefits	25,694,115	23,112,079	22,156,581
Purchases services and professional fees	4,513,870	4,364,753	3,745,243
Depreciation and amortization	3,659,471	3,449,154	3,317,482
Other operating expenses	10,057,078	9,729,859	9,392,178
Interest expense	851,156	875,576	861,760
Total expenses	44,775,690	41,531,421	39,473,244
Increase in net position	3,301,617	3,483,241	1,295,794
Net position at beginning	40,104,963	36,621,722	35,325,928
Net position at end	$ 43,406,580	$ 40,104,963	$ 36,621,722

Long-Term Debt

As of April 30, 2025 and 2024, the Hospital had total debt of $30,038,333 and $30,698,333, respectively. No additional debt was issued during the years ended April 30, 2025 and 2024. As a result, total debt decreased from the prior year due to continued principal payments on existing debt.

Capital Assets

At April 30, 2025, the Hospital had $35,219,404 invested in capital assets (primarily buildings and equipment), which represents a decrease of $2,529,048 compared to April 30, 2024. The Hospital invested $1,137,753 in new capital asset additions during fiscal year 2024, with the following items of significance:

- $1,818,400 in Office Renovations for the Administration and Learning Suites, including an additional $38,592 in furniture (This included completion of the construction in progress from 2023 related to this project.)
- $88,341 for an Omnicell medication dispensing unit in Surgery
- $70,351 for a Walk-in Cooler-Freezer for Dietary
- $41,125 for sixteen (16) patient room sofas
- $37,003 for three (3) information technology servers
- $33,409 for an Endosoft video processor in Surgery
- $29,982 to add Radiant Heat to the patient room bathrooms for added patient comfort
- $29,382 for a new dish machine in dietary
- $40,929 for exam tables in Cancer Care and Family Medical Center
- $18,358 for a new water filtration system in Lab
- $17,700 for a new video gastroscope in Surgery
- $17,427 for three (3) Accuvein Vein Finders in Acute Care, Cancer Care and Surgery
- $16,000 for a new Hamilton C1 ventilator in Respiratory Therapy
- $15,949 for a new lawn mower
- $12,930 for five (5) new Mat Tables in Physical Therapy
- $11,607 for a new EKG Pagewriter TC70
- $11,545 for four (4) new Geri-Chair recliners for patient rooms
- $11,325 for a new Bladder Scan in the Emergency Room
- $10,353 for a new OLYMPUS BX41 microscope in Lab
- $15,479 for two (2) Floor Scrubbers for Environmental Services
- $11,910 for a new recumbent elliptical and weight rack for the Fitness Center
- $6,252 for a new Hygiene Chair on Acute Care

At April 30, 2024, the Hospital had $37,748,452 invested in capital assets (primarily buildings and equipment), which represents a decrease of $333,477 compared to April 30, 2023. The Hospital invested $2,305,893 in new capital asset additions during fiscal year 2024, with the following items of significance:

- $560,211 on a new maintenance shed building.
- $523,552 in various Electronic Health Record related enhancements.
- $460,821 for new radiology equipment, including a new 64-slice CT Scanner and bone density Dexa Scan.
- $201,326 for new patient monitoring equipment.
- $179,479 for new laboratory equipment, including chemistry and urine analyzers, and a blood bank refrigerator.
- $176,014 for various surgical equipment including sterilizers, tourniquet system, cauterization unit, and endo scope storage cabinet.
- $87,689 for office furniture as part of an ongoing office renovation project.
- $40,901 for a new PACS server that stores the radiology department testing images.

Operations

Year Ended April 30, 2025:

- Operational Net Income was consistent with the prior year, as income from operations was $2,104,760 in 2025, with the following items serving as primary contributing factors:
    - Gross revenues outpaced budget expectations by approximately $10.5 million and prior year by approximately $12.4 million. Outpatient Services, including Family Medical Center, attributed to the majority of that growth, with the Hospital's imaging, laboratory and physical therapy departments seeing some of the highest volumes experienced in the Hospital's history.
    - Expenses increased by almost approximately $3.3 million over prior year and were within approximately $261,000 of hitting budget expectations. The majority of the increase was tied to employee wages and benefits, with the hospital investing in higher staff wages and adding staffing in order to accommodate higher volumes as well as to meet the continued revenue cycle challenges that Medicare Advantage and commercial plans place on healthcare providers.
    - The Board of Directors approved a market wage adjustment effective December 29, 2024, and shift differentials implemented in March 2025. The minimum starting wage increased from $15 to $16 per hour. All employees received the greater of $1.00 per hour or a 3.3% market wage increase. The market wage adjustment represented an approximately $700,000 investment in the Hospital's employees, with the shift differential updates adding an additional $65,500.
    - Financial Need (charity) write-offs increased by approximately $514,000 over prior year.
    - New and expanded services included offering an Osteoporosis Healthy Bone Clinic at the rural health clinic. One of the Fitness Clinic staff members received a Nutrition and Wellness Coach certification and this allowed the Hospital to begin offering one-on-one plus group sessions to help improve community health. The Certified Pelvic Health Physical Therapist and the Certified Lymphedema Occupational Therapy Assistant continue to increase patient volumes.
    - 24-hour Security was implemented during fiscal year 2025.
    - The Fitness Center membership has grown and experienced the highest visits in its history as community members are taking advantage of the quality resources available to them through the Hospital's expansion of fitness equipment, fitness classes, water aerobics, personal training and nutrition guidance.
    - The Hospital is undergoing a two-year revenue cycle optimization project through a Health Resources and Services Administration ("HRSA") grant and assistance from Huron Consulting in order to optimize utilization and workflow of our new Meditech electronic health record ("EHR") system. Workflow improvements include:
        - Automated posting of payment remits,
        - Denial management tracking within Meditech,
        - Workflow for imaging and other ancillary referrals from the point of physician order, including prior authorization, patient scheduling, and pre-registration,
        - Medical necessity checking at the point of service which has become more complicated by insurance companies who develop requirements that vary from the typical Medicare, standards without providing the tools necessary for providers to efficiently and effectively capture potential medical necessity requirements prior to providing care,
        - Expanding the automation of charge capture via chart documentation for surgical, emergency room, infusion and observation services.

- The Hospital recruited Dr. Sharon White-Findley and Dr. Alex Workman for Family Medicine providers in the rural health clinic. Dr. Pineda began providing pulmonology clinic services to patients in the rural health clinic as well.
- Don Renk, CRNA, retired with Jennifer Schroeder, CRNA, contracted as his replacement.
- The Hospital was awarded with several quality and performance awards during the fiscal year, including:
    - In April 2025, the Hospital achieved 5-star recognition for Hospital Consumer Assessment of Healthcare Providers and Systems ("HCAHPS") scores through the National Rural Rating System ("NRRS").
    - The Hospital was recognized by the Chartis Group with a Performance Leadership Award in the Patient Perspective category.
    - In March 2025, the Hospital's Laboratory department achieved an unprecedented 100% acceptable rating on the latest survey conducted by the American Proficiency Institute (API). The API, one of the nation's largest proficiency providers, serves over 20,000 laboratories and is a benchmark for excellence in the industry.
    - Over the last several years, the Hospital has made great strides in our Patient Satisfaction scores as we have seen the highest inpatient HCAHPS (Press Ganey) and outpatient scores for which over twenty awards of distinguished accomplishments have been presented to Pinckneyville Community Hospital. In addition, the Hospital was recognized for Excellent Patient Satisfaction by the Chartis Group, a nationally recognized organization for measuring the quality of patient care and the success of Critical Access Hospitals. The Hospital also received special recognitions from the Illinois Critical Access Hospital Network ("ICAHN") for its commitment to exceptional quality of care. Other recognitions received include Clinical Distinguished Award for PCH's Wound Care program. As a measure of success, you can look directly at the Hospital's Google review scores, which just 3 years ago were at 3.8 and currently sit at 4.7 out of a 5.0 scale. These Google scores compared to Marshall Browning Hospital, a neighboring community Critical Access Hospital, at 3.5 and Sparta Community Hospital, another neighboring community Critical Access Hospital in the region, at 2.5, show that our patients understand the quality, satisfaction and great care they get only at the Hospital. Our medical providers scores also continue to be excellent sitting at an average of 4.8-4.9 on a 5.0 scale.
    - The Hospital was named the 2025 Business of the Year by the Pinckneyville Chamber of Commerce.
    - The wound care clinic at the Hospital received dual recognition with Clinical Distinction and Patient Satisfaction Awards.
    - The Hospital featured in the Illinois Hospital Association ("IHA") Healing Communities Ad/Commercial and on Capitol Fax featuring our quarterly discount community lab draws. IHA featured the Hospital in a letter sent to Congress supporting legislation to protect 340B program.

Year Ended April 30, 2024:

- Operational Net Income increased by $1,059,050 from prior year with the following items serving as primary contributing factors:
    - Gross revenues outpaced budget expectations and prior year for outpatient and Family Medical Center services, which helped produce an improved operating margin despite expense growth.
    - Expenses outpaced budget expectations by over $2.2 million for the fiscal year. Wages and benefits accounted for the largest increase of more than $800,000 over budget. Drug costs have increased due to greater patient volume.

  - Major changes from prior year include more bad debt allowances than financial need due to in advance of the Meditech implementation in the prior year, staff reviewed bad debts and identified balances that were uncollectible due to financial need. As such, prior bad debts were reclassified to financial need. Additionally, with the Meditech implementation, accounts receivable has grown. Although receivables are declining, balances are still higher than historical performance. Near fiscal year end, Huron Consulting Group conducted a revenue cycle improvement analysis to begin taking action to further streamline workflows and bring down accounts receivable.
- Total net income increased by another $1.1 million, primarily associated with a $1 million USDA grant that helped cover costs associated with the electronic health record conversion to Meditech Expanse. The ability to earn greater interest on cash reserves has provided an additional $500,000 to the bottom line.
- The Hospital converted to a new hospital-wide electronic health record (EHR) at the beginning of the fiscal year. This replaced the separate EHR systems that were utilized by the Hospital, Family Medical Center, emergency department, laboratory and therapy services.
- Various renovation projects were either completed or in progress during the fiscal year, including:
  - The old Family Medical Center (FMC) area within the hospital was totally renovated into space for dietary storage, health information, quality/risk management, employee & patient education services, respiratory/wound care, additional offices, and cardiopulmonary.
  - The administration and health information area was renovated to provide more space for new employee training, more office space, remove the open office space to provide all employees with their own office and to make the space more usable. Completion of the project was after fiscal year end in June 2024.
  - The renovated area in the old FMC will allow the dietary department to increase storage as the current storage areas are too small and are overcrowded. The area will also allow to proceed with the purchase of a walk-in freezer where the current individual freezers and refrigerators are currently located within the dietary department.
  - The new maintenance building was completed providing much needed space for the maintenance staff as well as storage. Environmental services (EVS) moved into the old maintenance area within the hospital providing EVS with the much-needed space for their supplies and equipment.
  - All of the original patient rooms were being renovated by placing wall protectant on the walls. The large Geri-Chairs, and other items, have been making dents and holes in the drywall so maintenance has been placing wall protectant on the walls to protect them from damage. In addition, radiant heaters were being placed in the acute patient bathrooms. This project was completed after fiscal year end in August 2024.
- The Hospital was awarded with several quality and performance awards during the fiscal year, including:
  - The Hospital achieved 5-star recognition for HCAHPS scores through the National Rural Rating System (NRRS).
  - As part of National Rural Health Day, Pinckneyville Community Hospital was recognized with a 2023 Performance Leadership Award for excellence in Patient Perspective.
  - The wound care clinic at Pinckneyville Community Hospital received dual recognition with Clinical Distinction and Patient Satisfaction Awards.
  - The Hospital was recognized as one of almost 100 Cynosure HQIC hospitals that assessed their sepsis practices and achieved exceptional performance in the Cynosure Health HQIC 2023 Sepsis Honor Roll Program.
  - The Hospital achieved all HCAHP's scores above the Illinois state average and was honored for Excellence in Quality of Care through MBQIP measures by Illinois Critical Access Hospital Network (ICAHN), including recognized as a Top Performer for Outpatient Quality Domain (MBQIP).

Economic Factors

Year Ended April 30, 2025:

- Medicare Advantage plans, as well as commercial payers, continue to implement prior authorization policies which impede care and erode hospital reimbursement. The Hospital has had to add additional staff just to try and keep up with the prior authorization requirements. The Hospital has also seen an increase in medical record requests and claim denials, which are time consuming to respond to and to appeal. Most of the denials are overturned upon appeal; however, due to the higher volume, it really adds unnecessary inefficiencies to the revenue cycle process which only attributes to the growing cost of healthcare. These added costs add no value to improving patient care and detract stretched hospital resources from initiatives that do have a direct impact on improving patient outcomes.

- The Hospital previously experienced positive contributions to its operating income from the 340B Program in excess of approximately $1 million. However, because of limitations that drug manufacturers are placing on the 340B discount drug program by forcing covered entities to choose only a single contracted pharmacy to be eligible for their 340B program savings, the Hospital has seen its 340B drug program contributions drop by approximately 76% in the past four years, from approximately $922,000 in 2021 to approximately $238,000 in 2025. Pharmaceutical companies are not living up to the promise of 340B: to help hospitals "stretch scarce federal resources as far as possible" to reach more eligible patients and provide more comprehensive services. New restrictions by pharmaceutical companies mean significant reductions in the drug cost savings the hospital dedicates to charity care and services that promote patient health, including:

    - Charity care to patients who have no other means of financial assistance or support, as well as other uncollectible balances, averaging between approximately $1 million and $2.3 Million per fiscal year. 60% of the Hospital's patients are covered by Medicare or Medicaid. While the hospital receives cost-based reimbursement from Medicare, it is only approximately 99% of allowable costs after sequestration, and allowable costs do not truly account for all the necessary costs incurred to provide patient care.

    - Maintaining essential services and quality health care close to home such as the Emergency Department and Cancer Care & Infusion Clinic which operate at a loss.

    - Providing free education and treatment programs such as CHF/COPD Clinics, diabetic teaching and remote patient monitoring designed to help patients control their disease by empowering patients to manage their chronic conditions.

    - Offering a self-administered drug policy that is OIG and Medicare compliant that permits the write-off of non-covered drugs which improves patient satisfaction and medication compliance.

    - Providing a prescription assistance program through a contract with Nationwide Prescription Connection ("NPC"), now operating as Senex, who provides free assistance to referred patients. NPC identifies money-saving programs offered through company manufacturers and other prescription discount programs in order for patients to receive free or significantly discounted medications.

    - Providing medsafe medication disposal box providing the community with a safe and responsible option to dispose of unused medications, addressing prescription drug misuse, especially opioids.

- The State of Illinois is proposing legislation, similar to what successfully passed in Arkansas, to help prevent the manufacturer restrictions and restore the vital savings that help rural hospitals such as ours continue to be financially viable and support the essential services that are provided to our communities. Without the 340B program, the Hospital would experience negative operating margins which would significantly impact the Hospital's financial stability. That could result in ending programs and services which patients rely on for optimal health.

- Federal cutbacks have resulted in a loss of approximately $400,000 in grant funds to be utilized for expansion of healthcare services, with the potential loss of an additional approximately $695,000 if funding is cut for direct congressional spending grants. The Hospital was notified that due to limited available funding, it was not awarded a HRSA Delta Health Systems Implementation Program ("DSIP") Grant 2025 for approximately $400,000 which would have been used towards implementation of ambient AI technology to aid in clinical chart documentation; implementation of a urology clinic and surgical program; speakers for leadership training and working with Chartis to improve our rural hospital performance index scores aimed to become a top Critical Access Hospital. The Hospital is still awaiting word on two Direct Congressional Spending grants for approximately $271,000 (2025) and $424,000 (2026) which if awarded, would assist with the purchase of a second ultrasound unit, as well as new or replacement anesthesia and surgical equipment which are key in expanding and continuing high quality surgical services to patients in our rural community who often have limited access to transportation. The Pinckneyville Community Hospital Auxiliary also was notified through the USDA Communities Facilities Grant that there were no funds available in which to aid $27,500 towards the purchase of a climate-controlled shuttle vehicle which would have been used to assist patients with transportation for medical services.

- In June 2024, we experienced our second occurrence of check fraud in two years. The latest instance involved a check stolen from the mail and the payee and dollar amount changed. The other instance from April 2022 was a mobile withdrawal transaction. To combat the increase in mail and bank fraud, the Accounting Department has had a process now in effect for the past year whereby online general cash and refund accounts are monitored daily for transactions, with check payees and amounts compared back to the originally issued checks. While we cannot fully prevent check fraud, nor be able to actually recoup stolen monies in all instances, this enables us to identify fraudulent activity quicker and to alert the bank of the occurrence. When this occurs, it requires the Hospital to deactivate the impacted checking accounts and set up new ones. This involves a tremendous amount of work to contact payers and vendors to update account information because of the high volume of Electronic Fund Transfer ("EFT") transactions that are a part of our daily operations. To combat the issue of delayed check payments, we are exploring options for paying vendors electronically via EFT payment as opposed to mailing checks.

- We continue to have issues with lost and extremely delayed mail delivery. Some accounts payable checks to our vendors have taken 45-60 days to be delivered. Channel 3 News had a segment on August 11, 2025, about problems with stolen mail. Channel 3 News reported that internal mail thefts across the nation within the Post Office since 2021 are up 47%, and that organized groups are actually recruiting people to work in the Post Office to steal mail. Apparently, this is a nationwide problem and not just isolated to the St. Louis Post Office. Per a August 14, 2025, article in the St. Louis Business Journal, "The United States Postal Service's Inspector General released its audit Wednesday of several St. Louis mail facilities, saying it found "systemic issues," with one center breaking a record for the largest delayed mail backlog in USPS field audit history. According to the audit, the St. Louis Processing and Distribution Center had more than 2.5 million delayed pieces of mail between June 3-4, "the largest delayed mail volume since our field operations reviews began in 2021." A statement from Republican U.S. Rep. Mike Bost, who represents Illinois' 12th Congressional District, said in part, "The simmering frustrations of people in my district have been validated with today's report," adding that it was "past time to fix these staffing shortages, hold supervisors accountable, and get the machines in top working order."

Year Ended April 30, 2024:

- Medicare Advantage plans, as well as commercial payers, continue to implement prior authorization policies which impede care and erode hospital reimbursement. The Hospital has had to add additional staff just to try and keep up with the prior authorization requirements.

- Pinckneyville Community Hospital has seen its 340B drug cost savings drop by 52% in just three years—from $922,000 in 2021 to $444,000 in 2023. The hospital stands to lose another $209,000 per year from one manufacturer since being forced to designate a single pharmacy as a 340B contract pharmacy rather than working with four contract pharmacies like they had been. Pharmaceutical companies are not living up to the promise of 340B: to help hospitals "stretch scarce federal resources as far as possible" to reach more eligible patients and provide more comprehensive services. New restrictions by pharmaceutical companies mean significant reductions in the drug cost savings the hospital dedicates to charity care and services that promote patient health, including:
    - $1 million - $2.3 million in charity care per fiscal year;
    - Clinics for patients with congestive heart failure and chronic obstructive pulmonary disease offering free education and treatment programs; and
    - New programs including aquatic therapy and outpatient behavioral health care.
    - Patient prescription assistance program that helps patients obtain free or discounted medications.
    - Maintaining essential services and quality health care close to home such as the emergency department and cancer care & infusion clinic which operate at a loss.
    - Offer a self- administered drug policy that is OIG and Medicare compliant that permits the write-off of non-covered drugs which improves patient satisfaction and medication compliance.
    - Offering community education programs and events designed to help the community maintain healthier, more active lives.

  Without the 340B program, Pinckneyville Community Hospital would experience negative operating margins which would significantly impact the hospital's financial stability. That could result in ending programs and services patients rely on for optimal health.

Contacting the Hospital's Financial Management

The financial report is designed to provide patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's financial position and show its accountability for the money it receives. Should you have any questions regarding this report or need additional financial information, contact the Hospital Administrator/CEO at Pinckneyville Community Hospital District, 5383 State Route 154, P.O. Box 437, Pinckneyville, IL 62274-1099.

Pinckneyville Community Hospital District

Statements of Net Position

April 30, 2025 and 2024

	2025	2024
Assets and Deferred Outflow of Resources		
Current assets:		
Cash and cash equivalents	$ 18,680,751	$ 16,877,108
Investments	10,391,430	8,291,312
Assets limited as to use	1,473,551	1,411,619
Accounts receivable - Net	5,964,957	6,303,386
Inventories	370,220	326,816
Prepaid expenses and other	1,152,821	1,383,376
Total current assets	38,033,730	34,593,617
Assets limited as to use - Less current portion	5,928,259	2,280,631
Capital assets:		
Nondepreciable capital assets	435,158	1,882,910
Depreciable capital assets - Net	34,784,246	35,865,542
Capital assets - Net	35,219,404	37,748,452
TOTAL ASSETS	$ 79,181,393	$ 74,622,700

Pinckneyville Community Hospital District

Statements of Net Position (Continued)

April 30, 2025 and 2024

	2025	2024
Current liabilities:		
Current portion of long-term debt	$ 695,000	$ 660,000
Current portion of lease obligations	124,053	113,893
Accounts payable - Trade	523,325	429,275
Accrued payroll and related expenses	1,723,633	1,501,958
Due to third-party reimbursement programs	1,784,500	93,722
Other	1,113,274	1,238,295
Total current liabilities	5,963,785	4,037,143
Long-term liabilities:		
Long-term debt - Less current portion	29,343,333	30,038,333
Lease obligations - less current portion	185,165	159,681
Total long-term liabilities	29,528,498	30,198,014
Total liabilities	35,492,283	34,235,157
Deferred inflows of resources - Unavailabale property taxes	282,530	282,580
Net position:		
Unrestricted	35,449,862	30,359,021
Net investment in capital assets	4,871,853	6,776,545
Restricted - Expendable for specific operating activities	36,678	40,193
Restricted - Expendable for debt service	3,048,187	2,929,204
Total net position	43,406,580	40,104,963
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$ 79,181,393	$ 74,622,700

See accompanying notes to financial statements.

Pinckneyville Community Hospital District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended April 30, 2025 and 2024

	2025	2024
Revenue:		
Net patient service revenue	$ 45,258,839	$ 41,695,164
Other operating revenue	770,455	1,062,534
Total operating revenue	46,029,294	42,757,698
Operating expenses:		
Salaries and wages	19,125,542	17,447,369
Employee benefits	6,568,573	5,664,710
Purchased services and professional fees	4,513,870	4,364,753
Supplies and other	10,057,078	9,729,988
Depreciation and amortization	3,659,471	3,449,154
Total operating expenses	43,924,534	40,655,974
Income from operations	2,104,760	2,101,724
Nonoperating revenues (expenses):		
Interest income	1,057,833	625,396
Property tax revenue	318,395	341,070
Noncapital gifts, grants, and other	678,615	1,328,840
Interest expense	(851,156)	(875,576)
Loss on disposal of capital assets	(6,830)	(8,858)
Total nonoperating revenues - Net	1,196,857	1,410,872
Increase in net position	3,301,617	3,483,241
Net position at beginning	40,104,963	36,621,722
Net position at end	$ 43,406,580	$ 40,104,963

See accompanying notes to financial statements.

Pinckneyville Community Hospital District

Statements of Cash Flows

Years Ended April 30, 2025 and 2024

	2025	2024
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Cash received from patients and third-party payors	$ 47,288,046	$ 39,807,538
Cash paid to suppliers and contractors	(14,414,818)	(14,105,029)
Cash paid to employees	(25,472,440)	(23,065,441)
Other cash received	770,405	1,033,213
Net cash flows from operating activites	8,171,193	3,670,281
Cash flows from noncapital financing activities -		
Property tax revenue	318,445	341,070
Noncapital gifts, grants, and other	678,615	1,328,840
Net cash flows from noncapital financing activities	997,060	1,669,910
Cash flows from capital and related financing activities:		
Principal payments on long-term debt and lease obligations	(805,514)	(563,893)
Interest paid on long-term debt and lease obligations	(851,156)	(875,576)
Proceeds from disposal of capital assets	500	-
Purchase of capital assets	(956,595)	(3,124,535)
Net cash flows from capital and related financing activities	(2,612,765)	(4,564,004)
Cash flows from investing activities -		
Interest income	1,057,833	625,396
Net change in cash, cash equivalents, and restricted cash	7,613,321	1,401,583
Cash, cash equivalents, and restricted cash at beginning of year	28,860,670	27,459,087
Cash, cash equivalents, and restricted cash at end of year	$ 36,473,991	$ 28,860,670

Pinckneyville Community Hospital District

Statements of Cash Flows (Continued)

Years Ended April 30, 2025 and 2024

	2025	2024
Reconciliation of income from operations to net cash flows from operating activities:		
Income from operations	$ 2,104,760	$ 2,072,369
Adjustments to reconcile income from operations to net cash flows from operating activities:		
Depreciation and amortization	3,659,471	3,449,154
Provision for bad debts	2,139,306	1,759,943
Changes in operating assets and liabilities:		
Accounts receivable	(1,800,877)	(4,131,591)
Inventories	(43,404)	39,708
Prepaid expenses and other	230,455	(109,996)
Due from third-party reimbursement programs	1,690,778	484,185
Accounts payable	94,050	(111,857)
Accrued and other liabilities	96,654	218,366
Total adjustments	6,066,433	1,597,912
Net cash provided by operating activities	$ 8,171,193	$ 3,670,281
Reconciliation of cash, cash equivalents, and restricted cash to statements of net position:		
Cash and cash equivalents	$ 18,680,751	$ 16,877,108
Restricted cash included within:		
Investments	10,391,430	8,291,312
Assets limited as to use - Current portion	1,473,551	1,411,619
Assets limited as to use - Noncurrent portion	5,928,259	2,280,631
Total cash, cash equivalents, and restricted cash	$ 36,473,991	$ 28,860,670
Supplemental cash flows information:		
Capital asset additions acquired through lease obligations	$ 181,158	$ -

See accompanying notes to financial statements.

Note 1: Summary of Significant Accounting Policies

The Entity

Pinckneyville Community Hospital District (the “Hospital”) operates a critical access hospital (CAH) with 20 acute-care beds and a physician clinic. The Hospital provides comprehensive inpatient, outpatient, and physician clinic services. The Hospital is established in accordance with provisions of the Illinois Hospital District law and is located in Pinckneyville, Illinois. The component unit, discussed below, is included in the financial statements because the nature and significance of its relationship to the Hospital is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete under criteria set forth by the Government Accounting Standards Board (GASB).

The Hospital and Pinckneyville Community Hospital Auxiliary (the "Auxiliary"), as described below, have been blended and are collectively referred to as the "Organization." All material intercompany accounts and transactions have been eliminated.

The Auxiliary is a legally separate, 501(c)(3) tax-exempt, public benefit corporation. The Auxiliary acts primarily as a fund-raising organization to supplement the resources that are available to the Hospital. Although the Hospital does not control the timing or amount of receipts from the Auxiliary, the majority of the resources or income thereon that the Auxiliary holds and invests are restricted to the activities of the Hospital by the Auxiliary’s bylaws. The Auxiliary’s Board of Directors may also restrict the use of such funds for capital asset replacement, expansion, or other specific purposes. Because these resources held by the Auxiliary can only be used by or for the benefit of the Hospital, and because the Auxiliary's services are almost entirely provided to the Hospital, as well as governance decisions being controlled by the Hospital, the Auxiliary is considered a component unit of the Hospital and is blended in presentation in the accompanying financial statements. The Auxiliary will not issue separate financial statements for the years ended April 30, 2025 and 2024.

The accompanying financial statements present the activities of the Hospital. Accounting principles generally accepted in the United States (GAAP) require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the Hospital’s reporting entity because of the significance of their operational or financial relationships with the Hospital. All significant activities and organizations with which the Hospital exercises oversight responsibility have been considered for inclusion in the financial statements. The Hospital has one blended component unit as described above and is not included in any other governmental reporting entity.

Method of Accounting

The Organization's financial statements are presented using the flow of economic resources measurement focus, which uses the accrual basis of accounting.

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of the accompanying financial statements in conformity with GAAP requires management to make estimates and assumptions that directly affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates may also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

The Organization considers critical accounting estimates to be those that require more significant judgments and include the valuation of accounts receivable (including contractual adjustments and an allowance for doubtful accounts), estimated third-party payor settlements, and the estimated claims payable at year-end under its self-funded health insurance plan.

Cash Equivalents

Cash and cash equivalents include highly liquid debt instruments with an original maturity of 12 months or less, excluding amounts whose use is limited or restricted. The carrying amount reported in the statements of net position for cash and cash equivalents approximates fair value. For the purposes of the statements of cash flows, the Organization considers cash to include all amounts whose use is limited or restricted.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs, such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring the entity to develop its own assumptions. The fair value measurements of assets or liabilities within the hierarchy are based on the lowest level of any input that is significant to the fair value measurement.

Accounts Receivable and Credit Policy

Accounts receivable are uncollateralized patient obligations that are stated at the amount management expects to collect from outstanding balances. These obligations are primarily from local residents, most of whom are insured under third-party payor agreements. The Organization bills third-party payors on the patients' behalf, or if a patient is uninsured, the patient is billed directly. Once claims are settled with the primary payor, any secondary payor is billed, and patients are billed for copay and deductible amounts that are the patients' responsibility. Payments on accounts receivable are applied to the specific claim identified on the remittance advice or statement. The Organization does not have a policy to charge interest on past due accounts.

Accounts receivable are recorded in the accompanying statements of net position net of contractual adjustments and an allowance for doubtful accounts, which reflect management's estimate of the amounts that will not be collected. Management provides for contractual adjustments under terms of third-party reimbursement agreements through a reduction of gross revenue and a credit to accounts receivable.

Note 1: Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Credit Policy (Continued)

In evaluating the collectability of accounts receivable, the Organization analyzes past results and identifies trends for its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and the provision for bad debts. Management regularly reviews data regarding these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Specifically, for receivables relating to services provided to patients having third-party coverage, the Organization analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts for expected uncollectible deductibles and copayments on accounts for which third-party payors have not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely.

For receivables associated with self-pay patients (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 Organization records a significant provision for bad debts in the period services are provided 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.

Inventories

Inventories of supplies are valued at the lower of cost, determined on the first-in, first-out method or market.

Assets Limited as to Use

Assets limited as to use include assets held by trustee for debt service, donor-restricted assets, and assets set aside by the Board of Directors (the “Board”) for future capital improvements, over which the Board retains control and may subsequently, at its discretion, use for other purposes. Amounts available to meet current liabilities are classified as current assets in the accompanying statements of net position.

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation

Capital assets are recorded at cost if purchased or, if donated, at fair value at date of donation. Maintenance and repair costs are charged to expense as incurred. Gain or loss on disposition of capital assets is reflected in nonoperating income (expense). Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Estimated useful lives range from 8 to 20 years for land improvements, 10 to 20 years for buildings and improvements, 3 to 20 years for equipment, and 3 to 5 years for software.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support and are excluded from the income from operations, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted expendable net position. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Impairment

Capital assets are reviewed for impairment when events or changes in circumstances suggest the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is independent of the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenue, expenses, and changes in net position. During 2025 and 2024 , the Organization determined that no evaluations of recoverability were necessary.

Lease Accounting

The Organization is a lessee in multiple noncancelable leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Leased assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The leased asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases or decreases to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense in the future period in which they are incurred.

Note 1: Summary of Significant Accounting Policies (Continued)

Lease Accounting (Continued)

The discount rate used is the implicit rate in the lease contract, if it is readily determinable, or the Organization's incremental borrowing rate. This rate is used to calculate the present value of future lease payments. This rate is an alternative investment rate for other than short-term or long-term investments and is materially the same as the rate the Organization might incur from an external lender.

For all underlying classes of assets, the Organization does not recognize leased assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straightline basis over the lease term.

Compensated Absences

Employees of the Organization are granted vacation in varying amounts based on length of service and hours worked. Based on length of service, there are annual limits to the accrued vacation time that can be carried over to the next calendar year. Each December, employees with accumulated vacation time in excess of the maximum limits in the policy will be paid for those excess hours at their then current hourly base rate of pay. As such, a liability has been estimated in the accompanying balance sheets for the anticipated vested amount of vacation benefits.

Employees of the Organization earn amounts of sick pay based on hours of service. Sick leave is permitted to accumulate with no cap; however, each December employees with accumulated sick leave in excess of 480 hours are paid for one-half of the excess accrued hours at their then current base rate of pay. Sick leave other than the excess payment amount described not vest; therefore, no liability has been recorded for amounts up to the 480 hours. A liability has been estimated in the accompanying balance sheets for the estimated amount over the 480 hours which is vested and earned through April 30, and anticipated to be paid out subsequently in the following December.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, the Organization has no items that qualify for reporting in this category.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, a separate financial statement element, represents the acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Organization reports deferred inflows of resources for property taxes approved but not collected until the subsequent fiscal year and funding received from government agencies for services to be provided in a subsequent year. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available for use.

Net Position

The Organization's net position is classified in three components:

- *Net investment in capital assets* consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

- *Restricted expendable net position* consists of noncapital assets that must be used for a particular purpose as specified by creditors, grantors, or contributors external to the Organization that are expendable for debt service and specific operating activities.

- *Unrestricted net position* consists of remaining assets that do not meet the definitions above.

When both restricted and unrestricted resources are available for use, it is the Organization’s policy to use externally restricted resources first.

Note 1: Summary of Significant Accounting Policies (Continued)

Patient Service Revenue

The Organization recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on a basis of contractual rates for the services rendered. Certain third-party payor reimbursement agreements are subject to audit and retrospective adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

For uninsured patients who do not qualify for charity care, the Organization recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Organization's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Organization records a significant provision for bad debts related to uninsured patients in the period the services are provided.

Charity Care

The Organization provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The Organization maintains records to identify the amount of charges foregone for services and supplies furnished under the charity care policy. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue in the accompanying statements of revenue, expenses, and changes in net position.

Property Tax Revenue

The Organization's Board passes its tax levy in October. Property taxes attach an enforceable lien on the property as of January 1 and are payable between August and October. Property taxes are collected by the Perry County Treasurer who then distributes settlements to the Organization between August and December. For revenue recognition purposes, taxes levied during the current year to be used to finance the operations of the following year are not available for current operations and are therefore reported as a deferred inflow of resources.

Operating Revenue and Expenses

The Organization's statements of revenue, expenses, and changes in net position distinguish between operating and nonoperating income and expenses. Operating revenue includes exchange transactions associated with providing health care services. Operating expenses are all expenses incurred to provide health care services other than financing costs. Nonoperating income and expenses are those transactions not considered directly linked to providing health care services.

Note 1: Summary of Significant Accounting Policies (Continued)

Grants and Contributions

Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Revenue 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. Contributions that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating income. Amounts restricted to capital acquisitions are reported after excess of revenue over expenses in the accompanying statements of revenue, expenses, and changes in net position.

Tax Status

The Hospital is a governmental subdivision of the State. Accordingly, the Hospital is exempt from federal and state income taxes.

The Auxiliary has been recognized as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar provision of state law; however, the Auxiliary is subject to federal income tax on any unrelated business taxable income.

Unemployment Compensation

The Hospital has elected the reimbursement method to finance the cost of unemployment compensation benefits. Unemployment compensation expense is charged to operating expense when paid or when the amount of the claims can be estimated. The Hospital contributes to a state unemployment trust held by a third party.

Advertising Costs

Advertising costs are expensed as incurred.

Auxiliary

The Auxiliary is a private nonprofit organization that reports under the Financial Accounting Standards Board Account Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from the GASB's revenue recognition criteria and presentation features. No modifications have been made to the Auxiliary's statements in the Hospital's financial reporting entity for these differences.

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through _____, which is the date the financial statements were available to be issued.

New Accounting Pronouncements

In 2024, GASB Statement No. 103 - *Financial Reporting Model Improvements* was issued. This statement improves key components of financial reporting to enhance information which is provided in the financial statements to allow government's to gain additional information for decision making as well as to assist in assessing a government's accountability. This statement is required to be adopted by the Organization's year ending April 30, 2026. Management has not yet determined the impact of the adoption of this statement on the accompanying financial statements.

In 2024, GASB Statement No. 104 - *Disclosure of Certain Capital Assets* was also issued. This statement requires certain capital assets to be disclosed separately in notes to the financial statements related to capital assets, as well as other required enhanced not disclosures. Examples of capital assets which may need separate disclosure are leased or subscription assets, or capital assets held for sale, among other assets requiring separate disclosure. This statement is required to be adopted by the Organization's year ending April 30, 2026. Management has not yet determined the impact of the adoption of this statement on the accompanying financial statements.

Note 2: Reimbursement Arrangements With Third-Party Payors

The Organization has agreements with third-party payors that provide for reimbursement to the Organization at amounts that vary from its established rates. A summary of the basis of reimbursement with major third-party payors follows:

Hospital Services

- *Medicare* - The Medicare program has designated the Organization as a CAH for Medicare reimbursement purposes. Under this designation, inpatient and outpatient hospital services rendered to Medicare program beneficiaries are paid based on a cost-reimbursement methodology. Professional services provided by physicians and other clinicians in the hospital setting are reimbursed on prospectively determined fee schedules.

- *Medicaid* - Hospital services rendered to beneficiaries of Illinois Public Aid are paid at prospectively determined rates based on a patient classification system. These rates are not subject to retroactive adjustment; however, in order to receive proper reimbursement, the Organization must file an annual cost report with the State.

- *Blue Cross Blue Shield* - The Organization is paid for services rendered to Blue Cross Blue Shield beneficiaries based on a combination of fixed prices and discounted charges. Blue Cross Blue Shield processes claims under a uniform payment plan on an interim basis subject to a monthly reconciliation between actual payments received and the agreed-upon contractual amounts. The monthly reconciliation process results in a recognition of a liability that will be liquidated within 90 days.

- *Other* - The Organization entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Clinic Services

- *Medicare* - Certain physician and professional services rendered to Medicare beneficiaries in the clinic qualify for reimbursement as RHC services. Qualifying services are reimbursed based on a cost-reimbursement methodology.

- *Medicaid* - RHC services rendered to Illinois Public Aid beneficiaries are paid at prospectively determined rates that are updated annually.

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Hospital Medicaid Assessment Programs

The Organization records additional Medicaid revenue from the State of Illinois Hospital Assessment Program when received. Under the hospital assessment program, each hospital is assessed based on their adjusted gross hospital revenue in order to provide for additional Medicaid revenues to be redistributed to hospitals in the State of Illinois under various payment programs. Governmental hospitals, including the Organization, are exempt from paying the assessment but are still eligible to participate in the enhanced payments.

In accordance with 305 ILCS 5/5A-12.4, enacted in 2012, the Illinois Department of Healthcare and Family Services started making Hospital Access Improvement Payments in state Fiscal Year 2014 after federal approval was achieved. The program is commonly referred to as the Enhanced Hospital Assessment and was effective for the period June 10, 2012 through June 30, 2018.

In accordance with Public Act 98-651 (SB 741), enacted on June 16, 2014, the State of Illinois authorized the creation of the Managed Care Organization Hospital Access Program, commonly known as MCO-HAP. Under this program, a portion of the funds that are currently paid to hospitals under the Hospital Assessment Program will be paid to Medicaid managed care organizations (MCOs) as increased capitation rates. The MCOs may then only use the increased capitation rates to make payments to hospitals in a manner that replicates the payment of the hospital access payments under the Hospital Assessment Program.

In accordance with 305 ILCS 5/5A-12.5, enacted in 2014, the Illinois Department of Healthcare and Family Services (HFS) requested new supplemental payments to hospitals for services provided to newly eligible Medicaid beneficiaries under the Affordable Care Act. In January 2015 HFS was granted approval by the Centers for Medicare and Medicaid Services (CMS). The program is commonly referred to as the ACA Expansion Payments and was in effect in its current design through June 30, 2018.

In accordance with Public Act 99-516 (HB4678), enacted in 2016, the State of Illinois authorized the extension of the Affordable Care Act Expansion Payments for adults enrolled in Managed Care Organizations. Under 305 ILCS 5/5A- 12.5, the supplemental payments were for newly eligible Medicaid beneficiaries under the Affordable Care Act. With the shift to managed care, the ACA Access Payments are now extended to Affordable Care At adults in Managed Care Organizations. This program was in effect in its current design through June 30, 2018.

The assessment and supplemental payment programs were extended under a redesigned program which was approved and extended through June 30, 2026.

Accounting for Contractual Arrangements

The Organization is reimbursed for cost reimbursable items at an interim rate, and final settlements are determined after audit of the Organization's related annual cost reports by the respective Medicare and Medicaid fiscal intermediaries. Estimated provisions to approximate the full expected settlements after review by the fiscal intermediaries are included in the accompanying financial statements. The Organization's cost reports have been audited by the Medicare fiscal intermediary through April 30, 2021.

Note 2: Reimbursement Arrangements With Third-Party Payors (Continued)

Compliance

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, particularly those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by healthcare providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patients' services.

CMS uses recovery audit contractors (RACs) as part of its efforts to ensure accurate payments under the Medicare program. RACs search for potentially inaccurate Medicare payments that may have been made to healthcare providers and not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, CMS makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. The Organization may either accept or appeal the RAC findings. As of April 30, 2025, the Organization had not been notified by the RAC of any potential significant reimbursement adjustments.

Note 3: Investments and Assets Limited as to Use

Authorized Investments

State statutes authorize the Hospital to make deposits and investments in interest-bearing depository accounts in federally insured and/or state-chartered banks, savings and loan associations, or other financial institutions, as designated by ordinances and invest available funds in direct obligations of, or obligations guaranteed by, the U.S. Department of the Treasury or agencies of the United States, money market mutual funds whose portfolios consist of government securities, the Illinois Public Treasury's Investment Pool, and Illinois Funds Investment Pool (the "Pool"). The Hospital's investments consist entirely of certificates of deposit, money market mutual funds, and the Pool.

Deposits

Custodial Credit Risk - The risk that, in the event of a bank failure, the Hospital's deposits may not be returned to it. The Hospital's deposit policy for custodial credit risk is to obtain a pledge of collateral for deposits in excess of FDIC-insured coverage.

Investments

- *Interest Rate Risk* - The risk that changes in market interest rates will adversely affect the fair value of an investment. The Hospital's deposit and investment policy does not specifically address interest rate risk.

- *Credit Risk* - The risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized statistical rating organization. The Hospital has no investment policy limiting its investment choices by credit rating.

- *Concentration of Credit Risk* - The risk related to the exposure the Hospital has to investments in one issuer. The Hospital places no limit on the amount that may be invested in any one issuer.

- *Custodial Credit Risk* - For an investment, the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to the transaction, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Hospital's investment policy does not limit the exposure to custodial credit risk for investments. All investments are held by the Hospital's agent in the Hospital's name and are, therefore, not exposed to custodial risk.

Note 3: Investments and Assets Limited as to Use (Continued)

Investments (Continued)

The Organization's bank deposit balances of $36,595,700 and $29,121,075 at April 30, 2025 and 2024, respectively, were exposed to custodial credit risk as follows:

	2025	2024
Uninsured with collateral held by pledging financial institutions' trust department or agent in other than the Hospital's name	$ 33,036,766	$ 26,642,170
Insured and held by financial institutions	798,411	545,660
Cash on hand at hospital	1,630	1,405
Invested in state of Illinois investment pool (see below)	2,637,184	1,671,435
Total deposits and investments at risk covered by collateral agreements	$ 36,473,991	$ 28,860,670

The Hospital maintains a substantial portion of its deposits in two financial institutions. The Hospital has not experienced any losses in such amounts and believes it is not exposed to any significant credit risk on its deposits. The Auxiliary has separate federal deposit insurance corporation protections from the Hospital, and all Auxiliary funds in depository accounts are included in the insured deposit toals above.

Total deposits and investments included in the statements of net position at April 30 are as follows:

	2025	2024
Cash and cash equivalents	$ 18,680,751	$ 16,877,108
Investments - Certificates of deposit (with maturities of one year or less)	10,391,430	8,291,312
Assets limited as to use	7,401,810	3,692,250
Total deposits and investments	$ 36,473,991	$ 28,860,670

Assets Limited as to Use

Assets limited as to use consisted of the following at April 30:

	2025	2024
Held by trustee for debt service	$ 3,666,900	$ 3,652,057
Board or donor restricted for specific activities or capital improvements	3,734,910	40,193
Total assets limited as to use	7,401,810	3,692,250
Less - Current portion	1,473,551	1,411,619
Assets limited as to use, less current portion	$ 5,928,259	$ 2,280,631

Note 3: Investments and Assets Limited as to Use (Continued)

Other Information

The Pool is not registered with the U.S. Securities and Exchange Commission. The Pool is administered by the Illinois State Treasurer, and oversight is provided by the Illinois Auditor General's Office. The fair value of the positions in the Pool is the same value of the Pool shares. The Hospital held $2,637,184 and $1,671,435 in this fund at April 30, 2025 and 2024, respectively. The Pool has a Standard & Poor's credit rating of AAA and a weighted average maturity of 99 days.

There are no restrictions on any of the Auxiliary's depository or investment accounts other than to comply with specified donor restrictions, when applicable.

Note 4: Fair Value Measurements

The following describes the valuation methodology for assets measured at fair value on a recurring basis:

- *Money market funds*: Measured using $1 as net asset value.

The previously described method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. In addition, the Organization believes its valuation methodology or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets measured at fair value on a recurring basis as of April 30:

	Fair Value Measurements Using			Total Assets
2025	**Level 1**	**Level 2**	**Level 3**	**at Fair Value**
Money market funds	$ -	$ 18,346,117	$ -	$ 18,346,117
Reconciliation to statement of net position:				
Assets limited as to use				$ 7,401,809
Add - Money market funds in cash and cash equivalents				10,944,308
Total				$ 18,346,117

Note 4: Fair Value Measurements (Continued)

2024	Fair Value Measurements Using Level 1	Level 2	Level 3	Total Assets at Fair Value
Money market funds	$ -	$ 15,409,378	$ -	$ 15,409,378
Reconciliation to statement of net position:				
Assets limited as to use				$ 3,692,250
Add - Money market funds in cash and cash equivalents				11,717,128
Total				$ 15,409,378

Note 5: Accounts Receivable

Accounts receivable consisted of the following at April 30:

	2025	2024
Medicare	$ 4,676,401	$ 4,731,119
Medicaid	746,679	1,097,026
Other third-party payors	1,419,227	1,399,204
Self-pay	414,139	496,274
Totals	7,256,446	7,723,623
Less - Allowance for doubtful accounts	1,291,489	1,420,237
Accounts receivable - Net	$ 5,964,957	$ 6,303,386

Changes in the allowance for doubtful accounts for the years ended April 30 were as follows:

	2025	2024
Balance at beginning	$ 1,420,237	$ 764,821
Provision for bad debts charged to deductions from revenue	2,152,468	1,759,943
Account balances charged off	(2,268,054)	(1,104,527)
Balance at end	$ 1,304,651	$ 1,420,237

Note 6: Capital Assets

Capital assets consisted of the following as of April 30:

	Balance at April 30, 2024	Additions	Deletions	Transfers	Balance at April 30, 2025
Nondepreciable capital assets:					
Land	$ 422,113	$ -	$ -	$ -	$ 422,113
Construction in progress	1,460,797	457,377	-	(1,905,129)	13,045
Total nondepreciable capital assets	1,882,910	457,377	-	(1,905,129)	435,158
Depreciable capital assets:					
Land improvements	3,685,261	-	-	-	3,685,261
Buildings and improvements	45,962,538	1,848,382	-	-	47,810,920
Equipment	7,524,414	555,965	93,197	-	7,987,182
Assets under lease obligations	536,693	181,158	-	-	717,851
Total depreciable capital assets	57,708,906	2,585,505	93,197	-	60,201,214
Less - Accumulated depreciation:					
Land improvements	1,667,859	215,520	-	-	1,883,379
Buildings and improvements	15,349,009	2,518,423	-	-	17,867,432
Equipment	4,565,111	788,105	85,867	-	5,267,349
Assets under lease obligations	261,385	137,423	-	-	398,808
Total accumulated depreciation	21,843,364	3,659,471	85,867	-	25,416,968
Depreciable capital assets - Net	35,865,542	-	7,330	-	34,784,246
Capital assets - Net	$ 37,748,452	$ 457,377	$ 7,330	$ (1,905,129)	$ 35,219,404

Note 6: Capital Assets (Continued)

	Balance at April 30, 2023	Additions	Deletions	Transfers	Balance at April 30, 2024
Nondepreciable capital assets:					
Land	$ 422,113	$ -	$ -	$ -	$ 422,113
Construction in progress	642,165	818,632	-	-	1,460,797
Total nondepreciable capital assets	1,064,278	818,632	-	-	1,882,910
Depreciable capital assets:					
Land improvements	3,685,261	-	-	-	3,685,261
Buildings and improvements	45,346,503	616,035	-	-	45,962,538
Equipment	7,876,332	1,689,868	2,041,786	-	7,524,414
Assets under lease obligations	536,702	-	9	-	536,693
Total depreciable capital assets	57,444,798	2,305,903	2,041,795	-	57,708,906
Less - Accumulated depreciation:					
Land improvements	1,451,930	215,929	-	-	1,667,859
Buildings and improvements	12,911,257	2,437,752	-	-	15,349,009
Equipment	5,918,142	679,897	2,032,928	-	4,565,111
Assets under lease obligations	145,818	115,576	9	-	261,385
Total accumulated depreciation	20,427,147	3,449,154	2,032,937	-	21,843,364
Depreciable capital assets - Net	37,017,651	(1,143,251)	8,858	-	35,865,542
Capital assets - Net	$ 38,081,929	$ (324,619)	$ 8,858	$ -	$ 37,748,452

Note 7: Long-Term Debt

Long-term debt consisted of the following at April 30:

	Balance at April 30, 2024	Additions	Payments	Balance at April 30, 2025	Amounts Due Within One Year
Direct placements:					
USDA Direct Loan Series A	$ 8,600,000	$ -	$ 150,000	$ 8,450,000	$ 150,000
USDA Direct Loan Series B	7,700,000	-	125,000	7,575,000	150,000
USDA 2017 Revenue Bonds	1,485,000	-	30,000	1,455,000	30,000
USDA 2019 Revenue Bonds	2,265,000	-	45,000	2,220,000	45,000
USDA 2021 Revenue Bonds	9,990,000	-	210,000	9,780,000	220,000
Total direct placements	30,040,000	-	560,000	29,480,000	595,000
Direct borrowing:					
USDA Rural Economic Development Note	658,333	-	100,000	558,333	100,000
Total debt	$ 30,698,333	$ -	$ 660,000	$ 30,038,333	$ 695,000

	Balance at April 30, 2023	Additions	Payments	Balance at April 30, 2024	Amounts Due Within One Year
Direct placements:					
USDA Direct Loan Series A	$ 8,750,000	$ -	$ 150,000	$ 8,600,000	$ 150,000
USDA Direct Loan Series B	7,825,000	-	125,000	7,700,000	125,000
USDA 2017 Revenue Bonds	1,515,000	-	30,000	1,485,000	30,000
USDA 2019 Revenue Bonds	2,310,000	-	45,000	2,265,000	45,000
USDA 2021 Revenue Bonds	9,990,000	-	-	9,990,000	210,000
Total direct placements	30,390,000	-	350,000	30,040,000	560,000
Direct borrowing:					
USDA Rural Economic Development Note	758,333	-	100,000	658,333	100,000
Total direct borrowing	758,333	-	100,000	658,333	100,000
Total debt	$ 31,148,333	$ -	$ 450,000	$ 30,698,333	$ 660,000

Note 7: Long-Term Debt (Continued)

Direct placements:

USDA Revenue Bonds

The Series 2017 long-term fixed rate revenue bonds were issued by the USDA and carry an interest rate of 2.375%. The bonds mature over 35 years, with interest-only payments for the first 24 months. Principal payments began on these bonds in 2021.

The Series 2019 long-term fixed rate revenue bonds were issued by the USDA and carry an interest rate of 3.50%. The bonds mature over 35 years, with interest-only payments for the first 24 months. Principal payments began on these bonds in 2022.

The Series 2021 long-term fixed rate revenue bonds were issued by the USDA and carry an interest rate of 2.125%. The Organization received its first proceeds from the bonds in 2022, and the bonds mature over 35 years, with interest-only payments for the first 24 months. Principal payments are scheduled to begin on these bonds in 2025.

USDA Direct Loans

The Series 2015 A and B direct loans were issued by the USDA during 2016, and carry an interest rate of 3.25%. The bonds mature over 40 years, with interest-only payments for the first 24 months. Principal payments on the direct loans started in 2020.

Direct borrowing:

USDA Rural Economic Development (RED) Note

The USDA RED note was issued as a non-interest-bearing note in November 2020 by the USDA to the Organization through a local energy cooperative. The note requires monthly payments which began in December 2020 of $8,333 to be paid over 10 years. The note is collateralized by letter of credit from First National bank which also requires a CD to secure the line of credit.

Note 7: Long-Term Debt (Continued)

Scheduled payments of principal and interest on long-term debt as of April 30, 2025, are summarized as follows:

	Long-Term Debt		
	Principal	Interest	Total
2026	$ 695,000	$ 813,091	$ 1,508,091
2027	695,000	796,631	1,491,631
2028	760,000	778,791	1,538,791
2029	760,000	760,509	1,520,509
2030	818,333	742,228	1,560,561
2031 through 2035	3,650,000	3,410,697	7,060,697
2036 through 2040	4,200,000	2,857,422	7,057,422
2041 through 2045	4,905,000	2,212,400	7,117,400
2046 through 2050	5,610,000	1,461,175	7,071,175
2051 through 2055	6,265,000	592,319	6,857,319
2056 through 2060	1,680,000	8,925	1,688,925
Totals	$ 30,038,333	$ 14,434,188	$ 44,472,521

Note 8: Leases

Lease obligations consisted of the following at April 30:

	Balance at April 30, 2024	Additions	Reductions	Balance at April 30, 2025	Amounts due Within One Year
Glucose Monitoring Lease 1	$ 5,557	$ -	$ 5,557	$ -	$ -
Glucose Monitoring Lease 2	4,869	-	4,869	-	-
Phone System Lease	209,009	-	71,417	137,592	73,957
Postage Machine Lease 1	5,884	-	5,884	-	-
Copy Machine Lease	48,254	-	25,909	22,345	22,345
Postage Machine Lease 2	-	22,987	2,304	20,683	4,320
Legacy Electronic Medical Record System Data Archive Lease	-	158,171	29,573	128,598	23,431
Total	$ 273,573	$ 181,158	$ 145,513	$ 309,218	$ 124,053

Note 8: Leases (Continued)

	Balance at April 30, 2023	Additions	Reductions	Balance at April 30, 2024	Amounts due Within One Year
Glucose Monitoring Lease 1	$ 13,686	$ -	$ 8,097	$ 5,589	$ -
Glucose Monitoring Lease 2	13,020	-	8,120	4,900	-
Phone System Lease	277,910	-	68,963	208,947	-
Postage Machine Lease	9,640	-	3,756	5,884	-
Copy Machine Lease	73,211	-	24,957	48,254	-
Total	$ 387,467	$ -	$ 113,893	$ 273,574	$ -

The terms and expiration dates of the Organization's lease obligations are as follow:

The Glucose Monitoring Lease 1 - Lease obligation maturing in December 2024, payable in monthly installments of $705 including interest with a rate of 3.5%, collateralized by glucose monitoring equipment. This lease was repaid in full in 2025.

Glucose Monitoring Lease 2 - Lease obligation maturing in November 2024, payable in monthly installments of $705 including interest with a rate of 3.5%, collateralized by glucose monitoring equipment. This lease was repaid in full in 2025.

Phone System Lease – Lease obligation maturing in February 2027, payable in monthly installments of $6,466 including interest with a rate of 3.5%, collateralized by leased phone equipment.

Postage Machine Lease 1 – Lease obligation maturing in October 2025, payable in monthly installments of $1,011 including interest with a rate of 3.5%, collateralized by leased postage equipment. This lease was repaid in full in 2025.

Copy Machine Lease – Lease obligation maturing in February 2026, payable in monthly installments of $2,273 including interest with a rate of 3.5%. collateralized by leased copier equipment.

Postage Machine Lease 2 – Lease obligation maturing in January 2030, payable in quarterly installments of $1,247 including interest with a rate of 3.5%, collateralized by leased postage equipment.

Legacy Electronic Medical Record System Data Archive Lease – Lease obligation maturing in January 2030, payable in annual installments of $29,424 including interest with a rate of 4.7%, collateralized by leased electronic medical record system.

Capital assets, and their related accumulated amortization, which are being utilized during the lease terms described above are included capital assets within the accompanying statements of net position as well as within Note 6 as assets under lease obligations.

Note 8: Leases (Continued)

Scheduled future minimum lease payments on lease obligations are summarized as follows:

Years ending April 30:	Principal	Interest	Total
2026	$ 124,053	$ 9,268	$ 133,321
2027	92,633	5,073	97,706
2028	30,298	2,877	33,175
2029	31,658	1,460	33,118
2030	30,576	11	30,587
Total	$ 309,218	$ 18,689	$ 327,907

Note 9: Line of Credit

The Hospital entered into a secured revolving line of credit agreement dated November 9, 2020, with a maximum principal amount of up to $1,000,000 and a processing fee of 1% of the outstanding loan balance upon each annual renewal of the line of credit. There were no outstanding borrowings on the line of credit as of April 30, 2025 and 2024.

Note 10: Self-Funded Insurance

The Organization has a self-funded healthcare plan that provides medical benefits to its employees and their dependents. Healthcare expense is based on actual claims paid, reinsurance premiums, administrative fees, and unpaid claims at year-end. The Organization buys reinsurance to cover catastrophic individual claims.

Accrued employee health claims are included with other current liabilities in the accompanying statements of net position. Activity in the Organization's accrued employee health claims for the years ended April 30 is summarized as follows:

	2025	2024
Balance at beginning	$ 339,500	$ 394,500
Current-year claims incurred and changes in estimates for current claims	4,487,830	3,667,440
Claims and expenses paid	(4,421,830)	(3,722,440)
Balance at end	$ 405,500	$ 339,500

Note 11: Compensated Absences

Accrued vacation liability is included with accrued payroll and related expenses in the accompanying statements of net position. Activity in the Organization's accrued vacation liability for the years ended April 30 is summarized as follows:

	2025	2024
Balance at beginning	$ 900,291	$ 941,556
Earned	1,113,525	937,065
Used or cashed out	(1,005,086)	(978,330)
Balance at end	$ 1,008,730	$ 900,291

Note 12: Patient Service Revenue (Net of Contractual Allowances and Discounts)

Net patient service revenue for the years ended April 30 consisted of the following:

	2025	2024
Gross patient service revenue:		
Inpatient services	$ 5,352,600	$ 4,825,892
Outpatient services	81,274,471	69,316,249
Total gross patient service revenue	86,627,071	74,142,141
Revenue deductions:		
Contractual adjustments	38,598,364	29,945,761
Charity care	617,401	103,521
Provision for bad debts	2,152,468	2,397,728
Total revenue deductions	41,368,233	32,447,010
Net patient service revenue	$ 45,258,838	$ 41,695,131

The percentage of gross patient service revenue applicable to Medicare and Medicaid patients was approximately 69% and 70% for the years ended April 30, 2025 and 2024, respectively.

Note 13: Retirement Plan

The Organization sponsors the Pinckneyville Community Hospital Employee Pension Plan (the “Plan”), a defined contribution retirement plan, covering substantially all of its employees. The Plan is administered by the Organization and provides retirement and death benefits to Plan members and their beneficiaries. Benefit provisions are contained in the Plan document and were established and can be amended by action of the Organization’s governing board. Contribution rates for the Organization range from 4% to 6% of eligible compensation. The required employee contributions to the Plan are 2.0% of compensation with an option of additional voluntary contributions up to the annual Internal Revenue Service limit. Retirement plan expense was $550,152 and $539,344 for the years ended April 30, 2025 and 2024, respectively. Employees are 100.0% vested in contributions from the Organization upon completion of two years of service. Prior to the completion of two years of service, a participant will be 0.0% vested in contributions from the Organization.

Note 14: Risk Management

The Hospital purchases general and professional liability insurance from the Illinois Provider Trust (IPT). IPT is a pooled self-insurance trust program organized under State statutes for the purpose of providing general and professional liability insurance to member hospitals on a claims-made basis. Until January 1, 2005, IPT was on the occurrence basis. Subsequent to January 1, 2005, IPT is on a claims-made basis. Premium rates have been established based on the loss experiences of the insured hospitals and include a provision for a retrospective premium adjustment based on incurred losses. Management has determined incurred losses to be approximately $45,000 for the years ended April 30, 2025 and 2024, and is included in other current liabilities.

The Hospital also purchases claims-made medical malpractice insurance coverage for all employed physicians. These policies cover losses up to $1,000,000 per claim with $3,000,000 annual aggregate from claims reported during a policy year (“claims made coverage”).

Under a claims-made policy, the risk for claims and incidents not asserted within the policy period remains with the Hospital. Although the possibility exists of claims arising from services provided to patients through April 30, 2025, which have not yet been asserted, the Hospital has not been given notice of any such possible claims; accordingly, no provision has been made for them.

Note 15: Auxiliary Activity

As discussed in Note 1, the Auxiliary is a component unit of the Hospital, and its financial information has been blended with Hospital data in the accompanying financial statements. A summary of the Auxiliary's net position and activity is as follows:

	2025	2024
Cash	$ 48,411	45,660
Inventory	35,664	29,391
Total assets	$ 84,075	$ 75,051
Net position	$ 67,499	$ 75,051
Noncapital gifts, grants, and other - Net	$ 9,024	$ 7,602
Increase in net position	$ 9,024	$ 7,602
Net position at beginning included in the Hospital's financial statement	75,051	67,449
Net position at end included in the Hospital's financial statements	$ 84,075	$ 75,051

Note 16: Reclassification

Certain reclassifications have been made to the 2024 financial statements to conform to the 2025 classifications.

Supplementary Information

Pinckneyville Community Hospital District

Insurance in Force - Unaudited

April 30, 2025

Company	Expiration Date	Coverage	Amount
Illinois Provider Trust	December 31, 2025	General liability	$7,000,000 per claim/occurrence
State Farm	Semiannually	Automobile liability	$1,000,000 bodily injury and property damage $5,000 medical payments; $1,000,000 uninsured $1,000,000 underinsured
Chubb through Association Management Resources	April 30, 2025	Fidelity (employee dishonesty)	Theft $150,000; forgery $150,000; credit card fraud $150,000 Crime $1,000,000
Chubb through Association Management Resources	April 30, 2025	Director and officers Fiduciary	$2,000,000 $1,000,000
First National Insurance Services	October 31, 2025	Property	$70,823,288
First National Insurance Services	October 31, 2025	Vacant Property	$500,000
First National Insurance Services	October 31, 2025	Business interruption	$33,805,587
ISMIE and Association Management Resources	Quarterly	Physician malpractice	$1,000,000/$3,000,000
Association Management Resources	December 31, 2025	Information security and privacy	$1,000,000
Illinois Compensation Trust	December 31, 2025	Workers' compensation	Statutory and $1,000,000
Healthlink	December 31, 2025	Employee health	$2,000,000

See Independent Auditor's Report.

Compliance

Pinckneyville Community Hospital District

Schedule of Expenditures of Federal Awards

Year Ended April 30, 2025

Federal Grantor/Program Title	Contract Number	Entity Passed Through	Federal Assistance Listing Number	Grantor's Time Period	Federal Expenditures
U.S. Department of Agriculture:					
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	$ 9,990,000
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	8,600,000
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	7,700,000
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	2,265,000
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	1,485,000
Community Facilities Loans and Grants - USDA Direct Loan	N/A	Direct	10.766	5/1/24-4/30/25	658,333
Total U.S. Department of Agriculture					30,698,333
U.S. Department of Health and Human Services:					
Area Health Education Centers Grant	U77HP26847-11-00 / U77HP26847-12-00	The Board of Trustees of the University of Illinois	93.107	7/1/2024-4/30/2025	209,623
Community Project Funding/Congressionally Directed Spending - Non-Construction	6 GE1HS53296-01-01	Direct	93.493	8/1/2024-7/31/2025	192,000
Delta Health Systems Implementation Program - Revenue Cycle Optimization Project	N/A	Delta Regional Authority	93.912	9/1/2024-8/31/2026	156,326
Small Hospital Improvement Grant Program	4114A	Illinois Critical Access Hospital Network	93.301	5/1/2024-4/30/2025	12,337
National Cardiovascular Health Program Illinois	CDC-RFA-DP-23-0004	Illinois Critical Access Hospital Network	93.426	5/1/2024-4/30/2025	10,500
Total U.S. Department of Health and Human Services					580,786
Total expenditures of federal awards					$ 31,279,119

See Independent Auditor's Report.

See accompanying notes to Schedule of Expenditures of Federal Awards.

Pinckneyville Community Hospital District

Notes to Schedule of Expenditures of Federal Awards

Year Ended April 30, 2025

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of Pinckneyville Community Hospital District (the "Hospital"). The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the "Uniform Guidance"). Because the schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Hospital.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as reimbursement.

Note 3: Indirect Cost

The Hospital has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Subrecipients

The Hospital does not have any sub-recipients of federal awards.

Note 5: Balance of Outstanding Loans

The Hospital has direct loans from the U.S. Department of Agriculture under the community facility loans and grants program. Amounts reported in the schedule of expenditures of federal and state awards are the balances at the beginning of the year. Outstanding balance at April 30, 2025 were as follows:

Program Title	Federal CFDA Number	Amount Outstanding
Community Facilities Loans and Grants	10.766	$9,780,000
Community Facilities Loans and Grants	10.766	$8,450,000
Community Facilities Loans and Grants	10.766	$7,575,000
Community Facilities Loans and Grants	10.766	$2,220,000
Community Facilities Loans and Grants	10.766	$1,455,000
Community Facilities Loans and Grants	10.766	$558,333

WIPFLI

Independent Auditor's Report 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
Pinckneyville Community Hospital District
Pinckneyville, Illinois

We have audited, 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, the financial statements of Pinckneyville Community Hospital District, as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise the Pinckneyville Community Hospital District's basic financial statements, and have issued our report thereon dated October 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pinckneyville Community Hospital District's internal control over financial reporting (internal control) as a basis for designing 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 Pinckneyville Community Hospital District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pinckneyville Community Hospital District'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 a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of the Pinckneyville Community Hospital District's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pinckneyville Community Hospital District'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 Pinckneyville Community Hospital District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pinckneyville Community Hospital District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wipfli LLP
Eau Claire, Wisconsin
October 9, 2025

WIPFLI

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Pinckneyville Community Hospital District
Pinckneyville, Illinois

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pinckneyville Community Hospital District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2025. Pinckneyville Community Hospital District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pinckneyville Community Hospital District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended April 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pinckneyville Community Hospital District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pinckneyville Community Hospital District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pinckneyville Community Hospital District’s federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pinckneyville Community Hospital District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pinckneyville Community Hospital District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Pinckneyville Community Hospital District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pinckneyville Community Hospital District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pinckneyville Community Hospital District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Government Auditing Standards requires the auditor to perform limited procedures on Pinckneyville Community Hospital District's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Pinckneyville Community Hospital District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over-compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wipfli LLP
Eau Claire, Wisconsin
October 9, 2025

Pinckneyville Community Hospital District

Schedule of Findings and Questioned Costs

Year Ended April 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness identified?	____ yes	X no
Significant deficiency(ies) identified ?	____ yes	X none reported
Noncompliance material to the financial statements?	____ yes	X no

Federal Awards

Internal control over compliance:		
Material weakness identified?	____ yes	X no
Significant deficiency(ies) identified ?	____ yes	X none reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance [2 CFR 200.516(a)]?	____ yes	X no

Identification of major federal programs:

Federal Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as a low-risk auditee?	____ yes	X no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None