

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

FINANCIAL STATEMENTS

for the years ended April 30, 2026 and 2025



HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Hospital Authority of Wilkes County, Georgia
Washington, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Authority of Wilkes County, Georgia (Authority) which comprise the balance sheets as of April 30, 2026 and 2025, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Hospital Authority of Wilkes County, Georgia as of April 30, 2026 and 2025, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority 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.

Continued

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 of a reasonable user based on these financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 the Authority'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 the Authority's ability to continue as a going concern for a reasonable period of time.

Continued

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 on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. 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 27, 2026, on our consideration of the Authority'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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 Authority's internal control over financial reporting and compliance.

Draffin & Tucker, LLP

Albany, Georgia
August 27, 2026



WILLS MEMORIAL HOSPITAL

Management's Discussion and Analysis For the Year Ending April 30, 2026

Our discussion and analysis of Hospital Authority of Wilkes County, Georgia's (Authority's) financial performance provides an overview of the Authority's financial activities for the fiscal years ended April 30, 2026, 2025, and 2024. Please read it in conjunction with the Authority's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased in 2026 by \$141,000 (1%), decreased in 2025 by \$134,000 (1%), and increased in 2024 by \$808,000 (9%).
- The Authority reported an operating loss of \$515,000 in 2026, operating loss of \$1,113,000 in 2025, and operating loss of \$1,055,000 in 2024.
- Cash and cash equivalents increased by \$27,000 (1%) in 2026, decreased by \$1,500,000 (27%) in 2025, and increased by \$688,000 (14%) in 2024.

USING THIS ANNUAL REPORT

The Authority's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in it. You can think of the Authority's net position - the difference between assets and liabilities - as one way to measure the Authority's financial health or financial position. Over time, increases or decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Authority's patient base and measures of the quality of services it provides to the community, as well as local economic factors to assess the overall health of the Authority.

Continued

**Management's Discussion and Analysis
For the Year Ending April 30, 2026**

The Statement of Cash Flows

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?" and "What was the change in cash balance during the reporting period?".

THE AUTHORITY'S NET POSITION

The Authority's net position is the difference between its assets and liabilities reported on the balance sheets on pages 9 and 10. The following tables summarize the balance sheets as of April 30, 2026, 2025 and 2024:

Table 1: Assets, Liabilities and Net Position

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Assets:			
Current assets	\$ 7,025,000	\$ 6,984,000	\$ 8,815,000
Noncurrent cash and investments	2,024,000	1,949,000	1,861,000
Capital assets, net	<u>13,388,000</u>	<u>14,603,000</u>	<u>13,812,000</u>
Total assets	<u>\$ 22,437,000</u>	<u>\$ 23,536,000</u>	<u>\$ 24,488,000</u>
Liabilities:			
Current liabilities	\$ 2,220,000	\$ 2,339,000	\$ 2,295,000
Long-term liabilities	<u>10,252,000</u>	<u>11,373,000</u>	<u>12,235,000</u>
Total liabilities	<u>12,472,000</u>	<u>13,712,000</u>	<u>14,530,000</u>
Net position:			
Net investment in capital assets	2,015,000	2,137,000	534,000
Restricted	2,024,000	1,949,000	1,861,000
Unrestricted	<u>5,926,000</u>	<u>5,738,000</u>	<u>7,563,000</u>
Total net position	<u>9,965,000</u>	<u>9,824,000</u>	<u>9,958,000</u>
Total liabilities and net position	<u>\$ 22,437,000</u>	<u>\$ 23,536,000</u>	<u>\$ 24,488,000</u>

Continued

**Management's Discussion and Analysis
For the Year Ending April 30, 2026**

Current assets increased primarily due to the timing of normal operations and less tax credit cash used during the fiscal year.

The Authority's noncurrent cash and investments are funds held by Argent Institutional Trust, restricted by bond requirements. Capital assets decreased \$1,215,000 due to the following activity:

Additions:

Building Improvements	\$ 312,000
Major Moveable Equipment	74,000
Leases and Subscription IT Assets	<u>60,000</u>

Total additions	446,000
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Disposals

(1,000)

Depreciation and amortization

(1,660,000)

Total change in capital assets	<u>\$ (1,215,000)</u>
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A recap of the Authority's long-term debt outstanding at April 30, 2026 and 2025 follows:

Description	Interest Rates	<u>Long-Term Debt</u>	
		<u>2026</u>	<u>2025</u>
HUD loan	2.95%	<u>\$ 7,831,000</u>	<u>\$ 8,436,000</u>
Total long-term debt		<u>\$ 7,831,000</u>	<u>\$ 8,436,000</u>

See Notes 7 and 8 to the financial statements for additional information about the capital assets and debt of the Authority.

Continued

**Management's Discussion and Analysis
For the Year Ending April 30, 2026**

OPERATING RESULTS AND CHANGES IN THE AUTHORITY'S NET POSITION

In 2026, the Authority's net position increased as shown in Table 2. This increase is made up of different components described on the following pages.

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Operating revenues:			
Net patient service revenue	\$ 15,828,000	\$ 14,661,000	\$ 14,452,000
Other revenue	<u>1,260,000</u>	<u>1,079,000</u>	<u>1,745,000</u>
Total operating revenues	<u>17,088,000</u>	<u>15,740,000</u>	<u>16,197,000</u>
Operating expenses:			
Salaries, wages and employee benefits	10,168,000	9,844,000	10,077,000
Purchased services and physician fees	3,293,000	2,841,000	2,887,000
Medical supplies and drugs	772,000	831,000	886,000
Depreciation and amortization	1,660,000	1,622,000	1,698,000
Other expenses	<u>1,710,000</u>	<u>1,715,000</u>	<u>1,704,000</u>
Total operating expenses	<u>17,603,000</u>	<u>16,853,000</u>	<u>17,252,000</u>
Operating loss	<u>(515,000)</u>	<u>(1,113,000)</u>	<u>(1,055,000)</u>
Nonoperating revenues (expenses):			
Investment income	170,000	183,000	284,000
Interest expense	(404,000)	(440,000)	(442,000)
Noncapital grants, contributions and other	890,000	1,157,000	1,008,000
Grant stimulus funding	-	14,000	73,000
Gain on sale of assets	<u>-</u>	<u>-</u>	<u>22,000</u>
Total nonoperating revenues	<u>656,000</u>	<u>914,000</u>	<u>945,000</u>

Continued

**Management's Discussion and Analysis
For the Year Ending April 30, 2026**

Table 2: Operating Results and Changes in Net Position, Continued

	<u>2026</u>	<u>2025</u>	<u>2024</u>
Excess revenues (expenses) before capital contributions	\$ 141,000	\$ (199,000)	\$ (110,000)
Capital contributions	<u>-</u>	<u>65,000</u>	<u>918,000</u>
Increase (decrease) in net position	141,000	(134,000)	808,000
Net position, beginning of year	<u>9,824,000</u>	<u>9,958,000</u>	<u>9,150,000</u>
Net position, end of year	<u>\$ 9,965,000</u>	<u>\$ 9,824,000</u>	<u>\$ 9,958,000</u>

Operating Income or Loss

The first component of the overall change in the Authority's net position is its operating income - generally the difference between net patient service revenue and the expenses incurred to perform those services.

The Authority had an operating loss in 2026, 2025, and 2024. The change in operating loss was a decrease of \$598,000 which is 54% from 2025. The Authority's net position increased in 2026 by \$141,000 from 2025 primarily due to an increase in outpatient revenue attributed to the opening of our Wound Clinic.

The Authority's operating expenses also increased in 2026 by \$750,000 due to an increase in salaries and wages and an increase in vendor fees attributed to the Wound Clinic mentioned above, as well as adding remote pharmacy coverage services.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Authority's management at Wills Memorial Hospital, 120 Gordon Street, Washington, Georgia 30673.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Balance Sheets
April 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,159,000	\$ 4,132,000
Patient accounts receivable, net of estimated uncollectibles of \$1,775,000 in 2026 and \$1,812,000 in 2025	1,778,000	1,604,000
Estimated third-party payor settlements	5,000	-
Supplies	176,000	187,000
Other current assets	<u>907,000</u>	<u>1,061,000</u>
Total current assets	<u>7,025,000</u>	<u>6,984,000</u>
Noncurrent cash and investments:		
Held by trustee under indenture agreement	<u>2,024,000</u>	<u>1,949,000</u>
Capital assets:		
Land	68,000	68,000
Depreciable, net of accumulated depreciation	9,949,000	10,653,000
Intangible right-to-use lease assets and subscription IT assets, net of accumulated amortization	<u>3,371,000</u>	<u>3,882,000</u>
Total capital assets, net	<u>13,388,000</u>	<u>14,603,000</u>
Total assets	<u>\$ 22,437,000</u>	<u>\$ 23,536,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Balance Sheets, Continued
April 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
LIABILITIES AND NET POSITION		
Current liabilities:		
Current maturities of long-term debt	\$ 623,000	\$ 605,000
Current maturities of lease and subscription IT liabilities	498,000	488,000
Accounts payable	406,000	380,000
Accrued expenses	693,000	674,000
Estimated third-party payor settlements	<u>-</u>	<u>192,000</u>
Total current liabilities	2,220,000	2,339,000
Long-term debt, net of current maturities	7,208,000	7,831,000
Lease and subscription IT liabilities, net of current maturities	<u>3,044,000</u>	<u>3,542,000</u>
Total liabilities	<u>12,472,000</u>	<u>13,712,000</u>
Net position:		
Net investment in capital assets	2,015,000	2,137,000
Restricted	2,024,000	1,949,000
Unrestricted	<u>5,926,000</u>	<u>5,738,000</u>
Total net position	<u>9,965,000</u>	<u>9,824,000</u>
Total liabilities and net position	<u>\$ 22,437,000</u>	<u>\$ 23,536,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Operating revenues:		
Net patient service revenue (net of provision for bad debts of \$1,354,000 in 2026 and \$1,460,000 in 2025)	\$ 15,828,000	\$ 14,661,000
Other revenue	<u>1,260,000</u>	<u>1,079,000</u>
Total operating revenues	<u>17,088,000</u>	<u>15,740,000</u>
Operating expenses:		
Salaries and wages	8,278,000	8,162,000
Employee benefits	1,890,000	1,682,000
Physician fees	627,000	633,000
Medical supplies and drugs	772,000	831,000
Purchased services	2,666,000	2,208,000
Repairs and maintenance	543,000	497,000
Utilities and communications	450,000	479,000
Insurance	233,000	225,000
Other operating expenses	484,000	514,000
Depreciation and amortization	<u>1,660,000</u>	<u>1,622,000</u>
Total operating expenses	<u>17,603,000</u>	<u>16,853,000</u>
Operating loss	<u>(515,000)</u>	<u>(1,113,000)</u>
Nonoperating revenues (expenses):		
Investment income	170,000	183,000
Interest expense	(404,000)	(440,000)
Noncapital grants, contributions and other	890,000	1,157,000
Grant stimulus funding	<u>-</u>	<u>14,000</u>
Total nonoperating revenues	<u>656,000</u>	<u>914,000</u>
Excess revenues (expenses) before capital contributions	141,000	(199,000)
Capital contributions	<u>-</u>	<u>65,000</u>
Increase (decrease) in net position	<u>141,000</u>	<u>(134,000)</u>
Net position, beginning of year	<u>9,824,000</u>	<u>9,958,000</u>
Net position, end of year	<u>\$ 9,965,000</u>	<u>\$ 9,824,000</u>

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Cash Flows
Years Ended April 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 16,772,000	\$ 16,292,000
Payments to suppliers and contractors	(5,639,000)	(5,376,000)
Payments to employees	<u>(10,149,000)</u>	<u>(10,082,000)</u>
Net cash provided by operating activities	<u>984,000</u>	<u>834,000</u>
Cash flows from noncapital financing activities:		
Noncapital grants, contributions and other	890,000	1,157,000
Grant stimulus funding	<u>-</u>	<u>14,000</u>
Net cash provided by noncapital financing activities	<u>890,000</u>	<u>1,171,000</u>
Cash flows from capital and related financing activities:		
Principal paid on debt	(605,000)	(587,000)
Interest paid on debt	(240,000)	(259,000)
Principal paid on lease and subscription IT liabilities	(548,000)	(477,000)
Interest paid on lease and subscription IT liabilities	(163,000)	(185,000)
Capital contributions	-	65,000
Purchase of capital assets	<u>(386,000)</u>	<u>(2,157,000)</u>
Net cash used by capital and related financing activities	<u>(1,942,000)</u>	<u>(3,600,000)</u>
Cash flows from investing activities:		
Investment income	<u>170,000</u>	<u>183,000</u>
Net cash provided by investing activities	<u>170,000</u>	<u>183,000</u>
Net increase (decrease) in cash and cash equivalents	102,000	(1,412,000)
Cash and cash equivalents, beginning of year	<u>6,081,000</u>	<u>7,493,000</u>
Cash and cash equivalents, end of year	<u><u>\$ 6,183,000</u></u>	<u><u>\$ 6,081,000</u></u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

Statements of Cash Flows, Continued
Years Ended April 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
Reconciliation of cash and cash equivalents to the balance sheet:		
Cash and cash equivalents in current assets	\$ 4,159,000	\$ 4,132,000
Held by trustee under indenture	<u>2,024,000</u>	<u>1,949,000</u>
Total cash and cash equivalents	<u>\$ 6,183,000</u>	<u>\$ 6,081,000</u>
Reconciliation of operating loss to net cash flows provided by operating activities:		
Operating loss	\$ (515,000)	\$ (1,113,000)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation and amortization	1,660,000	1,622,000
Provision for bad debts	1,354,000	1,460,000
Changes in:		
Patient accounts receivable	(1,528,000)	(1,641,000)
Supplies	11,000	30,000
Estimated third-party payor settlements	(197,000)	886,000
Other current assets	154,000	(212,000)
Accounts payable	26,000	40,000
Accrued expenses	<u>19,000</u>	<u>(238,000)</u>
Net cash provided by operating activities	<u>\$ 984,000</u>	<u>\$ 834,000</u>

Supplemental disclosure of cash flow information:

The Authority entered into subscription IT obligations of approximately \$60,000 and \$252,000 in 2026 and 2025, respectively.

See accompanying notes to financial statements.

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS

Years Ended April 30, 2026 and 2025

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Hospital Authority of Wilkes County, Georgia (Authority), is a public corporation that operates Wills Memorial Hospital, a 19-bed acute care hospital, and a rural health clinic located in Washington, Georgia. The Authority provides inpatient, outpatient and emergency care service for residents of Wilkes County, Georgia and the surrounding area. Admitting physicians are primarily practitioners in the local area.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The Authority uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The Authority prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid debt instruments with an original maturity of three months or less.

Allowance for Doubtful Accounts

The Authority provides an allowance for doubtful accounts based on the evaluation of the overall collectability of the accounts receivable. As accounts are known to be uncollectible, the accounts are charged against the allowance.

Supplies

Supplies are stated at the lower of cost or market value, using the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets held by trustees under indenture agreements. Assets consist of cash and money market mutual funds.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued Years Ended April 30, 2026 and 2025

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Capital Assets

The Authority's capital assets are reported at historical cost. Contributed capital assets are reported at their acquisition value at the time of their donation. Assets costing more than \$5,000 with an estimated useful life of more than one year are capitalized. The estimated useful life is assigned using AHA Useful Lives Guidelines listed below. Leased assets are amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the underlying asset. Subscription-based information technology arrangements are amortized on the straight-line method over the shorter of the subscription term or the estimated useful life of the underlying IT asset. All capital assets other than land are depreciated or amortized (in the case of leases and subscription IT assets) using the straight-line method of depreciation using these asset lives:

Land improvements	2 to 25 years
Buildings and improvements	5 to 40 years
Equipment	3 to 20 years
Right-to-use lease assets	1 to 5 years
Right-to-use subscription IT assets	1 to 5 years

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is expensed in the period in which the cost is incurred.

Financing Cost

Costs related to the issuance of long-term debt are expensed in the period in which they are incurred.

Impairment of Long-Lived Assets

The Authority evaluates on an ongoing basis the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The Authority has not recorded any impairment charges in the accompanying statements of revenues, expenses and changes in net position for the years ended April 30, 2026 and 2025.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Compensated Absences

The Authority's employees earn paid time off (PTO) at varying rates depending on years of service. PTO time accumulates to a maximum of 320 hours. Employees who retire or resign in good standing may request payment for up to 100% of their PTOs. The Authority estimates how much of the accumulated leave is more likely than not to be used as paid leave during employment and upon termination and recognizes that portion as a liability for compensated absences. Estimated compensated absences are reported with accrued expenses on the balance sheet.

Net Position

Net position of the Authority is classified into three components. *Net investment in capital assets* consist 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 net position* are noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Authority, including amounts deposited with trustees as required by indenture agreement, discussed in Note 8. *Unrestricted net position* is the remaining net amount of assets less remaining liabilities that do not meet the definition of *net investment in capital assets* or *restricted net position*.

Restricted Resources

When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.

Operating Revenues and Expenses

The Authority'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 Authority's principal activity. 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, other than financing costs.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued Years Ended April 30, 2026 and 2025

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. 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 arrangements 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.

Charity Care

The Authority provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Authority does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application 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. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. GASB 72 also establishes a hierarchy of inputs to valuation techniques used to measure fair value. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. GASB 72 describes the following three levels of inputs that may be used:

- Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.
- Level 3: Unobservable inputs for an asset or liability. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

1. Description of Reporting Entity and Summary of Significant Accounting Policies, Continued

Grants and Contributions

The Authority occasionally receives grants from the Board of Commissioners of Wilkes County, Georgia, as well as 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.

Income Taxes

The Authority is a governmental entity and is exempt from income taxes. Accordingly, no provision for income taxes has been considered in the accompanying financial statements.

Risk Management

The Authority is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Authority is insured for employee health insurance, see Note 11. See Note 12 for additional information related to the Authority's general and professional coverage.

Accounting Pronouncement Not Yet Adopted

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing accountability. GASB 103 is effective for fiscal years beginning after June 15, 2025. The Authority is currently evaluating the impact GASB 103 will have on its financial statements.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

2. Net Patient Service Revenue

The Authority has agreements with third-party payors that provide for payments to the Authority at amounts different from its established rates. The Authority does not believe that there are any significant credit risks associated with receivables due from third-party payors. A summary of the payment arrangements with major third-party payors follows:

- Medicare

Effective May 1, 2002, the Authority was granted Critical Access Hospital (CAH) designation by the Medicare program. The CAH designation places certain restrictions on daily acute care inpatient census and an annual, average length of stay of acute care inpatients. Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology.

The Authority is reimbursed for certain reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicare Administrative Contractor (MAC). The Authority's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Authority. The Authority's Medicare cost reports have been audited by the MAC through April 30, 2023.

- Medicaid

Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services rendered to the Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology.

The Authority is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Authority and audits thereof by the Medicaid fiscal intermediary. The Authority's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through April 30, 2023.

The Authority has also entered into contracts with certain care management organizations (CMOs) to receive reimbursements for providing services to selected enrolled Medicaid beneficiaries. Payment arrangements with these CMOs consist primarily of prospectively determined rates per discharge, discounts from established charges, or prospectively determined per diems.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

2. Net Patient Service Revenue, Continued

The Authority participates in the Georgia Indigent Care Trust Fund (ICTF) Program. The Authority receives ICTF payments for treating a disproportionate number of Medicaid and other indigent patients. ICTF payments are based on the Authority's estimated uncompensated cost of services to Medicaid and uninsured patients. The ICTF is funded through intergovernmental transfers from participating public hospitals and matching federal funds. The net amount of ICTF payments recognized in net patient service revenue was approximately \$649,000 and \$645,000 for the years ending April 30, 2026 and 2025, respectively.

The Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA) provides for payment adjustments to certain facilities based on the Medicaid Upper Payment Limit (UPL). The UPL payment adjustments are based on a measure of the difference between Medicaid payments and the amount that could be paid based on Medicare payment principles. The net amount of UPL payment adjustments recognized in net patient service revenue was approximately \$93,000 and \$34,000 for the years ended April 30, 2026 and 2025, respectively.

- Other Arrangements

The Authority also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Authority under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Revenue from the Medicare and Medicaid programs accounted for approximately 12% and 8%, respectively, of the Authority's net patient service revenue for 2026 and 14% and 8%, respectively, of the Authority's net patient service revenue for 2025. 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 Authority believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. However, there has been an increase in regulatory initiatives at the state and federal levels including the initiation of the Recovery Audit Contractor (RAC) program and the Medicaid Integrity Contractor (MIC) program. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RACs have authority to pursue improper payments with a three year look back from the date the claim was paid. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid programs. There were no accruals relating to RAC audits for 2026 or 2025.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

3. Charity Care

The Authority was compensated for services at amounts less than its established rates. Charges for uncompensated services for 2026 and 2025 were approximately \$8,324,000 and \$7,775,000, respectively.

Uncompensated care includes charity and indigent care services of approximately \$587,000 and \$462,000 in 2026 and 2025, respectively. The cost of charity and indigent care services provided during 2026 and 2025 was approximately \$428,000 and \$347,000, respectively, computed by applying a total cost factor to the charges foregone.

The following is a summary of uncompensated services and a reconciliation of gross patient charges to net patient service revenue for 2026 and 2025.

	<u>2026</u>	<u>2025</u>
Gross patient charges	\$ 24,152,000	\$ 22,436,000
Uncompensated services:		
Indigent and charity care	587,000	462,000
Medicare	3,088,000	3,132,000
Medicaid	1,474,000	1,241,000
Other allowances	1,821,000	1,480,000
Bad debts	<u>1,354,000</u>	<u>1,460,000</u>
Total uncompensated care	<u>8,324,000</u>	<u>7,775,000</u>
Net patient service revenue	<u>\$ 15,828,000</u>	<u>\$ 14,661,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

4. Bank Deposits and Investments

Deposits and Investments

The Authority's investments are generally carried at fair value. Deposits and investments as of April 30, 2026 and 2025 are classified in the accompanying financial statements as follows:

Money market mutual funds are stated at fair value using Level 1 inputs within the fair value hierarchy established by GAAP. Level 1 inputs are quoted prices in active markets for identical assets.

	<u>2026</u>	<u>2025</u>
Balance sheets:		
Cash and cash equivalents	\$ 4,159,000	\$ 4,132,000
Noncurrent cash and investments	<u>2,024,000</u>	<u>1,949,000</u>
Total cash and investments	<u>\$ 6,183,000</u>	<u>\$ 6,081,000</u>
Deposits and investments consist of the following:		
Deposits	\$ 1,103,000	\$ 574,000
Money market deposit accounts	3,056,000	3,558,000
Money market mutual fund	<u>2,024,000</u>	<u>1,949,000</u>
Total deposits and investments	<u>\$ 6,183,000</u>	<u>\$ 6,081,000</u>

Disclosures Relating to Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State law requires collateralization of all deposits with federal depository insurance and other acceptable collateral in specific amounts. The Authority's bylaws require that all bank balances be insured or collateralized by U. S. government securities held by the Authority's third-party agent or the pledging financial institution's trust department in the name of the Authority. The Authority's bank deposits on April 30, 2026 and 2025 are entirely insured or collateralized with securities held by the pledging financial institution's designated trustee in the Authority's name.

Disclosures Relating to Interest Rate Risk

The Authority manages its exposure to declines in fair values from rising interest rates by investing in debt securities with short to intermediate maturities. The weighted average maturity presented below is calculated based on the maturity date of the security.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

4. Bank Deposits and Investments, Continued

As of April 30, 2026 and 2025, the Authority had the following investments in debt securities and weighted average maturities:

	<u>2026</u>		<u>2025</u>	
	<u>Amount</u>	<u>Weighted Average Maturity (In Days)</u>	<u>Amount</u>	<u>Weighted Average Maturity (In Days)</u>
Debt securities:				
Money market mutual fund	<u>\$ 2,024,000</u>	<u>43</u>	<u>\$ 1,949,000</u>	<u>40</u>
Total	<u>\$ 2,024,000</u>	<u>43</u>	<u>\$ 1,949,000</u>	<u>40</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

As of April 30, 2026 and 2025, the Authority's investments in debt securities had the following ratings:

		<u>Rating As Of April 30, 2026</u>			
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
Money market mutual fund	<u>\$ 2,024,000</u>	<u>\$ 2,024,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>\$ 2,024,000</u>	<u>\$ 2,024,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

		<u>Rating As Of April 30, 2025</u>			
	<u>Amount</u>	<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>
Debt securities:					
Money market mutual fund	<u>\$ 1,949,000</u>	<u>\$ 1,949,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total debt securities	<u>\$ 1,949,000</u>	<u>\$ 1,949,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

5. Accounts Receivable and Payable

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by the Authority on April 30, 2026 and 2025 consisted of these amounts:

	<u>2026</u>	<u>2025</u>
Patient accounts receivable:		
Receivable from patients and their insurance carriers	\$ 1,651,000	\$ 1,581,000
Receivable from Medicare	1,582,000	1,600,000
Receivable from Medicaid	<u>320,000</u>	<u>235,000</u>
Total gross patient accounts receivable	3,553,000	3,416,000
Less allowance for uncollectible amounts and contractual adjustments	<u>1,775,000</u>	<u>1,812,000</u>
Patient accounts receivable, net	<u>\$ 1,778,000</u>	<u>\$ 1,604,000</u>
Accounts payable and accrued expenses:		
Payable to employees (including payroll taxes)	\$ 562,000	\$ 544,000
Payable to suppliers	525,000	496,000
Other	<u>12,000</u>	<u>14,000</u>
Total accounts payable and accrued expenses	<u>\$ 1,099,000</u>	<u>\$ 1,054,000</u>

6. Concentration of Credit Risk

The Authority grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor arrangements. The mix of receivables from patients and third-party payors on April 30, 2026 and 2025 were as follows:

	<u>2026</u>	<u>2025</u>
Medicare	48%	46%
Medicaid	9%	7%
Other third-party payors	11%	14%
Patients	<u>32%</u>	<u>33%</u>
Total	<u>100%</u>	<u>100%</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

7. Capital Assets

Capital asset changes for the years ended April 30, 2026 and 2025 are as follows:

	Balance April 30, 2025	Additions	Retirements	Transfers	Balance April 30, 2026
Land	\$ 68,000	\$ -	\$ -	\$ -	\$ 68,000
Land improvements	939,000	-	6,000	-	933,000
Buildings and improvements	18,768,000	312,000	36,000	-	19,044,000
Equipment	4,786,000	74,000	94,000	-	4,766,000
Total depreciable capital assets	24,493,000	386,000	136,000	-	24,743,000
Less accumulated depreciation for:					
Land improvements	460,000	48,000	6,000	-	502,000
Buildings and improvements	9,731,000	669,000	35,000	-	10,365,000
Equipment	3,649,000	372,000	94,000	-	3,927,000
Total accumulated depreciation	13,840,000	1,089,000	135,000	-	14,794,000
Total depreciable capital assets, net	10,653,000	(703,000)	1,000	-	9,949,000
Lease equipment	689,000	-	-	-	689,000
Less accumulated amortization for:					
Lease equipment	281,000	75,000	-	-	356,000
Intangible right-to-use lease assets, net	408,000	(75,000)	-	-	333,000
Subscription IT assets	4,375,000	60,000	-	-	4,435,000
Less accumulated amortization for subscription IT assets	901,000	496,000	-	-	1,397,000
Intangible right-to-use subscription IT assets, net	3,474,000	(436,000)	-	-	3,038,000
Capital assets, net	\$ 14,603,000	\$ (1,214,000)	\$ 1,000	\$ -	\$ 13,388,000

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

7. Capital Assets, Continued

	Balance April 30, 2024	Additions	Retirements	Transfers	Balance April 30, 2025
Land	\$ 68,000	\$ -	\$ -	\$ -	\$ 68,000
Land improvements	865,000	75,000	1,000	-	939,000
Buildings and improvements	16,790,000	1,978,000	-	-	18,768,000
Equipment	4,687,000	104,000	5,000	-	4,786,000
Total depreciable capital assets	22,342,000	2,157,000	6,000	-	24,493,000
Less accumulated depreciation for:					
Land improvements	417,000	44,000	1,000	-	460,000
Buildings and improvements	9,117,000	614,000	-	-	9,731,000
Equipment	3,241,000	413,000	5,000	-	3,649,000
Total accumulated depreciation	12,775,000	1,071,000	6,000	-	13,840,000
Total depreciable capital assets, net	9,567,000	1,086,000	-	-	10,653,000
Lease equipment	709,000	-	20,000	-	689,000
Less accumulated amortization for:					
Lease equipment	224,000	77,000	20,000	-	281,000
Intangible right-to-use lease assets, net	485,000	(77,000)	-	-	408,000
Subscription IT assets	4,145,000	256,000	26,000	-	4,375,000
Less accumulated amortization for subscription IT assets	453,000	474,000	26,000	-	901,000
Intangible right-to-use subscription IT assets, net	3,692,000	(218,000)	-	-	3,474,000
Capital assets, net	\$ 13,812,000	\$ 791,000	\$ -	\$ -	\$ 14,603,000

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

8. Long-Term Debt

A schedule of changes in the Authority's long-term debt for fiscal years 2026 and 2025 follows:

	Balance April 30, <u>2025</u>	<u>Additions</u>	<u>Reductions</u>	Balance April 30, <u>2026</u>	Amounts Due Within <u>One Year</u>
Direct borrowing:					
Notes payable	<u>\$ 8,436,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 7,831,000</u>	<u>\$ 623,000</u>
Total long-term debt	<u>\$ 8,436,000</u>	<u>\$ -</u>	<u>\$ 605,000</u>	<u>\$ 7,831,000</u>	<u>\$ 623,000</u>
	Balance April 30, <u>2024</u>	<u>Additions</u>	<u>Reductions</u>	Balance April 30, <u>2025</u>	Amounts Due Within <u>One Year</u>
Direct borrowing:					
Notes payable	<u>\$ 9,023,000</u>	<u>\$ -</u>	<u>\$ 587,000</u>	<u>\$ 8,436,000</u>	<u>\$ 605,000</u>
Total long-term debt	<u>\$ 9,023,000</u>	<u>\$ -</u>	<u>\$ 587,000</u>	<u>\$ 8,436,000</u>	<u>\$ 605,000</u>

The terms and due dates of the Authority's long-term debt for 2026 and 2025, follows:

Taxable Revenue Build America Bonds - Series 2009A, for \$12,410,000, with an interest rate of 7.2%. These bonds were issued for the purpose of providing funds for the demolition, acquisition, construction and equipping of certain healthcare facilities. These are payable in monthly installments ranging from \$27,000 in May 2020 to \$95,000 in February 2037.

The Bonds are secured under the Indenture by (a) all right, title and interest of the Issuer in and to all revenues together with all other revenues received by the Trustee for the account of the Issuer arising out or on account of the Trust Estate; (b) all right, title and interest of the Issuer in and to the Government National Mortgage Association (GNMA) Securities, profits or other income derived from the investment thereof; and (c) all funds, monies and securities and any and all other rights and interests in property whether tangible or intangible.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

8. Long-Term Debt, Continued

In connection with the 2009A bond issue, the Federal Housing Administration (FHA) issued a commitment dated August 5, 2009, which will be assigned to the FHA approved lender Red Mortgage Capital, Inc. (Red Capital) for a mortgage in the full amount of the 2009A bonds. The proceeds from the bond issue were used to acquire GNMA securities from Red Capital which are securitizations of the mortgage loan to the Authority. The 2009A Build America Bonds include an agreed upon rebate of 35% of all interest paid. There were no amounts refunded in 2026 and 2025.

Under the terms of the 2009A Series Revenue Certificates, the Authority is required to not have a loss from operations equal to or greater than 1% of the total operating revenue. The Authority did not meet the requirement of this covenant during fiscal years 2026 and 2025. The Authority must also maintain an excess of revenues over expenses. The Authority did meet this requirement during fiscal year 2026 and did not meet this requirement during fiscal year 2025.

In the event these requirements are not met, the Authority must submit a correction report to HUD within sixty days of the date of the audited financial statements. This report must include what measures are being taken to improve the Authority's operations and financial performance.

Also, under the terms of the 2009A Series Revenue Certificates, the Authority is required to make monthly payments to the mortgage reserve fund in accordance with a payment schedule set forth by the original bond documents. The Authority was in compliance with this schedule during fiscal year 2026 and 2025.

The Revenue Certificates contain a provision that in an event of default, outstanding obligations may become immediately due and payable.

The Authority signed an agreement in August 2021 to work with Lument Capital, as an FHA lender, to submit an Interest Rate Reduction application to the U.S. Department of Housing and Urban Development for approval to modify the interest rate.

On December 22, 2021, the Authority received loan proceeds in the amount of \$10,558,956 to refund the Taxable Revenue Build America Bonds - Series 2009A in their entirety. The loan accrues interest at a rate of 2.95%. The principal and interest are payable monthly with a final maturity date of February 1, 2037. The note is endorsed for insurance by HUD pursuant to Section 242 of the National Housing Act. The same reserve fund requirements and provision in the event of default are still in effect for the new loan.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

8. Long-Term Debt, Continued

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

Year Ended <u>April 30</u>	<u>Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2027	\$ 623,000	\$ 223,000
2028	641,000	204,000
2029	661,000	185,000
2030	680,000	165,000
2031	701,000	145,000
2032-2036	3,830,000	397,000
2037	<u>695,000</u>	<u>9,000</u>
Total	<u>\$ 7,831,000</u>	<u>\$ 1,328,000</u>

9. Leases and Subscription IT Liabilities

The Authority is a lessee for noncancellable lease assets. The Authority recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in its financial statements. At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Authority uses the implicit interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided or cannot be imputed, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

9. Leases and Subscription IT Liabilities, Continued

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with current and noncurrent liabilities on the balance sheets.

None of the leases contain provisions for variable payments or residual value guarantees. Additionally, there are no other payments such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability reflected as outflows of resources.

The Authority has subscription-based information technology arrangements (SBITAs). The Authority recognizes a subscription IT liability and an intangible right-to-use subscription asset (subscription IT asset) in its financial statements. At the commencement of the subscription term, which is when the subscription IT asset is placed into service, the Authority initially measures the subscription IT liability at the present value of subscription payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability, adjusted for payments made at or before commencement of the subscription term, plus capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the subscription IT asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The Authority uses the implicit interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not readily determinable, the Authority generally uses its estimated incremental borrowing rate as the discount rate. Amortization of the discount on the subscription IT liability is included in interest expense in the financial statements.
- The subscription term includes the noncancellable period. Subscription payments included in the measurement of the subscription IT liability are composed of fixed payments and other payments that are reasonably certain of being required.

The Authority monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the subscription IT asset and subscription IT liability if certain changes occur that are expected to significantly affect the amount of the subscription IT liability.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

9. Leases and Subscription IT Liabilities, Continued

Subscription IT assets are reported with capital assets and subscription IT liabilities are reported with current and noncurrent liabilities on the balance sheets.

None of the SBITAs contain provisions for variable payments. Additionally, there are no other payments, such as termination penalties, not previously included in the measurement of the subscription IT liability.

Expenses for the leasing activity of the Authority as the lessee for the years ended April 30, 2026 and 2025, are as follows:

	<u>2026</u>	<u>2025</u>
Short-term lease expense	\$ 27,000	\$ 36,000
Right-to-use lease asset amortization	75,000	77,000
Lease liability interest expense	<u>16,000</u>	<u>19,000</u>
Total lease cost	<u>\$ 118,000</u>	<u>\$ 132,000</u>

The Authority has subscription-based information technology arrangements (SBITAs) that are used for various software licenses and remote hosting arrangements, which meet the capitalization criteria specified by generally accepted accounting principles.

Expenses for the SBITA activity of the Authority for the years ended April 30, 2026 and 2025, are as follows:

	<u>2026</u>	<u>2025</u>
Short-term SBITA expense	\$ 253,000	\$ 227,000
Right-to-use subscription IT asset amortization	496,000	471,000
Subscription IT liability interest expense	<u>147,000</u>	<u>166,000</u>
Total subscription IT cost	<u>\$ 896,000</u>	<u>\$ 864,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

9. Leases and Subscription IT Liabilities, Continued

A schedule of changes in the Authority's lease and subscription IT liabilities follows:

	<u>2025 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2026 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 437,000	\$ -	\$ 73,000	\$ 364,000	\$ 75,000
Subscription IT liabilities	<u>3,593,000</u>	<u>60,000</u>	<u>475,000</u>	<u>3,178,000</u>	<u>423,000</u>
Total lease and subscription IT liabilities	<u>\$ 4,030,000</u>	<u>\$ 60,000</u>	<u>\$ 548,000</u>	<u>\$ 3,542,000</u>	<u>\$ 498,000</u>

	<u>2024 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>2025 Balance</u>	<u>Amounts Due Within One Year</u>
Lease liabilities	\$ 509,000	\$ -	\$ 72,000	\$ 437,000	\$ 73,000
Subscription IT liabilities	<u>3,746,000</u>	<u>252,000</u>	<u>405,000</u>	<u>3,593,000</u>	<u>415,000</u>
Total lease and subscription IT liabilities	<u>\$ 4,255,000</u>	<u>\$ 252,000</u>	<u>\$ 477,000</u>	<u>\$ 4,030,000</u>	<u>\$ 488,000</u>

Scheduled principal and interest repayments on lease and subscription IT liabilities are as follows:

Year Ending <u>April 30,</u>	<u>Lease Liabilities</u>		<u>Subscription IT Liabilities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 75,000	\$ 13,000	\$ 423,000	\$ 128,000
2028	69,000	10,000	412,000	110,000
2029	71,000	8,000	430,000	92,000
2030	73,000	5,000	449,000	73,000
2031	58,000	1,000	469,000	53,000
2032-2036	<u>18,000</u>	<u>1,000</u>	<u>995,000</u>	<u>44,000</u>
Total	<u>\$ 364,000</u>	<u>\$ 38,000</u>	<u>\$ 3,178,000</u>	<u>\$ 500,000</u>

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

10. Defined Contribution Pension Plan

The Wills Memorial Hospital 403(B) and 457(a) plans were established by the Authority and administered by MissionSquare Wealth Management to provide benefits at retirement to substantially all employees of the Authority who have completed 60 days of service and have averaged 30 service hours per week. Plan provisions and contribution requirements are established and may be amended by the Authority.

Pension expense for the years ended April 30, 2026 and 2025 was approximately \$94,000 and \$72,000, respectively. The amount of employer contributions to be made for any particular year-end with respect to any particular participant is not to exceed 50% of participant contributions up to 4% of Plan compensation. Employees begin vesting after one year of service at 20% each year until they become fully vested in year five. Forfeitures recorded for the years ended April 30, 2026 and 2025 were \$1,000 and \$4,000, respectively.

11. Employee Health Coverage

The Authority has purchased health insurance coverage for employees under which monthly premiums are paid to United Healthcare. United Healthcare is then responsible for payment of all claims. Total expenses relative to this plan were approximately \$873,000 and \$732,000 for the years ended April 30, 2026 and 2025, respectively.

12. Malpractice Insurance

The Authority is covered by a general and professional liability insurance policy with a specified deductible per incident and excess coverage on a claims-made basis. Liability limits related to this policy in 2026 and 2025 are \$1 million per occurrence and \$3 million in aggregate. The Authority uses a third-party administrator to review and analyze incidents that may result in a claim against the Authority. In conjunction with the third-party administrator, incidents are assigned reserve amounts for the ultimate liability that may result from an asserted claim.

Various claims and assertions have been made against the Authority in its normal course of providing services. In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate consideration has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

13. Fair Value of Financial Instruments

The following methods and assumptions were used by the Authority in estimating the fair value of its financial instruments:

- *Cash and cash equivalents, estimated third-party payor settlements, noncurrent cash and investments, accounts payable, and accrued expenses:* The carrying amount reported in the balance sheets approximates their fair value due to the short-term nature of these instruments.
- *Long-term debt:* The fair value of the Authority's remaining long-term debt is estimated based on the quoted market value for same or similar debt instruments.

The carrying amounts and fair values of the Authority's long-term debt at April 30, 2026 and 2025 are as follows:

	<u>2026</u>		<u>2025</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Long-term debt	<u>\$ 7,831,000</u>	<u>\$ 7,668,000</u>	<u>\$ 8,436,000</u>	<u>\$ 8,141,000</u>

14. Contingencies

Compliance Plan

The healthcare industry has been subjected to increased scrutiny from governmental agencies at both the federal and state level with respect to compliance with regulations. Areas of noncompliance identified at the national level include Medicare and Medicaid, Internal Revenue Service, and other regulations governing the healthcare industry. In addition, the Reform Legislation includes provisions aimed at reducing fraud, waste, and abuse in the healthcare industry. These provisions allocate significant additional resources to federal enforcement agencies and expand the use of private contractors to recover potentially inappropriate Medicare and Medicaid payments. The Authority has implemented a compliance plan focusing on such issues. There can be no assurance that the Authority will not be subjected to future investigations with accompanying monetary damages.

Litigation

The Authority is involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's future financial position or results from operations. See malpractice insurance disclosures in Note 12.

Continued

HOSPITAL AUTHORITY OF WILKES COUNTY, GEORGIA

NOTES TO FINANCIAL STATEMENTS, Continued
Years Ended April 30, 2026 and 2025

14. Contingencies, Continued

Health Care Reform

There has been increasing pressure on Congress and some state legislatures to control and reduce the cost of healthcare at the national and state levels. Legislation has been passed that includes cost controls on healthcare providers, insurance market reforms, delivery system reforms and various individual and business mandates among other provisions. The costs of these provisions are and will be funded in part by reductions in payments by government programs, including Medicare and Medicaid. There can be no assurance that these changes will not adversely affect the Authority.

15. Rural Hospital Tax Credit Contributions

The State of Georgia (State) passed legislation which will allow individuals or corporations to receive a State tax credit for making a contribution to certain qualified rural hospital organizations during calendar years 2017 through 2029. The Authority submitted the necessary documentation and was approved by the State to participate in the rural hospital tax credit program for calendar years 2026 and 2025. Contributions received under the program approximated \$877,000 and \$871,000 during fiscal years 2026 and 2025, respectively. The Authority will have to be approved by the State to participate in the program in each subsequent year.

INDEPENDENT AUDITOR'S 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*



INDEPENDENT AUDITOR'S 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

The Board of Directors
Hospital Authority of Wilkes County, Georgia
Washington, Georgia

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 Hospital Authority of Wilkes County, Georgia (Authority) which comprise the balance sheet as of April 30, 2026, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2026.

Report on Internal Control Over Financial Reporting

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

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Continued

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 financial statements. 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*.

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 results 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Draffin & Tucker, LLP". The script is cursive and fluid, with the ampersand being a simple cross-like symbol.

Albany, Georgia
August 27, 2026