WINDOM AREA HEALTH
WINDOM, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2025 AND 2024

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Windom Area Health and Affiliate
Windom, Minnesota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Windom Area Health (the Hospital), an enterprise fund of the City of Windom, Minnesota, and its discretely presented component unit, which comprise the statements of net position as of April 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Windom Area Health and its discretely presented component unit as of April 30, 2025 and 2024, and the respective changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Windom Area Health 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Windom Area Health's ability to continue as a going concern for one year after the date of the financial statements are available to be issued.

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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 Windom Area Health'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 Windom Area Health'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

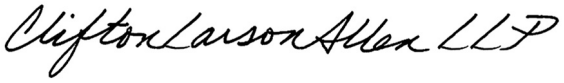
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Hospital's proportionate share of the net pension liability, the schedule of the Hospital's contributions and other postemployment benefits be presented to supplement the basic financial statements. Such 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.

Required Supplementary Information (Continued)

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2025, on our consideration of Windom Area Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Windom Area Health's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 28, 2025

WINDOM AREA HEALTH
WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2025

Introduction

Windom Area Health (Hospital) offers readers of our financial statements this narrative overview and analysis of the financial activities of Windom Area Health for the fiscal years ended April 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Windom Area Health's audited financial statements. The financial statements are composed of the statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows. The financial statements also include notes to the financial statements that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Hospital's finances.

The financial statements include the Hospital and Foundation finances. The mission of the Windom Area Hospital Foundation is to provide charitable support for medical and educational programs of Windom Area Health. Total Foundation net position was $482,268 at year-end.

Required Financial Statements

The Hospital's financial statements report information of Windom Area Health using accounting methods similar to those used by private sector healthcare organizations. These statements offer short- and long-term information about its activities. The statements of net position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). The statements of net position also provide the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital.

All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net position. This statement can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statement is the statements of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It also provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights

Hospital total assets and deferred outflows of resources increased by $14,722,564 to $66,112,979 in fiscal year (FY) 2025 and increased by $3,391,509 to $51,390,415 in FY 2024. Capital assets increased by $16,121,289 in FY 2025 and increased by $6,440,899 in FY 2024. Total liabilities and deferred inflows of resources increased by $12,282,065 in FY 2025 and increased by $1,451,035 in FY 2024. The total margin was 7.0%, 7.0% and 4.6% for the years ended April 30, 2025, 2024 and 2023, respectively.

Financial Analysis of the Hospital

The statements of net position and the statements of revenues, expenses, and changes in net position report the net position of the Hospital and the changes in net position. The Hospital's net position – the difference between assets and liabilities – is a way to measure financial health or financial position. Over time, sustained increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

Net Position

A summary of the Hospital's statements of net position at April 30, 2025, 2024, and 2023 is presented below:

Table 1
Condensed Statements of Net Position (in Thousands)

	April 30,		
		(As Restated)	
	2025	2024	2023
Current Assets	$ 9,544	$ 10,666	$ 14,435
Noncurrent Cash and Investments	15,110	14,827	14,385
Capital and Right-to-Use Assets	39,490	23,736	15,955
Other Noncurrent Assets	139	108	63
Deferred Outflows of Resources	1,830	2,053	3,161
Total Assets and Deferred Outflows of Resources	$ 66,113	$ 51,390	$ 47,999
Current Liabilities	$ 5,696	$ 4,169	$ 6,028
Long-Term Debt	15,354	3,292	-
Other Noncurrent Liabilities	5,359	7,573	9,356
Deferred Inflows of Resources	3,098	2,191	276
Total Liabilities and Deferred Inflows of Resources	29,507	17,225	15,659
Net Position	36,606	34,165	32,340
Total Liabilities, Deferred Inflows, and Net Position	$ 66,113	$ 51,390	$ 47,999

As can be seen by Table 1, net position increased by approximately $2,440,000 to $36.6 million in fiscal year 2025. In fiscal year 2024, net position increased by approximately $1,825,000 to $34.2 million. The change in net position results primarily from operating results, positive investment performance, and the income impact of Government Accounting Standards Board (GASB) Statements 68.

Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's historical revenues and expenses for the fiscal years ended April 30, 2025, 2024, and 2023.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position (in Thousands)

	Year Ended April 30,		
		(As Restated)	
	2025	2024	2023
Operating Revenues	$ 32,637	$ 29,199	$ 25,710
Operating Expenses	30,705	27,865	24,962
Operating Income	1,932	1,333	748
Nonoperating Income	394	750	455
Excess of Revenues over Expenses	2,326	2,083	1,204
Capital Grants, Contributions, Other	115	30	48
Prior Period Adjustment - GASB 101	-	(115)	-
Equity Distributions	-	(173)	-
Changes in Net Position	2,441	1,825	1,252
Total Net Position, Beginning of Year	34,165	32,340	31,088
Total Net Position, End of Year	$ 36,606	$ 34,165	$ 32,340

Operating and Financial Performance

Volume: Inpatient admissions (excluding newborns) for fiscal year 2025 were 341 compared to 317 in fiscal year 2024 and 321 in fiscal year 2023. This is an increase of 24 or approximately 7% between 2025 and 2024 and a decrease of 4 or 1% between 2024 and 2023. Patient days (excluding newborns) for fiscal year 2025 were 820 compared to 763 in fiscal year 2024 and 799 in fiscal year 2023. This is an increase of 57 or approximately 7% from 2024 and a decrease of 36 or 5% between 2024 and 2023. The length of stay decreased from 2.5 days in 2023 and 2.4 days in 2024 and 2025. Emergency department visits increased to 4,148 in fiscal year 2025 from 4,037 in fiscal year 2024. This is an increase of 111 visits or 3%. Emergency department visits in 2024 decreased from 4,043 in 2023, which is a decrease of 6 visits or 0.1%. All other outpatient visits for 2025 were 28,880 compared to 30,364 in 2024 and 28,199 in 2023. This is a decrease of 1,484 visits from 2024 to 2025 and an increase of 2,165 visits from 2023 to 2024. Total surgeries increased to 910 in fiscal year 2025 from 834 in fiscal year 2024. This is an increase of 76 surgeries or 9%. In fiscal year 2024, surgeries increased from 735 which is an increase of 99 surgeries or 13% compared to fiscal year 2023.

Net Patient Service Revenue: As a result of increased inpatient and surgical volume during the year, net patient service revenue increased $3,619,444 or approximately 13% compared to fiscal year 2024. Revenue deductions, the amount of patient service revenue uncollectible due to contractual agreements, government reimbursement policies, and bad debts increased to $31,594,275 from $26,143,582, an approximate 21% increase.

Other Operating Revenue: Other operating revenue increased $34,733 and increased $379,731 in fiscal years 2025 and 2024, respectively, from the previous year.

Nursing Services: Nursing service expenses increased $1,655,013 and $1,543,667 in fiscal years 2025 and 2024, respectively, from the previous year. The increase in both 2024 and 2023 is related to staffing and wage increases.

Other Professional Services: Other professional service expenses increased $802,342 and increased $569,089 in fiscal years 2025 and 2024, respectively, from the previous year. The increase in 2025 was mostly due to an overall increase in patient activities.

General Services: General service expenses increased $241,606 and increased $36,423 in fiscal years 2025 and 2024, respectively, when compared to the previous year. General services expense was generally consistent overall between fiscal years 2025 and 2024.

Administrative and Fiscal Services: Expenses in this category increased $115,859 and increased $722,211 in fiscal years 2025 and 2024, respectively, when compared to the previous year. The changes mainly relate to the income impact of GASB 68 and in employee benefit costs.

Depreciation and Amortization: Depreciation and amortization increased $24,826 and $201,470 in fiscal years 2025 and 2024, respectively, when compared to the previous year.

Nonoperating Revenue and Expenses: The total in this category decreased $355,667 and increased $463,425 in fiscal years 2025 and 2024, respectively, when compared to the previous year. The decrease in fiscal year 2025 is due to less grant and contribution income, increased interest expense, and slightly less favorable investment performance in comparison to fiscal year 2024.

Capital Grants and Contributions

For the years ended 2025, 2024, and 2023, the Hospital had a total of $114,834, $30,033, and $47,696, respectively, in capital grants and contributions.

Capital Assets

At the end of fiscal years 2025, 2024, and 2023, the Hospital had invested $38,075,109, $21,953,820, and $15,512,921, respectively, in capital assets. The $16,121,289 increase in capital assets in fiscal year 2024 is due to significant asset additions to construction in progress related to the build of a new medical office building.

Long-Term Debt

During fiscal year 2015, the Hospital issued long-term debt for the purpose of funding a portion of the surgery and outreach construction project. During fiscal year 2024, the Hospital issued additional long-term debt for the purpose of funding the construction of a medical office building. As of year-end the Hospital had a total of $15,794,288 of short- and long-term debt, net of unamortized issue discount.

Economic and Other Factors and Next Year's Budget

The Windom Area Health's board of directors and management considered many factors when setting the fiscal year 2025 budget. Of primary importance in setting the 2026 budget is the status of the economy, which takes into account market forces and environmental factors such as:

- Medicare and Medicaid reimbursement rates continued decline
- Recovery Audit Contractors
- Government pressure to computerize health records
- Increased expectations for quality at a lower price
- Workforce shortages
- Cost of supplies
- Increasing drug costs and drug shortages
- Aging equipment and building
- Healthcare reform and changes in other commercial contracts

Contacting the Hospital's Finance Department

Windom Area Health's financial statements are designed to present users with a general overview of the Hospital's finances and to demonstrate the Windom Area Health's accountability. If you have questions about the report or need additional financial information, please contact Administration at Windom Area Health, 2150 Hospital Drive, PO Box 339, Windom, Minnesota 56101.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF NET POSITION
APRIL 30, 2025

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 4,426,872	$ 482,268	$ 4,909,140
Patient Accounts Receivable, Net	4,361,200	-	4,361,200
Accrued Interest Receivable	29,106	-	29,106
Other Receivables	128,980	-	128,980
Supplies	263,168	-	263,168
Prepaid Expenses	334,185	-	334,185
Total Current Assets	9,543,511	482,268	10,025,779
NONCURRENT CASH AND INVESTMENTS			
Board Designated for Capital Improvements	14,709,131	-	14,709,131
Debt Service Reserve Funds Held by Trustee	400,765	-	400,765
Total Noncurrent Cash and Investments	15,109,896	-	15,109,896
CAPITAL ASSETS			
Capital Assets	60,714,565	-	60,714,565
Less: Accumulated Depreciation	(22,639,456)	-	(22,639,456)
Net Capital Assets	38,075,109	-	38,075,109
Right-to-Use Assets, Net	1,415,107	-	1,415,107
Investment in Joint Venture	139,361	-	139,361
Total Other Assets	1,554,468	-	1,554,468
Total Assets	64,282,984	482,268	64,765,252
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	1,829,995	-	1,829,995
Total Deferred Outflows of Resources	1,829,995	-	1,829,995
Total Assets and Deferred Outflows of Resources	$ 66,112,979	$ 482,268	$ 66,595,247

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2025

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Maturities of Long-Term Debt	$ 440,865	$ -	$ 440,865
Current Maturities of Finance Lease Obligations	467,430	-	467,430
Accounts Payable:			
Trade	1,003,609	-	1,003,609
Construction	1,626,927	-	1,626,927
Accrued Expenses	1,722,889	-	1,722,889
Estimated Third-Party Payor Settlements	434,383	-	434,383
Total Current Liabilities	5,696,103	-	5,696,103
NONCURRENT LIABILITIES			
Long-Term Debt, Net of Current Maturities	15,353,423	-	15,353,423
Finance Lease Obligations, Net of Current Maturities	822,125	-	822,125
Net Pension Liability	4,537,209	-	4,537,209
Total Noncurrent Liabilities	20,712,757	-	20,712,757
Total Liabilities	26,408,860	-	26,408,860
DEFERRED INFLOWS OF RESOURCES	3,098,256	-	3,098,256
NET POSITION			
Net Investment in Capital Assets	20,779,446	-	20,779,446
Restricted:			
Expendable for Specific Donor Restrictions	-	154,225	154,225
Expendable for Debt Service	400,765	-	400,765
Unrestricted	15,425,652	328,043	15,753,695
Total Net Position	36,605,863	482,268	37,088,131
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 66,112,979	$ 482,268	$ 66,595,247

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF NET POSITION
APRIL 30, 2024

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 3,637,342	$ 483,358	$ 4,120,700
Patient Accounts Receivable, Net	6,274,562	-	6,274,562
Accrued Interest Receivable	150,277	-	150,277
Other Receivables	221,690	-	221,690
Supplies	239,524	-	239,524
Prepaid Expenses	142,108	-	142,108
Total Current Assets	10,665,503	483,358	11,148,861
NONCURRENT CASH AND INVESTMENTS			
Board Designated for Capital Improvements	14,425,856	-	14,425,856
Debt Service Reserve Funds Held by Trustee	400,978	-	400,978
Total Noncurrent Cash and Investments	14,826,834	-	14,826,834
CAPITAL ASSETS			
Capital Assets	43,034,664	-	43,034,664
Less: Accumulated Depreciation	(21,080,844)	-	(21,080,844)
Net Capital Assets	21,953,820	-	21,953,820
OTHER ASSETS			
Right-to-Use Assets, Net	1,782,654	-	1,782,654
Investment in Joint Venture	108,171	-	108,171
Subtotal	1,890,825	-	1,890,825
Total Assets	49,336,982	483,358	49,820,340
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related Deferred Outflows	2,045,677	-	2,045,677
Postemployment Related Deferred Outflows	7,756	-	7,756
Total Deferred Outflows of Resources	2,053,433	-	2,053,433
Total Assets and Deferred Outflows of Resources	$ 51,390,415	$ 483,358	$ 51,873,773

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2024

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
CURRENT LIABILITIES			
Current Maturities of Long-Term Debt	$ 265,000	$ -	$ 265,000
Current Maturities of Finance Lease Obligations	447,212	-	447,212
Accounts Payable:			
Trade	873,989	-	873,989
Construction	718,533	-	718,533
Accrued Expenses	1,472,345	-	1,472,345
Estimated Third-Party Settlements	392,054	-	392,054
Total Current Liabilities	4,169,133	-	4,169,133
NONCURRENT LIABILITIES			
Long-Term Debt, Net of Current Maturities	3,291,628	-	3,291,628
Finance Lease Obligations, Net of Current Maturities	1,289,554	-	1,289,554
Net Pension Liability	6,213,355	-	6,213,355
Net Other Postemployment Benefit Liability	70,099	-	70,099
Total Noncurrent Liabilities	10,864,636	-	10,864,636
Total Liabilities	15,033,769	-	15,033,769
DEFERRED INFLOWS OF RESOURCES			
Pension Related Deferred Inflows	2,073,084	-	2,073,084
Postemployment Related Deferred Inflows	118,198	-	118,198
Total Deferred Inflows of Resources	2,191,282	-	2,191,282
NET POSITION			
Net Investment in Capital Assets	17,724,547	-	17,724,547
Restricted:			
Expendable for Specific Donor Restrictions	10,353	129,450	139,803
Expendable for Debt Service	400,978	-	400,978
Unrestricted	16,029,486	353,908	16,383,394
Total Net Position	34,165,364	483,358	34,648,722
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 51,390,415	$ 483,358	$ 51,873,773

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2025

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
REVENUE			
Net Patient Service Revenue	$ 32,046,746	$ -	$ 32,046,746
Other Revenue, Net	589,801	29,915	619,716
Total Revenue	32,636,547	29,915	32,666,462
EXPENSES			
Nursing Services	10,612,789	-	10,612,789
Other Professional Services	8,266,000	-	8,266,000
General Services	1,853,499	-	1,853,499
Administrative and Fiscal Services	8,026,491	60	8,026,551
Depreciation and Amortization	1,946,243	-	1,946,243
Total Expenses	30,705,022	60	30,705,082
INCOME FROM OPERATIONS	1,931,525	29,855	1,961,380
NONOPERATING REVENUE AND EXPENSES			
Investment Income	673,892	-	673,892
Interest Expense	(422,573)	-	(422,573)
Noncapital Grants and Contributions	142,821	46,294	189,115
Total Nonoperating Revenue and Expenses	394,140	46,294	440,434
EXCESS OF REVENUE OVER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	2,325,665	76,149	2,401,814
Capital Grants and Contributions	114,834	-	114,834
Expenses Paid on Behalf of Related Party	(77,239)	-	(77,239)
Related Party Transfers	77,239	(77,239)	-
Subtotal	114,834	(77,239)	37,595
INCREASE (DECREASE) IN NET POSITION	2,440,499	(1,090)	2,439,409
NET POSITION			
Beginning of Year	34,165,364	483,358	34,648,722
End of Year	$ 36,605,863	$ 482,268	$ 37,088,131

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2024 (AS RESTATED)

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
REVENUE			
Net Patient Service Revenue	$ 28,643,637	$ -	$ 28,643,637
Other Revenue, Net	555,068	50,094	605,162
Total Revenue	29,198,705	50,094	29,248,799
EXPENSES			
Nursing Services	8,957,776	-	8,957,776
Other Professional Services	7,463,658	-	7,463,658
General Services	1,611,893	-	1,611,893
Administrative and Fiscal Services	7,910,632	25	7,910,657
Depreciation and Amortization	1,921,417	-	1,921,417
Total Expenses	27,865,376	25	27,865,401
INCOME FROM OPERATIONS	1,333,329	50,069	1,383,398
NONOPERATING REVENUE AND EXPENSES			
Investment Income	858,010	-	858,010
Interest Expense	(380,731)	-	(380,731)
Noncapital Grants and Contributions	279,116	16,471	295,587
Total Nonoperating Revenue and Expenses	749,807	16,471	766,278
EXCESS OF REVENUE OVER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	2,083,136	66,540	2,149,676
Capital Grants and Contributions	30,033	-	30,033
Expenses Paid on Behalf of Related Party	(47,820)	-	(47,820)
Related Party Transfers	47,820	(47,820)	-
Equity Distributions	(172,695)	-	(172,695)
INCREASE IN NET POSITION	1,940,474	18,720	1,959,194
NET POSITION			
Beginning of Year	32,339,890	464,638	32,804,528
PRIOR PERIOD ADJUSTMENT - GASB 101	(115,000)	-	(115,000)
Beginning of Year - As Restated	32,224,890	464,638	32,689,528
End of Year	$ 34,165,364	$ 483,358	$ 34,648,722

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2025

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from and on Behalf of Patients	$ 34,216,318	$ -	$ 34,216,318
Payments to Suppliers and Contractors	(15,904,274)	(60)	(15,904,334)
Payments to Employees	(12,428,691)	-	(12,428,691)
Other Receipts and Payments, Net	589,801	29,915	619,716
Net Cash Provided by Operating Activities	6,473,154	29,855	6,503,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital Grants and Contributions	142,821	46,294	189,115
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenditures	(17,699,985)	-	(17,699,985)
Principal Payments on Finance Lease Obligations	(447,211)	-	(447,211)
Proceeds from Issuance of Long-Term Debt	12,500,000	-	12,500,000
Principal Payments on Long-Term Debt	(262,340)	-	(262,340)
Interest and Issuance Costs on Long-Term Debt	(422,573)	-	(422,573)
Capital Grants and Contributions	114,834	-	114,834
Net Cash Used by Capital and Related Financing Activities	(6,217,275)	-	(6,217,275)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments	(37,558,666)	-	(37,558,666)
Sale of Investments	37,275,604	-	37,275,604
Expenses Paid on Behalf of Related Party	(77,239)	-	(77,239)
Transfer from (to) Related Party	77,239	(77,239)	-
Interest Income	673,892	-	673,892
Net Cash Provided (Used) by Investing Activities	390,830	(77,239)	313,591
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	789,530	(1,090)	788,440
Cash and Cash Equivalents - Beginning	3,637,342	483,358	4,120,700
CASH AND CASH EQUIVALENTS - ENDING	$ 4,426,872	$ 482,268	$ 4,909,140

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED APRIL 30, 2025

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from Operations	$ 1,931,525	$ 29,855	$ 1,961,380
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	1,946,243	-	1,946,243
Provision for Bad Debts	743,126	-	743,126
Equity in Net Income of Joint Venture	(31,190)	-	-
(Increase) Decrease in:			
Patient Accounts Receivable	1,170,236	-	1,170,236
Deferred Outflows of Resources	223,438	-	223,438
Accrued Interest Receivable	121,171	-	121,171
Other Receivables	92,710	-	92,710
Supplies and Prepaid Expenses	(215,721)	-	(215,721)
Increase (Decrease) in:			
Accounts Payable	1,038,014	-	1,038,014
Net Pension Liability	(1,746,245)	-	(1,746,245)
Deferred Inflows of Resources	906,974	-	906,974
Due to Third-Party Payors	42,329	-	42,329
Accrued Expenses	250,544	-	250,544
Net Cash Provided by Operating Activities	$ 6,473,154	$ 29,855	$ 6,534,199

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2024

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from and on Behalf of Patients	$ 26,627,266	$ -	$ 20,404,049
Payments to Suppliers and Contractors	(14,481,126)	(25)	(11,006,556)
Payments to Employees	(10,424,255)	-	(7,874,893)
Other Receipts and Payments, Net	555,068	50,094	2,875,650
Net Cash Provided by Operating Activities	2,276,953	50,069	2,327,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital Grants and Contributions	279,116	16,471	295,587
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenditures	(8,021,445)	-	(8,021,445)
Principal Payments on Finance Lease Obligations	(403,193)	-	(403,193)
Proceeds from Issuance of Long-Term Debt	50,001	-	50,001
Principal Payments on Long-Term Debt	(252,340)	-	(252,340)
Interest and Issuance Costs on Long-Term Debt	(380,731)	-	(380,731)
Equity Distributions to City of Windom	(172,695)	-	(172,695)
Capital Grants and Contributions	30,033	-	30,033
Net Cash Used by Capital and Related Financing Activities	(9,150,370)	-	(9,150,370)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments	(14,241,763)	(16,471)	(14,258,234)
Sale of Investments	13,799,470	16,471	13,815,941
Expenses Paid on Behalf of Related Party	(47,820)	-	(47,820)
Transfer from (to) Related Party	47,820	(47,820)	-
Interest Income	858,010	-	858,010
Net Cash Provided (Used) by Investing Activities	415,717	(47,820)	367,897
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,178,584)	18,720	(6,159,864)
Cash and Cash Equivalents - Beginning	9,815,926	464,638	10,280,564
CASH AND CASH EQUIVALENTS - ENDING	$ 3,637,342	$ 483,358	$ 4,120,700
NONCASH CAPITAL AND FINANCING ACTIVITIES			
Issuance of Lease Obligations	$ 1,687,397	$ -	$ 1,687,397

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED APRIL 30, 2024

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from Operations	$ 1,333,329	$ 50,069	$ 1,383,398
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	1,921,417	-	1,921,417
Provision for Bad Debts	526,791	-	526,791
Equity in Net Income of Joint Venture	(45,504)	-	(45,504)
(Increase) Decrease in:			
Patient Accounts Receivable	(2,991,918)	-	(2,991,918)
Deferred Outflows of Resources	1,107,694	-	1,107,694
Accrued Interest Receivable	(48,200)	-	(48,200)
Other Receivables	(190,715)	-	(190,715)
Supplies and Prepaid Expenses	(728)	-	(728)
Increase (Decrease) in:			
Accounts Payable	658,941	-	658,941
Net Pension Liability	(2,744,159)	-	(2,744,159)
Deferred Inflows of Resources	1,915,600	-	1,915,600
Due to Third-Party Payors	687,671	-	687,671
Accrued Expenses	146,734	-	146,734
Net Cash Provided by Operating Activities	$ 2,276,953	$ 50,069	$ 2,327,022

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Windom Area Health (the Hospital), an enterprise fund of the City of Windom, Minnesota, is managed by a board of directors appointed by the City Council and is licensed to provide hospital services. The Hospital is exempt from federal and state income taxes.

For financial reporting purposes, the Hospital is divided into the "Primary Enterprise" and "Component Unit." The Primary Enterprise consists of the Hospital.

The Windom Area Health Foundation, Inc. (the Foundation) is a 501(c)(3) organization whose sole purpose is to support the Windom Area Health. The Foundation conducts fundraising campaigns on behalf of the Windom Area Health. The Foundation's operations have been discretely presented as a component unit of the Hospital.

The "Total Reporting Entity" totals aggregate the Primary Enterprise and its Component Unit. In accordance with governmental accounting standards, no consolidating or other eliminations were made in arriving at the totals; thus, they do not represent consolidated information.

Proprietary Fund Accounting

The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Contributions

From time to time, the Hospital receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less, and exclude assets limited as to use.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable and Allowance for Uncollectible Accounts

The Hospital provides an allowance for uncollectible self-pay and miscellaneous commercial insurance accounts. Patients are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any. Self-pay accounts are analyzed for collectability based on the months past due and payment history. An allowance is estimated for these accounts based on the historical experience of the Hospital. Accounts that are determined to be uncollectible are sent to a collection agency and written off at that time. At April 30, 2025 and 2024, the allowance for uncollectible accounts was approximately $555,000 and $457,000, respectively.

Supplies

Supplies are stated at cost (principally on the first-in, first-out basis) not in excess of market value. Market value is determined by comparison with recent purchases or realizable value.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets restricted by donors, assets restricted under debt agreements as reserve funds, and assets set aside by the board of directors for future capital improvements, over which the board retains control and may, at its discretion, subsequently use for other purposes. Noncurrent cash and investments are made up of cash, cash equivalents, money market accounts, and certificates of deposit which are carried at amortized cost, which approximates fair value.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and postemployment benefit expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Capital Assets

Capital assets are stated at cost, if purchased, or at fair market value on the date received, if donated, less accumulated depreciation. All capital assets other than land and construction in progress are depreciated on a straight-line basis over the estimated useful lives of the property:

Land Improvements	8 to 20 Years
Buildings	10 to 40 Years
Fixed Equipment	5 to 20 Years
Moveable Equipment	3 to 20 Years

Policy for Care of the Underserved

The Hospital provides care to patients who meet certain criteria under their charity care policy without charge or at amounts less than their established rates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy for Care of the Underserved (Continued)

The Hospital believes the underserved are those persons who are unable through private resources, employer support, or public aid to provide payment for health care services or those unable to gain access to health related care because of limited resources, inadequate education, or discrimination. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charges forgone for charity care were approximately $207,000 and $75,000 for the years ended April 30, 2025 and 2024, respectively.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating Revenues and Expenses

The Hospital's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Operating revenues also include grants or contributions to replace lost revenues and added expense associated with providing health care services. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds or employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits

Under the terms of collectively bargained employment contracts, the Hospital was required to pay the health insurance premiums for certain retired employees until they reach age 62. The amount is limited as specified by contract. All premiums were funded on a pay-as-you-go basis. In 2025 the contract changed and the Hospital moved from a sponsored group medical plan to an Individual Care Health Reimbursement Account. The estimated liability is based on an actuary report with a measurement date of April 30, 2024 and reporting date of April 30, 2025 (Note 9).

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

Although certain revenues are measurable they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources represents the amount of assets that have been recognized, but the related revenue has not been recognized as the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred inflows of resources consist of pension and postemployment benefit related deferred inflows.

Coronavirus Relief Funds

Due to the Coronavirus pandemic, the U.S. Department of Health and Human Services (HHS) made available emergency relief grant funds to health care providers through the CARES Act Provider Relief Fund (PRF). Additionally, the Minnesota Department of Health (MDH) made available multiple preparedness response grants. Total grant funds approved and received by the Hospital at April 30, 2025 and 2024 were $-0- and $244,000, respectively. The grant funds are subject to certain restrictions on eligible expenses or uses, reporting requirements, and will be subject to audit. At April 30, 2025 and 2024, the Hospital recognized $-0- and $244,000, respectively, as nonoperating revenue in the statement of revenues, expenses and changes in net position.

Investment in Joint Venture

The Hospital reports its investment in Central Minnesota Diagnostic, Inc. (CMDI) on the equity method of accounting which approximates the Organization's equity in the underlying book value based on its most recent quarter ended March 31. The Hospital's share of net income from the investment totaling $31,190 and $45,504 for the years ended April 30, 2025 and 2024, respectively, is recognized as equity earnings included in other revenue in the statement of revenue, expenses and changes in net position.

Net Position

The net position of the Hospital is classified in three components. "Net Investment in Capital Assets" consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted Expendable Net Position" is noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. "Unrestricted Net Position" is remaining net position that does not meet the definition of "Net Investment in Capital Assets," net of related debt, or "Restricted."

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, and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

To the extent available, the Hospital's investments are recorded at fair value. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement establishes a hierarchy of valuation inputs based on the extent to which inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take in to account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, interest and yield curve data, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources.

In contrast, unobservable inputs reflect an entity's assumptions about how market participants would value the financial instrument. Valuation techniques should maximize the use of observable inputs to the extent available. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Hospital has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Leases

The Hospital determines if an arrangement is a lease at inception. Leases are included in capital assets and long-term debt in the statements of net position.

Lease assets represent the Hospital's control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Lease liabilities represent the Hospital's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term.

The lease term may include options to extend or terminate the lease when it is reasonably certain that the Hospital will exercise that option.

The Hospital has elected to recognize payments for short-term leases with a lease term of 12 months or less as expenses as incurred, and these leases are not included as lease liabilities or right-to-use lease assets on the statements of net position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Hospital has elected to use their incremental borrowing rate to calculate the present value of expected lease payments.

The Hospital accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the Hospital treats the components as a single lease unit.

Adoption of New Accounting Standards

Effective May 1, 2024, the Hospital implemented GASB Statement No. 101, *Compensated Absences*. The statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures. The Hospital adopted the requirements of the guidance effective May 1, 2023, and has applied the provisions of this standard to the beginning of the earliest comparative period presented.

The impact of adopting GASB Statement No. 101 on the statement of net position as of April 30, 2025, was as follows:

Statement of Net Position	As Previously Stated	Adjustment	As Restated
Current Liabilities			
Accrued Expenses	$ 1,357,345	$ 115,000	$ 1,472,345
Net Position			
Unrestricted	16,144,486	(115,000)	16,029,486

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the Hospital's overall net position.

Subsequent Events

In preparing these financial statements, the Hospital has considered events and transactions that have occurred through August 28, 2025, the date in which the financial statements were available to be issued.

NOTE 2 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors which provide for payments to the organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare

The Hospital has elected the Critical Access Hospital (CAH) designation. As a CAH, the Hospital is reimbursed for inpatient, outpatient, and swing bed services for Medicare patients on a reasonable cost basis. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicaid

Inpatient services rendered to Medicaid program beneficiaries are reimbursed according to a prospective DRG payment system. Outpatient Medicaid services are reimbursed on reasonable cost.

Revenue from the Medicare programs accounted for approximately 52% and 44% for the years ended 2025 and 2024, and revenue from the Medicaid programs accounted for approximately 10% and 11% for the years ended 2025 and 2024, of the Hospital's net patient revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The 2025 net patient service revenue increased approximately $279,000 and the 2024 net patient service revenue increased approximately $249,000 due to removal of allowance previously estimated that are no longer considered necessary as a result of changes in estimates and years that are no longer subject to audits, reviews, and investigations.

Other

The Hospital has also entered into payment agreements with certain commercial insurance carriers. The basis for payment to the Hospital 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)

Other (Continued)

The following is a reconciliation of gross patient service revenue to net patient service revenue:

	2025	2024
Gross Patient Service Revenue	$ 63,433,951	$ 54,787,219
Adjustments and Discounts:		
Medicare	(17,172,547)	(15,970,220)
Medicaid	(6,868,295)	(5,138,756)
Other	(6,603,237)	(4,507,815)
Provision for Bad Debt	(743,126)	(526,791)
Total Adjustments and Discounts	(31,387,205)	(26,143,582)
Net Patient Service Revenue	$ 32,046,746	$ 28,643,637

NOTE 3 ACCOUNTS RECEIVABLE

Patient accounts receivable reported as current assets by Windom Area Health at April 30, 2025 and 2024 consist of these amounts:

	2025	2024
Receivable from Patients and Their Insurance Carriers	$ 2,512,969	$ 2,287,011
Receivable from Medicare	1,946,847	3,569,619
Receivable from Medicaid	456,384	874,932
Total Patient Accounts Receivable	4,916,200	6,731,562
Less: Allowance for Uncollectible Amounts	(555,000)	(457,000)
Net Patient Accounts Receivable	$ 4,361,200	$ 6,274,562

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

Minnesota statutes require that all city hospitals' deposits be protected by insurance, surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota statutes also require that securities pledged as collateral be held in safekeeping by the Hospital or in a financial institution other than that furnishing the collateral.

At April 30, 2025, the Hospital's deposits in banks were covered by FDIC or FSLIC insurance protected by bond or collateral held by the Hospital's custodial bank in the Hospital's name.

Effective as of August 1, 2017, publicly owned hospitals are able to invest funds in a security recommended by an investment advisor, bank, or trust company, provided the funds are invested according to the hospital's written investment policies and procedures.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The Hospital has a policy that conforms to these requirements and had the following investments at December 31:

2025		Investment Maturity (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Cash and Cash Equivalents	$ 16,215,025	$ 16,215,025	$ -	$ -	$ -
Certificates of Deposit	3,804,011	3,804,011	-	-	-
Total	$ 20,019,036	$ 20,019,036	$ -	$ -	$ -

2024		Investment Maturity (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Cash and Cash Equivalents	$ 8,078,242	$ 8,078,242	$ -	$ -	$ -
Certificates of Deposit	5,875,542	5,875,542	-	-	-
U.S. Treasury Notes	4,993,750	4,993,750	-	-	-
Total	$ 18,947,534	$ 18,947,534	$ -	$ -	$ -

- **Certificates of Deposits (CD):** Consists of deposits with interest rates ranging from 4.05% to 4.15% maturing in 2025.

Fair Value Measurements

The Hospital uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the hospital measures fair value refer to Note 1 – Summary of Significant Accounting Policies. Cash and cash equivalents are stated at cost but are included in the table for comparison purposes to the balance sheet. The following table presents the fair value hierarchy for the balances of the assets and liabilities of the Hospital measured at fair value on a recurring basis as of December 31:

2025				
Investment Type	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 16,215,025	$ -	$ -	$ 16,215,025
Certificates of Deposit	-	3,804,011	-	3,804,011
Total	$ 16,215,025	$ 3,804,011	$ -	$ 20,019,036

2024				
Investment Type	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 8,078,242	$ -	$ -	$ 8,078,242
Certificates of Deposit	-	5,875,542	-	5,875,542
U.S. Treasury Notes	4,993,750	-	-	4,993,750
Total	$ 13,071,992	$ 5,875,542	$ -	$ 18,947,534

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

At April 30, 2025 and 2024, the carrying amounts of deposits and investments are included in the Hospital's statements of net position as follows:

	2025	2024
Carrying Amount:		
Deposits	$ 5,309,905	$ 4,521,678
Investments	14,709,131	14,425,856
Total	$ 20,019,036	$ 18,947,534
Included in the Following Balance Sheet Captions:		
Cash and Cash Equivalents - Hospital	$ 4,426,872	$ 3,637,342
Cash and Cash Equivalents - Foundation	482,268	483,358
Board Designated for Capital Improvements	14,709,131	14,425,856
Debt Service Reserve Funds Held by Trustee	400,765	400,978
Total	$ 20,019,036	$ 18,947,534

The Hospital's board of directors has designated certain assets for capital improvements. The board of directors retains control and may, at its discretion, subsequently use these assets for other purposes.

NOTE 5 CAPITAL ASSETS

Capital assets (in thousands) for the years ended April 30, 2025 and 2024 consist of the following:

	Balance April 30, 2024	Additions and Transfers	Retirements	Balance April 30, 2025
Land	$ 271	$ -	$ -	$ 271
Land Improvements	3,367	-	-	3,367
Buildings	14,387	-	(11)	14,376
Fixed Equipment	10,121	-	-	10,121
Moveable Equipment	7,176	829	-	8,005
Construction in Progress	7,713	16,861	-	24,574
Total at Historical Cost	43,035	17,690	(11)	60,714
Less Accumulated Depreciation for:				
Land Improvements	(1,543)	(126)	-	(1,669)
Buildings	(9,000)	(466)	11	(9,455)
Fixed Equipment	(4,946)	(515)	-	(5,461)
Moveable Equipment	(5,592)	(462)	-	(6,054)
Total Accumulated Depreciation	(21,081)	(1,569)	11	(22,639)
Capital Assets, Net	$ 21,954	$ 16,121	$ -	$ 38,075

NOTE 5 CAPITAL ASSETS (CONTINUED)

	Balance April 30, 2023	Additions and Transfers	Retirements	Balance April 30, 2024
Land	$ 271	$ -	$ -	$ 271
Land Improvements	3,335	32	-	3,367
Buildings	14,387	-	-	14,387
Fixed Equipment	10,121	-	-	10,121
Moveable Equipment	6,593	583	-	7,176
Construction in Progress	312	7,401	-	7,713
Total at Historical Cost	35,019	8,016	-	43,035
Less Accumulated Depreciation for:				
Land Improvements	(1,387)	(156)	-	(1,543)
Buildings	(8,482)	(518)	-	(9,000)
Fixed Equipment	(4,449)	(497)	-	(4,946)
Moveable Equipment	(5,188)	(404)	-	(5,592)
Total Accumulated Depreciation	(19,506)	(1,575)	-	(21,081)
Capital Assets, Net	$ 15,513	$ 6,441	$ -	$ 21,954

Construction in progress as of April 30, 2025, mainly relates to construction costs associated with a Medical Office Building (MOB) project. The project cost approximately $29,000,000 and was capitalized as of June 30, 2025. The project is being funded through issuance of the 2023A Health Care Facilities Gross Revenue Bonds and savings.

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following for the years ended April 30, 2025 and 2024:

	Balance April 30, 2024	Additions	Reductions	Balance April 30, 2025
Gross Revenue Hospital Bonds, Series 2014A	$ 3,535,000	$ -	$ (265,000)	$ 3,270,000
Gross Revenue Hospital Bonds, Series 2023A	50,001	12,500,000	-	12,550,001
Bond Discount	(28,373)	-	2,660	(25,713)
Total Long-Term Debt	$ 3,556,628	$ 12,500,000	$ (262,340)	15,794,288
Less: Current Maturities				(440,865)
Total Long-Term Debt, Net of Current Maturities				$ 15,353,423

NOTE 6 LONG-TERM DEBT (CONTINUED)

	Balance April 30, 2023	Additions	Reductions	Balance April 30, 2024
Gross Revenue Hospital Bonds, Series 2014A	$ 3,790,000	$ -	$ (255,000)	$ 3,535,000
Gross Revenue Hospital Bonds, Series 2023A	-	50,001	-	50,001
Bond Discount	(31,033)	-	2,660	(28,373)
Total Long-Term Debt	$ 3,758,967	$ 50,001	$ (252,340)	3,556,628
Less: Current Maturities				(265,000)
Total Long-Term Debt, Net of Current Maturities				$ 3,291,628

- Gross Revenue Hospital Bonds, Series 2014A in the original amount of $5,600,000 with interest ranging from 1.00% to 4.15%. Principal payments are due annually commencing September 2015 to September 2034 with interest paid semi-annually. The bonds can be optionally redeemed beginning September 1, 2021, with a 1% premium through August 31, 2022, and thereafter no redemption premium. The bonds were issued for partial financing of a hospital expansion and renovation project. The bonds are payable from the “Gross Revenues” of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service.

- Gross Revenue Bonds, Series 2023A in the original issuance amount of $20,138,646 with an interest rate of 5.70%. Principal payments are due monthly upon completion of the construction of a medical office building in which the bonds were issued to finance. As of April 30, 2025 and 2024 there were draws of $12,500,000 and $50,001, respectively, of the bonds. The bonds are payable from the “Gross Revenues” of the Hospital including patient service revenues (net of allowances and uncollectible accounts), other operating revenues, and nonoperating revenues, other than contributions restricted as to use so as not to be available for operating expenses or debt service.

Under the Series 2014A bonds and 2023A bonds, the Hospital must meet certain operational and performance covenants and is limited in the amount of additional debt that can be incurred. Management believes the Hospital was in compliance with all debt covenants as of April 30, 2025.

NOTE 6 LONG-TERM DEBT (CONTINUED)

Scheduled principal and interest repayments on long-term debt are as follows:

	Long-Term Debt		
Year Ending April 30,	Principal	Interest	Total
2026	$ 440,865	$ 839,142	$ 1,280,007
2027	641,655	812,066	1,453,721
2028	672,524	780,320	1,452,844
2029	704,614	746,677	1,451,291
2030	737,996	711,047	1,449,043
2031-2034	2,989,404	2,418,686	5,408,090
Thereafter	9,632,943	3,274,117	12,907,060
Total	$ 15,820,001	$ 9,582,055	$ 25,402,056

NOTE 7 LEASE OBLIGATIONS

The following is a summary of lease obligation transactions for the Hospital for the years ended April 30:

	Balance April 30, 2024	Additions	Reductions	Balance April 30, 2025
Lease Obligations	$ 1,736,766	$ -	$ (447,211)	$ 1,289,555
Less: Current Maturities				(467,430)
Total Lease Obligations, Net of Current Maturities				$ 822,125

	Balance April 30, 2023	Additions	Reductions	Balance April 30, 2024
Lease Obligations	$ 452,562	$ 1,687,397	$ (403,193)	$ 1,736,766
Less: Current Maturities				(447,212)
Total Lease Obligations, Net of Current Maturities				$ 1,289,554

Lease obligations consist of medical equipment. The leases have a combined monthly payment of $43,047, with an average interest rate of 4%, and maturity dates in 2026 and 2028.

NOTE 7 LEASE OBLIGATIONS (CONTINUED)

Capital assets include the following equipment under lease obligation:

	2025	2024
Equipment	$ 2,319,849	$ 2,319,849
Less: Accumulated Amortization	(904,742)	(537,195)
Total Right to Use Assets, Net	$ 1,415,107	$ 1,782,654

Scheduled principal and interest repayments on lease obligations are as follows:

	Finance Lease Obligations		
Year Ending April 30,	Principal	Interest	Total
2025	$ 467,430	$ 49,135	$ 516,565
2026	419,989	28,561	448,550
2027	370,425	10,109	380,534
2028	31,711	-	31,711
Total	$ 1,289,555	$ 87,805	$ 1,377,360

NOTE 8 DEFINED BENEFIT PENSION PLAN

Plan Description

The Hospital participates in the following cost-sharing multiemployer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

All full-time and certain part-time employees of the Hospital are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Under Method 1, the accrual rate for coordinated members is 1.20% of average salary for any five successive years of allowable service, age, and years of credit at termination of service. Under Method 2, the accrual rate for coordinated members is 1.70% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.00% and a maximum of 1.50%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Coordinated plan members were required to contribute 6.5% of their annual covered salary in fiscal years 2025 and 2024 and the Hospital was required to contribute 7.5% of pay for coordinated plan members. The Hospital's contributions to the General Employment Plan for the plan's fiscal years ended April 30, 2025, 2024, and 2023 were $770,650, $651,521, and $650,753, respectively. The Hospital's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs

At April 30, 2025 and 2024, the Hospital reported a liability of $4,537,209 and $6,213,355, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Hospital's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million to the fund. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Hospital totaled $117,323 and $171,165 at April 30, 2025 and 2024, respectively. The net pension liability was measured as of June 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The Hospital's proportion of the net pension liability was based on the Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024 and July 1, 2022 through June 30, 2023 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024 and 2023 the Hospital's proportion share was .1227% and .1111%, respectively. There were no benefit provision changes during the measurement period. For the years ended April 30, 2025 and 2024, the Hospital recognized pension expense of $666,132 and $1,060,217, respectively. These amounts consisted of the Hospital's proportionate share of the General Employees Plan's pension expense, plus additional amortized net expenses associated with differences between estimated and actual experience of various actuarial assumptions associated with the plan. In addition, the Hospital recognized an additional $2,253 and $769 during the years ended April 30, 2025 and 2024, respectively, as pension expense (and other revenue) for its proportionate share of the state of Minnesota's contribution of $16 million the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed $170.1 million to the General Employees Fund. The State of Minnesota is not included as a nonemployer contributing entity in the General Employees Plan pension allocation schedules for the $170.1 million in direct state aid. The Hospital recognized $205,754 for the year ended April 30, 2025, as other revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

At April 30, 2025 and 2024, the Hospital reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 426,617	$ -
Changes of Assumptions	22,152	1,717,259
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,317,568
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	610,576	63,429
Hospital Contributions Subsequent to the Measurement Date	770,650	-
Total	$ 1,829,995	$ 3,098,256

	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 204,018	$ 42,796
Changes of Assumptions	1,005,731	1,702,818
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	232,331
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	184,407	95,139
Hospital Contributions Subsequent to the Measurement Date	651,521	-
Total	$ 2,045,677	$ 2,073,084

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The $770,650 and $651,521 reported as deferred outflows of resources related to pensions resulting from the Hospital's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended April 30, 2025 and 2024, respectively. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending April 30,	2025	2024
2025	$ -	$ 242,782
2026	(1,222,090)	(900,274)
2027	(95,837)	113,336
2028	(373,234)	(134,772)
2029	(347,750)	-
Total	$ (2,038,911)	$ (678,928)

Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2022. The assumption changes were adopted by the board and become effect with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase in the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Actuarial Assumptions (Continued)

- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The worker's compensation offset for disability benefits was eliminated. The actuarial equivalent factors updates to reflect the changes in assumptions.
- A one-time noncompounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Long-Term Expected Return on Investments

The state Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	33.5 %	5.1 %
International Stocks	16.5	5.3
Fixed Income	25.0	0.8
Private Markets	25.0	5.9
Total	100.0 %	

Discount Rate

The discount rate used to measure the total pension liability in 2024 and 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liability Sensitivity

The following presents the Hospital's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

April 30, 2025	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	$ 9,909,995	$ 4,537,209	$ 117,603

April 30, 2024	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	$ 10,990,566	$ 6,213,355	$ 2,282,518

Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Funding Policy

The Hospital administers a single-employer defined benefit health care plan. The plan provides health care insurance for eligible retirees and their spouses through the Hospital's group health insurance plan, which covers both active and retired members. The health care plan does not issue a publicly available financial report. The Hospital does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per person premium for the entire group, the difference gives rise to an implicit rate subsidy. The Hospital pays the difference between the actual and apparent cost.

As of April 30, 2019, the Hospital implemented the requirements of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement replaced the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the OPEB they provide and outlines the reporting requirements by governments for defined benefit OPEB plans administered through a trust, cost sharing OPEB plans administered through a trust and OPEB not provided through a trust.

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Plan Description and Funding Policy (Continued)

Qualified employees may choose to participate in the Hospital's insurance plan after retirement, with no contribution from the Hospital. The Hospital provides these benefits to retirees as required by Minnesota Statute 471.61 subdivision 2b. As of April 30, 2024, there were no retirees receiving benefits from the Hospital's health plan.

Starting in 2025, the Hospital no longer sponsors a group medical plan, but instead moved to an Individual Care Health Reimbursement Account (ICHRA). Retirees will not be eligible for ICHRA benefits, so as a result, the Hospital's net OPEB asset and liability decreased to $-0-. The decrease in liability and all deferred inflows and outflows were recognized in the statement of revenues, expenses and changes in net position during the year ending April 30, 2025. The impact resulted in an increase in net position of $181,000.

Net OPEB Liability (Asset)

The components of the net OPEB liability (asset) of the Hospital at April 30, 2025 and 2024 are as follows:

	2025	2024
Total OPEB Liability	$ -	$ 70,099
Plan Fiduciary Net Position	-	-
Medical Center's Net OPEB Liability (Asset)	$ -	$ 70,099
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	0%	0%

The changes in net OPEB liability (asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at April 30, 2024	$ 70,099	$ -	$ 70,099
Changes for the Year:			
Service Cost	8,872	-	8,872
Interest Cost	3,001	-	3,001
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions or Other Inputs	-	-	-
Changes in Benefits Terms	(81,972)	-	(81,972)
Contributions-Employer	-	-	-
Net Investment Income	-	-	-
Benefit Payments	-	-	-
Administrative Revenue	-	-	-
Net Changes	(70,099)	-	(70,099)
Balances at April 30, 2025	$ -	$ -	$ -

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability (Asset) (Continued)

The changes in net OPEB liability (asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at April 30, 2023	$ 62,137	$ -	$ 62,137
Changes for the Year:			
Service Cost	9,096	-	9,096
Interest Cost	2,420	-	2,420
Differences Between Expected and Actual Experience	-	-	-
Changes in Assumptions or Other Inputs	(2,619)	-	(2,619)
Contributions-Employer	-	935	(935)
Net Investment Income	-	-	-
Benefit Payments	(935)	(935)	-
Administrative Expense	-	-	-
Net Changes	7,962	-	7,962
Balances at April 30, 2024	$ 70,099	$ -	$ 70,099

The following presents the net OPEB liability (asset) of the Hospital, as well as what the Hospital's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current health care discount rate:

April 30, 2025	1% Decrease (3.12%)	Discount Rate (4.12%)	1% Increase (5.12%)
Net OPEB Liability (Asset)	$ -	$ -	$ -

April 30, 2024	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Net OPEB Liability (Asset)	$ 77,160	$ 70,099	$ 63,604

The following presents the net OPEB liability (asset) of the Hospital, as well as what the Hospital's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current trend rate:

April 30, 2025	1% Decrease (N/A)	Trend Rate (N/A)	1% Increase (N/A)
Net OPEB Liability (Asset)	$ -	$ -	$ -

April 30, 2024	1% Decrease (5.8%)	Trend Rate (6.8%)	1% Increase (7.8%)
Net OPEB Liability (Asset)	$ 59,803	$ 70,099	$ 82,726

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Net OPEB Liability (Asset) (Continued)

For the years ended April 30, 2025 and 2024, the Hospital recognized OPEB (revenues) expenses of ($70,099) and $7,962, respectively. At April 30, 2025 and 2024, the Hospital report deferred outflows of resources and deferred inflows of resources related to OPEB. The full amount of deferred outflows is related to 2025 and 2024.

April 30, 2025	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Investment Earnings	-	-
Employer Contributions	-	-
Total	$ -	$ -

April 30, 2024	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ -	$ 43,640
Change of Assumptions	7,756	74,558
Net Difference Between Projected and Actual Investment Earnings	-	-
Employer Contributions	-	-
Total	$ 7,756	$ 118,198

Actuarial Methods and Assumptions

Based on the implementation of GASB 75, the actuarial cost method changed from using one of six different actuarial cost methods to the Entry Age Normal cost method on a level percentage of projected salary.

The total OPEB liability decreased to $-0- in 2025. The total OPEB liability as of April 30, 2024 was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate	3.80%
20-Year Municipal Bond Yield	3.80%
Inflation Rate	2.50%
Health Care Trend Rates	
	6.8% Decreasing over several decades to 3.9% in FY2076

Mortality rates were based on Pub-2010 weighted mortality tables, scaled using MP-2021 generational scaling factors, applied on a gender-specific basis. Discount rate is used to reflect the time value of money. Discount rates are used in determining the present value as of the valuation date of future cash flows currently expected to be required to satisfy the postretirement benefit obligation.

Experience gains and losses are amortized over a period equal to the average remaining service of active and inactive plan members.

Funded Status and Funding Progress

As of April 30, 2024, the most recent valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $70,099 at April 30, 2024, and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of $70,099. The covered payroll was $10,570,989 and the ratio of the UAAL to the covered payroll was 0.82% and at April 30, 2024.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 10 CONCENTRATIONS OF CREDIT RISK

The Hospital is located in Windom, Minnesota. The Hospital grants credit, without collateral, to its patients, most of whom are local residents and are insured under third-party payor agreements. The Hospital also grants credit, without collateral, for other miscellaneous receivables.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Malpractice Claims

The Hospital's malpractice insurance is a claims made policy. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

Compliance

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity had increased with respect to investigations and allegations concerning possible violations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues for patient services. Management believes the Hospital is in substantial compliance with current laws and regulations.

Other

In the normal course of business, there could be various outstanding contingent liabilities such as, but not limited to, the following:

- Lawsuits alleging negligence in care
- Environmental pollution
- Violation of regulatory body's rules and regulations
- Violation of federal and/or state laws

No contingent liabilities such as, but not limited to those described above, are reflected in the accompanying financial statements. No such liabilities have been asserted and, therefore, no estimate of loss, if any, is determinable.

NOTE 12 MANAGEMENT AGREEMENTS

The Hospital has a management agreement with Sanford Health Services (Sanford). This agreement gives Sanford, through the Hospital's administrator, full authority to implement and fulfill the policy decisions of the Hospital's board of directors. Either party may terminate this agreement with proper notice. Total management fees, including the administrator's salary and benefits, were $359,963 and $347,178 for the years ended April 30, 2025 and 2024, respectively.

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was $131,000 and $112,000 at April 30, 2025 and 2024, respectively.

The Hospital entered into a management agreement with Healogics in fiscal year 2018 to begin providing wound care services. The Hospital provides space and employee staffing, and Healogics provides the necessary equipment. The Hospital pays management fees to Healogics in the amount of $18,980 per month.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)
APRIL 30, 2025

	2025	2024	2023	2022	2021
Hospital's Proportion of the Net Pension Liability	0.1227%	0.1111%	0.1132%	0.1087%	0.1048%
Hospital's Proportionate Share of the Net Pension Liability	$ 4,537,209	$ 6,213,355	$ 8,965,476	$ 4,641,976	$ 6,283,238
Hospital's Covered Payroll	$ 12,690,902	$ 10,570,989	$ 8,906,242	$ 8,552,967	$ 7,840,559
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	35.75%	58.78%	100.67%	54.27%	80.14%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.08%	83.10%	76.70%	87.00%	79.06%

	2020	2019	2018	2017	2016
Hospital's Proportion of the Net Pension Liability	0.1029%	0.1002%	0.1010%	0.0953%	0.1098%
Hospital's Proportionate Share of the Net Pension Liability	$ 5,689,110	$ 5,558,685	$ 6,447,773	$ 7,737,887	$ 5,239,526
Hospital's Covered Payroll	$ 7,521,193	$ 7,331,990	$ 6,825,836	$ 6,325,817	$ 6,015,138
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	75.64%	75.81%	94.46%	122.32%	87.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.50%	75.90%	68.90%	78.20%

Note: GASB 68 requires 10 years of information to be presented in this table.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
SCHEDULE OF THE HOSPITAL'S CONTRIBUTIONS (UNAUDITED)
APRIL 30, 2025

	2025	2024	2023	2022	2021
Statutorily Required Contribution	$ 890,417	$ 766,183	$ 650,753	$ 637,602	$ 576,285
Contributions in Relation to the Statutorily Required Contribution	890,417	766,183	650,753	637,602	576,285
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Hospital Covered Payroll	$ 12,690,902	$ 10,570,989	$ 8,906,242	$ 8,552,967	$ 7,840,559
Contributions as a Percentage of Covered Payroll	7.02%	7.25%	7.31%	7.45%	7.35%

	2020	2019	2018	2017	2016
Statutorily Required Contribution	$ 553,863	$ 569,906	$ 487,568	$ 452,945	$ 431,594
Contributions in Relation to the Statutorily Required Contribution	553,863	569,906	487,568	452,945	431,594
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Hospital Covered Payroll	$ 7,521,193	$ 7,331,990	$ 6,825,836	$ 6,325,817	$ 6,015,138
Contributions as a Percentage of Covered Payroll	7.36%	7.77%	7.14%	7.16%	7.18%

Note: GASB 68 requires 10 years of information to be presented in this table.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
APRIL 30, 2025

Total OPEB Liability	2025	2024	2023	2022	2021
Service Cost	$ 8,872	$ 9,096	$ 20,327	$ 17,426	$ 20,796
Interest	3,001	2,420	3,589	4,255	6,592
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	(32,592)	-	(47,998)
Changes of Assumptions	-	(2,619)	(88,398)	11,749	(21,700)
Changes in Benefit Terms	(81,972)	-	-	-	-
Benefit Payments	-	(935)	(5,330)	-	-
Net Change in Total OPEB Liability	(70,099)	7,962	(102,404)	33,430	(42,310)
Total OPEB Liability - Beginning	70,099	62,137	164,541	133,669	175,979
Total OPEB Liability - Ending (a)	$ -	$ 70,099	$ 62,137	$ 167,099	$ 133,669
Plan Fiduciary Net Position					
Contributions - Employer	$ -	$ -	$ -	$ -	$ -
Net Investment Income	-	-	-	-	-
Benefit Payments	-	-	-	-	-
Administrative Expense	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-	-	-
Plan Fiduciary Net Position - Beginning	-	-	-	-	-
Plan Fiduciary Net Position - Ending (b)	$ -	$ -	$ -	$ -	$ -
Medical Center's Net OPEB Liability - Ending (a) - (b)	$ -	$ 70,099	$ 62,137	$ 167,099	$ 133,669
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-Employee Payroll	$ 12,690,902	$ 10,570,989	$ 8,906,242	$ 8,552,967	$ 7,840,559
Medical Center's Net OPEB Liability as a Percentage of Covered-Employee Payroll	0.00%	0.66%	0.70%	1.95%	1.70%

WINDOM AREA HEALTH
WINDOM, MINNESOTA
OTHER POSTEMPLOYMENT BENEFITS (UNAUDITED)
APRIL 30, 2025

Total OPEB Liability	2020	2019
Service Cost	$ 18,761	$ 17,854
Interest	6,132	5,174
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	4,576	(801)
Changes in Benefit Terms	-	-
Benefit Payments	-	-
Net Change in Total OPEB Liability	29,469	22,227
Total OPEB Liability - Beginning	146,510	124,283
Total OPEB Liability - Ending (a)	$ 175,979	$ 146,510
Plan Fiduciary Net Position		
Contributions - Employer	$ -	$ -
Net Investment Income	-	-
Benefit Payments	-	-
Administrative Expense	-	-
Net Change in Plan Fiduciary Net Position	-	-
Plan Fiduciary Net Position - Beginning	-	-
Plan Fiduciary Net Position - Ending (b)	$ -	$ -
Medical Center's Net OPEB Liability - Ending (a) - (b)	$ 175,979	$ 146,510
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.00%	0.00%
Covered-Employee Payroll	$ 7,521,193	$ 7,331,990
Medical Center's Net OPEB Liability as a Percentage of		

Note: The Hospital implemented GASB Statement No. 75 in fiscal year 2019, and the above table will be expanded to 10 years of information as the information becomes available.

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Windom Area Health
Windom, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Windom Area Health and its discretely presented component unit (the Hospital) as of and for the year ended April 30, 2025 and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements and have issued our report thereon dated August 28, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that Windom Area Health failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Hospital's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 28, 2025

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Windom Area Health
Windom, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Windom Area Health and its discretely presented component unit, as of and for the year ended April 30, 2025, and the related notes to the financial statements, which collectively comprise Windom Area Health's basic financial statements, and have issued our report thereon dated August 28, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Windom Area Health's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Windom Area Health's internal control. Accordingly, we do not express an opinion on the effectiveness of Windom Area Health's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control, described in the accompanying schedule of findings as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Windom Area Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Windom Area Health's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Windom Area Health's response to the findings identified in our audit and are described in the accompanying schedule of findings. Windom Area Health's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Windom Area Health's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 28, 2025

WINDOM AREA HEALTH
WINDOM, MINNESOTA
SCHEDULE OF FINDINGS
YEAR ENDED APRIL 30, 2025

FINANCIAL STATEMENT FINDINGS

2025 – 001

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: The board of directors and management share the ultimate responsibility for the Hospital's internal control system. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

The Hospital engages auditors to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the Hospital's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the Hospital has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Hospital's activities and operations.

The Hospital's personnel have not monitored recent accounting developments to the extent necessary to enable them to prepare the Hospital's financial statements and related disclosures, to provide a high level of assurance that potential omissions or other errors that are material would be identified and corrected on a timely basis.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Hospital. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial reporting. It is the responsibility of the Hospital's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Cause: The Hospital has not adopted a policy over the annual financial reporting under GAAP; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.

Management's Response: Management will continue to allow the audit firm to create the draft financial statements and related footnote disclosures and will review and approve these prior to the issuance of the annual financial statements.