



**SOUTHWEST MISSISSIPPI  
REGIONAL MEDICAL CENTER**

**FINANCIAL STATEMENTS**

September 30, 2025



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Southwest Mississippi Regional Medical Center  
McComb, Mississippi

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Southwest Mississippi Regional Medical Center (the "Medical Center"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of September 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Medical Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The schedule of gross patient service revenue, schedule of operating expenses, schedule of other operating revenue, schedule of surety bonds for officials and employees, and schedule of expenditures of federal awards required by *Title 2 U.S. code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of gross patient service revenue, operating expenses, other operating revenue, surety bonds for officials and employees, and the schedule of expenditure of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
March 26, 2026

## **Southwest Mississippi Regional Medical Center Management's Discussion and Analysis**

Our discussion and analysis of Southwest Mississippi Regional Medical Center's (the "Medical Center") annual performance provides an overview of the entity's financial activities for the fiscal year ended September 30, 2025. This information should be used in conjunction with the Medical Center's financial statements, which begin on page 12.

### **Background and Overview**

The Medical Center, located in McComb, Mississippi, was established in 1969 and serves a seven-county area of Mississippi. The Medical Center also draws from two parishes in neighboring eastern Louisiana. According to the most recent Certificate of Needs records, the Medical Center's extended service area is a largely rural population of 170,000 people.

The Medical Center has developed an integrated health system that provides comprehensive, state-of-the-art healthcare to a population that typically would have to travel 60 to 100 miles to Jackson, Mississippi, New Orleans or Baton Rouge, Louisiana for such levels of service.

The Medical Center includes the 160-bed Southwest Mississippi Regional Medical Center with over 1,000 employees and 70 physicians on staff; the Cardiovascular Institute of Mississippi, providing comprehensive cardiovascular care; the Mississippi Cancer Institute for the treatment and prevention of cancer; and a home health service serving 12 counties. The Medical Center owns and operates 14 clinics, including rural health clinics, and an outpatient rehabilitation center. The Medical Center also manages and operates Lawrence County Hospital in Monticello, Mississippi. In addition, St. Luke Foundation and its component units provide home health services to clients living in Pike, Amite, Franklin, Copiah, Lawrence, Walthall, Covington, Marion, Lamar, Jeff Davis, Simpson and Smith Counties.

### **Using This Annual Report**

The Medical Center's financial statements consist of three statements – a statement of net position; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for purposes by contributors, grantors, or enabling legislation. The financial statements presented herein also include the activities of its blended component unit. Complete financial statements for the blended component unit can be requested from the Medical Center's chief financial officer.

The statement of net position includes all of the Medical Center's assets and liabilities, using the accrual basis of accounting, as well as an indication about which assets can be utilized for general purposes and which assets are limited as to use as a result of bond covenants or other restrictions. The makeup, changes thereto, and general comments regarding how the changes occurred will be discussed later. The Medical Center's statement of net position indicates a very strong financial position.

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

The statement of revenues, expenses, and changes in net position reports all of the revenues and expenses for the period. Revenues measure and represent the volume and types of services provided to the Medical Center's customers, the patients we serve. This statement also reflects the costs of providing those services enumerated by the various categories of and types of expenses incurred. This statement further reveals how the Medical Center was able to manage its business to either provide the services at a profit or loss.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The above-mentioned categories specify the cash funding by the Medical Center.

### Financial Highlights

The Medical Center's overall financial position showed an overall increase in net position of \$4.7 million.

Positive factors affecting financial results included:

- Disproportionate Share ("DSH") and Mississippi Hospital Access Program ("MHAP") net revenues were \$28.7 million.
- Increase in gross patient service revenue through an increase in census and services provided.
- Increase in other operating income through an increase in revenue from the retail pharmacy operations.

Negative factors affecting financial results included:

- Increasing payor requirements to move services from inpatient to outpatient, resulting in decreased inpatient census and a greater percentage of outpatient observation.
- Continuing shift in payment responsibility from third-party payors to patients through higher deductibles and copays resulting in additional bad debt estimates.
- Recruiting and retaining physicians poses a significant challenge for all rural hospitals and doing this effectively is a crucial part of a rural hospital's success and viability.

At the end of the 2025 fiscal year, the assets of the Medical Center exceeded liabilities by approximately \$54.0 million. Of this excess amount, approximately \$27.3 million (unrestricted net position) may be used to meet ongoing obligations to the Medical Center's employees, patients and creditors. The Medical Center is self-insured for general and professional liability claims and has established a self-insurance fund in accordance with the requirements of the Mississippi Tort Claims Board. At September 30, 2025, the Medical Center had \$3.1 million deposited into this restricted account.

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### Condensed Financial Information

#### *Summary of Net Position*

A summary of the Medical Center's Statements of Net Position for September 30, 2025 and 2024 are presented in the following table:

<i>September 30,</i>	Fiscal Year	
	2025	2024
Current and other assets	\$ 56,867	\$ 54,178
Capital assets	54,337	46,866
Total assets	111,204	101,044
Long-term liabilities	30,023	28,795
Other liabilities	26,683	22,449
Total liabilities	56,706	51,244
Deferred inflows of resources	450	475
Net investment in capital assets	22,892	17,106
Restricted	3,862	3,618
Unrestricted	27,294	28,601
Total net position	\$ 54,048	\$ 49,325

Total assets increased by approximately \$10.2 million. Some of the significant changes were:

- Patient accounts receivable, net decreased \$3.7 million, which is primarily due to the decrease in net patient revenue and improvement in the cash collection process.
- Cash decreased \$2.1 million due to the Medical Center's investing activities and capital asset activities.
- Other receivables increased \$2.6 million for amounts reimbursable through the Medical Center's grant funding and amounts due for retail pharmacy.
- Investments increased \$5.1 million due to the positive cash flows from operating and grant noncapital activities.
- Capital assets increased \$7.5 million due to current year additions, disposals and depreciation expense.

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### ***Summary of Net Position (Continued)***

Total liabilities increased by approximately \$5.5 million. Some of the significant changes were:

- Other liabilities increased \$4.2 million, which is primarily due to an increase in overall accounts payable, approximately \$4.9 million, that was offset by a decrease in the estimated third-party settlements related to the Medicare cost report, approximately \$1.4 million.
- Long-term liabilities increased \$1.2 million which is primarily due to new notes payable related to equipment purchase, new leases, and new subscription-based information technology agreements, which were partially offset by required principal payments.

### ***Summary of Revenue Expenses, and Changes in Net Position***

The following table presents a summary of the Medical Center's revenue and expenses for the fiscal years ended September 30, 2025 and 2024:

	Fiscal Year	
	2025	2024
Operating revenue		
Net patient service revenue	\$ 185,373	\$ 189,930
Other operating income	15,681	9,850
Total operating income	<b>201,054</b>	199,780
Operating expenses		
Salaries, wages, and benefits	108,412	106,539
Supplies and other operating expenses	82,827	71,121
Depreciation and amortization expense	9,622	10,028
Total operating expenses	<b>200,861</b>	187,688
Income from operations	193	12,092
Nonoperating revenue (expense)	4,530	1,471
Change in net position	\$ 4,723	\$ 13,563

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### **Operating Revenues**

During fiscal year 2025, the Medical Center derived 92% of its total operating revenues from net patient service revenues. Such revenues included revenues from Medicare (53%) and Medicaid (12%) programs, and patients or their third-party carriers (35%), who pay for care in the Medical Center's facilities. Operating revenues are discussed further in the notes to the financial statements.

### **Operating Results and Financial Performance**

The following summarizes the Medical Center's operating results and financial performance between 2025 and 2024:

- Gross patient revenues increased \$29.4 million or 5.5% and net patient service revenue decreased \$4.5 million or 2.40% primarily due to changes in the contractual adjustments applied to gross charges.
- Revenue deductions for contractual adjustments and bad debt expense were 67% in 2025 and 64% in 2024.
- Total operating expenses increased by \$13.2 million. This is a result of a \$2.3 million increase in salaries and related benefits due to rising salary costs and pay restructuring for nurses and other licensed clinical staff and incentives earned, a \$8.5 million increase in supplies and other expenses due to inflation and meeting growing patient care demands, and a \$1.4 million increase in contract employee salaries primarily due to new services provided by the Medical Center.

### **Capital Assets**

The following summarizes the Medical Center's investment in capital assets as of September 30, 2025 and 2024:

#### **Capital Assets (In Thousands)**

<i>September 30,</i>	Fiscal Year	
	2025	2024
Land	\$ 1,047	\$ 957
Construction in progress	5,962	2,095
Land improvements	3,605	3,554
Buildings and improvements	73,593	70,492
Leasehold improvements	1,901	1,808
Equipment	3,782	3,782
Major moveable equipment	105,853	103,103
		(Continued)

## Southwest Mississippi Regional Medical Center Management's Discussion and Analysis

### **Capital Assets (Continued)**

<i>September 30,</i>	Fiscal Year	
	2025	2024
Right of use assets - buildings	\$ 7,874	\$ 7,310
Right of use assets - equipment	16,155	16,147
Right of use assets - vehicles	1,416	1,446
Right of use assets - subscription agreements	960	1,079
<b>Total capital assets</b>	<b>222,148</b>	211,773
Less accumulated depreciation	(167,811)	(164,907)
<b>Capital assets, net</b>	<b>\$ 54,337</b>	<b>\$ 46,866</b>

Capital assets increased primarily due to additions to property and equipment and leases that were offset by disposals, lease terminations, and current year depreciation expense. More detailed information about capital assets is presented in the notes to the financial statements.

### **Long-Term Debt**

The following summarizes the Medical Center's long-term debt, including the current portion, as of September 30, 2025 and 2024:

#### **Long-term Debt (In Thousands)**

<i>September 30,</i>	Fiscal Year	
	2025	2024
USDA Bonds payable	\$ 13,924	\$ 14,723
Notes payable	3,235	3,484
Estimated third-party settlements	118	565
Leases payable	15,257	12,935
Subscription agreements payable	711	234
<b>Total long-term debt</b>	<b>\$ 33,245</b>	<b>\$ 31,941</b>

During 2025, total long-term debt increased due to new notes payable related to equipment purchase, new leases, and new subscription-based information technology agreements, which were partially offset by required principal payments. More detailed information about long-term debt is presented in the notes to the financial statements.

## **Southwest Mississippi Regional Medical Center Management's Discussion and Analysis**

### ***Economic Factors and Next Year's Budget***

While the annual budget of the Medical Center is not presented within these financial statements, the Medical Center's Board and management considered many factors when setting the fiscal year 2025 budget. While the financial outlook for the Medical Center is improving, the primary importance in setting the 2025 budget is the status of the economy and the healthcare environment, which takes into account market forces and environmental factors such as:

- Medicare reimbursement and regulatory changes.
- Medicaid reimbursement changes, as well as the continuation at the current level of the Disproportionate Share and Mississippi Hospital Access Payment programs.
- Increased regulatory requirements for enhanced information technology.
- Further increase efficiencies as related to electronic health record conversions.
- Ability to manage the increase in patient portions of billings for services seen in the newer high deductible insurance plans.
- Ongoing competition for services.
- Workforce shortages primarily in nursing and other clinically skilled positions.
- Increased cost of supplies, including pharmaceuticals.
- Increased number of uninsured and working poor.
- Newly established Residency Program moving into its second program year to aid in recruitment and retention of medical staff.

### ***Contacting the Medical Center's Financial Management***

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Medical Center's finances. If you have any questions about this report or need additional financial information, please contact the Chief Financial Officer, Southwest Mississippi Regional Medical Center, 215 Marion Avenue, McComb, Mississippi 39648.

**Southwest Mississippi Regional Medical Center**  
**Statement of Net Position**

<b>September 30,</b>	<b>2025</b>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 7,551,318
Restricted cash and cash equivalents	2,485,124
Restricted investments	3,058,794
Patient accounts receivable, net	24,822,870
Current portion of leases receivable	117,750
Pharmacy revenue receivable	3,127,620
Other receivables	2,393,879
Inventories	4,478,186
Prepaid expenses and other current assets	2,603,784
Total current assets	50,639,325
Noncurrent assets	
Capital assets	
Non-depreciable	7,009,130
Depreciable, net	31,693,346
Right-to-use lease assets, net	14,747,058
Right-to-use subscription assets, net	887,522
Capital assets, net	54,337,056
Other noncurrent assets	
Leases receivable, net of current portion	349,851
Investments	5,274,357
Due from physicians	592,091
Other assets	11,013
Total noncurrent assets	6,227,312
Total assets	\$ 111,203,693

(Continued)

*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Net Position (Continued)**

**September 30,**

**2025**

**Liabilities, Deferred Inflows and Net Position**

Current liabilities	
Accounts payable	\$ 11,495,007
Salaries and benefits payable	5,330,388
Other accrued expenses	25,554
Accrued compensated absences	2,766,174
Estimated claims payable	804,108
Estimated third-party settlements	228,659
Estimated third-party settlements payable	118,861
Current portion of leases payable	3,828,461
Current portion of subscription payable	167,316
Current portion of notes payable	1,092,354
Current portion of bonds payable	825,774
Total current liabilities	26,682,656
Long-term liabilities	
Estimated claims payable	2,809,929
Leases payable, less current portion	11,428,070
Subscription payable, less current portion	543,309
Notes payable, less current portion	2,143,219
Bonds payable, less current portion	13,098,133
Total long-term liabilities	30,022,660
Total liabilities	56,705,316
Deferred inflows of resources	
Deferred inflows related to leases	449,871
Net position (deficit):	
Net investment in capital assets	22,892,447
Restricted for	
Self-insurance	3,058,794
Debt service	803,097
Unrestricted	27,294,168
Total net position	\$ 54,048,506
	(Concluded)

*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Revenues, Expenses, and Changes in Net Position**

<b><i>Year Ended September 30,</i></b>	<b>2025</b>
<b>Operating revenue</b>	
Patient service revenue, net of contractual allowances and discounts	\$ 198,426,765
Provision for bad debts	(13,053,514)
<hr/>	
Net patient service revenue	185,373,251
Other operating revenue	15,680,917
<hr/>	
Total operating revenue	201,054,168
<b>Operating expenses</b>	
Salaries and wages	86,280,407
Contract employee salaries	6,956,126
Professional fees	2,515,964
Employee benefits	15,175,748
Supplies	51,354,291
Maintenance and repairs	9,384,136
Other operating expense	19,572,290
Depreciation and amortization	9,621,645
<hr/>	
Total operating expenses	200,860,607
<hr/>	
Operating income	193,561
<b>Nonoperating revenues (expenses)</b>	
Grants and contributions	4,814,656
Lease income	103,586
Investment income	426,492
Interest expense	(1,189,670)
Other revenue	375,126
<hr/>	
Total nonoperating revenues (expenses)	4,530,190
Change in net position	4,723,751
Net position, beginning of year	49,324,755
<hr/>	
Net position, end of year	\$ 54,048,506
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*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Cash Flows**

<i>Year Ended September 30,</i>	<b>2025</b>
<b>Operating Activities</b>	
Cash received from and on behalf of patients	\$ 187,956,104
Cash paid to and on behalf of employees	(108,188,572)
Cash paid to suppliers	(79,645,420)
Cash received from other operating activities	15,433,949
<hr/>	
Net cash provided by operating activities	15,556,061
<b>Noncapital Financing Activities</b>	
Lease proceeds	103,586
Other grants and contributions	3,608,575
Other receipts and payments, net	375,126
<hr/>	
Net cash provided by noncapital financing activities	4,087,287
<b>Capital and Related Financing Activities</b>	
Purchase of capital assets	(9,285,048)
Principal paid on bonds payable	(799,402)
Principal paid on notes payable	(1,050,726)
Principal paid on leases payable	(3,773,603)
Principal paid on subscriptions payable	(429,804)
Principal paid on estimated third party payable	(446,586)
Interest paid on long-term debt	(1,193,453)
<hr/>	
Net cash used in capital and related financing activities	(16,978,622)
<b>Investing Activities</b>	
Purchases of investments	(5,139,181)
Receipt of interest and investment earnings	379,829
<hr/>	
Net cash used in investing activities	(4,759,352)
Net decrease in cash and cash equivalents	(2,094,626)
Cash and cash equivalents, beginning of year	12,131,068
<hr/>	
Cash and cash equivalents, end of year	\$ 10,036,442
<hr/>	
Reconciliation of cash and cash equivalents to the statement of net position	
Cash and cash equivalents included in current assets	\$ 7,551,318
Restricted cash and cash equivalents in current assets	2,485,124
<hr/>	
Total cash and cash equivalents	\$ 10,036,442
<hr/>	

(Continued)

*The notes to the financial statements are integral part of the financial statements.*

**Southwest Mississippi Regional Medical Center**  
**Statement of Cash Flows (Continued)**

***Year Ended September 30,***

**2025**

**Reconciliation of operating income to net cash used in operating activities**

Operating income from operations	\$	193,561
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization		9,621,645
Provision for bad debt		13,053,514
Changes in assets and liabilities		
(Increase) decrease in assets		
Patient accounts receivable		(9,393,846)
Leases receivable		17,733
Other receivables		(1,346,080)
Inventories		(3,407)
Prepaid expenses and other current assets		(669,631)
Other noncurrent assets		(49,845)
Increase (decrease) in liabilities		
Accounts payable		4,968,130
Salaries and payroll taxes payable		75,869
Accrued compensated absences		193,836
Estimated third-party settlements		(1,076,815)
Estimated claims payable		(7,828)
Other accrued expenses		3,849
Deferred inflows of resources - leases		(24,624)
Net cash provided by operating activities		\$ 15,556,061

**Supplemental disclosures of noncash financing activities**

Capital assets financed through leases payable	\$	6,495,537
Capital assets financed through financing agreements		\$ 806,368
Capital assets financed through subscription agreements payable		\$ 906,450
Unrealized/realized loss on investments		\$ (28,222)
Cancellation of leases		\$ 400,443
		(Concluded)

*The notes to the financial statements are integral part of the financial statements.*

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 1: DESCRIPTION OF MEDICAL CENTER

#### ***Nature of Operations and Reporting Entity***

Southwest Mississippi Regional Medical Center (the "Medical Center") consists of an acute-care hospital and related outpatient facilities jointly owned by the City of McComb, Mississippi, Amite County, Mississippi, and Pike County, Mississippi. The Medical Center provides inpatient, outpatient, rehabilitation, and emergency care services primarily for these residents. The Medical Center operates in the form of a government authority, governed by a Board of Trustees pursuant to Sections 41-13-15 et seq. of Mississippi Code of 1972, as amended, consisting of members from the city and counties. It is an independent enterprise held and operated separate and apart from all other assets and activities of the city and counties. It is not a taxable entity and does not file an income tax return.

The Medical Center operates a critical access facility in Monticello, Mississippi. This division of the Medical Center offers short-term acute care and swing bed services to patients primarily in Lawrence County, Mississippi. To operate this facility, the Medical Center entered into a lease with the Lawrence County Board of Supervisors to lease the Lawrence County Hospital (the "Hospital"). Currently, the lease is renewed through September 2026, and the Medical Center has the option to extend the lease for four additional five-year terms. The lease calls for annual payments of approximately \$240,000. The Medical Center has the right to terminate the lease in the event that the Medical Center is unable to maintain the Hospital's designation as a critical access hospital or if the hospital is unable to maintain its accreditation. In addition, if the Medical Center determines, in its sole discretion, that the healthcare regulatory environment has changed to the extent that the provision of health services by the Medical Center has become cost prohibitive or otherwise not financially feasible at the Hospital, the Medical Center can terminate the lease with 365 days prior written notice.

The basic financial statements of the Medical Center have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB codification and subsequent GASB pronouncements are recognized GAAP for governments.

#### ***Reporting Entity***

The accompanying financial statements present the Medical Center and its blended component unit, The St. Luke Foundation, Inc. (the "Foundation"), an entity for which the Medical Center is considered to be financially accountable. Blended component units are, in substance, part of the reporting entity's operations, even though they are legally separate entities. The Foundation, a not-for-profit organization, was created and operated exclusively for the purpose of owning and operating St. Luke Home Health Services, LLC for the Medical Center. The Medical Center is the sole member of the Foundation.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### **NOTE 1: DESCRIPTION OF MEDICAL CENTER (Continued)**

Included within the reporting entity of the Foundation is St. Luke Home Health Services, LLC which provides home health care to the Southwest Mississippi community, and Medical Arts Building, LLC, which owns, manages, and leases real property primarily to the Medical Center. The Foundation is the sole member of St. Luke Home Health, LLC and Medical Arts Building, LLC. All significant intercompany balances and transactions have been eliminated.

Separate audited financial statements are issued for the Foundation. These financial statements may be obtained through a written request to the Chief Financial Officer at Southwest Mississippi Regional Medical Center, 215 Marion Avenue, McComb, Mississippi 39648.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The Medical Center's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America as prescribed by GASB. The GASB has issued Statement No. 35 (GASB 35), *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities* and GASB 39, *Determining Whether Certain Organizations Are Component Units*. The financial statement presentation required by these statements provides a comprehensive, entity-wide perspective of the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows, and replaces the fund-group perspective previously required. In addition, these statements require the Hospital to present Management's Discussion & Analysis (MD&A). The MD&A is considered to be required supplementary information and precedes the financial statements.

For financial reporting purposes, the Medical Center is considered a special-purpose government entity engaged only in business-type activities. Accordingly, the financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. For purposes of presentation, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and operating expenses. All other activities are reported as non-operating activities.

The Hospital's financial statements are prepared based on accounting principles applicable to governmental units as established by the GASB and the provisions of the American Institute of Certified Public Accountants, "Audit and Accounting Guide, Health Care Entities," to the extent that they do not conflict with GASB.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position*

##### *Cash and Cash Equivalents*

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

##### *Restricted Cash and Investments*

Restricted cash and investments consist of assets held by the Medical Center in trust accounts subject to a borrowing agreement with the United States Department of Agriculture and funds held under self-insurance arrangements.

##### *Investments and Investment Income*

Investments consist of money market mutual funds and funds in the Mississippi Hospital Association (MHA) investment pool. Money market mutual funds are reported at amortized cost which approximates fair value; investments in the MHA pool are reported at net asset value per share which approximates fair value. Investment income, including interest income and realized and unrealized gains and losses, is reported in the statement of revenues, expenses, and changes in net position as nonoperating revenues (expenses).

The MHA investment pool is authorized to invest in bonds or other direct obligations of the U.S., the State of Mississippi, or of any approved county, school district or municipality of the state; obligations issued or guaranteed in full by the U.S. which are subject to a repurchase agreement with a financial institution certified as a qualified depository; U.S. Government agency instruments which are fully guaranteed by the U.S. Government; any open-end or closed-end management type investment company (money market and mutual funds) or trust funds that invest in direct obligations of the U.S. or repurchase agreements that are fully collateralized by these direct obligations; and any commercial paper, corporate notes and bonds that have an "A" rating or better. The MHA investment pool is an investment program developed for member hospitals of the MHA. The investments are managed by an investment advisor registered with the Securities and Exchange Commission. The investment advisor is approved by the MHA board of trustees.

##### *Patient Accounts Receivable, Net*

Patient accounts receivable are reduced by estimated contractual and other adjustments and estimated uncollectible accounts. In evaluating the collectability of accounts receivable, the Medical Center analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowances for third-party contractual and other adjustments and bad debt. Management reviews data about these major payor sources of revenue on a monthly basis in evaluating the sufficiency of the allowances. On a continuing basis, management analyzes delinquent receivables and writes them off against the allowance when deemed uncollectible. No interest is charged on patient accounts receivable balances.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)*

##### *Patient Accounts Receivable, Net (continued)*

For receivables associated with services provided to patients who have third-party coverage, the Medical Center analyzes contractually due amounts and provides an allowance for contractual adjustments and, if necessary, a provision for bad debts (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with uninsured patients (also known as self-pay), which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Medical Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many uninsured patients are often either unable or unwilling to pay the full portion of their bill for which they are financially responsible. The difference between standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.

The Medical Center has not materially altered its accounts receivable and revenue recognition policies during the fiscal year 2025 and did not have significant write-offs from third-party payors related to collectability in the fiscal year 2025.

##### *Leases Receivable*

The Medical Center is a lessor for noncancellable leases of property and recognizes leases receivable and deferred inflows of resources in the statement of net position. At the commencement of the lease, the Medical Center initially measures the lease receivable at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is initially measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. Subsequently, the lease receivable is reduced by the principal portion of lease payments made, and interest revenue is recognized. Lease revenue is recognized from the inflow of resources in a systematic and rational manner over the term of the lease.

##### *Inventories*

Inventories consist primarily of pharmaceuticals and medical supplies stated at the lower of cost or net realizable value, determined using the first-in, first-out (FIFO) method. When evidence exists that the net realizable value of inventories is lower than its cost, the difference is recognized as a loss in the statement of revenues, expenses, and changes in net position in the period in which it occurs. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)***

*Prepaid Expenses*

Prepaid expenses are amortized over the estimated period of future benefit, generally on a straight-line basis.

*Capital Assets*

Capital assets, which include property, plant, and equipment, and right-to-use leased assets, are defined as assets with an initial cost of \$5,000 and an estimated useful life in excess of one year.

As the Medical Center constructs or acquires capital assets each period, they are capitalized and reported at historical cost (except for right-to-use leased assets, the measurement of which is discussed under the heading leases and subscription payables on page 40). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and right-to-use leased assets are depreciated/amortized using the straight-line method over the following estimated useful lives or leasehold term, whichever is shorter:

	<b>Years</b>
Land improvements	5 - 20
Building and improvements	5 - 40
Leasehold improvements	5 - 20
Equipment	5 - 25
Major moveable equipment	5 - 20
Right of use assets - buildings	2 - 25
Right of use assets - equipment	2 - 5
Right of use assets - vehicles	2 - 4
Right of use assets - SBITA	3

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)*

##### *Long-Lived Asset Impairment*

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. Based on management's evaluations, no long-lived assets impairments were recognized during the year ended September 30, 2025.

##### *Due from Physicians*

The Medical Center advances funds to physicians in connection with agreements with the physicians to establish their practices in the McComb, Mississippi area. The amounts advanced are to be repaid over a stipulated period in the agreement. The Medical Center will accept, in lieu of the monthly payment by the physician, continuous service by the physician over the repayment period. Repayment in the form of services provided is recorded as a component of salaries and wages for employed physicians or as an other operating expense.

##### *Compensated Absences*

Employees employed with the Medical Center prior to August 1, 2014 are granted both vacation and sick leave. Accumulated vacation pay is accrued at the statement of net position date because it is probable that the employer will compensate the employees for the benefits through paid time off or upon termination of employment. Employees may accumulate a maximum of 240 vacation hours. Sick pay accrues but is not reflected as a liability because it is not payable upon termination of employment.

Paid time off ("PTO") is provided to all full-time employees who became employed at the Medical Center on or after August 1, 2014. Accumulated PTO is accrued at the statement of net position date since it is probable that the Medical Center will compensate the employees for the benefits through paid time off. Employees may accumulate a maximum of 240 PTO hours. PTO hours are not paid upon resignation or termination.

##### *Long-Term Obligations*

Long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the period incurred except for prepaid insurance costs. As of September 30, 2025, the Medical Center did not report any bond premiums or discounts.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)*

##### *Leases Payable*

Lease contracts that provide the Medical Center with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. When the interest rate charged by the lessor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for leases. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of lease liability are composed of fixed payments and term options that the Medical Center is reasonably certain to exercise.

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

Leased assets are reported with capital assets and lease liabilities are reported on the statement of net position.

##### *Subscription-Based Information Technology Arrangements*

Under GASB No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months are recorded as both a right-of-use (ROU) asset and a subscription liability. The liability is measured using the present value of total expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. The ROU asset should be measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Amortization of the ROU subscription asset flows through amortization expense monthly using straight-line basis over the life of the subscription.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)*

##### *Subscription-Based Information Technology Arrangements (continued)*

The Medical Center uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the Hospital uses its estimated incremental borrowing rate as the discount rate for subscriptions.

The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and term options that the Medical Center is reasonably certain to exercise.

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

Subscription assets are reported with capital assets and subscription liabilities are reported on the statement of net position.

##### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Medical Center is not reporting any deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Medical Center is reporting deferred inflows of resources related to leases associated with amounts owed to the Medical Center, as lessor, by entities leasing the Medical Center's capital assets. The deferred inflows of resources related to leases will be recognized in lease revenue in future reporting periods.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (Continued)*

##### *Categories and Classification of Net Position*

Net position of the Medical Center is classified in three components, as follows:

*Net investment in capital assets* – These net positions represent capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowings (including leases and subscription liabilities) used to finance the acquisition or construction of those assets.

*Restricted net position* – made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

*Unrestricted net position* – the remaining net position that does not meet the definitions of net investment in capital assets or restricted net position described above.

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

#### ***Operating Revenues and Expenses***

The Medical Center's statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenue results from exchange transactions associated with providing health care services, which is the Medical Center's principal activity. Non-exchange revenue, including investment income, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Operating Revenues and Expenses (Continued)***

For the year ending September 30, 2025, other operating expenses consisted of the following:

September 30,	<b>2025</b>
Advertising	\$ 691,396
Bank service charges	470,266
Collection agencies	83,884
Fleet vehicles	246,740
Freight expense	306,747
Insurance	1,062,341
Medical purchased services	2,327,930
Mileage	149,127
Other operating expenses	1,959,485
Other purchased services	6,591,745
Recruiting	544,118
Remote hosting expense	2,406,471
Rentals	684,404
Utilities	2,047,636
<b>Total other operating expenses</b>	<b>\$ 19,572,290</b>

***Net Patient Service Revenue***

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, 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 or as years are no longer subject to such audits, reviews, and investigations.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Operating Revenues and Expenses (Continued)*

##### *Net Patient Service Revenue*

The Medical Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potentially significant wrongdoing. However, compliance with such laws and regulations is subject to future government review and interpretation, as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medicaid program, and in recent years there has been an increase in regulatory initiatives at the state and federal levels including the Recovery Audit Contractor ("RAC") and Medicaid Integrity Contractor ("MIC") programs, among others. These programs were created to review Medicare and Medicaid claims for medical necessity and coding appropriateness. The RAC's have authority to pursue 'improper' (in their judgment) payments with a three-year look back from the date the claim was paid.

##### *340B Program and Contract Pharmacy Revenue*

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center records revenue when earned. The Medical Center recorded 340B Program revenues of \$14,527,498 for the year ended September 30, 2025, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position.

##### *Disproportionate Share ("DSH") and Mississippi Hospital Access Program ("MHAP") and Supplemental Revenue*

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH") and the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program. The Medical Center recognizes revenue and expenses as earned and incurred. Revenues and expense related to these programs are reported in patient service revenue, net of contractual allowance in the accompanying statement of revenue, expenses and change in net position.

##### *Grants and Contributions*

From time-to-time, the Medical Center receives grants from other governmental entities as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted either for 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 as capital contributions and grants.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Operating Revenues and Expenses (Continued)*

##### *Charity Care*

The Medical Center provides medical care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify pursuant to this policy, these charges are not reported as revenue.

The amount of charges foregone for services and supplies furnished under the Medical Center's charity care policy totaled \$6,062,189 for the year ended September 30, 2025, and estimated costs and expenses incurred to provide charity care totaled \$1,769,131. The estimated costs and expenses incurred to provide charity care were determined by applying the Medical Center's cost to charge ratio from its latest filed Medicare cost report to its charges foregone by charity care, at established rates.

##### *Income Taxes*

The Medical Center is a governmental entity and, as such, is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

The Foundation is exempt from taxes on income other than unrelated business income under section 501(c)(3) of the IRC.

##### *Advertising Expense*

Advertising is expensed as incurred. Total advertising expense incurred was approximately \$691,396 the year ended September 30, 2025, and is included in other operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

##### *Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

Estimates that are particularly susceptible to significant change in the near term are related to the determination of the allowances for uncollectible accounts, contractual adjustments, and estimated third-party payor settlements. In particular, 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 related to these programs will change by a material amount in the near term.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Risk Management***

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. The Medical Center is self-funded for health and general and professional liabilities.

The Medical Center considers the need for recording a liability for self-insured and malpractice claims. The provision for estimated self-insured and malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

#### ***Current Healthcare Environment***

The Medical Center monitors economic conditions closely, both with respect to potential impacts on the healthcare industry and from a more general business perspective. Management recognizes that economic conditions may continue to impact the Medical Center in a number of ways, including, but not limited to, uncertainties associated with the United States and state political landscape and rising uninsured patient volumes and corresponding increases in uncompensated care.

Additionally, the general healthcare industry environment is increasingly uncertain, especially with respect to the ongoing impacts of federal healthcare reform legislation. Potential impacts of ongoing healthcare industry transformation include, but are not limited to:

- Significant capital investment in healthcare information technology
- Continuing volatility in state and federal government reimbursement programs
- Effective management of multiple major regulatory mandates, including the previously mentioned audit activity
- Significant potential business model changes throughout the healthcare system, including within the healthcare commercial payor industry

The business of healthcare in the current economic, legislative, and regulatory environment is volatile. Any of the above factors, along with others both currently in existence and which may or may not arise in the future, could have a material adverse impact on the Medical Center's financial position and operating results.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 26, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

#### ***Recently Issued and Implemented Accounting Pronouncements***

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement were effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. There was no significant impact of implementing this Statement, as the Medical Center made a policy election of using the LIFO (last in/first out) method to account for their catastrophic illness plan. Per their review of a three-year lookback, the amount of the catastrophic illness plan was insignificant. All paid time off (PTO) is accrued subject to maximum accruals allowed by Medical Center policy.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A constraint is a limitation imposed on a government by an external party or by a formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. There were no significant impacts of implementing this Statement.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Pronouncements Issued But Effective in Future Years*

The GASB has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103). The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. This Statement continues the requirement that the basic financial statements be preceded by management's discussion and analysis ("MD&A"), which is presented as required supplementary information ("RSI"). MD&A provides an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions, and presents comparisons between the current year and the prior year.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. Furthermore, this Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This Statement emphasizes that the analysis provided in MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. In addition, this Statement continues the requirement that information included in MD&A distinguish between that of the primary government and its discretely presented component units.

GASB 103 describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows.

GASB 103 requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Pronouncements Issued But Effective in Future Years (Continued)*

fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

Subsidies are defined as (1) resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund and (b) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise, (2) resources provided to another party or fund (a) for which the other party or fund does not provide goods and services to the proprietary fund and (b) that are recoverable through the proprietary fund's current or future pricing policies, and (3) all other transfers.

GASB 103 requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements.

GASB 103 requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104). State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

**Southwest Mississippi Regional Medical Center  
Notes to the Financial Statements**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Pronouncements Issued But Effective in Future Years (Continued)***

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

The Medical Center is evaluating the requirements of the above statements and the impact on reporting.

**NOTE 3: DEPOSITS AND INVESTMENTS**

***Deposits***

As of September 30, 2025, the deposits of the Medical Center consisted of the following:

<i>September 30,</i>	<b>2025</b>
Petty cash	\$ 9,128
Cash deposits with financial institutions	7,542,190
Money market mutual funds (Moody's rating: Aaa-mf)	2,485,124
<b>Total cash and cash equivalents</b>	<b>\$ 10,036,442</b>
<hr/>	
<i>September 30,</i>	<b>2025</b>
Cash and cash equivalents	\$ 7,551,318
Restricted cash and cash equivalents	2,485,124
<b>Total cash and cash equivalents</b>	<b>\$ 10,036,442</b>

Custodial credit risk is the risk that, in the event of a bank failure, the Medical Center's deposits might not be recovered. The Medical Center has a deposit policy for custodial credit risk that requires deposits to be part of the collateral pool administered by the State. However, cash deposits with The St. Luke Foundation are not part of this pool and are exposed to custodial credit risk. Uninsured and uncollateralized cash deposits with financial institutions totaled \$1,276,509 as September 30, 2025.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

#### *Deposits (Continued)*

The collateral for public entity deposits in financial institutions are held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5 Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation ("FDIC"). All deposits with financial institutions must be collateralized in an amount equal to 105% of uninsured deposits. At September 30, 2025, the Medical Center had \$5,520,168 in bank deposits held in a financial institution that is part of this program.

At September 30, 2025, cash and cash equivalents in the amount of \$2,485,124 were restricted subject to a borrowing agreement with the United States Department of Agriculture for federal funds.

#### *Investments*

Mississippi Code 27-105-365 restricts the authorized investments of the Medical Center to obligations of the U.S. Treasury, agencies, and instrumentalities of the United States, certain open end and closed-end management-type investment companies and trusts, and certain other trusts consisting of pooled or commingled funds of other hospitals.

The Medical Center's investments consist of the following at September 30, 2025:

<i>September 30, 2025</i>	<b>Fair Value</b>	<b>Percentage</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Rating</b>
<b>MHA Investment Pool</b>					
MHA Intermediate Duration Trust	\$ 1,763,060	54.08%	N/A	N/A	Not rated
MHA Short Duration Trust	6,570,091	45.92%	N/A	N/A	Not rated
<b>Total investments</b>	<b>\$ 8,333,151</b>	<b>100.00%</b>			

At September 30, 2025, funds in the amount \$3,058,794 were restricted for purposes of self-insurance arrangements and were reported as restricted investments in the statement of net position.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

#### *Investments (Continued)*

*Interest rate risk* – This is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity of its value to changes in market interest rates. The Medical Center does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the Medical Center limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements.

*Credit risk* – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Medical Center does not have a policy that addresses this risk.

*Concentration of credit risk* – This is the risk of loss attributed to the magnitude of investing in a single issuer. The Medical Center has not established asset allocation limits for their investment portfolio to reduce concentrations of credit risk. However, Mississippi Code 27-105-365 limits the amount of investments in U.S. government agency and instrumentalities to 50% and the amount of investments in open-end and closed-end management-type investment companies and trusts to 20% for all monies invested with maturities of 30 days or longer.

*Foreign currency risk* – This is the risk that changes in exchange rates will adversely affect the fair value of investments. The Medical Center has no foreign currency risk as all investments are reported in U.S. dollars.

### NOTE 4: FAIR VALUE DISCLOSURES

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

*Level 1:* Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Medical Center has the ability to access.

*Level 2:* Significant other observable inputs other than Level 1 prices, such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs, other than quoted prices, that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 4: FAIR VALUE DISCLOSURES (CONTINUED)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used to measure fair value.

- *Money market mutual funds* – Value is stated at cost, which approximates fair value.
- *MHA Investment Pool* – Valued at the net asset value of shares held by the investment pool.

Since the MHA Investment Pool is measured at fair value using the net asset value per share practical expedient, these amounts are not classified in the fair value hierarchy. The Medical Center invests in these types of investments to obtain competitive market returns while ensuring the safety and liquidity of the portfolio. These types of investments may be redeemed without advance notice and there are no unfunded commitments for further investment. There are currently no limitations as to the frequency of redemptions. The total investment in the pool as of September 30, 2025 was \$8,333,151.

The Medical Center's fair value levels consist of the following at September 30, 2025:

<i>September 30, 2025</i>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Money market mutual funds	\$ 2,485,124	\$ 2,485,124	\$ -	\$ -
<b>Total</b>	<b>\$ 2,485,124</b>	<b>\$ 2,485,124</b>	<b>\$ -</b>	<b>\$ -</b>

### NOTE 5: PATIENT ACCOUNTS RECEIVABLE

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2025 was:

<i>September 30,</i>	<b>2025</b>
Medicare	\$ 5,994,977
Medicaid	2,803,153
Other third-party payers	12,201,474
Patients	3,823,266
<b>Patient accounts receivables, net</b>	<b>\$ 24,822,870</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 5: PATIENT ACCOUNTS RECEIVABLE (CONTINUED)**

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The percentage mix of net accounts receivable from patients and major third-party payors at September 30, 2025 was as follows:

<i>September 30,</i>	<b>2025</b>
Medicare	25%
Medicaid	12%
Other third-party payers	48%
Patients	15%
<b>Total</b>	<b>100%</b>

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2025 was as follows:

	Balance 10/1/2024	Additions	Retirements	Transfers	Balance 9/30/2025
Capital assets, not being depreciated					
Land	\$ 957,341	\$ 59,800	\$ -	\$ 30,000	\$ 1,047,141
Construction-in-progress	2,094,610	4,810,242	-	(942,863)	5,961,989
Capital assets, not being depreciated	3,051,951	4,870,042	-	(912,863)	7,009,130
Capital assets, being depreciated					
Land improvements	3,554,327	27,297	-	23,357	3,604,981
Building and improvements	70,491,642	2,291,574	-	810,225	73,593,441
Leasehold improvements	1,808,253	3,345	-	89,107	1,900,705
Equipment	3,781,947	-	-	-	3,781,947
Major moveable equipment	103,103,082	2,931,202	(181,067)	-	105,853,217
Capital assets, being depreciated	182,739,251	5,253,418	(181,067)	922,689	188,734,291
Less accumulated depreciation for					
Land improvements	3,105,859	43,832	-	-	3,149,691
Building and improvements	49,576,685	1,539,136	-	-	51,115,821
Leasehold improvements	1,370,166	120,049	-	-	1,490,215
Equipment	3,438,665	110,260	-	-	3,548,925
Major moveable equipment	94,120,749	3,738,568	(123,024)	-	97,736,293
Total accumulated depreciation	151,612,124	5,551,845	(123,024)	-	157,040,945
Total capital assets being depreciated, net	31,127,127	(298,427)	(58,043)	922,689	31,693,346

(Continued)

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 6: CAPITAL ASSETS (Continued)**

	Balance 10/1/2024	Additions	Retirements	Transfers	Balance 9/30/2025
Right-to-use lease assets, being amortized					
Building	7,309,832	1,056,869	(492,760)	-	7,873,941
Equipment	16,146,626	4,831,614	(4,823,116)	-	16,155,124
Vehicles	1,446,027	498,816	(529,343)	-	1,415,500
Right-to-use lease assets, being amortized	24,902,485	6,387,299	(5,845,219)	-	25,444,565
Less accumulated amortization for					
Buildings	2,675,372	666,943	(488,317)	-	2,853,998
Equipment	9,184,719	2,724,467	(4,688,573)	-	7,220,613
Vehicles	645,011	369,073	(391,188)	-	622,896
Total accumulated amortization	12,505,102	3,760,483	(5,568,078)	-	10,697,507
Right-to-use lease assets being amortized, net	12,397,383	2,626,816	(277,141)	-	14,747,058
Right-to-use subscription assets, being amortized					
Subscription-based information technology agreements	1,078,761	906,450	(1,024,991)	-	960,220
Right-to-use subscription assets, being amortized	1,078,761	906,450	(1,024,991)	-	960,220
Less accumulated amortization for					
Subscription-based information technology right-to-use subscription accounts	789,481	309,317	(1,026,100)	-	72,698
Right-to-use subscription assets being amortized, net	289,280	597,133	1,109	-	887,522
Total capital assets, net	\$ 46,865,741	\$ 7,795,564	\$ (334,075)	\$ 9,826	\$ 54,337,056

Depreciation and amortization expense for the year ended 2025 totaled \$9,621,645.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 7: LONG-TERM DEBT**

***Notes and Bonds Payable***

The Medical Center’s long-term debt, including long-term lease and subscription obligations, consisted of the following at September 30, 2025:

<u>September 30,</u>	<u>2025</u>
USDA Hospital Revenue Bonds, Series 2019, issued in the amount of \$18,575,000, to refund the outstanding Hospital Revenue Notes, Series 2018A and 2018B, at an annual interest rate of 3.25%, maturing in May 2039, secured by the revenue and receivables of the Medical Center.	\$ 13,923,907
Notes payable issued in the amount of \$2,000,000 to pay the costs of certain capital improvements, at an annual interest rate of 3.94%, maturing January 30, 2033, secured by a pledge of revenues. Two years of interest only payments followed by thirteen years of monthly principal and interest payments of \$12,821, with a final balloon payment in January 2033.	1,517,907
Note payable for the purchase of land and a building with annual principal and interest payments of \$29,023 at an interest rate of 4.95% maturing April 1, 2029, secured by real estate.	96,977
Financing agreements for software at interest rates ranging from 6.58% to 9.60% with agreements terms through 2025.	835,827
Note payable issued in the amount of \$806,368 with monthly principal and interest payments of \$16,708 at an interest rate of 8.921%, maturing in July 2030, secure by equipment.	784,862
Total	17,159,480
Less - current portion of notes and bonds payable	(1,918,128)
Long-term debt, net of current portion	\$ 15,241,352

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 7: LONG-TERM DEBT (Continued)**

**Notes and Bonds Payable (Continued)**

Scheduled debt service payments on long-term debt are as follows:

<i>Year Ending September 30,</i>	<b>Notes Payable</b>		<b>Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 1,092,354	\$ 126,838	\$ 825,774	\$ 440,298
2027	274,280	109,085	853,015	413,058
2028	293,423	89,942	881,154	384,918
2029	303,868	69,381	910,222	355,850
2030	272,522	48,405	940,249	325,823
2031-2035	999,126	79,775	5,187,484	1,142,876
2036-2040	-	-	4,326,009	265,849
<b>Total</b>	<b>\$ 3,235,573</b>	<b>\$ 523,426</b>	<b>\$ 13,923,907</b>	<b>\$ 3,328,672</b>

**Debt Covenants**

In connection with the USDA Hospital Revenue Bonds, Series 2019, the Medical Center has agreed to certain debt covenants. The Medical Center's debt service coverage ratio must be at least equal to 1:15 to 1, and it must maintain a minimum of 75 days' cash on hand. The Medical Center reported 24 days cash on hand for the year ended September 30, 2025, which is not in compliance with the debt covenant. The Medical Center obtained a waiver from USDA for the debt covenant violations stating that USDA would not call the debt through October 1, 2026.

**Leases and Subscription Payables**

GASB No. 87, *Leases*, was adopted for periods beginning October 1, 2021. Under the guidance, nearly all contracts allowing for the Hospital to use another entity's asset for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a lease liability. The liability is measured using the present value of expected payments over the lease term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Depreciation of the ROU asset flows through depreciation expense monthly using a straight-line basis over the life of the lease.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 7: LONG-TERM DEBT (Continued)**

***Leases and Subscription Payables (Continued)***

GASB No. 96, *Subscription-Based Information Technology Arrangements*, was adopted for periods beginning October 1, 2022. Under this new guidance, nearly all contracts allowing for the Hospital to use another entity's information technology software alone or in combination with tangible capital assets (the underlying IT assets) for a period greater than 12 months must be recorded as both a right-of-use (ROU) asset and a subscription liability. The liability is measured using the present value of expected payments over the subscription term, discounted for the interest rate (whether explicit or implicit). Scheduled payments thereafter are allocated between the discount amortization to interest expense and the principal payment in the reduction of the outstanding liability. Amortization of the ROU asset flows through amortization expense monthly using a straight-line basis over the life of the subscription.

The Medical Center's lease and subscription agreement liabilities consisted of the following at September 30, 2025:

<i>September 30,</i>	<b>2025</b>
Leases payable for buildings, equipment, and vehicles at interest rates ranging from .186% to 11.52% with lease terms through 2046.	\$ 15,256,531
Subscription payable for information technology agreements at an interest rate of 3.94% with agreement terms through 2028.	710,625
<b>Total</b>	<b>15,967,156</b>
Less - current portion of leases and subscription agreements payable	(3,995,777)
<b>Leases and subscription agreements payable, net of current portion</b>	<b>\$ 11,971,379</b>

Minimum future subscription payments under lease liability as of September 30, 2025, are as follows:

<i>Year Ending September 30,</i>	<b>Leases Payable</b>		<b>Subscription payable</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2026	\$ 3,828,461	\$ 519,016	\$ 167,316	\$ 28,509
2027	3,341,924	371,353	174,028	21,797
2028	2,729,925	241,014	181,010	14,815
2029	1,588,812	163,614	188,271	7,553
2030	602,279	131,085	-	-
2031-2035	816,970	544,832	-	-
2036-2040	942,944	374,913	-	-
2041-2045	1,148,305	169,552	-	-
2046-2049	256,911	5,527	-	-
<b>Total</b>	<b>\$ 15,256,531</b>	<b>\$ 2,520,906</b>	<b>\$ 710,625</b>	<b>\$ 72,674</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 7: LONG-TERM DEBT (Continued)**

***Estimated third-party settlements payable***

During the year ending September 30, 2023, the Foundation entered into a three year agreement with the Center for Medicaid Service (CMS) to repay identified insurance reimbursement overpayments. The payment plan requires monthly payments in the amount of \$40,291. The agreement has an implied interest rate of 10.13%. The agreement matured in December 2025 and is unsecured.

Scheduled principal and interest payments for the estimated third-party settlements payable are as follows:

<i>Year Ending September 30,</i>	<b>Estimated third-party settlements</b>	
2026	<b>Principal</b>	<b>Interest</b>
	\$ 118,861	\$ 2,012

***Changes in Long-Term Liabilities***

Changes in long-term liabilities for the year ended September 30, 2025 are as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>	<b>Amounts Due Within One Year</b>
Bonds payable	\$ 14,723,309	\$ -	\$ (799,402)	\$ 13,923,907	\$ 825,774
Notes payable	3,483,714	806,368	(1,054,509)	3,235,573	1,092,354
Leases payable	12,935,040	6,495,537	(4,174,046)	15,256,531	3,828,461
Subscription agreements payable	233,979	906,450	(429,804)	710,625	167,316
Estimated third-party settlements payable	565,447	-	(446,586)	118,861	118,861
Estimated claims payable	3,621,865	8,469,631	(8,477,459)	3,614,037	804,108
<b>Total long-term debt</b>	<b>\$ 35,563,354</b>	<b>\$ 16,677,986</b>	<b>\$ (15,381,806)</b>	<b>\$ 36,859,534</b>	<b>\$ 6,836,874</b>

**Southwest Mississippi Regional Medical Center  
Notes to the Financial Statements**

**NOTE 8: NET INVESTMENT IN CAPITAL ASSETS**

The portion of net position classified as net investment in capital assets is as follows at September 30, 2025:

<i>September 30,</i>	<b>2025</b>
Capital assets	\$ 222,148,206
Less accumulated depreciation	(167,811,150)
Plus restricted cash and cash equivalents available for capital assets	1,682,027
Less debt outstanding related to capital assets	
Leases payable	(15,256,531)
Subscription payable	(710,625)
Notes payable	(3,235,573)
Bond payable	(13,923,907)
Net investment in capital assets	\$ 22,892,447

**NOTE 9: DEFERRED INFLOWS OF RESOURCES**

In June 2017, the GASB issued Statement No. 87, *Leases*. Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about leasing activities. Deferred inflows of resources primarily consist of lease payments due from lessees for future periods.

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. On September 30, 2025, deferred inflows of resources of \$449,871 was reported on the accompanying statement of net position.

**NOTE 10: PATIENT SERVICE REVENUES**

The Medical Center has agreements with governmental and other third-party payors that provide for payments to the Medical Center for services rendered at amounts different from its established rates. Patient revenue is reported net of contractual adjustments arising from these third-party arrangements as well as net of provisions for uncollectible accounts. A summary of the payment arrangements with major third-party payors follows below.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 10: PATIENT SERVICE REVENUES (Continued)

#### *Medicare*

Substantially all inpatient acute care and outpatient services rendered to program beneficiaries are paid at prospectively determined rates. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Additionally, the Hospital is reimbursed for both its direct and indirect medical education costs (as defined), based principally on per-resident prospective payment amounts and certain adjustments to prospective rate-per-discharge operating reimbursement payments. The Medical Center generally is reimbursed for retroactively determined items at a tentative rate, with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare Administrative Contractor. The Medical Center's Medicare cost reports have been audited and settled for all years through fiscal year 2022.

#### *Medicaid*

Inpatient services rendered to most Medicaid program beneficiaries are reimbursed based upon prospective reimbursement methodologies. Most outpatient services are reimbursed using a retrospective cost-based methodology. The Medical Center also contracts with certain managed care organizations to receive reimbursement for providing services to Medicaid beneficiaries. Payment arrangements with these managed care organizations consist primarily of prospectively determined rates per discharge, discounts from established charges or prospectively determined per-diem rates. Final settlement is determined after submission of the annual cost report by the Medical Center and audits by the Medicaid contractor. The Medical Center's Medicaid cost reports have been audited and settled for all years through fiscal year 2022.

The Medical Center participates in the Mississippi Intergovernmental Transfer Program as a Medicaid Disproportionate Share Hospital ("DSH"). Under the program, the Medical Center receives enhanced reimbursement through a matching mechanism. For the fiscal year ended September 30, 2025, the Medical Center reported approximately \$168,000 in enhanced reimbursements, and assessments of approximately \$26,000 through the DSH program.

The Medical Center participates in the Division of Medicaid ("DOM") Mississippi Hospital Access Payment ("MHAP") program. The MHAP program is administered by the DOM through the Mississippi CAN coordinated care organizations ("CCO"). The CCO's subcontract with hospitals throughout the state for distribution of the MHAP for the purpose of protecting patient access to hospital care. For the fiscal year ended September 30, 2025, the Medical Center reported approximately \$28.6 million in enhanced reimbursements, and assessments of approximately \$2.9 million through the MHAP program. Additionally, the Medical Center reported approximately \$1.6 million in enhanced reimbursements through the UPL program and assessments of approximately \$301,000. UPL amounts are reported as a reduction of contractual adjustments.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 10: PATIENT SERVICE REVENUES (Continued)**

***Regulatory Matters***

Laws and regulations governing Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. For the year ended September 30, 2025, the Medical Center's net patient revenues increased approximately \$104,000 due to prior year retroactive adjustments for amounts previously estimated.

***Other***

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

A summary of net patient service revenue for the year ended September 30, 2025 follows:

<i>Year ended September 30,</i>	<b>2025</b>
Gross patient service revenue	\$ 560,577,787
Less provisions for	
Bad debts	(13,053,514)
Contractual adjustments under third-party reimbursement programs	(362,151,022)
Net patient service revenue	\$ 185,373,251

A summary of the changes in the allowance for uncollectible accounts for the year ended September 30, 2025 follows:

<i>Year ended September 30,</i>	<b>2025</b>
Allowance for uncollectible accounts, beginning	\$ 31,221,718
Write-offs	(15,926,137)
Increase for current claims and changes in estimate	13,053,514
Allowance for uncollectible accounts, ending	\$ 28,349,095

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 10: PATIENT SERVICE REVENUES (Continued)**

***Other (Continued)***

Although third-party payor balances in accounts receivable are used to calculate the allowance for uncollectible accounts, the uncollectible amounts for them are adjusted through contractual adjustments and not the provision of bad debt. Changes associated with the third-party allowance are included in the increase for current claims and changes in estimate amount.

Patient service revenue by major payor class, net of contractual allowances and before the provision for bad debts, consisted of the following for the year ended September 30, 2025:

<i>Year Ended September 30, 2025</i>	<b>Amount</b>	<b>Percentage</b>
Medicare	\$ 105,307,039	53%
Medicaid	23,810,244	12%
Blue Cross Blue Shield	18,840,392	10%
Other	50,469,090	25%
<hr/>		
Patient service revenue, net of contractual allowances	\$ 198,426,765	100%

**Note 11: 340B DRUG PRICING PROGRAM**

The Medical Center participates in the 340B Drug Pricing Program (340B Program), enabling the Medical Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Medical Center earns revenue under this program by purchasing pharmaceuticals at a reduced cost to fill prescriptions to qualified patients. The Medical Center operates an internal pharmacy and has partnered with a network of participating local pharmacies that dispense the pharmaceuticals to its patients under a contractual arrangement with the Medical Center. The Medical Center recorded 340B Program revenues of \$14,527,498 for the year ended September 30, 2025, which is included in other operating revenue in the accompanying statements of revenues, expenses and changes in net position. 340B program expenses of \$2,898,905 for the years ended September 30, 2025 are included in net patient service revenue in the accompanying statements of revenues, expenses and changes in net position.

This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 12: LESSOR AGREEMENTS

The Medical Center, as a lessor, has entered into two long-term lease agreements (in excess of one-year, including options to extend which are reasonably certain of being exercised), for buildings. The long-term lease agreements have interest rates of 3.94% and mature at various dates through 2029. The Medical Center recognized lease revenue in the amount of \$103,586 for the fiscal year ending September 30, 2025, and interest revenue in the amount of \$17,445. The Medical Center reported leases receivable in the amount of \$467,601 for the fiscal year ended September 30, 2025.

The Medical Center reported an additional \$13,842 in short-term lease revenue for the fiscal year ending September 30, 2025.

Future payments due to the Medical Center are as follows:

<i>Year Ending September 30,</i>	Leases Receivable	
	Principal	Interest
2026	\$ 117,750	\$ 15,882
2027	117,325	11,309
2028	111,962	6,688
2029	95,975	2,724
2030	24,589	84
Total	\$ 467,601	\$ 36,687

### NOTE 13: INSURANCE PROGRAMS

#### *Risk Management*

The Medical Center is exposed to various risks of loss from torts, theft of, damage to and destruction of assets, business interruption, errors and omissions, employee injuries and illnesses, natural disasters, and employee health and accident benefits. Commercial insurance coverage is purchased for most of these risks. However, certain general and professional liability risks and employee health benefits are self-funded, as further explained below. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

#### *Self-Funded Professional Liability and General Liability*

The Medical Center established a self-insurance program for professional and general liability exposure, effective February 1, 2003, in accordance with the provisions set forth in the Mississippi Tort Claims Act ("MTCA"). MTCA provides a cap on the amount of damages recoverable against government entities, including governmental hospitals. The amount recoverable is the greater of \$500,000 or the amount of liability insurance coverage that has been retained.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 13: INSURANCE PROGRAMS (Continued)

#### *Self-Funded Professional Liability and General Liability (Continued)*

Effective December 20, 2006, the Medical Center purchased an annual aggregate stop-loss insurance policy. The aggregate stop-loss coverage will "cap" the self-insured plan's exposure for the plan/policy year. Payments under the aggregate stop-loss are in accordance with the Tort Act provisions and are limited to \$500,000 per claim (indemnity plus expense) within an annual aggregate self-insured retention of \$1.5 million for all claims. The stop-loss coverage has limits of \$500,000 per claim with a \$5 million policy aggregate. The policy has a retroactive date of December 20, 2006, and a maintenance deductible of \$10,000.

Effective March 22, 2011, the Medical Center purchased an insurance policy for its general liability exposures only. The policy's per occurrence limit of the coverage is \$500,000 with a \$10,000 deductible per occurrence. This policy has a retroactive date of December 20, 2006.

Consistent with these insurance program changes (and in accordance with the process described below), the Medical Center recorded an accrual for self-insured losses totaling \$2,809,929 at September 30, 2025. The future assertion of claims for occurrences prior to year-end is reasonably possible and may occur; however, management does not anticipate any material impact on the financial statements.

Incurred losses identified through the Medical Center incident reporting system and incurred but not reported losses are accrued based on estimates that incorporate the Medical Center's current inventory of reported claims and historical experiences, as well as considerations such as the nature of each claim or incident, relevant trend factors and advice from consulting actuaries. The Medical Center has established a self-insurance trust fund for payment of liability claims. The balance of the account at September 30, 2025 was \$3,058,794, and is reported in the statement of net position as a restricted investment.

Changes in the Medical Center's insurance claims liability amount, including related legal fees, for the year 2025 were as follows:

<i>Years ended September 30,</i>	<b>2025</b>	<b>2024</b>
Claims liability, beginning of year	\$ 2,926,526	\$ 2,073,972
Current year claims and changes in estimates	<b>183,403</b>	957,554
Claims payments	<b>(300,000)</b>	(105,000)
Claims liability, end of year	<b>\$ 2,809,929</b>	\$ 2,926,526

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 13: INSURANCE PROGRAMS (Continued)**

***Self-Funded Health Insurance Claim Liability***

The Medical Center provides health insurance coverage to its employees under a self-funded plan. Health claims are paid by the Medical Center as they are incurred and filed by the employee. The estimated liability for claims incurred but not reported or paid is included as a current liability on the financial statements. Commercial insurance is purchased for claims in excess of coverage provided by the Medical Center to limit the Medical Center's liability for losses under its self-insurance program. The reinsurance coverage limits the claim losses to \$170,000 per covered person, with an aggregate specific deductible of \$100,000. Settled claims have not exceeded this commercial insurance in the past year.

<i>Years ended September 30,</i>	<b>2025</b>	<b>2024</b>
Claims liability, beginning of year	\$ 695,339	\$ 685,650
Current year claims and changes in estimates	<b>8,286,228</b>	7,663,409
Claims payments	<b>(8,177,459)</b>	(7,653,720)
Claims liability, end of year	<b>\$ 804,108</b>	\$ 695,339

**NOTE 14: RETIREMENT PLANS**

***Defined Contribution Plan – Medical Center***

The Medical Center contributes to the Southwest Mississippi Regional Medical Center Retirement Matching Plan (the "Plan") for the benefit of its employees. Effective November 1, 2017, the Medical Center adopted a Section 457(b) deferred compensation plan. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees with one year of service, and who are at least 21 years old, are eligible to participate. Plan provisions and Medical Center contributions are amended by the Board of Trustees. The Medical Center's contribution to the Plan for the year ended September 30, 2025 was \$834,888.

Employees must contribute to the Plan in order to receive any matching contributions from the Medical Center. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. The Medical Center is required to contribute 50% of a participant's elective deferral contributions up to 4% of a participant's compensation.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in Medical Center contributions and earnings on Medical Center contributions after the completion of five years of creditable service. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to reduce future Medical Center contributions. For the year ended September 30, 2025, there were no forfeitures that reduced the Medical Center's contribution expense.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 14: RETIREMENT PLANS (Continued)

#### *Defined Contribution Plan – Medical Center (Continued)*

All required contributions were made to the Plan during the year and the Medical Center had no liability to the Plan at September 30, 2025.

#### *Defined Contribution Plan – St. Luke Home Health*

St. Luke Home Health Services, LLC (SLHH) contributes to the St. Luke Home Health Retirement Savings Plan (the “Plan”), a single-employer 403(b) defined contribution plan, for the benefit of its employees. The Plan is administered by OneAmerica Retirement Services LLC. The Plan provides retirement and disability benefits to Plan members and death benefits to beneficiaries of Plan members. Under provisions of the Plan, all employees are eligible to make salary deferral contribution elections as of their employment commencement date. Employees are eligible for employer contributions upon attainment of age 21 and completion of one year of service. Plan provisions and SLHH contributions are amended by the Board of Directors. SLHH’s contributions to the Plan for the year ended September 30, 2025 was \$100,828.

Employees must contribute to the Plan in order to receive any matching contributions from SLHH. Employees are permitted to make contributions up to applicable Internal Revenue Code limits. SLHH is required to contribute 50% of a participant’s elective deferral contributions up to 6% of a participant’s compensation.

Employees are immediately vested in their own contributions and earnings on those contributions. Employees become 100% vested in employer contributions and earnings on those contributions after the completion of three years of creditable service. Non-vested contributions are forfeited upon termination of employment and such forfeitures are used to reduce future employer contributions.

All required contributions were made to the Plan during the year and SLHH had no liability to the Plan at September 30, 2025.

### NOTE 15: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

#### *Allowance for Net Patient Service Revenue Adjustments*

Estimates of allowances for adjustments included in net patient service revenue are described in Note 11.

## Southwest Mississippi Regional Medical Center Notes to the Financial Statements

### NOTE 15: SIGNIFICANT ESTIMATES AND CONCENTRATIONS (Continued)

#### *Litigation*

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### Note 16: COMMITMENTS AND CONTINGENCIES

The Medical Center is involved in various claims and lawsuits arising out of the conduct of its business. The ultimate outcome of these matters is uncertain at this time, and historically, Medical Center claims have never exceeded available insurance coverage; however, under the current climate in the State of Mississippi, any claim where liability is found has the potential to result in a significant adverse verdict. As facts and circumstances exist today, management does not believe that the ultimate liabilities, if any, resulting from the claims will have a material adverse effect on the Medical Center's statement of net position, statement of revenue, expenses and changes in net position or statement of cash flows.

The Medical Center is exposed to various risks of loss related to contractual obligations and torts. Examples are: theft of, damage to, and destruction of assets, business interruption, errors and omissions, employee injuries and illness, injuries to visitors, natural disasters, medical malpractice and employee health, dental and accident benefits. The Medical Center is self-insured for employee health coverage, up to a certain limit per individual claim. The Hospital is self-insured for workers compensation coverage, up to a certain limit per individual claim. The Medical Center has additional coverage with third parties providing coverage in excess of those limits with deductibles and coverage limits based upon experience and market conditions. Commercial insurance coverage is purchased for other significant exposures, including professional and general liability in excess of a self-insured program are described in Note 14. Claims settled through September 30, 2025, have not exceeded this commercial coverage in any of the five preceding years.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 17: BLENDED COMPONENT UNIT**

***The St. Luke Foundation, Inc.***

Condensed component unit information for The St. Luke Foundation, Inc., the Medical Center's blended component unit, for the year ended September 30, 2025, is reported as follows:

**Condensed Statement of Net Position**

<b>Assets</b>	
Current assets	\$ 2,948,944
Due from Medical Center	21,976,269
Capital assets, net	9,711,443
Other assets	219,480
<b>Total assets</b>	<b>34,856,136</b>
<b>Liabilities</b>	
Current liabilities	1,663,738
Noncurrent liabilities	748,120
<b>Total liabilities</b>	<b>2,411,858</b>
Deferred inflow of resources	382,510
<b>Net position</b>	
Net investment in capital assets	8,518,523
Unrestricted	23,543,245
<b>Total net position</b>	<b>\$ 32,061,768</b>

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Operating revenues	\$ 13,745,937
<b>Operating expenses</b>	
Operations	13,567,533
Depreciation and amortization	954,931
<b>Total operating expenses</b>	<b>14,522,464</b>
Operating income	(776,527)
Nonoperating revenues (expenses)	779,453
Change in net position	2,926
Net position, beginning of year	32,058,842
<b>Net position, end of year</b>	<b>\$ 32,061,768</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Financial Statements**

**NOTE 17: BLENDED COMPONENT UNIT**

**Condensed Statement of Cash Flows**

<hr/>	
Net cash provided by (used in)	
Operating activities	\$ 256,735
Noncapital financing activities	1,788,134
Capital and related financing activities	(2,035,914)
Investing activities	55,128
<hr/>	
Net decrease in cash and cash equivalents	64,083
Cash and cash equivalents, beginning of year	1,668,316
<hr/>	
Cash and cash equivalents, end of year	\$ 1,732,399
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## Southwest Mississippi Regional Medical Center Schedule of Gross Patient Service Revenue

<i>Year Ended September 30, 2025</i>	Inpatient	Outpatient	Total
<b>Nursing services</b>			
Medical and surgical	\$ 7,855,671	\$ 3,058,616	\$ 10,914,287
Newborn nursery	567,714	1,346	569,060
Intensive care	8,759,803	343,928	9,103,731
<b>Total nursing services</b>	<b>17,183,188</b>	<b>3,403,890</b>	<b>20,587,078</b>
<b>Other professional services</b>			
Ambulatory surgery center	954,177	22,947,753	23,901,930
Anesthesiology	896,040	1,497,052	2,393,092
Cardiac cath lab	9,589,127	13,956,319	23,545,446
Cardiac surgery	11,006	-	11,006
Cardiology	3,033,082	10,456,904	13,489,986
Dialysis	496,539	78,074	574,613
Electrocardiology	175	400	575
EEG-Neurology	14,066	11,978	26,044
Emergency services	7,754,671	42,965,815	50,720,486
GI Endosuite	742,361	11,077,335	11,819,696
Health watch	-	34,220	34,220
Home health and hospice	-	14,882,583	14,882,583
Hyperbarics	6,974	(5,665)	1,309
Intensive outpatient program	-	1,274,248	1,274,248
Labor, delivery, recovery and postpartum	3,416,619	553,390	3,970,009
Laboratory	13,157,088	38,306,266	51,463,354
MS Cancer Institute - medical oncology	676,642	128,939,441	129,616,083
MS Cancer Institute - radiation therapy	51,969	8,466,320	8,518,289
Occupational therapy	810	-	810
Other departments	455,790	(48,351)	407,439
Operating and recovery services	5,190,407	12,369,483	17,559,890
Outpatient rehabilitation	1,122,187	2,130,655	3,252,842
Outpatient services	-	115,037	115,037
Pharmacy	17,180,911	50,052,167	67,233,078
Physical therapy	-	111	111
Physician clinics	-	26,741,370	26,741,370
Pulmonary rehabilitation	885	710,604	711,489
Radiology	8,331,634	54,731,610	63,063,244
Respiratory therapy	18,107,779	3,592,434	21,700,213
Rural health clinics	335	7,049,283	7,049,618
Senior life	-	49,140	49,140
Sleep lab	-	1,925,649	1,925,649
<b>Total other professional services</b>	<b>91,191,274</b>	<b>454,861,625</b>	<b>546,052,899</b>
<b>Total including charity</b>	<b>\$ 108,374,462</b>	<b>\$ 458,265,515</b>	<b>566,639,977</b>
Less charity			6,062,189
<b>Total</b>			<b>\$ 560,577,788</b>

## Southwest Mississippi Regional Medical Center Schedule of Operating Expenses

<i>Year Ended September 30, 2025</i>	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
<b>Nursing services</b>								
Medical and surgical	\$ 7,486,749	\$ -	\$ 871,620	\$ 104,476	\$ 504,119	\$ 182,682	\$ 196,991	\$ 9,346,637
Newborn nursery	-	-	-	-	31,871	15,282	133	47,286
Intensive care	4,168,446	-	337,867	104,476	686,102	160,975	53,865	5,511,731
Swing bed unit	14,182	-	1,045	-	2,772	-	2,538	20,537
<b>Total nursing services</b>	<b>11,669,377</b>	<b>-</b>	<b>1,210,532</b>	<b>208,952</b>	<b>1,224,864</b>	<b>358,939</b>	<b>253,527</b>	<b>14,926,191</b>
<b>Other professional services</b>								
Ambulatory surgery center	1,088,424	-	91,480	-	3,284,151	181,138	315,652	4,960,845
Anesthesiology	-	2,456,390	-	-	114,994	62,960	2,615	2,636,959
Cardiac cath lab	980,193	82,016	84,867	-	3,177,944	302,063	53,354	4,680,437
Cardiac surgery	1,306	-	97	-	1,332	31,717	25,567	60,019
Cardiology	638,364	-	54,225	-	193,594	128,166	6,768	1,021,117
Central supply	168,429	-	15,072	-	86,423	77,483	1,113	348,520
Dialysis	333,274	-	26,782	-	48,756	9,292	185,218	603,322
Disaster tracking	-	-	-	-	340	-	-	340
EEG-Neurology	5,599	-	621	-	579	1,234	931	8,964
Emergency services	8,935,277	341,463	389,578	-	788,842	118,523	134,711	10,708,394
GI Endosuite	1,255,275	-	110,270	-	499,089	152,957	19,904	2,037,495
Home health and hospice	7,247,238	184,335	1,115,963	119,757	629,425	414,729	2,564,835	12,276,282
Hyperbarics	-	-	-	-	1,105	(4)	-	1,101
Inpatient services	-	-	-	-	-	4,876	-	4,876
Intensive outpatient program	190,265	48,000	15,090	-	8,449	2,029	174,233	438,066
Labor, delivery, and recovery	1,956,012	-	164,901	-	266,225	103,943	37,518	2,528,599
Laboratory	3,091,937	20,025	257,334	-	3,605,690	151,329	2,065,470	9,191,785
Med/Card 3rd Floor	-	-	-	-	132	-	-	132
MS Cancer Institute - medical oncology	2,816,657	-	144,376	-	17,364,272	43,555	42,651	20,411,511
MS Cancer Institute - radiation therapy	518,457	148,042	41,695	-	32,951	290,384	10,402	1,041,931
MS Cardiovascular Inst.	-	-	-	-	158	-	5,419	5,577
Non-emergency transport	59,983	-	4,078	-	589	4,554	844	70,048
Occupational therapy	(2,171)	-	379	-	104	-	-	(1,688)
Operating and recovery services	1,569,886	-	117,721	-	2,002,857	333,518	154,332	4,178,314
Outpatient infusion therapy	192,828	-	17,055	-	16,746	5,456	29,084	261,169
Outpatient rehabilitation	1,135,469	-	100,420	-	29,032	8,526	4,007	1,277,454
Outpatient services	134,519	-	9,990	-	10,725	1,643	-	156,877
Pharmacy	1,616,272	358,159	140,142	-	12,346,077	49,750	332,866	14,843,266
Physical therapy	36,975	-	2,262	-	826	3,098	1,724	44,885
Physicians' clinics	15,219,572	1,239,696	833,957	506,283	426,086	97,575	210,451	18,533,620
Pulmonary rehabilitation	135,244	-	11,747	-	1,744	3,978	3,181	155,894
Radiology	2,878,803	120,000	249,945	500	1,838,549	847,474	981,813	6,917,084
Residency program	791,137	-	53,027	12,838	79,320	9,623	121,644	1,067,589
Respiratory therapy	1,528,792	-	131,133	-	165,321	51,074	117,422	1,993,742
Rural health clinics	3,305,018	1,500	258,339	521,366	186,051	24,694	136,310	4,433,278
Sleep lab	284,955	-	21,756	-	21,985	16,175	10,183	355,054
Sports Training	-	-	673	-	-	-	-	673
Women's Center Support	-	-	-	-	-	-	10,799	10,799
<b>Total other professional services</b>	<b>58,113,989</b>	<b>4,999,626</b>	<b>4,464,975</b>	<b>1,160,744</b>	<b>47,230,463</b>	<b>3,533,512</b>	<b>7,761,021</b>	<b>127,264,330</b>

**Southwest Mississippi Regional Medical Center**  
**Schedule of Operating Expenses (Continued)**

<i>Year Ended September 30, 2025</i>	Salaries and Wages	Contract Employee Salaries	Employee Benefits	Professional Fees	Supplies	Maintenance and Repairs	Other Operating Expense	Total
General services								
Housekeeping	\$ -	\$ 1,706,213	\$ -	\$ -	497,130	\$ 18,678	\$ 25,549	\$ 2,247,570
Laundry and linen	-	-	-	-	182,385	25,689	395,938	604,012
Dietary	985,830	1,250	78,071	-	1,126,673	12,366	16,426	2,220,616
Plant operation and maintenance	1,899,160	8,783	154,689	500	444,569	1,635,240	1,515,700	5,658,641
<b>Total general services</b>	<b>2,884,990</b>	<b>1,716,246</b>	<b>232,760</b>	<b>500</b>	<b>2,250,757</b>	<b>1,691,973</b>	<b>1,953,613</b>	<b>10,730,839</b>
Fiscal and administrative services								
Administrative	3,442,383	2,090	294,711	872,549	238,777	111,898	1,968,213	6,930,621
Patient registration	917,818	-	73,211	-	37,349	8,416	3,764	1,040,558
Auxiliary office	-	-	-	-	-	-	-	-
Bio-medical	-	-	-	-	1,893	22,602	8,058	32,553
Call center	(2,486)	-	(190)	-	-	-	-	(2,676)
Case management	1,068,726	-	88,297	-	8,817	168,368	4,888	1,339,096
Contract and asset management	-	-	-	-	2,836	-	0	2,836
Communications	172,506	-	13,828	-	2,820	6,079	626	195,859
Community education	261,890	-	145	-	19,485	18,869	21,247	321,636
Chaplain services	51,866	-	3,968	-	1,220	96	67	57,217
General accounting	741,620	-	63,923	57,500	20,419	81,500	609,611	1,574,573
Health information management	1,131,432	(1,661)	94,270	93,912	12,158	219,622	223,138	1,772,871
Human resources	654,468	-	8,214,248	950	83,019	59,997	527,992	9,540,674
Infection control	29,763	-	2,629	-	2,574	489	1,047	36,502
Information systems	997,634	68,625	81,362	-	61,926	2,836,545	1,937,183	5,983,275
Materials management	507,561	-	38,783	-	50,401	105,041	238,096	939,882
Medical director	-	-	-	-	-	-	-	-
MS Cancer Institute	508,294	-	41,270	-	23,189	40,176	180,638	793,567
MS Cardiovascular Institute	-	-	-	-	-	59,045	-	59,045
Pharmacy retail	-	-	-	-	-	-	2,898,905	2,898,905
Patient accounting	1,628,698	-	135,676	75,799	40,552	19,519	442,827	2,343,071
Physician clinic accounting	100,766	-	7,463	-	4,554	4,063	4,022	120,868
Public relations	357,520	-	29,337	-	15,151	2,311	371,197	775,516
Quality assurance/performance	574,561	-	44,614	5,228	9,705	32,433	78,157	744,698
Revenue cycle	410,242	171,200	35,525	36,330	7,823	320	58,791	720,231
Risk management	56,789	-	4,411	3,500	3,213	550	25,188	93,651
System Implementation	-	-	-	-	147	1,773	-	1,920
Telecommunications	-	-	-	-	179	-	474	653
<b>Total fiscal and administrative services</b>	<b>13,612,051</b>	<b>240,254</b>	<b>9,267,481</b>	<b>1,145,768</b>	<b>648,207</b>	<b>3,799,712</b>	<b>9,604,129</b>	<b>38,317,602</b>
<b>Total</b>	<b>\$ 86,280,407</b>	<b>\$ 6,956,126</b>	<b>\$ 15,175,748</b>	<b>\$ 2,515,964</b>	<b>\$ 51,354,291</b>	<b>\$ 9,384,136</b>	<b>\$ 19,572,290</b>	<b>191,238,962</b>
Depreciation and amortization								<u>9,621,645</u>
<b>Total</b>								<u><u>\$ 200,860,607</u></u>

**Southwest Mississippi Regional Medical Center  
Schedule of Other Operating Revenue**

*Year Ended September 30, 2025*

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Other operating revenue	
Cafeteria sales	\$ 513,003
Pharmacy retail	14,527,498
Other	640,416

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Total other operating revenue	\$ 15,680,917
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## Southwest Mississippi Regional Medical Center Schedule of Surety Bonds for Officials and Employees

Name	Position	Company	Amount of Bond
Andrew Alford	Trustee	Western Surety	\$ 100,000
Hilton Harrell	Trustee	Western Surety	100,000
Clifton McGowan	Trustee	Western Surety	100,000
Dirkland Smith	Trustee	Western Surety	100,000
Yvonne Lewis	Trustee	Western Surety	100,000
Watkins Wild	Trustee	Western Surety	100,000
Debra Moore	Trustee	Western Surety	100,000
Charla Rowley	CEO, Administrator	Western Surety	100,000
Mallory Ginn	CFO, Administrator	Western Surety	100,000
Robert Weathersby	Assistant Administrator	Western Surety	100,000
Dr. Kevin Richardson	Medical Director	Western Surety	100,000
Phillip Langston	Assistant Administrator, Lawrence County Hospital	Western Surety	100,000
Donna Gardner	Executive Director, St. Luke Home Health	Western Surety	100,000
All Other Employees		Western Surety	10,000

**Reports on Internal Control and  
Compliance Matters**



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

Board of Trustees  
Southwest Mississippi Regional Medical Center  
McComb, Mississippi

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 Southwest Mississippi Regional Medical Center (the "Medical Center"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated March 26, 2026.

### Report on Internal Control Over Financial Reporting

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

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance.

### **Purpose of this Report**

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

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
March 26, 2026



**CARR, RIGGS & INGRAM, L.L.C.**

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**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
Southwest Mississippi Regional Medical Center  
McComb, Mississippi

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Southwest Mississippi Regional Medical Center (the "Medical Center") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Medical Center’s major federal programs for the year ended September 30, 2025. The Medical Center’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Medical Center’s compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Medical Center's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Medical Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Medical Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Medical Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Medical Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose

*Carr, Riggs & Ingram, L.L.C.*

Metairie, Louisiana  
March 26, 2026

**Southwest Mississippi Regional Medical Center  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Direct Program				
Community Facilities Loans and Grants Cluster				
Community Facilities Loans and Grants	10.766	NA	\$ -	\$ 16,336,026
Total Community Facilities Loans and Grants Cluster				16,336,026
<b>Total U.S. Department of Agriculture</b>				- 16,336,026
<b>U.S. Department of Health and Human Services</b>				
Pass through the Mississippi Department of Health				
Rural Residency Planning and Development Program	93.155	6 P13RH45804-01-01	-	59,695
Community Project Funding/Congressionally Directed Spending - Construction	93.493	6 CE1HS46580-01-03	-	2,671,828
Community Project Funding/Congressionally Directed Spending - Construction	93.493	6 CEH1HS54286-01-02	-	1,315,128
Total Community Project Funding/Congressionally Directed Spending - Construction				3,986,956
<b>Total U.S. Department of Health and Human Services</b>				- 4,046,651
<b>U.S. Department of Homeland Security</b>				
Passed through the Mississippi Emergency Management Agency				
Hazard Mitigation	97.039	FEMA4626-DR-MS	-	310,753
<b>Total U.S. Department of Homeland Security</b>				310,753
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 20,693,430</b>

**Southwest Mississippi Regional Medical Center**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2025**

**Note 1: GENERAL**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Southwest Mississippi Regional Medical Center (the "Medical Center") under programs of the federal government for the year ended September 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the net position, changes in net position, or cash flows of the Medical Center.

**Note 2: BASIS OF ACCOUNTING**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: INDIRECT COST RATE**

The Uniform Guidance allows an organization to elect a de minimis indirect cost rate. For the year ended September 30, 2025, the Medical Center did not elect to use this rate.

**Note 4: LOAN / LOAN GUARANTEE OUTSTANDING BALANCES**

The balance of loans outstanding at September 30, 2025 for the Community Facilities Loans and Grants Cluster (Federal Assistance Listing Number 10.766) was \$15,441,814. The outstanding balance of loans at the beginning of the year is included in the federal expenditures presented in the Schedule.

**Note 5: FEDERALLY FUNDED INSURANCE**

The Medical Center has no federally funded insurance.

**Note 6: NONCASH ASSISTANCE**

The Medical Center received no noncash assistance.

**Southwest Mississippi Regional Medical Center**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2025**

**Note 7: FEDERAL ASSISTANCE RECONCILIATION**

Federal grants, as presented on the SEFA, are included in the following financial statement line items on the statement of revenue, expenses, and changes in net position:

***Federal Grant Revenue***

Grants and contributions	\$ 4,814,656
Less: Timing of grant recognition (immaterial)	(457,252)
<hr/>	
Total federal grants	\$ 4,357,404
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Rural Residency Planning and Development Program	\$ 59,695
Community Project Funding/Congressionally Directed	
Spending - Construction	3,986,956
Hazard Mitigation	310,753
<hr/>	
Total expenditures of federal awards	\$ 4,357,404
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**Southwest Mississippi Regional Medical Center  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2025**

**SECTION I: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditor's report issued:                      | Unmodified |
| 2. Internal control over financial reporting:            |            |
| a. Material weakness(es) identified?                     | No         |
| b. Significant deficiency(es) identified?                | None noted |
| c. Noncompliance material to financial statements noted? | No         |

**Federal Awards**

- |  |            |
|--|------------|
| 1. Type of auditor's report issued on compliance for major federal programs:                       | Unmodified |
| 2. Internal control over major federal programs:   |            |
| a. Material weakness(es) identified?   | No         |
| b. Significant deficiency(es) identified?  | None noted |
| 3. Any audit findings disclosed that are required to be report in accordance with 2 CF 200.516(a)? | No         |
| 4. Identification of major programs:   |            |

<b>Federal Assistance</b>	
<b>Listing Number</b>	<b>Federal Program</b>
10.766	Community Facilities Loans and Grants Cluster
	Community Facilities Loans and Grants
93.493	Community Project Funding/Congressionally Directed Spending - Construction

- |  |             |
|--|-------------|
| 5. Dollar threshold used to distinguish between type A and B programs: | \$1,000,000 |
| 6. Auditee qualified as a low-risk auditee for federal purposes?       | No          |

**Southwest Mississippi Regional Medical Center  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2025**

**SECTION II: FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.

**SECTION IV: SUMMARY OF PRIOR YEAR AUDIT FINDINGS**

None noted.