Grisell Memorial Hospital District No. 1

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024

Grisell Memorial Hospital District No. 1
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December 31, 2025 and 2024

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Independent Auditor's Report

Board of Directors
Grisell Memorial Hospital District No. 1
Ransom, Kansas

Opinion

We have audited the financial statements of Grisell Memorial Hospital District No. 1, as of and for the years ended December 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Grisell Memorial Hospital District No. 1'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 Grisell Memorial Hospital District No. 1 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 Grisell Memorial Hospital District No. 1 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 Grisell Memorial Hospital District No. 1'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 Grisell Memorial Hospital District No. 1'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 Grisell Memorial Hospital District No. 1'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.

Forvis Mazars, LLP

Wichita, Kansas
June 25, 2026

Grisell Memorial Hospital District No. 1
Balance Sheets
December 31, 2025 and 2024

	2025	2024
Assets		
Current Assets		
Cash	$ 1,471,195	$ 2,007,161
Certificates of deposit	1,072,907	590,125
Patient accounts receivable, net of allowance; 2025 – $195,904; 2024 – $355,023	680,411	2,073,314
Estimated amounts due from third-party payers	1,012,794	-
Supplies	66,159	86,668
Prepaid expenses and other	75,521	94,695
Property taxes receivable	1,166,481	1,166,433
Total Current Assets	5,545,468	6,018,396
Noncurrent Cash and Certificates of Deposit	771,324	191,220
Capital Assets, Net	823,609	856,861
Lease Assets, Net	-	11,974
Subscription Assets, Net	98,889	203,373
Total Assets	$ 7,239,290	$ 7,281,824

Grisell Memorial Hospital District No. 1
Balance Sheets
December 31, 2025 and 2024 **(Continued)**

	2025	2024
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ -	$ 26,576
Current portion of lease liabilities	-	28,315
Current maturities of subscription liabilities	19,640	215,640
Accounts payable	95,480	182,920
Accrued salaries	131,022	24,401
Estimated amounts due to third-party payers	-	274,533
Accrued payroll taxes	36,832	24,327
Accrued benefits	190,158	163,064
Total Current Liabilities	473,132	939,776
Long-term Lease Liabilities	-	8,434
Subscription Liabilities	63,513	-
Total Liabilities	536,645	948,210
Deferred Inflows of Resources		
Property taxes	1,166,481	1,166,433
Net Position		
Net investment in capital assets	839,345	793,243
Restricted - expendable for Specific operating activities	15,660	24,341
Unrestricted	4,681,159	4,349,597
Total Net Position	5,536,164	5,167,181
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 7,239,290	$ 7,281,824

Grisell Memorial Hospital District No. 1
Statements of Revenues, Expenses and Changes in Net Position
December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision (credit) for uncollectible accounts, 2025 – $(11,677); 2024 – $32,057	$ 6,981,991	$ 6,913,427
Retail pharmacy	269,167	-
Other	225,370	129,876
Total Operating Revenues	7,476,528	7,043,303
Operating Expenses		
Salaries and wages	3,291,236	2,681,391
Employee benefits	824,997	679,002
Supplies and other	3,853,449	3,958,979
Depreciation	232,737	237,934
Amortization	222,411	386,513
Total Operating Expenses	8,424,830	7,943,819
Operating Loss	(948,302)	(900,516)
Nonoperating Revenues (Expenses)		
Property taxes	1,186,588	972,471
Interest income	63,612	44,640
Interest expense	(27,591)	(23,287)
Noncapital grants and gifts	94,676	82,425
Total Nonoperating Revenues	1,317,285	1,076,249
Increase in Net Position	368,983	175,733
Net Position, Beginning of Year	5,167,181	4,991,448
Net Position, End of Year	$ 5,536,164	$ 5,167,181

Grisell Memorial Hospital District No. 1
Statements of Cash Flows
December 31, 2025 and 2024

	2025	2024
Operating Activities		
Receipts from and on behalf of patients	$ 7,087,567	$ 6,465,806
Payments to suppliers and contractors	(4,713,698)	(4,550,537)
Payments to employees	(3,157,521)	(2,780,758)
Other receipts, net	494,537	129,876
Net Cash Used in Operating Activities	(289,115)	(735,613)
Noncapital Financing Activities		
Property taxes supporting operations	1,186,588	972,471
Noncapital grants and gifts	94,676	82,425
Net Cash Provided by Noncapital Financing Activities	1,281,264	1,054,896
Capital and Related Financing Activities		
Principal paid on long-term debt	(26,576)	(34,215)
Principal paid on leases payable	(36,749)	(55,962)
Principal paid on subscription liabilities	(238,440)	(392,298)
Interest paid on subscription liabilities	(2,444)	(16,207)
Interest paid on long-term debt	(23,829)	(1,031)
Interest paid on leases payable	(1,318)	(6,049)
Purchase of capital assets	(199,485)	(81,967)
Net Cash Used in Capital and Related Financing Activities	(528,841)	(587,729)
Investing Activities		
Interest income received	63,612	44,640
Change in certificates of deposit	(1,062,617)	(223,059)
Net Cash Used in Investing Activities	(999,005)	(178,419)
Decrease in Cash	(535,697)	(446,865)
Cash, Beginning of Year	2,022,450	2,469,315
Cash, End of Year	$ 1,486,753	$ 2,022,450
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,471,195	$ 2,007,161
Cash in noncurrent cash	15,558	15,289
	$ 1,486,753	$ 2,022,450

	2025	2024
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (948,302)	$ (900,516)
Depreciation	232,737	237,934
Amortization	222,411	386,513
Provision for uncollectible accounts	(11,677)	32,057
Changes in operating assets and liabilities		
Patient accounts receivable, net	1,404,580	(1,129,211)
Estimated amounts due from and to third-party payers	(1,287,327)	649,533
Supplies	20,509	56,022
Prepaid expenses and other current assets	19,174	33,736
Accounts payable and accrued expenses	58,780	(101,681)
Net Cash Used in Operating Activities	$ (289,115)	$ (735,613)

	2025	2024
Noncash Investing, Capital and Financing Activities		
Lease obligation incurred for lease assets	$ -	$ 12,601
Subscription lease obligations incurred for subscription assets	105,953	-

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

Nature of Operations and Reporting Entity

Grisell Memorial Hospital District No. 1 (Hospital), located in Ransom, Kansas, is organized and operating under Kansas law and is governed by a Board of Directors. The Hospital operates a hospital which provides acute and long-term care services and operates outpatient clinics.

Basis of Accounting and Presentation

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

Budgetary Principles

The Hospital is required by state statutes to adopt an annual budget for its general funds on or before August 25 for the ensuing year. The Hospital's Board of Directors may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

For budget purposes, the general fund utilizes the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2025 and 2024. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

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, liabilities and deferred inflows and outflows of resources 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.

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents for the years ended December 31, 2025 and 2024.

Noncurrent Cash and Certificates of Deposit

Noncurrent cash and certificates of deposit include 1) funds internally designated by the Board of Directors to be used for physician recruitment and replacement of capital assets or for the purchase of additional capital assets and 2) funds externally restricted by donors and grantors for student scholarships/loans and other specific purposes. The internally designated funds may be used for other purposes by action of the Board of Directors. Noncurrent cash and certificates of deposit consist of certificates of deposit, which are carried at amortized cost, and savings accounts.

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital 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 or market. Costs are determined using the first-in, first-out method.

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. The following estimated useful lives are being used by the Hospital:

Land improvements	8-15 years
Buildings	10-40 years
Fixed equipment	5-20 years
Moveable equipment	5-20 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 Hospital 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 amortization is increased by the amount of impairment loss. No asset impairment was recognized during the years ended December 31, 2025 and 2024.

Compensated Absences

Hospital 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 are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay rates in effect at the balance sheet date.

Risk Management

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

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied against members of the tax district.

Net Position

Net position of the Hospital is classified in three components on its balance sheets.

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

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

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

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party 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 Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Property Taxes

The Hospital received approximately 13% and 12% of its financial support from property taxes in 2025 and 2024, respectively. One hundred percent of these funds were used to support operations in both years.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year tax basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20, during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as property taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred property tax revenue on the balance sheets.

Income Taxes

As an essential government entity, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

Note 2. 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 Hospital'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, none of the Hospital's bank balances of $3,366,151 and $2,901,406 were exposed to custodial credit risk.

Summary of Carrying Values

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

	2025	2024
Cash	$ 1,471,195	$ 2,007,161
Certificates of deposit	1,072,907	590,125
Noncurrent cash and certificates of deposit	771,324	191,220
	$ 3,315,426	$ 2,788,506

Note 3. Patient Accounts Receivable

The Hospital 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	$ 476,682	$ 1,865,508
Medicaid	38,411	63,436
Blue Cross	20,804	16,857
Other third-party payers	56,835	87,195
Self-pay	283,583	395,341
	876,315	2,428,337
Less allowance for uncollectible accounts	(195,904)	(355,023)
	$ 680,411	$ 2,073,314

Note 4. Capital, Lease and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,000	$ 7,500	$ -	$ -	$ 11,500
Land improvements	87,705	-	-	-	87,705
Buildings	2,082,120	-	-	-	2,082,120
Fixed equipment	1,451,834	10,929	-	32,678	1,495,441
Moveable equipment	1,447,722	130,477	-	-	1,578,199
Construction in process	32,678	50,579	-	(32,678)	50,579
	5,106,059	199,485	-	-	5,305,544
Less accumulated depreciation					
Land improvements	53,659	3,124	-	-	56,783
Buildings	1,789,721	67,777	-	-	1,857,498
Fixed equipment	1,232,713	35,300	-	-	1,268,013
Moveable equipment	1,173,105	126,536	-	-	1,299,641
	4,249,198	232,737	-	-	4,481,935
Capital Assets, Net	$ 856,861	$ (33,252)	$ -	$ -	$ 823,609

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 4,000	$ -	$ -	$ -	$ 4,000
Land improvements	87,705	-	-	-	87,705
Buildings	2,082,120	-	-	-	2,082,120
Fixed equipment	1,408,065	43,769	-	-	1,451,834
Moveable equipment	1,378,892	5,520	(4,920)	68,230	1,447,722
Construction in process	68,230	32,678	-	(68,230)	32,678
	5,029,012	81,967	(4,920)	-	5,106,059
Less accumulated depreciation					
Land improvements	50,533	3,126	-	-	53,659
Buildings	1,710,190	79,531	-	-	1,789,721
Fixed equipment	1,203,946	28,767	-	-	1,232,713
Moveable equipment	1,051,515	126,510	(4,920)	-	1,173,105
	4,016,184	237,934	(4,920)	-	4,249,198
Capital Assets, Net	$ 1,012,828	$ (155,967)	$ -	$ -	$ 856,861

Lease asset activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 226,331	$ -	$ -	$ -	$ 226,331
	226,331	-	-	-	226,331
Less accumulated amortization					
Moveable equipment	214,357	11,974	-	-	226,331
	214,357	11,974	-	-	226,331
Lease assets, net	$ 11,974	$ (11,974)	$ -	$ -	$ -

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 213,730	$ 12,601	$ -	$ -	$ 226,331
	213,730	12,601	-	-	226,331
Less accumulated amortization					
Moveable equipment	209,474	4,883	-	-	214,357
	209,474	4,883	-	-	214,357
Lease assets, net	$ 4,256	$ 7,718	$ -	$ -	$ 11,974

Subscription assets activity for the years ended December 31 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,348,261	$ 105,953	$ 1,348,261	$ -	$ 105,953
Less accumulated amortization					
Subscription IT assets	1,144,888	210,437	1,348,261	-	7,064
Subscription assets, net	$ 203,373	$ (104,484)	$ -	$ -	$ 98,889

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,348,261	$ -	$ -	$ -	$ 1,348,261
Less accumulated amortization					
Subscription IT assets	763,258	381,630	-	-	1,144,888
Subscription assets, net	$ 585,003	$ (381,630)	$ -	$ -	$ 203,373

Note 5. Long-term Obligations

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

	2025				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Financed capital purchases	$ 26,576	$ -	$ (26,576)	$ -	$ -
Other long-term obligations					
Lease liabilities	36,749	-	(36,749)	-	-
Subscription liabilities	215,640	105,953	(238,440)	83,153	19,640
Total long-term obligations	$ 278,965	$ 105,953	$ (301,765)	$ 83,153	$ 19,640

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Financed capital purchases	$ 60,791	$ -	$ (34,215)	$ 26,576	$ 26,576
Other long-term obligations					
Lease liabilities	80,110	12,601	(55,962)	36,749	28,315
Subscription liabilities	607,938	-	(392,298)	215,640	215,640
Total long-term obligations	$ 748,839	$ 12,601	$ (482,475)	$ 278,965	$ 270,531

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2030. The subscription agreements require annual payments of approximately $22,800.

The following is a schedule by year of payments under the SBITAs as of December 31, 2025:

Year Ending December 31,	Total to be Paid	Principal	Interest
2026	$ 22,613	$ 19,640	$ 2,973
2027	22,607	20,387	2,220
2028	22,599	21,161	1,438
2029	22,591	21,965	626
	$ 90,410	$ 83,153	$ 7,257

Note 6. Professional Liability Coverage and Claims

The Hospital purchases professional liability 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 the policy years ending 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 aggregate coverage for the policy years ending 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 professional liability 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 Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7. Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audits thereof by the Medicare administrative contractor.

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 at a prospective rate, with annual cost reports submitted to the Medicaid program. Rates are computed using an average of the three most recent filed calendar 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 93% and 94% of net patient service revenues are 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 Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges and prospectively determined daily rates.

Note 8. Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $94,000 and $28,000 for 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of gross charges to the gross uncompensated charges.

Note 9. Pension Plans

The Hospital maintains a defined contribution plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who are at least 18 years of age and have completed one year of service. The 401(a) plan provides elective employee contributions of 2.5% of the first $16,000 of annual compensation and 5% of annual compensation in excess of $16,000. Matching employer contributions are computed at 5% of the first $16,000 of annual compensation and 10% of annual compensation in excess of $16,000. The 401(a) plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the 401(a) plan to the employee's normal retirement date. Benefits begin to vest after one year of service with 100% vesting after five years of service. All funds contributed by the Hospital, which are not vested, will be returned to the 401(a) plan and remain in the 401(a) plan to reduce future employer contributions to the plan. Contributions actually made by plan members totaled $127,259 and $86,718 in 2025 and 2024, respectively. Hospital contributions totaled $199,615 and $132,135 in 2025 and 2024, respectively. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan). The Hospital does not make contributions to the 457 plan. Contributions made by plan members totaled $0 during 2025 and 2024. The plan year begins on January 1 and ends December 31. The Hospital does not control the plan assets.

Note 10. Management/Services Agreement

The Board of Directors of the Hospital has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2025 and 2024, were $760,836 and $683,253, respectively. There were no amounts payable to GPHA at December 31, 2025 and 2024.

Note 11. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $269,167 for the year ending December 31, 2025, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. The Hospital recorded expenses of $153,838 for the year ending December 31, 2025, 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 12. Compliance with Budgetary Statutes

Kansas statutes require that fixed budgets be legally adopted for all enterprise and debt service funds. Budgets are prepared utilizing the modified accrual basis of accounting. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures, which is prepared on a calendar year basis. Calendar year budgeted expenditures are compared to the Hospital's enterprise fund, which are on an annualized calendar year basis as follows:

	2025		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,186,588	$ 1,207,815	$ 21,227
Patient related revenues	7,239,481	6,800,000	(439,481)
Interest income	63,612	10,000	(53,612)
Other	320,046	224,455	(95,591)
Total revenues	8,809,727	8,242,270	(567,457)
Expenses			
Patient related expenses	7,969,682	9,200,000	1,230,318
Interest expense	27,591	-	(27,591)
Capital outlay	199,485	300,000	100,515
Total expenses	8,196,758	9,500,000	1,303,242
Excess (deficiency) of revenues over expenses	$ 612,969	$ (1,257,730)	$ (1,870,699)

	2024		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 972,471	$ 1,018,624	$ 46,153
Patient related revenues	6,945,484	6,600,000	(345,484)
Interest income	44,640	10,000	(34,640)
Other	212,301	199,284	(13,017)
Total revenues	8,174,896	7,827,908	(346,988)
Expenses			
Patient related expenses	7,319,372	8,825,000	1,505,628
Interest expense	23,287	-	(23,287)
Capital outlay	81,967	198,994	117,027
Total expenses	7,424,626	9,023,994	1,599,368
Excess (deficiency) of revenues over expenses	$ 750,270	$ (1,196,086)	$ (1,946,356)

The following reconciliation is presented to provide a correlation between the different basis of accounting for reporting in accordance with accounting principles generally accepted in the United States of America and for reporting on the budgetary basis:

	2025	2024
Increase in net position - financial basis	$ 368,983	$ 175,733
Depreciation	232,737	237,934
Amortization	222,411	386,513
Provision for uncollectible accounts	(11,677)	32,057
Capital outlay	(199,485)	(81,967)
Excess of revenues over expenses	$ 612,969	$ 750,270