Coffey Health System
A Component Unit of
Coffey County, Kansas

Independent Auditor's Report
and Financial Statements

December 31, 2025 and 2024

Coffey Health System
A Component Unit of Coffey County, Kansas
Contents
December 31, 2025 and 2024

Independent Auditor's Report 1

Financial Statements

Balance Sheets 4

Statements of Revenues, Expenses and Changes in Net Position 5

Statements of Cash Flows 6

Notes to Financial Statements 8

Supplementary Information

Schedules of Net Patient Service Revenues 18

Deductions from Revenue and Other Operating Revenue 20

Schedules of Operating Expenses 21

Schedules of Financial and Statistical Comparisons 23

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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, 2025 and 2024, 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, 2025 and 2024, 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.

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 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
September 30, 2026

Coffey Health System
A Component Unit of Coffey County, Kansas
Balance Sheets
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash	$ 756,172	$ 516,451
Patient accounts receivable, net of allowance;		
2025 - $1,377,494, 2024 - $1,869,769	2,019,152	2,711,708
340B contract pharmacy receivable	243,802	349,932
Estimated amounts due from third-party payers	945,940	608,736
Supplies	269,918	499,350
Prepaid expenses and other	361,541	146,820
Total Current Assets	4,596,525	4,832,997
Capital Assets, Net	8,194,311	9,666,532
Lease Assets, Net	415,128	586,905
Subscription Assets, Net	-	35,966
Total Assets	$ 13,205,964	$ 15,122,400
LIABILITIES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 123,838	$ 119,190
Current maturities of lease liabilities	120,420	115,926
Current maturities of subscription liabilities	-	35,966
Accounts payable	1,134,363	2,584,032
Accrued expenses	1,381,667	1,379,166
Estimated amounts due to Medicare	-	600,000
Total Current Liabilities	2,760,288	4,834,280
Other Liabilities		
Long-term debt	260,711	384,222
Lease liabilities	447,772	568,193
Total Other Liabilities	708,483	952,415
Total Liabilities	3,468,771	5,786,695
Net Position		
Net investment in capital assets	7,656,699	9,101,873
Unrestricted	2,080,494	233,832
Total Net Position	9,737,193	9,335,705
Total Liabilities and Net Position	$ 13,205,964	$ 15,122,400

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 - $845,315, 2024 - $2,092,500	$ 24,304,899	$ 23,505,001
340B drug pricing program	2,470,449	2,311,030
Other	182,821	211,397
Total Operating Revenues	26,958,169	26,027,428
Operating Expenses		
Salaries and wages	14,414,903	14,965,601
Employee benefits	3,365,150	3,203,523
Purchased services and professional fees	4,847,714	5,016,958
Supplies and other	5,777,849	5,204,809
Depreciation and amortization	1,746,812	1,826,515
Total Operating Expenses	30,152,428	30,217,406
Operating Loss	(3,194,259)	(4,189,978)
Other Nonoperating Revenues (Expenses)		
Noncapital appropriations - Coffey County	3,060,296	3,051,525
Interest income	59,152	20,727
Interest expense	(60,604)	(67,847)
Gain (loss) on disposal of capital assets	300	(20,314)
Noncapital grants and gifts	323,031	105,798
Capital grants and gifts	213,572	-
County loan forgiveness	-	1,354,875
Total Other Nonoperating Revenues (Expenses)	3,595,747	4,444,764
Increase in Net Position	401,488	254,786
Net Position, Beginning of Year	9,335,705	9,080,919
Net Position, End of Year	$ 9,737,193	$ 9,335,705

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Receipts from and on behalf of patients	$ 26,636,830	$ 25,780,978
Payments to suppliers and contractors	(12,060,221)	(9,483,865)
Payments to and on behalf of employees	(17,777,552)	(18,340,633)
Other receipts (payments)	182,821	211,397
Net Cash Used in Operating Activities	(3,018,122)	(1,832,123)
Noncapital Financing Activities		
Noncapital appropriations - Coffey County	3,060,296	3,051,525
Noncapital grants and gifts	323,031	105,798
Net Cash Provided by Noncapital Financing Activities	3,383,327	3,157,323
Capital and Related Financing Activities		
Principal paid on long-term debt	(118,863)	(129,334)
Principal paid on leases payable	(115,927)	(111,600)
Principal paid on subscription liability	(35,966)	(61,657)
Interest paid on notes payable and long-term debt	(60,604)	(67,847)
Purchase of capital assets	(66,848)	(467,726)
Capital grants and gifts	213,572	-
Proceeds from issuance of note payable to banks	-	120,000
Principal paid on note payable to banks	-	(320,000)
Proceeds from disposal of capital assets	-	936
Net Cash Used in Capital and Related Financing Activities	(184,636)	(1,037,228)
Investing Activities		
Interest income received	59,152	20,727
Net Cash Provided by Investing Activities	59,152	20,727
Increase in Cash	239,721	308,699
Cash, Beginning of Year	516,451	207,752
Cash, End of Year	$ 756,172	$ 516,451

Coffey Health System
A Component Unit of Coffey County, Kansas
Statements of Cash Flows
Years Ended December 31, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (3,194,259)	$ (4,189,978)
Depreciation and amortization	1,746,812	1,826,515
Gain on disposal of capital assets	300	-
Changes in operating assets and liabilities		
Patient accounts receivable, net	692,556	(150,291)
Estimated amounts due from and to third-party payers	(937,204)	333,965
Accounts payable and accrued expenses	(1,447,168)	598,668
Supplies, prepaid expenses and other assets	120,841	(251,002)
Net Cash Used in Operating Activities	$ (3,018,122)	$ (1,832,123)
Noncash Investing, Capital and Financing Activities		
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 11% and 14% of its financial support from noncapital appropriations derived from property taxes levied by the County in 2025 and 2024, 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, 2025 and 2024.

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 57% and 56% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2025 and 2024, 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, 2025 and 2024, respectively, $560,477 and $170,775 of the System's bank balances of $871,792 and $524,298 were exposed to custodial credit risk as follows:

	2025	2024
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the System's name	$ 560,477	$ 170,775

Summary of Carrying Values

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

	2025	2024
Deposits	$ 754,722	$ 515,001
Petty cash	1,450	1,450
	$ 756,172	$ 516,451
Included in the following balance sheet captions		
Cash	$ 756,172	$ 516,451

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:

	2025	2024
Medicare	$ 633,132	$ 861,286
Medicaid	89,762	182,727
Blue Cross	393,364	476,873
Other third-party payers	495,148	609,026
Patients	1,785,240	2,451,565
	3,396,646	4,581,477
Less allowance for uncollectible accounts	1,377,494	1,869,769
	$ 2,019,152	$ 2,711,708

Note 5. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 232,934	$ -	$ -	$ -	$ 232,934
Land improvements	912,147	-	-	-	912,147
Buildings	15,129,647	-	(73,285)	-	15,056,362
Fixed equipment	11,448,464	-	-	-	11,448,464
Major moveable equipment	16,559,702	66,848	-	-	16,626,550
	44,282,894	66,848	(73,285)	-	44,276,457
Less accumulated depreciation					
Land improvements	903,101	4,727	-	-	907,828
Buildings	10,184,970	378,116	(73,285)	-	10,489,801
Fixed equipment	9,154,261	584,386	-	-	9,738,647
Major moveable equipment	14,374,030	571,840	-	-	14,945,870
	34,616,362	1,539,069	(73,285)	-	36,082,146
Capital Assets, Net	$ 9,666,532	$ (1,472,221)	$ -	$ -	$ 8,194,311

	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

Lease assets activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Lease assets	$ 858,885	$ -	$ -	$ -	$ 858,885
Less accumulated amortization Lease assets	271,980	171,777	-	-	443,757
Lease Assets, Net	$ 586,905	$ (171,777)	$ -	$ -	$ 415,128

	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

Subscription assets activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 159,279	$ -	$ -	$ -	$ 159,279
Less accumulated amortization Subscription IT assets	123,313	35,966	-	-	159,279
Subscription IT Assets, Net	$ 35,966	$ (35,966)	$ -	$ -	$ -

	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

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 year ended December 31, 2025 and 2024. 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 policy years ended December 31, 2025 and 2024.

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. Long-term Obligations

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

	2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Financed capital purchases	$ 503,412	$ -	$ 118,863	$ 384,549	$ 123,838
Total long-term debt	503,412	-	118,863	384,549	123,838
Lease liabilities	684,119	-	115,927	568,192	120,420
Subscription liabilities	35,966	-	35,966	-	-
Total long-term obligations	$ 1,223,497	$ -	$ 270,756	$ 952,741	$ 244,258

	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

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 forgiveness of the outstanding loan between the Hospital and the County.

Financed Capital Purchases

The System is obligated under a finance purchase agreement for equipment that is accounted for as a finance purchase.

The following is a schedule by year of debt service requirement payments under the finance purchase agreement including interest at a rate of 3.90% as of December 31, 2025:

Year Ending December 31,	
2026	$ 138,823
2027	138,823
2028	137,180
Total financed capital purchases payments	414,826
Less amount representing Interest	30,277
Financed capital purchases principal payments	$ 384,549

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, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
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	58,323	57,772	551
	$ 618,227	$ 568,192	$ 50,035

Subscription Liabilities

The System had one subscription-based information technology arrangement (SBITA), the term of which expired in 2025.

Note 8. 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 7.9% for 2025 and 4% and 7.7% for 2024. Contributions actually made by plan members and the System aggregated $546,082 and $1,146,772 during 2025 and $557,173 and $1,072,558 during 2024, respectively.

Note 9. 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 $2,470,449 and $2,311,030 for the years ended December 31, 2025 and 2024, respectively, which is included in operating revenue in the accompanying statements of revenues, expenses and changes in net position. The System recorded expenses of $1,855,127 and $1,308,806 for the years ended December 31, 2025 and 2024, respectively, which is included in supplies and other in the accompanying statements of revenues, 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 10. Subsequent Events

The System received payment in April 2026 related to an employee retention credit (ERC) claim that was submitted for the first quarter of 2021. Due to timing of final approval and payment, there was a significant amount of interest that was paid as part of the claim. In total, the System received approximately $2.2 million for the ERC claim. The System also received the first quarter payment of around $625,000 in July 2026, related to the approved State of Kansas provider assessment plan. The provider assessment plan that was approved in June 2026 is estimated to increase reimbursement to the System by approximately $1.2 million annually. These changes, along with the receipt of the December 31, 2025, Medicare cost report settlement of $945,000, have significantly improved the System's cash position as of the date of the audit report.

Supplementary Information

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Net Patient Service Revenues
Years Ended December 31, 2025 and 2024

	2025		
	Inpatient	Outpatient	Total
Nursing Services			
Acute hospital	$ 830,050	$ -	$ 830,050
Swing-bed	135,829	-	135,829
Nursery	25,100	-	25,100
Assisted living	1,194,494	-	1,194,494
	2,185,473	-	2,185,473
Other Professional Services			
Operating room	102,600	1,727,335	1,829,935
Recovery room	1,273	259,873	261,146
Delivery room	111,506	11,610	123,116
Anesthesiology	23,860	507,672	531,532
Radiology	184,846	9,128,559	9,313,405
Laboratory	290,661	5,572,222	5,862,883
Blood administration	7,499	17,432	24,931
Respiratory services	300,576	73,726	374,302
Physical therapy	171,489	1,323,502	1,494,991
Occupational therapy	141,500	534,737	676,237
Speech pathology	119,185	420,449	539,634
Electrocardiology	22,440	372,038	394,478
Central service	17,448	458,351	475,799
Pharmacy	491,784	2,335,901	2,827,685
Specialty clinics	5,180	1,884,117	1,889,297
Emergency room	-	4,301,236	4,301,236
Observation	-	1,185,466	1,185,466
Rural health clinic	-	6,288,350	6,288,350
Ambulance	-	1,186,532	1,186,532
Physician clinics	-	204,394	204,394
	1,991,847	37,793,502	39,785,349
	$ 4,177,320	$ 37,793,502	41,970,822
Contractual Allowances, Charity Care and Provision for Uncollectible Accounts			17,665,923
Net Patient Service Revenue			$ 24,304,899

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Net Patient Service Revenues
Years Ended December 31, 2025 and 2024 **(Continued)**

	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
	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
Deductions from Revenue and Other Operating Revenue
Years Ended December 31, 2025 and 2024

	2025	2024
Deductions from Revenue		
Medicare	$ 9,959,524	$ 10,638,653
Medicaid	594,031	1,953,188
Blue Cross	3,495,914	3,994,750
Other third-party payers	2,742,726	2,920,281
Charity care	103	4,183
Administrative adjustments	28,310	84,323
Provision for uncollectible accounts	845,315	2,092,500
	$ 17,665,923	$ 21,687,878

	2025	2024
Other Operating Revenue		
Cafeteria	$ 124,523	$ 123,313
In-house catering	44,412	67,337
Education	-	7,765
Sale of medical records	6,811	8,396
Miscellaneous	7,075	4,586
	$ 182,821	$ 211,397

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2025 and 2024

	2025			2024		
	Salaries	Other	Total	Salaries	Other	Total
Nursing Services						
Nursing service	$ 996,490	$ 180,897	$ 1,177,387	$ 831,027	$ 260,441	$ 1,091,468
Assisted living	698,289	245,194	943,483	591,831	221,516	813,347
Nursing administration	5,717	6,365	12,082	55,222	2,644	57,866
	1,700,496	432,456	2,132,952	1,478,080	484,601	1,962,681
Other Professional Services						
Operating room	346,888	161,625	508,513	771,039	110,347	881,386
Recovery room	12,213	79	12,292	9,414	7	9,421
Delivery room	181,970	130,456	312,426	402,170	396,570	798,740
Anesthesiology	-	700,894	700,894	-	610,980	610,980
Radiology	737,262	430,091	1,167,353	748,257	445,285	1,193,542
Laboratory	483,226	898,992	1,382,218	463,942	1,098,436	1,562,378
Blood administration	-	34,478	34,478	-	15,603	15,603
Respiratory services	145,213	11,319	156,532	200,375	8,768	209,143
Physical therapy	356,356	73,519	429,875	315,761	23,842	339,603
Occupational therapy	171,720	85	171,805	130,371	450	130,821
Speech pathology	103,632	4,118	107,750	78,071	2,372	80,443
Electrocardiology	21,976	560	22,536	28,868	(695)	28,173
Central service	27,963	223,700	251,663	26,596	198,932	225,528
Pharmacy	207,035	2,347,103	2,554,138	210,053	2,048,143	2,258,196
Specialty clinics	504,034	170,186	674,220	177,250	171,974	349,224
Emergency room	1,307,331	665,420	1,972,751	1,521,940	592,183	2,114,123
Rural health clinic	3,429,111	230,692	3,659,803	3,511,430	124,242	3,635,672
Ambulance	1,170,824	164,094	1,334,918	1,215,699	74,054	1,289,753
Physician clinics	86,768	13,339	100,107	89,440	16,447	105,887
Respite	37,840	-	37,840	27,098	-	27,098
Observation	103,099	-	103,099	30,644	-	30,644
Wolf Creek	82,411	1,827	84,238	61,376	2,586	63,962
Jail	26,963	16,176	43,139	-	-	-
	9,543,835	6,278,753	15,822,588	10,019,794	5,940,526	15,960,320

Coffey Health System
A Component Unit of Coffey County, Kansas
Schedules of Operating Expenses
Years Ended December 31, 2025 and 2024 **(Continued)**

	2025			2024		
	Salaries	Other	Total	Salaries	Other	Total
General Services						
Plant operation	$ 268,162	$ 476,333	$ 744,495	$ 356,267	$ 488,139	$ 844,406
Laundry	-	2,006	2,006	-	2,779	2,779
Housekeeping	265,817	47,277	313,094	259,865	15,541	275,406
Dietary	302,445	228,742	531,187	306,409	265,297	571,706
	836,424	754,358	1,590,782	922,541	771,756	1,694,297
Administration Services						
Administration and general	1,982,505	3,055,672	5,038,177	2,156,524	2,883,410	5,039,934
Medical records	258,556	76,284	334,840	298,479	115,061	413,540
Marketing	93,087	28,040	121,127	90,183	26,413	116,596
	2,334,148	3,159,996	5,494,144	2,545,186	3,024,884	5,570,070
Employee Benefits		3,365,150	3,365,150		3,203,523	3,203,523
Depreciation & Amortization		1,746,812	1,746,812		1,826,515	1,826,515
	$ 14,414,903	$ 15,737,525	$ 30,152,428	$ 14,965,601	$ 15,251,805	$ 30,217,406

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

	2025	2024	2023	2022	2021
Operating Revenues	$ 26,958,169	$ 26,027,428	$ 23,225,349	$ 23,372,726	$ 23,915,601
Operating Expenses	30,152,428	30,217,406	29,548,211	28,866,894	27,218,707
Loss From Operations	$ (3,194,259)	$ (4,189,978)	$ (6,322,862)	$ (5,494,168)	$ (3,303,106)
Total Salaries	$ 14,414,903	$ 14,965,601	$ 15,198,524	$ 15,036,557	$ 16,043,898
Full-time Equivalents	197.4	203.7	192.4	246.4	256.3
Patient Days (Acute and Swing-bed)					
Medicare	1,097	1,044	942	1,206	981
Other	480	672	501	425	486
Total	1,577	1,716	1,443	1,631	1,467
Percent of Occupancy (Acute and Swing-bed)	17.3	18.8	15.8	17.9	16.1
Medicare Percent (Acute and Swing-bed)	69.6	60.8	65.3	73.9	66.9
Discharges (Acute and Swing-bed)					
Medicare	182	189	177	210	198
Other	127	100	88	127	148
Total	309	289	265	337	346
Average Length of Stay (Acute and Swing-bed)					
Medicare	6.0	5.5	5.3	5.7	5.0
Other	3.8	6.7	5.7	3.3	3.3
Overall	5.1	5.9	5.4	4.8	4.2