Coffey Health System A Component Unit of Coffey County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

Coffey Health System
A Component Unit of Coffey County, Kansas
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December 31, 2024 and 2023

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Forvis Mazars, LLP
1551 N. Waterfront Parkway, Suite 300
Wichita, KS 67206
P 316.265.2811 | F 316.265.9405
forvismazars.us

Independent Auditor's Report

Board of Trustees
Coffey Health System
Burlington, Kansas

Opinion

We have audited the accompanying financial statements of Coffey Health System, a component unit of Coffey County, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Coffey Health System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Coffey Health System as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Coffey Health System 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.

Substantial Doubt About the Hospital's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in Note 11, the Hospital has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 11. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Coffey Health System s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Coffey Health System'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 Coffey Health System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Coffey Health System's basic financial statements. The supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Forvis Mazars, LLP

Wichita, Kansas
April 1, 2026

Coffey Health System
A Component Unit of Coffey County, Kansas
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 516,451	$ 207,752
Patient accounts receivable, net of allowance; accounts; 2024 - $1,869,769, 2023 - $1,849,245	2,711,708	2,561,417
340B contract pharmacy receivable	349,932	131,205
Estimated amounts due from third-party payers	608,736	358,701
Supplies	499,350	305,466
Prepaid expenses and other	146,820	308,429
Total Current Assets	4,832,997	3,872,970
Capital Assets, Net	9,666,532	10,813,137
Lease Assets, Net	586,905	758,682
Subscription Assets, Net	35,966	97,623
Total Assets	$ 15,122,400	$ 15,542,412
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 119,190	$ 189,551
Current maturities of lease liabilities	115,926	111,600
Current maturities of subscription liabilities	35,966	63,816
Line of credit	-	200,000
Accounts payable	2,584,032	1,813,855
Accrued expenses	1,379,166	1,550,675
Estimated amounts due to Medicare	600,000	16,000
Total Current Liabilities	4,834,280	3,945,497
Other Liabilities		
Long-term debt	384,222	1,798,070
Lease liabilities	568,193	684,119
Subscription liabilities	-	33,807
Total Other Liabilities	952,415	2,515,996
Total Liabilities	5,786,695	6,461,493
Net Position		
Net investment in capital assets	9,101,873	8,788,479
Unrestricted	233,832	292,440
Total Net Position	9,335,705	9,080,919
Total Liabilities and Net Position	$ 15,122,400	$ 15,542,412

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 - $2,092,500, 2023 - $1,665,589	$ 23,505,001	$ 21,530,740
340B drug pricing program	2,311,030	1,469,035
Other	211,397	225,574
Total Operating Revenues	26,027,428	23,225,349
Operating Expenses		
Salaries and wages	14,965,601	15,198,524
Employee benefits	3,203,523	2,903,110
Purchased services and professional fees	5,016,958	4,377,151
Supplies and other	5,204,809	5,284,912
Depreciation and amortization	1,826,515	1,784,514
Total Operating Expenses	30,217,406	29,548,211
Operating Loss	(4,189,978)	(6,322,862)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Coffey County	3,051,525	3,029,130
Interest income	20,727	8,053
Interest expense	(67,847)	(46,903)
Gain (loss) on disposal of capital assets	(20,314)	208,207
Noncapital grants and gifts	105,798	561,281
County loan forgiveness	1,354,875	-
Total Nonoperating Revenues, Net	4,444,764	3,759,768
Increase (Decrease) in Net Position	254,786	(2,563,094)
Net Position, Beginning of Year	9,080,919	11,644,013
Net Position, End of Year	$ 9,335,705	$ 9,080,919

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Receipts from and on behalf of patients	$ 25,780,978	$ 22,693,099
Payments to suppliers and contractors	(9,483,865)	(8,130,567)
Payments to and on behalf of employees	(18,340,633)	(18,063,312)
Other receipts (payments)	211,397	225,574
Net Cash Used in Operating Activities	(1,832,123)	(3,275,206)
Noncapital Financing Activities		
Noncapital appropriations - Coffey County	3,051,525	3,029,130
Noncapital grants and gifts	105,798	561,281
Net Cash Provided by Noncapital Financing Activities	3,157,323	3,590,411
Capital and Related Financing Activities		
Principal paid on long-term debt	(129,334)	(274,768)
Principal paid on leases payable	(111,600)	(63,166)
Principal paid on subscription liability	(61,657)	(61,656)
Interest paid on notes payable and long-term debt	(67,847)	(46,903)
Purchase of capital assets	(467,726)	(1,654,823)
Proceeds from issuance of note payable to banks	120,000	200,000
Principal paid on note payable to banks	(320,000)	-
Proceeds from disposal of capital assets	936	665,172
Net Cash Used in Capital and Related Financing Activities	(1,037,228)	(1,236,144)
Investing Activities		
Interest income received	20,727	8,053
Net Cash Provided by Investing Activities	20,727	8,053
Increase (Decrease) in Cash	308,699	(912,886)
Cash, Beginning of Year	207,752	1,120,638
Cash, End of Year	$ 516,451	$ 207,752

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023 **(Continued)**

	2024	2023
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (4,189,978)	$ (6,322,862)
Depreciation and amortization	1,826,515	1,784,514
Changes in operating assets and liabilities		
Patient accounts receivable, net	(150,291)	(144,901)
Estimated amounts due from and to third-party payers	333,965	(89,633)
Accounts payable and accrued expenses	598,668	1,345,988
Supplies, prepaid expenses and other assets	(251,002)	151,688
Net Cash Used in Operating Activities	$ (1,832,123)	$ (3,275,206)
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	$ -	$ 1,018,164
County loan forgiveness	$ 1,354,875	$ -

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Coffey Health System (System) is an acute care hospital located in Burlington, Kansas. The System is a component unit of Coffey County, Kansas (County), and the Board of County Commissioners appoints members to the Board of Trustees of the System. The System primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Coffey County area. It also operates an assisted living facility in the same geographic area.

Basis of Accounting and Presentation

The financial statements of the System have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, such as intergovernmental revenue, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The System first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Noncapital Appropriations – Coffey County

The System received approximately 14% and 11% of its financial support from noncapital appropriations derived from property taxes levied by the County in 2024 and 2023, respectively. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

Risk Management

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

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Patient Accounts Receivable

The System reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The System provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

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

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the System:

Land improvements	5 – 40 years
Building	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The System evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease, or subscription asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Compensated Absences

System policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Net Position

Net position of the System is classified in two components on its balance sheets.

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

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The System provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the System is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Foundation

The System is the beneficiary of Coffey Health Foundation (Foundation), a separate legal entity with its own board of trustees. The Foundation has legal title to all of the Foundation's assets. The Foundation is not a component unit of the System and, thus, not reflected in the accompanying financial statements.

Note 2. Net Patient Service Revenue

The System has agreements with third-party payers that provide for payments to the System at amounts different from its established rates. These payment arrangements include:

Medicare. The Hospital is recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Rural health clinic services are paid on a cost basis. Home health services are paid on a per-episode basis using clinical diagnostic and other factors.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Services rendered for long-term care facility residents are reimbursed under a cost-based prospective rate methodology. The System is reimbursed at a prospective rate with annual cost reports submitted to the Medicaid program. Rates are adjusted July 1 and January 1 using an average of the three previously filed annual cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 56% and 57% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 3. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The System's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At December 31, 2024 and 2023, respectively, $170,775 and $47,971 of the System's bank balances of $524,298 and $317,878 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the System's name	$ 170,775	$ 47,971

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2024	2023
Deposits	$ 515,001	$ 206,102
Petty cash	1,450	1,650
	$ 516,451	$ 207,752

Note 4. Patient Accounts Receivable

The System grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31, consisted of:

	2024	2023
Medicare	$ 861,286	$ 911,307
Medicaid	182,727	155,123
Blue Cross	476,873	511,973
Other third-party payers	609,026	519,124
Patients	2,451,565	2,313,135
	4,581,477	4,410,662
Less allowance for uncollectible accounts	1,869,769	1,849,245
	$ 2,711,708	$ 2,561,417

Note 5. Capital, Lease and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 254,184	$ -	$ (21,250)	$ -	$ 232,934
Land improvements	912,147	-	-	-	912,147
Buildings	14,973,120	156,527	-	-	15,129,647
Fixed equipment	11,194,470	253,994	-	-	11,448,464
Major moveable equipment	16,502,497	57,205	-	-	16,559,702
	43,836,418	467,726	(21,250)	-	44,282,894
Less accumulated depreciation					
Land improvements	898,113	4,988	-	-	903,101
Buildings	9,801,097	383,873	-	-	10,184,970
Fixed equipment	8,559,507	594,754	-	-	9,154,261
Major moveable equipment	13,764,564	609,466	-	-	14,374,030
	33,023,281	1,593,081	-	-	34,616,362
Capital Assets, Net	$ 10,813,137	$ (1,125,355)	$ (21,250)	$ -	$ 9,666,532

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 274,184	$ -	$ (20,000)	$ -	$ 254,184
Land improvements	986,917	-	(74,770)	-	912,147
Buildings	14,418,273	40,972	(954,266)	1,468,141	14,973,120
Fixed equipment	9,614,650	70,724	(572,429)	2,081,525	11,194,470
Major moveable equipment	17,046,499	-	(712,227)	168,225	16,502,497
Construction in progress	2,475,215	1,242,676	-	(3,717,891)	-
	44,815,738	1,354,372	(2,333,692)	-	43,836,418
Less accumulated depreciation					
Land improvements	967,810	5,073	(74,770)	-	898,113
Buildings	10,085,812	348,169	(632,884)	-	9,801,097
Fixed equipment	8,406,460	610,304	(457,257)	-	8,559,507
Major moveable equipment	13,776,911	659,109	(671,456)	-	13,764,564
	33,236,993	1,622,655	(1,836,367)	-	33,023,281
Capital Assets, Net	$ 11,578,745	$ (268,283)	$ (497,325)	$ -	$ 10,813,137

Lease assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Lease Assets	$ 858,885	$ -	$ -	$ -	$ 858,885
Less accumulated amortization Lease Assets	100,203	171,777	-	-	271,980
Lease Assets, Net	$ 758,682	$ (171,777)	$ -	$ -	$ 586,905

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Lease Assets	$ -	$ 858,885	$ -	$ -	$ 858,885
Less accumulated amortization Lease Assets	-	100,203	-	-	100,203
Lease Assets, Net	$ -	$ 758,682	$ -	$ -	$ 758,682

Subscription assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT Assets	$ 159,279	$ -	$ -	$ -	$ 159,279
Less accumulated amortization Subscription IT Assets	61,656	61,657	-	-	123,313
Subscription IT Assets, Net	$ 97,623	$ (61,657)	$ -	$ -	$ 35,966

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT Assets	$ -	$ 159,279	$ -	$ -	$ 159,279
Less accumulated amortization Subscription IT Assets	-	61,656	-	-	61,656
Subscription IT Assets, Net	$ -	$ 97,623	$ -	$ -	$ 97,623

Note 6. Medical Malpractice Coverage and Claims

The System purchases medical malpractice insurance under a claims-made policy with a fixed premium which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy years ending December 31, 2024 and 2023. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy years ending December 31, 2024 and 2023.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the System's claims experience, no such accrual has been made. It is reasonably possible this estimate could change materially in the future.

Note 7. Sale of Patient Accounts Receivable

The Hospital has an agreement with a third party to sell patient accounts receivable. The third party has the right to purchase or reject accounts that are offered for sale. The agreement was effective through December 31, 2024, with an automatic 12-month renewal unless written notice from either the Hospital or third party is given within 30 days of the termination of the agreement. The agreement has been renewed through December 31, 2025, as of the report date. The maximum amount that the third party will purchase and have outstanding at any one time from the Hospital is $750,000. There is a recourse provision that if an account that is sold by the Hospital to the third party is delinquent for 61 days it will be considered in default and the Hospital is required to repurchase the outstanding amount of the loan from the third party. The minimum amount of an individual account that the third party will purchase is $500 and the maximum is $50,000. The maximum loan length is 60 months. When the sale of patient accounts receivable occurs, the Hospital receives cash from the third party and the account receivable and related allowance is relieved from the Hospital's books. The Hospital does record an estimated liability related to the potential recourse of the accounts sold. The Hospital uses a 12-month rolling average of defaulted loans with the third party. The recourse liability is recorded as a component of accounts payable in the accompanying balance sheets. The total outstanding loans the third party held related to purchases of the System's patient accounts was approximately $37,000 and $74,000 at December 31, 2024 and 2023, respectively. The liability recorded for potential recourse on those balances based on default experience was approximately $0 at both December 31, 2024 and 2023.

Note 8. Long-term Obligations

The following is a summary of long-term debt transactions for the System for the years ended December 31:

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Note payable (A)	$ 1,354,875	$ -	$ 1,354,875	$ -	$ -
Financed capital purchases	632,746	-	129,334	503,412	119,190
Total long-term debt	1,987,621	-	1,484,209	503,412	119,190
Lease liabilities	795,719	-	111,600	684,119	115,926
Subscription liabilities	97,623	-	61,657	35,966	35,966
Total long-term obligations	$ 2,880,963	$ -	$ 1,657,466	$ 1,223,497	$ 271,082

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Note payable (A)	$ 1,415,092	$ -	$ 60,217	$ 1,354,875	$ 60,217
Financed capital purchases	847,297	-	214,551	632,746	129,334
Total long-term debt	2,262,389	-	274,768	1,987,621	189,551
Lease liabilities	-	858,885	63,166	795,719	111,600
Subscription liabilities	-	159,279	61,656	97,623	63,816
	$ 2,262,389	$ 1,018,164	$ 399,590	$ 2,880,963	$ 364,967

Note Payable (A)

The note payable to the County was originally due June 3, 2025, but a one-year deferral of payments was granted by the County in July 2018, which modified the final due date to June 3, 2026, with principal payable annually beginning July 3, 2017. An additional one-year deferral of payments was granted by the County in July 2019, which modified the final due date to June 4, 2027. On June 22, 2020, the County agreed to forgive 50% of the balance due in the amount of $1,505,000 and deferred the next payment due until May 3, 2022. The final payment date was moved to June 3, 2026. In May 2022, the County agreed to modify the repayments from Monthly to semi-annually with payments due June 30 and December 31, which modified the maturity date of this loan to 2046. The loan is a 0% interest loan. The note is secured by certain capital assets. In June 2024, the Coffey County Commissioners approved to forgive the outstanding loan between the Hospital and the County.

Financed Capital Purchases

The System is obligated under multiple finance purchase agreements for equipment that are accounted for as finance purchases.

The following is a schedule by year of debt service requirement payments under the finance purchase agreements including interest at rates of 3.90% to 5.55% as of December 31, 2024:

Year Ending December 31,	
2025	$ 138,823
2026	138,823
2027	138,823
2028	136,853
Total financed capital purchases payments	553,322
Less amount representing Interest	49,910
Financed capital purchases principal payments	$ 503,412

Lease Liabilities

The System has one equipment lease, the term of which expires in 2030. The lease agreement requires monthly payments of approximately $11,665.

The following is a schedule by year of payments under the lease as of December 31, 2024:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 139,976	$ 115,926	$ 24,050
2026	139,976	120,420	19,556
2027	139,976	125,088	14,888
2028	139,976	129,937	10,039
2029	139,976	134,975	5,001
2030	58,324	57,773	551
	$ 758,204	$ 684,119	$ 74,085

Subscription Liabilities

The System has one subscription-based information technology arrangement (SBITA), the term of which expires in 2025. The lease agreement requires monthly payments of approximately $5,138.

The following is a schedule by year of payments under the lease as of December 31, 2024:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 35,966	$ 35,966	$ -

Note 9. Pension Plan

The System contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the System's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Board of County Commissioners. The plan is a replacement for social security and provides retirement 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 System's governing body. Contribution rates for plan members and the System expressed as a percentage of covered payroll were 4% and 7.7% for 2024 and 4% and 7% for 2023. Contributions actually made by plan members and the System aggregated $557,173 and $1,072,558 during 2024 and $566,698 and $991,721 during 2023, respectively.

Note 10. 340B Drug Pricing Program

The System participates in the 340B Drug Pricing Program (340B Program) enabling the System to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The System recorded revenues of $2,311,030 and $1,469,035 for the years ending December 31, 2024 and 2023, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The System recorded expenses of $1,308,806 and $820,243 for the years ending December 31, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 11. Management's Consideration of Going Concern Matters

The Hospital has incurred losses and negative cash flows from operations for the past several years. Management is considering several alternatives for mitigating these conditions during the next year. The Hospital has implemented an overall strategic plan to improve utilization and reduce costs without impacting the quality of patient care. The effects of these changes cannot be evaluated and substantial doubt about the Hospital's ability to continue as a going concern within one year after the date of the financial statements remains.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Hospital be unable to continue as a going concern.

Note 12. Subsequent Events

One Big Beautiful Bill Act (OBBBA)

On July 3, 2025, the U.S. Congress enacted the *One Big Beautiful Bill Act* (OBBBA), a comprehensive budget reconciliation law introducing significant changes to federal healthcare programs, tax policy, and energy-related incentives. The legislation includes substantial reductions in Medicaid funding, modifications to provider tax structures, and new eligibility and cost-sharing requirements for Medicaid beneficiaries. The OBBBA has no impact on the results of operations and financial condition as of and for the year ended December 31, 2024. The Hospital is currently evaluating what impact the OBBBA may have on the financial results, cash flows and financial position for future periods.

Supplementary Information

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Net Patient Service Revenues
Years Ended December 31, 2024 and 2023

	2024		
	Inpatient	Outpatient	Total
Nursing Services			
Acute hospital	$ 865,651	$ -	$ 865,651
Swing-bed	149,938	-	149,938
Nursery	95,800	-	95,800
Assisted living	903,686	-	903,686
	2,015,075	-	2,015,075
Other Professional Services			
Operating room	217,714	2,166,682	2,384,396
Recovery room	6,237	274,252	280,489
Delivery room	488,970	57,590	546,560
Anesthesiology	96,929	605,370	702,299
Radiology	188,086	9,443,801	9,631,887
Laboratory	360,045	5,908,091	6,268,136
Blood administration	6,243	23,813	30,056
Respiratory services	384,689	84,879	469,568
Physical therapy	198,593	1,413,331	1,611,924
Occupational therapy	139,997	562,211	702,208
Speech pathology	91,924	313,345	405,269
Electrocardiology	22,143	368,473	390,616
Central service	65,703	697,173	762,876
Pharmacy	532,015	2,331,909	2,863,924
Specialty clinics	6,200	1,750,182	1,756,382
Emergency room	-	5,127,062	5,127,062
Observation	-	1,234,724	1,234,724
Rural health clinic	-	6,507,405	6,507,405
Ambulance	-	1,313,357	1,313,357
Physician clinics	-	188,666	188,666
Lifeline	-	-	-
	2,805,488	40,372,316	43,177,804
	$ 4,820,563	$ 40,372,316	45,192,879
Contractual Allowances, Charity Care and Provision for Uncollectible Accounts			21,687,878
Net Patient Service Revenue			$ 23,505,001

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Net Patient Service Revenues
Years Ended December 31, 2024 and 2023 **(Continued)**

	2023		
	Inpatient	**Outpatient**	**Total**
Nursing Services			
Acute hospital	$ 867,297	$ -	$ 867,297
Swing-bed	170,197	-	170,197
Nursery	103,450	-	103,450
Assisted living	626,421	-	626,421
	1,767,365	-	1,767,365
Other Professional Services			
Operating room	76,299	1,887,644	1,963,943
Recovery room	6,619	293,182	299,801
Delivery room	436,966	74,420	511,386
Anesthesiology	127,204	606,319	733,523
Radiology	226,608	8,354,073	8,580,681
Laboratory	362,235	5,052,722	5,414,957
Blood administration	5,675	18,643	24,318
Respiratory services	297,691	55,661	353,352
Physical therapy	199,905	1,232,372	1,432,277
Occupational therapy	71,942	314,579	386,521
Speech pathology	87,293	293,031	380,324
Electrocardiology	22,192	313,282	335,474
Central service	66,321	623,992	690,313
Pharmacy	607,431	1,748,969	2,356,400
Specialty clinics	4,000	1,627,103	1,631,103
Emergency room	-	4,931,871	4,931,871
Observation	-	889,972	889,972
Rural health clinic	-	6,245,574	6,245,574
Ambulance	-	1,211,397	1,211,397
Physician clinics	-	152,601	152,601
Lifeline	-	2,340	2,340
	2,598,381	35,929,747	38,528,128
	$ 4,365,746	$ 35,929,747	40,295,493
Contractual Allowances, Charity Care and Provision for Uncollectible Accounts			18,764,753
Net Patient Service Revenue			$ 21,530,740

Coffey Health System
A Component Unit of Coffey County, Kansas
Deductions from Revenue and Other Operating Revenue
Years Ended December 31, 2024 and 2023

	2024	2023
Deductions from Revenue		
Medicare	$ 10,638,653	$ 9,164,589
Medicaid	1,953,188	1,931,345
Blue Cross	3,994,750	3,398,835
Other third-party payers	2,920,281	2,523,618
Charity care	4,183	21,003
Administrative adjustments	84,323	59,774
Provision for uncollectible accounts	2,092,500	1,665,589
	$ 21,687,878	$ 18,764,753

	2024	2023
Other Operating Revenue		
Cafeteria	$ 123,313	$ 131,916
In-house catering	67,337	60,345
Education	7,765	15,616
Sale of medical records	8,396	6,382
Miscellaneous	4,586	11,315
	$ 211,397	$ 225,574

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2024 and 2023

	2024			2023		
	Salaries	Other	Total	Salaries	Other	Total
Nursing Services						
Nursing service	$ 831,027	$ 260,441	$ 1,091,468	$ 896,424	$ 270,659	$ 1,167,083
Long-term care	-	-	-	-	28,102	28,102
Assisted living	591,831	221,516	813,347	605,818	210,716	816,534
Nursing administration	55,222	2,644	57,866	112,717	9,257	121,974
	1,478,080	484,601	1,962,681	1,614,959	518,734	2,133,693
Other Professional Services						
Operating room	771,039	110,347	881,386	748,102	91,738	839,840
Recovery room	9,414	7	9,421	9,474	313	9,787
Delivery room	402,170	396,570	798,740	427,693	382,934	810,627
Anesthesiology	-	610,980	610,980	-	690,871	690,871
Radiology	748,257	445,285	1,193,542	718,431	599,710	1,318,141
Laboratory	463,942	1,098,436	1,562,378	469,165	980,279	1,449,444
Blood administration	-	15,603	15,603	-	37,435	37,435
Respiratory services	200,375	8,768	209,143	199,103	13,272	212,375
Physical therapy	315,761	23,842	339,603	313,746	43,244	356,990
Occupational therapy	130,371	450	130,821	139,086	465	139,551
Speech pathology	78,071	2,372	80,443	91,425	2,287	93,712
Electrocardiology	28,868	(695)	28,173	25,361	981	26,342
Central service	26,596	198,932	225,528	27,422	(23,845)	3,577
Pharmacy	210,053	2,048,143	2,258,196	209,943	1,461,946	1,671,889
Specialty clinics	177,250	171,974	349,224	158,481	185,890	344,371
Emergency room	1,521,940	592,183	2,114,123	1,282,803	782,427	2,065,230
Rural health clinic	3,511,430	124,242	3,635,672	3,597,202	202,603	3,799,805
Ambulance	1,215,699	74,054	1,289,753	1,272,408	99,121	1,371,529
Physician clinics	89,440	16,447	105,887	53,495	25,644	79,139
Respite	27,098	-	27,098	-	-	-
Observation	30,644	-	30,644	-	-	-
Wolf Creek	61,376	2,586	63,962	42,354	6,857	49,211
	10,019,794	5,940,526	15,960,320	9,785,694	5,584,172	15,369,866

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2024 and 2023 **(Continued)**

	2024			2023		
	Salaries	Other	Total	Salaries	Other	Total
General Services						
Plant operation	$ 356,267	$ 488,139	$ 844,406	$ 448,889	$ 475,822	$ 924,711
Laundry	-	2,779	2,779	-	64,229	64,229
Housekeeping	259,865	15,541	275,406	255,752	57,679	313,431
Dietary	306,409	265,297	571,706	319,111	245,913	565,024
	922,541	771,756	1,694,297	1,023,752	843,643	1,867,395
Administration Services						
Administration and general	2,156,524	2,883,410	5,039,934	2,290,668	2,597,220	4,887,888
Medical records	298,479	115,061	413,540	382,395	80,209	462,604
Marketing	90,183	26,413	116,596	101,056	38,085	139,141
	2,545,186	3,024,884	5,570,070	2,774,119	2,715,514	5,489,633
Employee Benefits		3,203,523	3,203,523		2,903,110	2,903,110
Depreciation & Amortization		1,826,515	1,826,515		1,784,514	1,784,514
	$ 14,965,601	$ 15,251,805	$ 30,217,406	$ 15,198,524	$ 14,349,687	$ 29,548,211

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Financial and Statistical Comparisons
Years Ended December 31,

	2024	2023	2022	2021	2020
Operating Revenues	$ 26,027,428	$ 23,225,349	$ 23,372,726	$ 23,915,601	$ 24,199,946
Operating Expenses	30,217,406	29,548,211	28,866,894	27,218,707	25,649,780
Loss From Operations	$ (4,189,978)	$ (6,322,862)	$ (5,494,168)	$ (3,303,106)	$ (1,449,834)
Total Salaries	$ 14,965,601	$ 15,198,524	$ 15,036,557	$ 16,043,898	$ 14,963,517
Full-time Equivalents	203.7	192.4	246.4	256.3	266.1
Patient Days (Acute and Swing-bed)					
Medicare	1,044	942	1,206	981	1,334
Other	672	501	425	486	337
Total	1,716	1,443	1,631	1,467	1,671
Percent of Occupancy (Acute and Swing-bed)	18.8	15.8	17.9	16.1	12.7
Medicare Percent (Acute and Swing-bed)	60.8	65.3	73.9	66.9	79.8
Discharges (Acute and Swing-bed)					
Medicare	189	177	210	198	268
Other	100	88	127	148	160
Total	289	265	337	346	428
Average Length of Stay (Acute and Swing-bed)					
Medicare	5.5	5.3	5.7	5.0	5.0
Other	6.7	5.7	3.3	3.3	2.1
Overall	5.9	5.4	4.8	4.2	3.9