Ellsworth County Medical Center

A Component Unit of Ellsworth County, Kansas

Independent Auditor's Report and Financial Statements

June 30, 2025 and 2024

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
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June 30, 2025 and 2024

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Independent Auditor's Report

Board of Trustees
Ellsworth County Medical Center
Ellsworth, Kansas

Opinion

We have audited the financial statements of Ellsworth County Medical Center, a component unit of Ellsworth County, Kansas, as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise Ellsworth County Medical Center'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 Ellsworth County Medical Center as of June 30, 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) and the provisions of the Kansas Municipal Audit and Accounting Guide. 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 Ellsworth County Medical Center 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 Ellsworth County Medical Center'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 Ellsworth County Medical Center'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 Ellsworth County Medical Center'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 the 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 opinion on the basic financial statements is not affected by this missing information.

Forvis Mazars, LLP

Wichita, Kansas
January 14, 2026

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Balance Sheets
June 30, 2025 and 2024

	2025	2024
ASSETS		
Current Assets		
Cash	$ 2,656,585	$ 830,525
Patient accounts receivable, net of allowance; 2025 - $1,647,824; 2024 - $1,654,049	3,085,113	3,010,631
Estimated amounts due from third-party payers	36,666	-
Supplies	140,754	162,487
Prepaid expenses	133,836	214,014
Other receivables	254,940	95,792
Total Current Assets	6,307,894	4,313,449
Noncurrent Cash and Investments		
Designated by Board of Trustees	7,435	12,125
Restricted by donors and grantors	154,925	221,135
	162,360	233,260
Capital Assets, Net	3,813,993	4,171,124
Lease Assets, Net	601,641	710,388
Subscription Asset, Net	57,207	400,452
Other Assets		
Advances to medical students	81,571	104,100
Total Assets	$ 11,024,666	$ 9,932,773

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Balance Sheets
June 30, 2025 and 2024 **(Continued)**

	2025	2024
LIABILITIES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 57,443	$ 53,256
Current portion of lease liabilities	106,443	104,723
Current portion of subscription liability	61,875	362,753
Accounts payable	1,654,810	1,196,477
Accrued salaries payable	279,412	209,639
Accrued benefits payable	617,258	525,509
Other accrued liabilities	316,703	546,807
Estimated amounts due to third-party payers	-	368,303
Total Current Liabilities	3,093,944	3,367,467
Other Liabilities		
Long-term debt	126,655	184,098
Lease liabilities	554,279	660,722
Subscription liability	-	61,875
Total Other Liabilities	680,934	906,695
Total Liabilities	3,774,878	4,274,162
Net Position		
Net investment in capital assets	3,566,146	3,854,537
Restricted - expendable for specific operating activities	154,925	221,135
Unrestricted	3,528,717	1,582,939
Total Net Position	7,249,788	5,658,611
Total Liabilities and Net Position	$ 11,024,666	$ 9,932,773

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2025 and 2024

	2025	2024
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2025 - $169,555; 2024 - $1,060,818	$ 20,548,475	$ 18,285,591
Other	2,657,959	2,281,535
Total Operating Revenues	23,206,434	20,567,126
Operating Expenses		
Salaries and wages	10,642,056	9,885,101
Employee benefits	1,893,564	1,995,429
Supplies and other	10,685,366	9,682,974
Depreciation	915,395	941,180
Amortization	451,992	451,663
Total Operating Expenses	24,588,373	22,956,347
Operating Loss	(1,381,939)	(2,389,221)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Ellsworth County	490,099	638,986
Investment income	57,623	44,000
Interest expense	(61,280)	(80,138)
Gain (loss) on disposal of capital assets	20,000	(4,427)
Noncapital grants and gifts	39,707	241,242
Employee retention credit	2,426,967	-
Total Nonoperating Revenues	2,973,116	839,663
Increase (Decrease) in Net Position	1,591,177	(1,549,558)
Net Position, Beginning of Year	5,658,611	7,208,169
Net Position, End of Year	$ 7,249,788	$ 5,658,611

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 20,069,024	$ 18,207,918
Payments to suppliers	(10,125,122)	(8,781,530)
Payments to employees	(12,604,202)	(11,753,809)
Other receipts, net	2,521,340	2,276,046
Net Cash Used in Operating Activities	(138,960)	(51,375)
Cash Flows From Noncapital Financing Activities		
Noncapital appropriations - Ellsworth County	490,099	638,986
Noncapital grants and gifts	39,707	241,242
Employee retention credit	2,426,967	-
Net Cash Provided by Noncapital Financing Activities	2,956,773	880,228
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	(558,264)	(660,945)
Proceeds from disposal of capital assets	20,000	-
Principal paid on long-term debt	(53,256)	(83,290)
Interest paid on long-term debt	(23,765)	(6,819)
Principal paid on leases payable	(104,723)	(100,343)
Interest paid on leases payable	(28,268)	(36,328)
Principal paid on subscription liability	(362,753)	(348,604)
Interest paid on subscription liability	(9,247)	(36,991)
Net Cash Used in Capital and Related Financing Activities	(1,120,276)	(1,273,320)
Cash Flows From Investing Activities		
Investment income	57,623	44,000
Net Cash Provided by Investing Activities	57,623	44,000
Increase (Decrease) in Cash	1,755,160	(400,467)
Cash, Beginning of Year	1,063,785	1,464,252
Cash, End of Year	$ 2,818,945	$ 1,063,785

Ellsworth County Medical Center
A Component Unit of Ellsworth County, Kansas
Statements of Cash Flows
Years Ended June 30, 2025 and 2024 **(Continued)**

	2025	2024
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 2,656,585	$ 830,525
Cash in noncurrent cash and investments	162,360	233,260
Total Cash	$ 2,818,945	$ 1,063,785
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (1,381,939)	$ (2,389,221)
Provision for uncollectible accounts	169,555	1,060,818
Depreciation	915,395	941,180
Amortization	451,992	451,663
Change in operating assets and liabilities		
Patient accounts receivable	(244,037)	(2,004,654)
Estimated amounts due from and to third-party payers	(404,969)	866,163
Supplies	21,733	56,874
Prepaid expenses	80,178	97,313
Other receivables	(159,148)	122,408
Advances to medical students	22,529	(13,200)
Accounts payable	458,333	747,257
Accrued salaries payable	69,773	30,842
Accrued benefits payable	91,749	40,293
Other accrued liabilities	(230,104)	55,586
Unearned revenue	-	(114,697)
Net Cash Used in Operating Activities	$ (138,960)	$ (51,375)

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

Nature of Operations and Reporting Entity

Ellsworth County Medical Center (Medical Center) is a short-term acute care facility that is a component unit and an integral part of the overall reporting entity of Ellsworth County, Kansas. The Medical Center was organized and began operations on August 1, 1993, to provide inpatient and outpatient health care services for the benefit of the community. The Medical Center is operated by a Board of Trustees appointed by the County Commissioners of Ellsworth County, Kansas.

Basis of Accounting and Presentation

The financial statements of the Medical Center 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 (principally 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, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are 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, 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.

Cash Equivalents

The Medical Center 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 June 30, 2025 and 2024.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients, and others. The Medical Center 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.

Noncurrent Cash and Investments and Investment Income

Noncurrent cash and investments include designated assets set aside by the Board of Trustees for future capital improvements, education, and physician recruitment, over which the Board retains control and may at its discretion subsequently use for other purposes. Also included in noncurrent cash and investments are assets that are restricted by donor and grantors for operating purposes. The funds are primarily invested in certificates of deposit and cash.

Investment income includes interest income.

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 Medical Center:

Land improvements	15 years
Building	40 years
Equipment	5 – 25 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 or 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 Medical Center evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease 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 June 30, 2025 and 2024.

Compensated Absences

The Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. 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. Compensated absence liabilities are computed using the regular pay 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.

Risk Management

The Medical Center 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 other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to risk of loss from employee health claims up to $45,000 per individual for 2025 and 2024. Claims in excess of $45,000 per individual for 2025 and 2024 or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

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

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

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

Noncapital Appropriations – Ellsworth County

The Medical Center receives approximately 3% of its financial support from noncapital appropriations from Ellsworth County property tax levy. One hundred percent of these appropriations were used to support operations.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Ellsworth County is recognized in full in the year in which use is first permitted.

Income Taxes

As an essential government function of Ellsworth County, Kansas, the Medical Center is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. The Medical Center has obtained 501(c)(3) tax status for purposes of participating in a Section 403(b) pension plan.

Implementation of New Accounting Standard

In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model.

Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements.

The Medical Center adopted this standard on July 1, 2024, and applied it retrospectively to the earliest period presented. There was no effect on the beginning net position as of July 1, 2023.

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 Medical Center'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 June 30, 2025 and 2024, respectively, $2,593,000 and $1,163,397 of the Medical Center's bank balances of $3,093,000 and $1,413,397 were exposed to custodial credit risk as follows:

	2025	2024
Uninsured and collateral held by the pledging financial institution in the Medical Center's name and an irrevocable letter of credit	$ 2,593,000	$ 1,163,397

Summary of Carrying Values

The carrying values of deposits (excluding petty cash of $1,600 for the years ended June 30, 2025 and 2024) shown above are included in the balance sheets as follows:

	2025	2024
Cash	$ 2,654,985	$ 828,925
Noncurrent cash and investments	162,360	233,260
	$ 2,817,345	$ 1,062,185

As of June 30, 2025 and 2024, noncurrent cash and investments is comprised of cash.

Note 3. Patient Accounts Receivable

The Medical Center 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 June 30, 2025 and 2024, consisted of:

	2025	2024
Medicare	$ 1,381,484	$ 1,922,817
Medicaid	101,828	175,038
Blue Cross	427,074	442,302
Other third-party payers	1,053,431	887,771
Patients	1,769,120	1,236,752
	4,732,937	4,664,680
Less allowance for uncollectible accounts	(1,647,824)	(1,654,049)
	$ 3,085,113	$ 3,010,631

Note 4. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended June 30 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	834,390	-	-	-	834,390
Buildings	5,033,096	-	-	9,791	5,042,887
Fixed equipment	1,077,541	-	-	35,538	1,113,079
Moveable equipment	7,809,346	-	(118,242)	274,312	7,965,416
Projects in progress	110,146	558,264	-	(319,641)	348,769
	14,920,759	558,264	(118,242)	-	15,360,781
Less accumulated depreciation					
Land improvements	435,862	44,136	-	-	479,998
Buildings	3,713,094	180,881	-	-	3,893,975
Fixed equipment	763,078	67,629	-	-	830,707
Moveable equipment	5,837,601	622,749	(118,242)	-	6,342,108
	10,749,635	915,395	(118,242)	-	11,546,788
Capital Assets, Net	$ 4,171,124	$ (357,131)	$ -	$ -	$ 3,813,993

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 56,240	$ -	$ -	$ -	$ 56,240
Land improvements	484,772	-	-	349,618	834,390
Buildings	4,815,956	-	-	217,140	5,033,096
Fixed equipment	1,016,438	36,050	-	25,053	1,077,541
Moveable equipment	9,139,388	-	(1,481,356)	151,314	7,809,346
Projects in progress	228,376	624,895	-	(743,125)	110,146
	15,741,170	660,945	(1,481,356)	-	14,920,759
Less accumulated depreciation					
Land improvements	399,113	36,749	-	-	435,862
Buildings	3,535,360	177,734	-	-	3,713,094
Fixed equipment	704,219	58,859	-	-	763,078
Moveable equipment	6,646,692	667,838	(1,476,929)	-	5,837,601
	11,285,384	941,180	(1,476,929)	-	10,749,635
Capital Assets, Net	$ 4,455,786	$ (280,235)	$ (4,427)	$ -	$ 4,171,124

Lease assets activity for the years ended June 30 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 31,271	$ -	$ -	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,143,293	-	-	-	1,143,293
Less accumulated amortization					
Equipment	21,468	5,805	-	-	27,273
Building space	411,437	102,942	-	-	514,379
	432,905	108,747	-	-	541,652
Lease Assets, Net	$ 710,388	$ (108,747)	$ -	$ -	$ 601,641

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Equipment	$ 31,271	$ -	$ -	$ -	$ 31,271
Building space	1,112,022	-	-	-	1,112,022
	1,143,293	-	-	-	1,143,293
Less accumulated amortization					
Equipment	15,662	5,806	-	-	21,468
Building space	308,824	102,613	-	-	411,437
	324,486	108,419	-	-	432,905
Lease Assets, Net	$ 818,807	$ (108,419)	$ -	$ -	$ 710,388

Subscription assets activity for the years ended June 30 was:

	2025				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	1,029,734	343,245	-	-	1,372,979
Subscription Asset, Net	$ 400,452	$ (343,245)	$ -	$ -	$ 57,207

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription asset	$ 1,430,186	$ -	$ -	$ -	$ 1,430,186
Less accumulated amortization					
Subscription asset	686,490	343,244	-	-	1,029,734
Subscription Asset, Net	$ 743,696	$ (343,244)	$ -	$ -	$ 400,452

Note 5. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Medical Center for the years ended June 30:

	2025					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 237,354	$ -	$ (53,256)	$ 184,098	$ 57,443	$ 126,655
Lease liabilities	765,445	-	(104,723)	660,722	106,443	554,279
Subscription liabilities	424,628	-	(362,753)	61,875	61,875	-
	$ 1,427,427	$ -	$ (520,732)	$ 906,695	$ 225,761	$ 680,934

	2024					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion	Long-term Portion
Financed capital purchases	$ 320,644	$ -	$ (83,290)	$ 237,354	$ 53,256	$ 184,098
Lease liabilities	865,788	-	(100,343)	765,445	104,723	660,722
Subscription liabilities	773,232	-	(348,604)	424,628	362,753	61,875
	$ 1,959,664	$ -	$ (532,237)	$ 1,427,427	$ 520,732	$ 906,695

Financed Capital Purchases

Financed capital purchases are in the form of notes payable to bank. They have varying maturities through 2028. Principal and interest is payable monthly. Interest rate is 4.00%. The notes are secured by certain capital assets.

The debt service requirements on financed capital purchases as of June 30, 2025, are as follows:

Year Ending June 30	Total to Be Paid	Principal	Interest
2026	$ 70,053	$ 57,443	$ 12,610
2027	70,053	61,960	8,093
2028	67,916	64,695	3,221

Lease Liabilities

The Medical Center leases certain building space and equipment, the terms of which expire in various years through 2032. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of June 30, 2025:

Year Ending June 30	Total to Be Paid	Principal	Interest
2026	$ 130,494	$ 106,443	$ 24,051
2027	127,392	107,573	19,819
2028	126,544	111,064	15,480
2029	126,544	115,567	10,977
2030	126,544	115,567	10,977
2031-2032	108,711	104,508	4,203
	$ 746,229	$ 660,722	$ 85,507

Subscription Liabilities

The Medical Center has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of $23,000.

The following is a schedule by year of payments under the SBITAs as of June 30, 2025:

Year Ending June 30	Total to Be Paid	Principal	Interest
2026	$ 62,000	$ 61,875	$ 125

Note 6. Professional Liability Claims

The Medical Center purchases professional liability insurance which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year. 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 year.

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 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 Medical Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7. Employee Health Claims

Substantially all of the Medical Center's employees and their dependents are eligible to participate in the Medical Center's employee health insurance plan. The Medical Center is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $45,000 per covered employee for 2025 and 2024. Claims in excess of $45,000 per covered employee or $1,000,000 aggregate Medical Center claims are covered through a reinsurance policy for 2025 and 2024. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Medical Center's estimate will change by a material amount in the near term.

Activity in the Medical Center's accrued employee health claims liability during 2025 and 2024 is summarized as follows:

	2025	2024
Balance, beginning of year	$ 289,132	$ 261,972
Current year claims incurred and changes in estimates for claims incurred in prior years	1,101,603	1,243,299
Claims and expenses paid	(1,287,621)	(1,216,139)
Balance, end of year	$ 103,114	$ 289,132

Note 8. Net Patient Service Revenue

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

Medicare. The Medical Center is recognized as a CAH. Under CAH rules, inpatient acute care, 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 a combination of fee schedules and cost reimbursement methodologies. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center 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.

Approximately 65% and 70% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended June 30, 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 Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 9. Charity Care

Charges excluded from revenue under the Medical Center's charity care policy were $9,067 and $41,607 for June 30, 2025 and 2024, respectively. The Medical Center's direct and indirect costs for services and supplies furnished under the Medical Center's charity care policy were approximately $7,000 and $31,000 in 2025 and 2024, respectively. The cost of charity care is estimated by applying the ratio of cost-to-gross charges to the gross uncompensated charges from the June 30, 2025 and 2024, filed Medicare cost reports.

Note 10. 340B Drug Pricing Program

The Medical Center participates in the 340B Drug Pricing Program (340B Program) enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center recorded revenues of $2,501,394 and $1,869,080 for the years ended June 30, 2025 and 2024, respectively, which is included in other operating revenue in the accompanying statements of revenues and expenses and changes in net position. The Medical Center recorded expenses of $1,729,598 and $1,578,018 for the years ended June 30, 2025 and 2024, 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. Pension Plans

The Medical Center has a defined contribution plan (401(a) plan) in which all employees of the Medical Center become eligible for participation upon active employment. Employees were required by the plan to contribute 6.42% of their salary to the plan in 2025 and 2024. The employer is also required by the plan to contribute 6.42% of employee salary in 2025 and 2024. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $663,595 and $612,341 for the years ended June 30, 2025 and 2024, respectively. Contributions made by the Medical Center were $663,639 and $612,507 for the years ended June 30, 2025 and 2024, respectively.

In addition, the Medical Center has a 403(b) defined contribution plan in which all employees of the Medical Center become eligible for participation upon active employment. Employees are allowed to contribute any amount to this plan. The employer will match the first $12 per pay period contributed by the employee. The Medical Center's contributions to the plan are 100% vested from the date of employee participation. The plan year begins on January 1 and ends December 31. Contributions made by plan members were $325,460 and $259,493 for the years ended June 30, 2025 and 2024, respectively. Contributions made by the Medical Center were $29,213 and $30,363 for the years ended June 30, 2025 and 2024, respectively.

The Medical Center provides one additional defined contribution plan (457 plan). The plan year begins on January 1 and ends December 31. Contributions made by plan members were $87,402 and $94,494 for the years ended June 30, 2025 and 2024, respectively. The Medical Center does not make contributions to the 457 plan.

Note 12. Services Agreement

The Board has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including 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 Medical Center for the years ended June 30, 2025 and 2024, were $785,659 and $816,561, respectively. Amounts included in accounts payable and owed to GPHA were $200,645 and $147,319 at June 30, 2025 and 2024, respectively.

Note 13. COVID-19 Pandemic and CARES Act Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

Other COVID-19 Grant Funding

During the year ended June 30, 2023, the Medical Center received $140,151 related to the Increase the Reach Grant, which was part of the federal government's response to the pandemic. The Medical Center recognized $0 and $114,697 of the funding for the years ended June 30, 2025 and 2024, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 14. Employee Retention Credit

In 2024, Ellsworth County Hospital applied for approximately $2.4 million in refunds, including interest, for Employee Retention Credits (ERC) related to payroll for the first and second quarters of the year ended December 31, 2021. Payment was received in 2025.

The statute of limitations for the relevant filings expired on April 15, 2025, and the Medical Center has not received any notification from the IRS challenging its filings, or other information that makes the Medical Center believe the filing was improper. As a result, the Medical Center has realized the income for the year ended June 30, 2025.

Note 15. Contingencies

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in Notes 1 and 6.

Employee Health Claims

Estimates related to the accrual for employee health claims are described in Notes 1 and 7.

General Litigation

The Medical Center is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by commercial insurance. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheet, change in net assets and cash flows of the Medical Center. Events could occur that would change this estimate materially in the near term.