# FAIRFIELD HOSPITAL DISTRICT
# DBA: FREESTONE MEDICAL CENTER

## FINANCIAL STATEMENTS

## YEARS ENDED SEPTEMBER 30, 2025 AND 2024



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**FAIRFIELD HOSPITAL DISTRICT DBA: FREESTONE MEDICAL CENTER**
**TABLE OF CONTENTS**
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**


| | |
|---|---|
| **INDEPENDENT AUDITORS' 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** |

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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Fairfield Hospital District dba: Freestone Medical Center
Fairfield, Texas

## *Opinion*

We have audited the financial statements of Fairfield Hospital District dba: Freestone Medical Center (the Medical Center) which comprise the balance sheets as of September 30, 2025 and 2024, and the related statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2025 and 2024, and the changes in its net 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 the Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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***Auditors' 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 auditors' 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 the 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 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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota
April 23, 2026

**FAIRFIELD HOSPITAL DISTRICT DBA: FREESTONE MEDICAL CENTER**
**BALANCE SHEETS**
**SEPTEMBER 30, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash | $ 2,521,416 | $ 3,344,028 |
| Patient Accounts Receivable, Net | 2,777,681 | 1,736,390 |
| Property Taxes Receivable, Net | 63,411 | 65,127 |
| Supplies | 263,250 | 362,049 |
| Prepaid Expenses and Other | 268,959 | 209,087 |
| Total Current Assets | 5,894,717 | 5,716,681 |
| **CAPITAL ASSETS, NET** | 3,806,760 | 3,792,874 |
| **RIGHT-OF-USE ASSETS, NET** | 297,683 | 329,304 |
| Total Assets | $ 9,999,160 | $ 9,838,859 |
| **LIABILITIES AND NET POSITION** | | |
| **CURRENT LIABILITIES** | | |
| Line of Credit | $ 1,045,000 | $ 250,000 |
| Accounts Payable | 2,273,763 | 2,506,339 |
| Accrued Expenses | 1,401,804 | 1,105,410 |
| Unearned Revenue | 350,000 | - |
| Right-of-Use Lease Liabilities - Current | 105,573 | 92,455 |
| Estimated Amounts Due to Third-Party Payors | 468,732 | 511,438 |
| Total Current Liabilities | 5,644,872 | 4,465,642 |
| **NONCURRENT LIABILITIES** | | |
| Right-of-Use Lease Liabilities - Long Term | 213,391 | 255,227 |
| Total Liabilities | 5,858,263 | 4,720,869 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 3,785,479 | 3,774,496 |
| Unrestricted | 355,418 | 1,343,494 |
| Total Net Position | 4,140,897 | 5,117,990 |
| Total Liabilities and Net Position | $ 9,999,160 | $ 9,838,859 |

*See accompanying Notes to Financial Statements.*

**FAIRFIELD HOSPITAL DISTRICT DBA: FREESTONE MEDICAL CENTER**
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **OPERATING REVENUES** | | |
| Net Patient Service Revenue | $ 17,259,769 | $ 15,032,683 |
| Supplemental Medicaid Funding Revenue | 1,112,260 | 1,198,948 |
| Other | 151,783 | 89,477 |
| Total Operating Revenues | 18,523,812 | 16,321,108 |
| **OPERATING EXPENSES** | | |
| Salaries and Wages | 7,579,159 | 7,506,767 |
| Employee Benefits | 1,853,104 | 1,601,036 |
| Purchased Services and Professional Fees | 7,341,860 | 4,840,605 |
| Supplies and Other | 5,635,652 | 5,417,336 |
| Depreciation and Amortization | 662,710 | 765,841 |
| Total Operating Expenses | 23,072,485 | 20,131,585 |
| **OPERATING LOSS** | (4,548,673) | (3,810,477) |
| **NONOPERATING REVENUES (EXPENSES)** | | |
| Property Taxes | 2,879,723 | 2,605,674 |
| Tobacco Settlement | 56,228 | 46,869 |
| Interest Income | 43,938 | 108,841 |
| Interest Expense | (81,015) | (65,884) |
| Noncapital Grants and Gifts | 453,131 | - |
| Gain on Sale of Capital Assets | - | 24,375 |
| Total Nonoperating Revenues, Net | 3,352,005 | 2,719,875 |
| **LOSS BEFORE CAPITAL GRANTS AND GIFTS** | (1,196,668) | (1,090,602) |
| Capital Grants and Gifts | 219,575 | 19,658 |
| **DECREASE IN NET POSITION** | (977,093) | (1,070,944) |
| Net Position - Beginning of Year | 5,117,990 | 6,188,934 |
| **NET POSITION - END OF YEAR** | $ 4,140,897 | $ 5,117,990 |

*See accompanying Notes to Financial Statements.*

**FAIRFIELD HOSPITAL DISTRICT DBA: FREESTONE MEDICAL CENTER**
**STATEMENTS OF CASH FLOWS**
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts From and on Behalf of Patients | $ 17,288,032 | $ 16,278,503 |
| Payments to Suppliers and Contractors | (13,153,686) | (9,596,862) |
| Payments to Employees | (9,151,628) | (9,269,774) |
| Other Receipts, Net | 151,783 | 89,477 |
| Net Cash Used by Operating Activities | (4,865,499) | (2,498,656) |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| Property Taxes Supporting Operations | 2,879,723 | 2,605,674 |
| Proceeds From Tobacco Settlement | 56,228 | 46,869 |
| Advances on Line of Credit Used for Operating Expenses | 3,245,000 | 1,621,000 |
| Payments Made on Line of Credit for Operating Expenses | (2,450,000) | (1,371,000) |
| Interest Paid on Line of Credit | (61,897) | (41,892) |
| Noncapital Grants and Gifts | 803,131 | - |
| Net Cash Provided by Noncapital Financing Activities | 4,472,185 | 2,860,651 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES** | | |
| Capital Grants and Gifts | 219,575 | 19,658 |
| Principal Paid on Right-of-Use Lease Liabilities | (98,968) | (336,133) |
| Interest Paid on Right-of-Use Lease Liabilities | (19,118) | (23,992) |
| Purchase of Capital Assets | (574,725) | (513,887) |
| Net Cash Used by Capital and Related Financing Activities | (473,236) | (854,354) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Interest Received on Bank Deposits | 43,938 | 108,841 |
| **NET DECREASE IN CASH** | (822,612) | (383,518) |
| Cash - Beginning of Year | 3,344,028 | 3,727,546 |
| **CASH - END OF YEAR** | $ 2,521,416 | $ 3,344,028 |

*See accompanying Notes to Financial Statements.*

**FAIRFIELD HOSPITAL DISTRICT DBA: FREESTONE MEDICAL CENTER**
**STATEMENTS OF CASH FLOWS (CONTINUED)**
**YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

| | 2025 | 2024 |
|---|---|---|
| **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES** | | |
| Operating Loss | $ (4,548,673) | $ (3,810,477) |
| Depreciation and Amortization | 662,710 | 765,841 |
| Provision for Uncollectible Accounts | 3,784,949 | 3,091,207 |
| Changes in Operating Assets and Liabilities: | | |
| Patient Accounts Receivable | (4,826,240) | (2,888,113) |
| Estimated Amounts Due to/from Third-Party Payors | (42,706) | (156,222) |
| Accounts Payable and Accrued Expenses | 63,818 | 450,449 |
| Other Assets and Liabilities | 40,643 | 48,659 |
| Net Cash Used by Operating Activities | $ (4,865,499) | $ (2,498,656) |
| **SUPPLEMENTAL CASH FLOWS INFORMATION** | | |
| Property and Equipment Included in Accounts Payable | $ - | $ 292,773 |
| Equipment Received in Exchange of Lease Agreement | $ 70,250 | $ - |

*See accompanying Notes to Financial Statements.*

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Operations and Reporting Entity

Fairfield Hospital District dba: Freestone Medical Center (the Medical Center), is an acute care hospital located in Fairfield, Texas. The Medical Center is a political subdivision created by and operating under the laws of the state of Texas. The Medical Center is governed by a board of directors elected by residents of the Medical Center. The Medical Center is a taxing district with property taxes levied on real property within the Medical Center's boundaries. The Medical Center primarily earns revenues by providing inpatient, outpatient, and emergency care services to patients in the Freestone County area. The Medical Center also operates a rural health clinic.

### 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 nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific, property taxes, 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 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.

### Property Taxes

The Medical Center received approximately 13% and 14% of its financial support from property taxes in 2025 and 2024, respectively. These funds were used to support operations.

Property taxes are levied by the Medical Center on October 1 of each year based on the preceding January 1 assessed property values. To secure payment, an enforceable lien attaches to the property on January 1 when the value is assessed. Property taxes become due and payable when levied on October 1. This is the date on which an enforceable legal claim arises and the Medical Center records a receivable for the property tax assessment, less an allowance for uncollectible taxes. Property taxes are considered delinquent after January 31 of the following year.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property Taxes (Continued)

The Medical Center's property tax rate for 2025 and 2024 was $0.134323 and $0.135374 per $100, respectively, and property tax revenue totaled $2,879,723 and $2,605,674 for the years ended September 30, 2025 and 2024, respectively.

The allowance for uncollectible taxes of approximately $168,000 and $154,000 at September 30, 2025 and 2024, respectively, was computed based on historical collection information.

### 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; medical malpractice; 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.

The Medical Center purchases commercial insurance coverage for employee health claims.

### Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less when purchased, and which are not designated as noncurrent cash and investments and are recorded at cost, which approximates fair value.

### Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, 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 market.

### 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 lease obligations are amortized 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:

| | |
|---|---|
| Buildings and Improvements | 5 to 40 Years |
| Equipment | 3 to 30 Years |

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position

Net position of the Medical Center is classified in two components. 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 or restricted net position.

### Net Patient Service Revenue

The Medical Center has agreements with third-party payors 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 payors 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. The cost of charity care provided under the Medical Center's charity care policy was approximately $444,000 and $216,000 for 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.

### Income Taxes

As an essential government function, 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.

### Adoption of Accounting Standard

Effective October 1, 2024, the Medical Center implemented GASB Statement 101, *Compensated Absences*. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

Implementation did not have a material impact on the Medical Center's statements of net position and statements of revenues, expenses, and changes in net position as a result of adopting GASB Statement Number 101.

## NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Subsequent Events**

The Medical Center has evaluated subsequent events through April 23, 2026, the date the financial statements were available to be issued.

## NOTE 2 NET PATIENT SERVICE REVENUE

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

Medicare

Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient skilled nursing services are paid at prospectively determined per diem rates that are based on the patients' acuity. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. 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 services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment methodology. Outpatient and physician services are reimbursed under a mixture of cost reimbursement and fee schedule methods. The Medical Center is then reimbursed for cost reimbursable services at tentative rates with final settlement by the Medicaid administrative contractor.

A significant portion of the Medical Center's net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 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 2 NET PATIENT SERVICE REVENUE (CONTINUED)

**Supplemental Medicaid Funding Revenue**

On December 12, 2011, the United States Department of Health and Human Services approved a Medicaid Section 1115(a) demonstration project entitled "Texas Healthcare Transformation and Quality Improvement Program" (Waiver). This demonstration expanded Medicaid managed care programs and established two funding pools that assist providers with uncompensated care (UC Pool) costs and promote health system transformation (DSRIP Pool). The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

In April of 2022 CMS approved an extension of the Waiver through September 30, 2030, which provides the continuation of the UC Pool and an expansion of directed payment programs. As the DSRIP program ultimately ended on September 30, 2021, several directed payment programs were created in its place including the Comprehensive Hospital Increased Reimbursement Program (CHIRP). Under CHIRP, the Texas Health and Human Services Commission (HHSC) provides Medicaid managed care organizations with additional funding through their monthly capitation rate from HHSC which is then passed through to participating hospitals with increased payment rates for Medicaid patients. The CHIRP program began on September 1, 2021, and requires annual approval from CMS.

HHSC has expanded state Medicaid managed care programs and is covering a number of beneficiaries previously covered under traditional Medicaid arrangements into these managed care plans. The Medical Center generally expects payments under the managed care plans to be equivalent to payments under the traditional plan. However, this outcome is contingent on the Medical Center continuing to be able to negotiate appropriate rates with these managed care plan carriers.

Total revenue recognized from these programs was approximately $1,112,000 and $1,199,000 for the years ended September 30, 2025 and 2024, respectively, and is included as Supplemental Medicaid funding revenue within operating revenues in the statements of revenues, expenses and changes in net position. Amounts receivable under these programs were $-0- at September 30, 2025 and 2024.

The programs described above are subject to review and scrutiny by both the Texas Legislature and CMS, and the programs could be modified or terminated based on new legislation or regulation in future periods. The funding historically received may not be representative of funding that will be received in future years.

## 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. 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 Texas; bonds of any city, county, school district or special road district of the state of Texas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At September 30, 2025 and 2024, the Medical Center had bank balances of $2,699,665 and $3,607,067, respectively, which were insured and collateralized in accordance with state law.

## NOTE 4 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 payor agreements. Patient accounts receivable at September 30 consisted of:

| | 2025 | 2024 |
|---|---|---|
| Medicare | $ 730,548 | $ 706,254 |
| Medicaid | 383,717 | 382,034 |
| Other Third-Party Payors | 4,715,316 | 2,034,529 |
| Patients | 658,100 | 902,573 |
| Total | 6,487,681 | 4,025,390 |
| Less Allowance for Uncollectible Accounts | 3,710,000 | 2,289,000 |
| Patient Accounts Receivable, Net | $ 2,777,681 | $ 1,736,390 |

## NOTE 5 CAPITAL ASSETS

Capital assets activity for the years ended September 30 consisted of:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land and Land Improvements | $ 131,230 | $ - | $ - | $ - | $ 131,230 |
| Buildings and Improvements | 21,741,146 | 288,019 | - | - | 22,029,165 |
| Equipment and Furniture | 8,869,067 | 281,620 | - | - | 9,150,687 |
| Right-of-Use Assets | 535,280 | 70,250 | - | - | 605,530 |
| Construction in Progress | 32,000 | 5,086 | - | - | 37,086 |
| Total | 31,308,723 | 644,975 | - | - | 31,953,698 |
| Less: Accumulated Depreciation and Amortization | (27,186,545) | (662,710) | - | - | (27,849,255) |
| Capital Assets, Net | $ 4,122,178 | $ (17,735) | $ - | $ - | $ 4,104,443 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land and Land Improvements | $ 78,831 | $ - | $ - | $ 52,399 | $ 131,230 |
| Buildings and Improvements | 21,640,947 | 56,645 | - | 43,554 | 21,741,146 |
| Equipment and Furniture | 8,313,555 | 857,192 | (223,227) | (78,453) | 8,869,067 |
| Right-of-Use Assets | 1,018,684 | - | (483,404) | - | 535,280 |
| Construction in Progress | 35,199 | - | (3,199) | - | 32,000 |
| Total | 31,087,216 | 913,837 | (709,830) | 17,500 | 31,308,723 |
| Less: Accumulated Depreciation and Amortization | (27,030,232) | (765,841) | 627,028 | (17,500) | (27,186,545) |
| Capital Assets, Net | $ 4,056,984 | $ 147,996 | $ (82,802) | $ - | $ 4,122,178 |

## NOTE 6 DEFINED CONTRIBUTION PLAN

The Medical Center contributes to a defined contribution pension plan covering substantially all employees. Contributions made by the Medical Center were approximately $89,000 and $92,000 during the years ended September 30, 2025 and 2024, respectively.

## NOTE 7 MANAGEMENT AGREEMENT

On January 1, 2017, the Medical Center entered into a contract for administrative services with Community Hospital Corporation Consulting (CHC). This contract requires that CHC provides personnel to perform duties as the Medical Center's executive employees. For the years ended September 30, 2025 and 2024, the Medical Center incurred approximately $1,267,000 and $1,124,000, respectively, of expenses under the contract, which are included in the statements of revenues, expenses, and changes in net position.

## NOTE 8 LINE OF CREDIT

The Medical Center maintains a line of credit that is used to fund operating expenses and is secured by accounts receivable. The maximum amount that could be borrowed under the line of credit was $1,500,000. The interest rate was 7.75% at September 30, 2025 and 2024. At September 30, 2025 and 2024, $1,045,000 and $250,000, respectively, was borrowed against this line. The line of credit matures on March 1, 2026.

## NOTE 9 LEASES

The Medical Center leases equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2031 and provide varying renewal options.

The following is a summary of lease liability transactions for the Medical Center for the years ended September 30:

| | 2025 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Right-of-Use Lease Liabilities | $ 347,682 | $ 70,250 | $ (98,968) | $ 318,964 | $ 105,573 |

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Right-of-Use Lease Liabilities | $ 683,815 | $ - | $ (336,133) | $ 347,682 | $ 92,455 |

Total future minimum lease payments under lease agreements are as follows:

| Year Ending September 30, | Principal | Interest | Total |
|---|---|---|---|
| 2026 | $ 105,573 | $ 14,669 | $ 120,242 |
| 2027 | 111,219 | 9,024 | 120,243 |
| 2028 | 65,675 | 4,132 | 69,807 |
| 2029 | 10,576 | 2,374 | 12,950 |
| 2030 | 11,426 | 1,525 | 12,951 |
| 2031 - 2035 | 14,495 | 614 | 15,109 |
| Total | $ 318,964 | $ 32,338 | $ 351,302 |

Amortization expense of lease assets totaled $101,871 and $311,330 for the years ended September 30, 2025 and 2024, respectively.

## NOTE 10 NONCAPITAL GRANTS AND GIFTS

Below is a summary of the noncapital grants and gifts received and recognized as nonoperating revenues in the statements of revenues, expenses, and changes in net position for the years ended September 30:

| | 2025 | 2024 |
|---|---|---|
| Rural Hospital Debt Reduction Grant | $ 250,000 | $ - |
| Other | 203,131 | - |
| Total | $ 453,131 | $ - |

Additionally, during the year ended September 30, 2025, the Medical Center received $350,000 from Texas Health and Human Services as a part of the Rural Hospital Improvement Grant Program. The funds were not expended by the Medical Center during the year ended September 30, 2025; therefore, the full amount is reflected as unearned revenue on the statement of net position at September 30, 2025.

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