WINDOM AREA HEALTH
WINDOM, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED APRIL 30, 2026 AND 2025



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WINDOM AREA HEALTH
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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 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, 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 respective financial position of the business-type activities of Windom Area Health and its discretely presented component unit as of April 30, 2026 and 2025, 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 (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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 and the schedule of the Hospital's contributions 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 21, 2026, 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

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 21, 2026

WINDOM AREA HEALTH
WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
APRIL 30, 2026

Introduction

Windom Area Health (the 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, 2026 and 2025. 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 $494,350 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 $9,436,479 to $75,549,458 in fiscal year (FY) 2026 and increased by $14,722,564 to $66,112,979 in FY 2025. Capital assets increased by $2,372,767 in FY 2026 and increased by $16,121,289 in FY 2025. Total liabilities and deferred inflows of resources increased by $8,323,856 in FY 2026 and increased by $12,282,065 in FY 2025. The total margin was 3.0%, 7.0%, and 7.0% for the years ended April 30, 2026, 2025, and 2024, 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 are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic conditions, 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, 2026, 2025, and 2024 is presented below:

Table 1

Condensed Statements of Net Position (in Thousands)

	April 30,		
	2026	2025	(As Restated) 2024
Current Assets	$ 9,207	$ 9,544	$ 10,666
Noncurrent Cash and Investments	18,921	15,110	14,827
Capital and Right-to-Use Assets	42,535	39,490	23,736
Other Noncurrent Assets	2,582	139	108
Deferred Outflows of Resources	2,304	1,830	2,053
Total Assets and Deferred Outflows of Resources	$ 75,549	$ 66,113	$ 51,390
Current Liabilities	$ 6,626	$ 5,696	$ 4,169
Long-Term Debt	20,103	15,353	3,292
Other Noncurrent Liabilities	5,753	5,359	7,573
Deferred Inflows of Resources	5,349	3,098	2,191
Total Liabilities and Deferred Inflows of Resources	37,831	29,507	17,225
Net Position	37,718	36,606	34,165
Total Liabilities, Deferred Inflows, and Net Position	$ 75,549	$ 66,113	$ 51,390

As can be seen by Table 1, net position increased by approximately $1,113,000 to $37.7 million in fiscal year 2026. In fiscal year 2025, net position increased by approximately $2,440,000 to $36.6 million. The change in net position results primarily from operating results 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, 2026, 2025, and 2024.

Table 2

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

	Year Ended April 30,		
	2026	2025	(As Restated) 2024
Operating Revenues	$ 37,335	$ 32,637	$ 29,199
Operating Expenses	35,956	30,705	27,866
Operating Income	1,379	1,932	1,333
Nonoperating Income	(266)	394	750
Excess of Revenues over Expenses	1,113	2,326	2,083
Capital Grants, Contributions, Other	-	115	30
Prior Period Adjustment - GASB 101	-	-	(115)
Equity Distributions	-	-	(173)
Changes in Net Position	1,113	2,441	1,825
Total Net Position, Beginning of Year	36,606	34,165	32,340
Total Net Position, End of Year	$ 37,718	$ 36,606	$ 34,165

Operating and Financial Performance

Volume: Inpatient admissions (excluding newborns) for fiscal year 2026 were 355 compared to 341 in fiscal year 2025 and 317 in fiscal year 2024. This is an increase of 14 or approximately 4% between 2026 and 2025 and of 24 or 7% between 2025 and 2024. Patient days (excluding newborns) for fiscal year 2026 were 854 compared to 820 in fiscal year 2025 and 763 in fiscal year 2024. This is an increase of 34 or approximately 4% between 2026 and 2025 and of 57 or approximately 7% between 2025 and 2024. The length of stay decreased from 2.4 days in 2024 and 2025 and 2.3 days in 2026. Emergency department visits increased to 4,324 in fiscal year 2026 from 4,148 in fiscal year 2025. This is an increase of 176 visits or 4%. Emergency department visits in 2025 increased from 4,037 in 2024, which is an increase of 111 visits or 3%. All other outpatient visits for 2026 were 31,129 compared to 28,880 in 2025 and 30,364 in 2024. This is an increase of 2,249 visits from 2025 to 2026 and a decrease of 1,484 visits from 2024 to 2025. Total surgeries increased to 990 in fiscal year 2026 from 910 in fiscal year 2025. This is an increase of 80 surgeries or 9%. In fiscal year 2025, surgeries increased from 834 which is an increase of 76 surgeries or 9% compared to fiscal year 2024.

Net Patient Service Revenue: As a result of increased inpatient and surgical volume during the year, net patient service revenue increased $4,482,663 or approximately 14% compared to fiscal year 2025. Revenue deductions, the amount of patient service revenue uncollectible due to contractual agreements, government reimbursement policies, and bad debts increased to $36,856,001 from $31,594,275, an approximate 17% increase.

Other Operating Revenue: Other operating revenue increased $215,662 and $34,733 in fiscal years 2026 and 2025, respectively, from the previous year.

Nursing Services: Nursing service expenses increased $1,506,230 and $1,655,013 in fiscal years 2026 and 2025, respectively, from the previous year. The increase in both 2026 and 2025 is related to staffing and wage increases.

Other Professional Services: Other professional service expenses increased $1,688,759 and $802,342 in fiscal years 2026 and 2025, respectively, from the previous year. The increase in both 2026 and 2025 was mostly due to an overall increase in patient activities.

General Services: General service expenses increased $385,788 and $241,606 in fiscal years 2026 and 2025, respectively, when compared to the previous year. General services expense increased consistently with revenue growth over fiscal years 2026 and 2025.

Administrative and Fiscal Services: Expenses in this category increased $603,297 and $115,859 in fiscal years 2026 and 2025, 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 $1,067,018 and $24,826 in fiscal years 2026 and 2025, respectively, when compared to the previous year. The increase in 2026 is due to the capitalization of a medical office building.

Nonoperating Revenue and Expenses: The total in this category decreased $660,275 and $355,667 in fiscal years 2026 and 2025, respectively, when compared to the previous year. The decrease in fiscal year 2026 is due to increased interest expense and slightly less favorable investment performance in comparison to fiscal year 2025.

Capital Grants and Contributions

For the years ended April 30, 2026, 2025, and 2024, the Hospital had a total of $-0-, $114,834, and $30,033, respectively, in capital grants and contributions.

Capital Assets

At the end of fiscal years 2026, 2025, and 2024, the Hospital had invested $40,447,876, $38,075,109, and $21,953,820, respectively, in capital assets. The $2,372,767 increase in capital assets in fiscal year 2026 is due to final asset additions 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 $21,143,443 of short- and long-term debt, net of unamortized issue discount.

Economic and Other Factors and Next Year's Budget

Windom Area Health's board of directors and management considered many factors when setting the fiscal year 2026 budget. Of primary importance in setting the 2027 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, 2026

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	$ 1,672,780	$ 478,853	$ 2,151,633
Patient Accounts Receivable, Net	5,944,332	-	5,944,332
Accrued Interest Receivable	21,038	-	21,038
Other Receivables	125,072	15,497	140,569
Current Portion of Lease Receivable	199,397	-	199,397
Supplies	288,998	-	288,998
Prepaid Expenses	955,472	-	955,472
Total Current Assets	9,207,089	494,350	9,701,439
NONCURRENT CASH AND INVESTMENTS			
Board Designated for Capital Improvements	18,519,727	-	18,519,727
Debt Service Reserve Funds Held by Trustee	400,817	-	400,817
Total Noncurrent Cash and Investments	18,920,544	-	18,920,544
CAPITAL ASSETS			
Capital Assets	61,383,641	-	61,383,641
Less: Accumulated Depreciation	(20,935,765)	-	(20,935,765)
Net Capital Assets	40,447,876	-	40,447,876
OTHER ASSETS			
Right-to-Use Assets, Net	2,087,640	-	2,087,640
Investment in Joint Venture	175,716	-	175,716
Lease Receivable, Net of Current Portion	2,406,696	-	2,406,696
Total Other Assets	4,670,052	-	4,670,052
Total Assets	73,245,561	494,350	73,739,911
DEFERRED OUTFLOWS OF RESOURCES	2,303,897	-	2,303,897
Total Assets and Deferred Outflows of Resources	$ 75,549,458	$ 494,350	$ 76,043,808

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
APRIL 30, 2026

	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	$ 1,040,704	$ -	$ 1,040,704
Current Maturities of Finance Lease Obligations	582,253	-	582,253
Accounts Payable:			
Trade	789,346	-	789,346
Construction	733,754	-	733,754
Accrued Expenses	2,549,039	-	2,549,039
Estimated Third-Party Payor Settlements	930,975	-	930,975
Total Current Liabilities	6,626,071	-	6,626,071
NONCURRENT LIABILITIES			
Long-Term Debt, Net of Current Maturities	20,102,739	-	20,102,739
Finance Lease Obligations, Net of Current Maturities	1,297,694	-	1,297,694
Net Pension Liability	4,455,310	-	4,455,310
Total Noncurrent Liabilities	25,855,743	-	25,855,743
Total Liabilities	32,481,814	-	32,481,814
DEFERRED INFLOWS OF RESOURCES	5,349,158	-	5,349,158
NET POSITION			
Net Investment in Capital Assets	18,778,372	-	18,778,372
Restricted:			
Expendable for Specific Donor Restrictions	-	175,732	175,732
Expendable for Debt Service	400,817	-	400,817
Unrestricted	18,539,297	318,618	18,857,915
Total Net Position	37,718,486	494,350	38,212,836
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 75,549,458	$ 494,350	$ 76,043,808

See accompanying Notes to Financial Statements.

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

ASSETS	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
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
OTHER ASSETS			
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	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 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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED APRIL 30, 2026

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
REVENUE			
Net Patient Service Revenue	$ 36,529,409	$ -	$ 36,529,409
Other Revenue, Net	805,463	52,765	858,228
Total Revenue	37,334,872	52,765	37,387,637
EXPENSES			
Nursing Services	12,117,711	-	12,117,711
Other Professional Services	9,956,067	-	9,956,067
General Services	2,239,287	-	2,239,287
Administrative and Fiscal Services	8,629,788	25	8,629,813
Depreciation and Amortization	3,013,261	-	3,013,261
Total Expenses	35,956,114	25	35,956,139
INCOME FROM OPERATIONS	1,378,758	52,740	1,431,498
NONOPERATING REVENUE AND EXPENSES			
Investment Income	729,556	-	729,556
Interest Expense	(1,029,444)	-	(1,029,444)
Noncapital Grants and Contributions	37,430	55,830	93,260
Loss on Disposal of Assets	(3,677)	-	(3,677)
Total Nonoperating Revenue and Expenses	(266,135)	55,830	(210,305)
EXCESS OF REVENUES OVER EXPENSES BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	1,112,623	108,570	1,221,193
Expenses Paid on Behalf of Related Party	(96,488)	-	(96,488)
Related Party Transfers	96,488	(96,488)	-
Subtotal	-	(96,488)	(96,488)
INCREASE IN NET POSITION	1,112,623	12,082	1,124,705
NET POSITION			
Beginning of Year	36,605,863	482,268	37,088,131
End of Year	$ 37,718,486	$ 494,350	$ 38,212,836

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	10,611,481	-	10,611,481
Other Professional Services	8,267,308	-	8,267,308
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 REVENUES 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 CASH FLOWS
YEAR ENDED APRIL 30, 2026

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from and on Behalf of Patients	$ 35,454,845	$ -	$ 35,454,845
Payments to Suppliers and Contractors	(21,206,722)	(25)	(21,206,747)
Payments to Employees	(13,779,529)	-	(13,779,529)
Other Receipts and Payments, Net	805,463	37,268	842,731
Net Cash Provided by Operating Activities	1,274,057	37,243	1,311,300
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Noncapital Grants and Contributions	37,430	55,830	93,260
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Expenditures	(4,936,608)	-	(4,936,608)
Principal Payments on Finance Lease Obligations	(535,238)	-	(535,238)
Proceeds from Issuance of Long-Term Debt	5,949,999	-	5,949,999
Principal Payments on Long-Term Debt	(600,844)	-	(600,844)
Interest and Issuance Costs on Long-Term Debt	(1,029,444)	-	(1,029,444)
Principal Lease Payments Received	167,648	-	167,648
Net Cash Used by Capital and Related Financing Activities	(984,487)	-	(984,487)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of Investments	(21,183,779)	-	(21,183,779)
Sale of Investments	17,373,131	-	17,373,131
Expenses Paid on Behalf of Related Party	(96,488)	-	(96,488)
Transfer from (to) Related Party	96,488	(96,488)	-
Interest Income	729,556	-	729,556
Net Cash Used by Investing Activities	(3,081,092)	(96,488)	(3,177,580)
DECREASE IN CASH AND CASH EQUIVALENTS	(2,754,092)	(3,415)	(2,757,507)
Cash and Cash Equivalents - Beginning of Year	4,426,872	482,268	4,909,140
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,672,780	$ 478,853	$ 2,151,633

See accompanying Notes to Financial Statements.

WINDOM AREA HEALTH
WINDOM, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED APRIL 30, 2026

	Primary Enterprise (Hospital)	Component Unit (Foundation)	Total Reporting Entity (Memo Only)
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND FINANCING ACTIVITIES			
Issuance of Lease Obligations	$ 1,125,630	$ -	$ 1,125,630
Lease Receivable and Deferred Inflow of Resources	2,773,741	2,773,741	5,547,482
Total Noncash Capital and Financing Activities	$ 3,899,371	$ 2,773,741	$ 6,673,112
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income from Operations	$ 1,378,758	$ 52,740	$ 1,431,498
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:			
Depreciation and Amortization Expense	3,013,261	-	3,013,261
Provision for Bad Debts	761,861	-	761,861
Equity in Net Income of Joint Venture	(36,355)	-	(36,355)
(Increase) Decrease in:			
Patient Accounts Receivable	(2,344,993)	-	(2,344,993)
Deferred Outflows of Resources	(473,902)	-	(473,902)
Accrued Interest Receivable	8,068	-	8,068
Other Receivables	3,908	(15,497)	(11,589)
Supplies and Prepaid Expenses	(647,117)	-	(647,117)
Increase (Decrease) in:			
Accounts Payable	(1,107,436)	-	(1,107,436)
Net Pension Liability	(81,899)	-	(81,899)
Deferred Inflows of Resources	(522,839)	-	(522,839)
Due to Third-Party Payors	496,592	-	496,592
Accrued Expenses	826,150	-	826,150
Net Cash Provided by Operating Activities	$ 1,274,057	$ 37,243	$ 1,311,300

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 of Year	3,637,342	483,358	4,120,700
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 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)	-	(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	$ 6,503,009

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 Windom Area Health. The Foundation conducts fundraising campaigns on behalf of 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, 2026 and 2025, the allowance for uncollectible accounts was approximately $619,000 and $555,000, 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 $194,000 and $207,000 for the years ended April 30, 2026 and 2025, 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $73,162 and $31,190 for the years ended April 30, 2026 and 2025, 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.

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 into 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 - Lessee

The Hospital determines if an arrangement is a lease at inception. Leases are included in other assets and long-term liabilities 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases – Lessee (Continued)

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.

Leases – Lessor

The Hospital is a lessor for a space lease. The Hospital recognizes a lease receivable and deferred inflow of resources in the financial statements.

At the commencement of a lease, the Hospital initially measures the lease receivable at the present value of payment expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of the lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

The Hospital uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease.

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 applied the provisions of this standard to the beginning of the earliest comparative period presented. As a result, certain 2024 and beginning 2025 amounts have been restated in the accompanying financial statements and management's discussion and analysis.

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

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

Effective May 1, 2025, the Hospital implemented GASB Statement No. 102, Certain Risk Disclosures. The statement requires governments to disclose certain concentrations or constraints that make the government vulnerable to the risk of a substantial impact if an event associated with the concentration or constraint occurs. Implementation of this statement did not have a material effect on the Hospital's financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Hospital has considered events and transactions that have occurred through August 21, 2026, 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 51% and 52% for the years ended April 30, 2026 and 2025, and revenue from the Medicaid programs accounted for approximately 12% and 10% for the years ended April 30, 2026 and 2025, respectively, 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 2026 net patient service revenue decreased approximately $377,000 and the 2025 net patient service revenue increased approximately $279,000 due to the addition or removal of allowances 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:

	2026	2025
Gross Patient Service Revenue	$ 73,191,270	$ 63,433,951
Adjustments and Discounts:		
Medicare	(21,765,897)	(17,172,547)
Medicaid	(7,660,676)	(6,868,295)
Other	(6,473,427)	(6,603,237)
Provision for Bad Debt	(761,861)	(743,126)
Total Adjustments and Discounts	(36,661,861)	(31,387,205)
Net Patient Service Revenue	$ 36,529,409	$ 32,046,746

NOTE 3 ACCOUNTS RECEIVABLE

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

	2026	2025
Receivable from Patients and Their Insurance Carriers	$ 3,094,506	$ 2,512,969
Receivable from Medicare	2,570,990	1,946,847
Receivable from Medicaid	897,836	456,384
Total Patient Accounts Receivable	6,563,332	4,916,200
Less: Allowance for Uncollectible Amounts	(619,000)	(555,000)
Net Patient Accounts Receivable	$ 5,944,332	$ 4,361,200

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, 2026, 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 April 30:

2026		Investment Maturity (in Years)			
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Cash and Cash Equivalents	$ 16,800,715	$ 16,800,715	$ -	$ -	$ -
Certificates of Deposit	4,271,462	4,271,462	-	-	-
Total	$ 21,072,177	$ 21,072,177	$ -	$ -	$ -

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	$ -	$ -	$ -

- **Certificates of Deposit (CD):** Consists of deposits with interest rates of 3.75% maturing in 2026.

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 statement and net position. 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 April 30:

2026				
Investment Type	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	$ 16,800,715	$ -	$ -	$ 16,800,715
Certificates of Deposit	-	4,271,462	-	4,271,462
Total	$ 16,800,715	$ 4,271,462	$ -	$ 21,072,177

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

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

At April 30, 2026 and 2025, the carrying amounts of deposits and investments are included in the Hospital's statements of net position as follows:

	2026	2025
Carrying Amount:		
Deposits	$ 2,552,450	$ 5,309,905
Investments	18,519,727	14,709,131
Total	$ 21,072,177	$ 20,019,036
Included in the Following Statement of Net Position Captions:		
Cash and Cash Equivalents - Hospital	$ 1,672,780	$ 4,426,872
Cash and Cash Equivalents - Foundation	478,853	482,268
Board Designated for Capital Improvements	18,519,727	14,709,131
Debt Service Reserve Funds Held by Trustee	400,817	400,765
Total	$ 21,072,177	$ 20,019,036

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 consist of the following:

	Balance April 30, 2025	Additions and Transfers	Retirements	Balance April 30, 2026
Land	$ 271	$ -	$ -	$ 271
Land Improvements	3,367	2,402	(129)	5,640
Buildings	14,376	24,309	(291)	38,394
Fixed Equipment	10,121	460	(1,129)	9,452
Moveable Equipment	8,005	1,580	(2,749)	6,836
Construction in Progress	24,574	(23,783)	-	791
Total at Historical Cost	60,714	4,968	(4,298)	61,384
Less Accumulated Depreciation for:				
Land Improvements	(1,669)	(278)	129	(1,818)
Buildings	(9,455)	(1,198)	291	(10,362)
Fixed Equipment	(5,461)	(509)	1,129	(4,841)
Moveable Equipment	(6,054)	(610)	2,749	(3,915)
Total Accumulated Depreciation	(22,639)	(2,595)	4,298	(20,936)
Capital Assets, Net	$ 38,075	$ 2,373	$ -	$ 40,448

NOTE 5 CAPITAL ASSETS (CONTINUED)

	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

Construction in progress as of April 30, 2026 relates to final construction costs associated with a Medical Office Building (MOB) project that was capitalized during the current year. 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:

	Balance April 30, 2025	Additions	Reductions	Balance April 30, 2026
Gross Revenue Hospital Bonds, Series 2014A	$ 3,270,000	$ -	$ (270,000)	$ 3,000,000
Gross Revenue Hospital Bonds, Series 2023A	12,550,001	5,949,999	(333,504)	18,166,496
Bond Discount	(25,713)	-	2,660	(23,053)
Total Long-Term Debt	$ 15,794,288	$ 5,949,999	$ (600,844)	21,143,443
Less: Current Maturities				(1,040,704)
Total Long-Term Debt, Net of Current Maturities				$ 20,102,739

NOTE 6 LONG-TERM DEBT (CONTINUED)

	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

- 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, 2026 and 2025, there were draws of $5,949,999 and $12,500,000, 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, 2026.

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
2027	$ 1,040,704	$ 1,145,867	$ 2,186,571
2028	1,092,887	1,092,806	2,185,693
2029	1,152,905	1,031,236	2,184,141
2030	1,213,226	968,667	2,181,893
2031	1,281,533	902,213	2,183,746
Thereafter	15,385,241	4,765,378	20,150,619
Total	$ 21,166,496	$ 9,906,167	$ 31,072,663

NOTE 7 LEASES

Lessee Leases

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

	Balance April 30, 2025	Additions	Reductions	Balance April 30, 2026
Lease Obligations	$ 1,289,555	$ 1,125,630	$ (535,238)	$ 1,879,947
Less: Current Maturities				(582,253)
Total Lease Obligations, Net of Current Maturities				$ 1,297,694

	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

Lease obligations consist of medical equipment. The leases have a combined monthly payment of $60,431, with an average interest rate of 4.9%, and maturity dates ranging in 2026 to 2033.

Capital assets include the following equipment under lease obligation:

	2026	2025
Equipment	$ 3,445,478	$ 2,319,849
Less: Accumulated Amortization	(1,357,838)	(904,742)
Total Right to Use Assets, Net	$ 2,087,640	$ 1,415,107

NOTE 7 LEASES (CONTINUED)

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

	Finance Lease Obligations		
Year Ending April 30,	Principal	Interest	Total
2027	$ 582,253	$ 83,405	$ 665,658
2028	533,185	55,956	589,141
2029	203,995	36,324	240,319
2030	153,180	26,724	179,904
2031	132,161	19,084	151,245
Thereafter	275,173	14,583	289,756
Total	$ 1,879,947	$ 236,076	$ 2,116,023

Lessor Leases

The Hospital, acting as a lessor, leases certain space under noncancellable long-term lease agreements which commenced in June 2025. During the year ended April 30, 2026, the Hospital recognized $254,260 and $139,525 in lease revenue and interest income, respectively, pursuant to the lease contract.

Total future minimum lease payments to be received under the long-term agreement are as follows:

	Lease Receivable		
Year Ending April 30,	Principal	Interest	Total
2027	$ 199,397	$ 141,786	$ 341,183
2028	218,011	129,907	347,918
2029	238,028	116,930	354,958
2030	259,344	102,777	362,121
2031	282,119	87,371	369,490
Thereafter	1,409,194	168,977	1,578,171
Total	$ 2,606,093	$ 747,748	$ 3,353,841

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.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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 2026 and 2025 and the Hospital was required to contribute 7.5% of pay for coordinated plan members. The Hospital's contributions to the General Employees Plan for the plan's fiscal years ended April 30, 2026, 2025, and 2024 were $1,053,622, $890,417, and $766,183, respectively. The Hospital's contributions were equal to the required contributions for each year as set by state statute.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs

At April 30, 2026 and 2025, the Hospital reported a liability of $4,455,310 and $4,537,209, 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 $107,476 and $117,323 at April 30, 2026 and 2025, respectively. The net pension liability was measured as of June 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

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, 2024 through June 30, 2025 and July 1, 2023 through June 30, 2024 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025 and 2024 the Hospital's proportionate share was .1344% and .1227%, respectively.

There were no benefit provision changes during the measurement period.

For the years ended April 30, 2026 and 2025, the Hospital recognized pension expense of $267,237 and $666,132, 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 $16,485 and $2,253 during the years ended April 30, 2026 and 2025, respectively, as pension expense (and other revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to 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 $21,511 and $208,754, respectively, for the years ended April 30, 2026 and 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, 2026 and 2025, 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:

	2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 424,494	$ -
Changes of Assumptions	107,347	1,025,151
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,772,810
Changes in Proportion and Differences Between Hospital Contributions and Proportionate Share of Contributions	875,247	31,715
Hospital Contributions Subsequent to the Measurement Date	896,809	-
Total	$ 2,303,897	$ 2,829,676

	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

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Costs (Continued)

The $896,810 and $770,650 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, 2026 and 2025, 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,	2026	2025
2026	$ -	$ (1,222,090)
2027	(179,151)	(95,837)
2028	(486,050)	(373,234)
2029	(440,699)	(347,750)
2030	(316,688)	-
Total	$ (1,422,588)	$ (2,038,911)

Actuarial Assumptions

The total pension liability in the June 30, 2025, 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 investment return assumptions from a number of national investment consulting firms. The review provided a range of return and investment return rates were 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 1.5% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3.0% after 23 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, 2025 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 became effective with the July 1, 2023 actuarial valuation.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2026:

Changes in Actuarial Assumptions

- The combined service annuity loading factors were changed from 15% to 19% for vested terminated members and from 3% to 44% for nonvested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25% to 1.5%.

Changes in Plan Provisions

- The post-retirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

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 %	

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability in 2025 and 2024 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.

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, 2026		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Hospital's Proportionate Share of the Net Pension Liability	$ 2,946,128	$ 4,455,310	$ (193,001)

	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

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 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 10 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 11 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 $373,115 and $359,963 for the years ended April 30, 2026 and 2025, respectively.

The Hospital also purchases certain services, supplies and other items through Sanford's network. Amount due to Sanford was $135,000 and $131,000 at April 30, 2026 and 2025, respectively.

NOTE 11 MANAGEMENT AGREEMENTS (CONTINUED)

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
APRIL 30, 2026
(UNAUDITED)

	2026	2025	2024	2023	2022
Hospital's Proportion of the Net Pension Liability	0.1344%	0.1227%	0.1111%	0.1132%	0.1087%
Hospital's Proportionate Share of the Net Pension Liability	$ 4,455,310	$ 4,537,209	$ 6,213,355	$ 8,965,476	$ 4,641,976
Hospital's Covered Payroll	$ 15,393,255	$ 12,690,902	$ 10,570,989	$ 8,906,242	$ 8,552,967
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.94%	35.75%	58.78%	100.67%	54.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.78%	89.08%	83.10%	76.70%	87.00%

	2021	2020	2019	2018	2017
Hospital's Proportion of the Net Pension Liability	0.1048%	0.1029%	0.1002%	0.1010%	0.0953%
Hospital's Proportionate Share of the Net Pension Liability	$ 6,283,238	$ 5,689,110	$ 5,558,685	$ 6,447,773	$ 7,737,887
Hospital's Covered Payroll	$ 7,840,559	$ 7,521,193	$ 7,331,990	$ 6,825,836	$ 6,325,817
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	80.14%	75.64%	75.81%	94.46%	122.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.23%	79.50%	75.90%	68.90%

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
APRIL 30, 2026
(UNAUDITED)

	2026	2025	2024	2023	2022
Statutorily Required Contribution	$ 1,053,622	$ 890,417	$ 766,183	$ 650,753	$ 637,602
Contributions in Relation to the Statutorily Required Contribution	1,053,622	890,417	766,183	650,753	637,602
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Hospital Covered Payroll	$ 15,393,255	$ 12,690,902	$ 10,570,989	$ 8,906,242	$ 8,552,967
Contributions as a Percentage of Covered Payroll	6.84%	7.02%	7.25%	7.31%	7.45%

	2021	2020	2019	2018	2017
Statutorily Required Contribution	$ 576,285	$ 553,863	$ 569,906	$ 487,568	$ 452,945
Contributions in Relation to the Statutorily Required Contribution	576,285	553,863	569,906	487,568	452,945
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Hospital Covered Payroll	$ 7,840,559	$ 7,521,193	$ 7,331,990	$ 6,825,836	$ 6,325,817
Contributions as a Percentage of Covered Payroll	7.35%	7.36%	7.77%	7.14%	7.16%

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

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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, 2026 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 21, 2026.

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 21, 2026

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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, 2026, 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 21, 2026.

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 2026-001 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 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 21, 2026

WINDOM AREA HEALTH
WINDOM, MINNESOTA
SCHEDULE OF FINDINGS
YEAR ENDED APRIL 30, 2026

FINANCIAL STATEMENT FINDINGS

2026 – 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, CliftonLarsonAllen LLP (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.



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