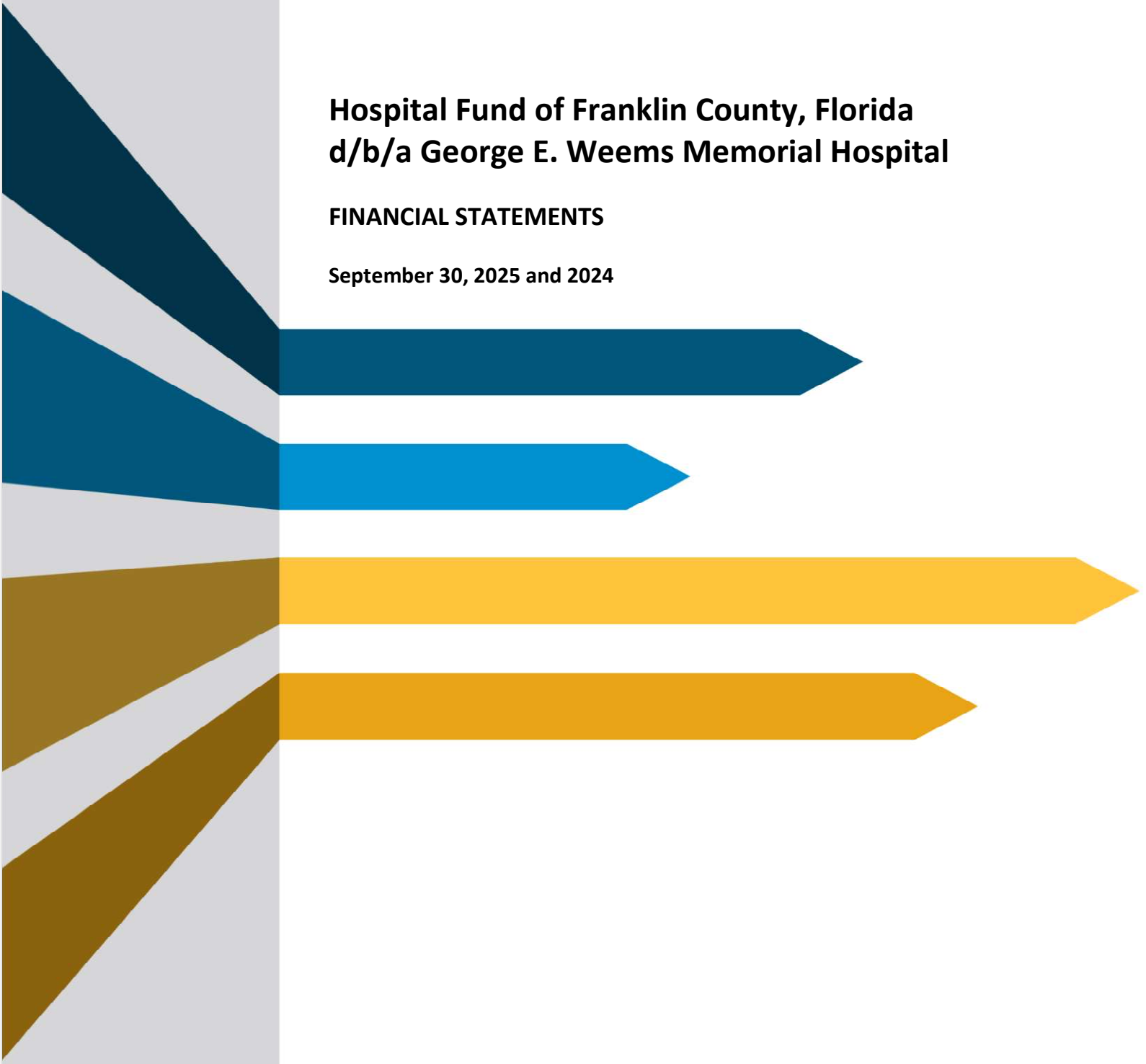
Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital

FINANCIAL STATEMENTS

September 30, 2025 and 2024



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital"), an enterprise fund of Franklin County, Florida, as of and for the years ended September 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Hospital'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 Hospital, as of September 30, 2025 and 2024, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Hospital, 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 Hospital'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 opinions. 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 Hospital'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 Hospital'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 4 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated February 19, 2026, on our consideration of the Hospital'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 Hospital'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 Hospital's internal control over financial reporting and compliance.

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

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

Enterprise, Alabama
February 19, 2026

Introduction

This management's discussion and analysis of the financial performance of Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the Hospital) provides an overview of the Hospital's financial activities for the years ended September 30, 2025, and 2024. It should be read in conjunction with the accompanying financial statements of the Hospital.

Using This Annual Report

The Hospital's financial statements consist of three types of statements—statements of net position; statements of revenues, expenses and changes in net position; and statements of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

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

These two types of statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, liabilities and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating.

Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statements of Cash Flows

The Statements of Cash Flows report cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities and provide answers to such questions as where cash came from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Statements of Net Position

As shown in Table 1, the Hospital's assets increased approximately $199,000 and $362,000 in 2025 and 2024, respectively. Net patient accounts receivable decreased by approximately $149,000 as of September 30, 2025. This decrease is primarily attributable to continued improvements in revenue cycle management, including more timely billing and collections, enhanced monitoring of accounts receivable aging, and increased consistency in the estimation and recording of contractual allowances. These efforts reflect management's ongoing focus on improving cash flow and strengthening the quality of reported net patient receivables.

Other current assets increased by approximately $660,000, primarily due to the timing of supplemental Medicaid funding. As of year-end, the Hospital had not yet received its State Fiscal Year 2025 Disproportionate Share Hospital (DSH) payment from the State of Florida. This delay is consistent throughout Florida hospitals and resulted in an increase in receivables classified within other current assets. Management continues to monitor the timing of these payments and does not anticipate collectability issues.

Net capital assets decreased by approximately $313,000 during the year ended September 30, 2025. While the Hospital made targeted investments in capital assets, including an increase of approximately $447,000 in equipment and $20,000 related to building improvements, these additions were more than offset by depreciation and amortization expense recognized during the year. Accumulated depreciation increased from approximately $4.1 million to $4.8 million, reflecting the aging of the Hospital's asset base and the ongoing depreciation of existing facilities and equipment.

Construction In Progress decreased by approximately $45,000, primarily due to the completion and capitalization of a new phone system (Lemieux Technologies). In addition, accumulated amortization related to right-of-use lease assets under GASB Statements No. 87 and No. 96 decreased by approximately $72,000, reflecting changes in lease activity and the ongoing recognition of amortization expense associated with these arrangements. Overall, the decrease in net capital assets is primarily attributable to depreciation and amortization exceeding current-year capital additions.

The Hospital's total liabilities increased approximately $517,000 and $1,021,000 in 2025 and 2024, respectively. This increase was primarily driven by higher trade payables and an increase in deferred revenue related to grant funding received during the year.

Trade payables increased by approximately $241,000, reflecting the timing of vendor payments associated with ongoing capital and operational activity. Management continues to monitor vendor balances closely to ensure obligations are met in accordance with contractual terms and cash flow availability.

Deferred revenue increased by approximately $380,000, primarily related to grant funding received for capital construction projects that were ongoing as of year-end. During 2025, the Hospital received grant proceeds to support the acquisition of a new CT scanner and the renovation of a designated wing of the Hospital to house this equipment, along with other various projects. As the

related construction and installation activities were not yet complete at year-end, the funds were appropriately recorded as deferred revenue in accordance with applicable accounting guidance. Revenue will be recognized as project work is achieved and the associated eligibility requirements are satisfied for revenue recognition.

Overall, the increase in total liabilities reflects the timing of expenditures and the receipt of restricted funds for strategic capital investments, rather than an increase in long-term debt or operating-related financial risk.

Table 1: Assets, Liabilities and Net Position

September 30,	**2025**	*Variance*	2024	*Variance*	2023
Assets					
Patient accounts receivable, net	**$ 1,039,796**	*$ (149,225)*	$ 1,189,021	*$ 145,335*	$ 1,043,686
Other current assets	**4,633,240**	*660,686*	3,972,554	*970,700*	3,001,854
Capital assets, net	**3,877,523**	*(312,760)*	4,190,283	*(754,091)*	4,944,374
Total assets	**$ 9,550,559**	*$ 198,701*	$ 9,351,858	*$ 361,944*	$ 8,989,914
Liabilities					
Current liabilities	**$ 3,141,960**	*$ 501,852*	$ 2,640,108	*$ 1,119,336*	$ 1,520,772
Long-term liabilities	**1,090,432**	*15,463*	1,074,969	*(98,587)*	1,173,556
Total liabilities	**4,232,392**	*517,315*	3,715,077	*1,020,749*	2,694,328
Net Position					
Net investment in capital assets	**3,764,980**	*(235,922)*	4,000,902	*(638,275)*	4,639,177
Unrestricted	**1,553,187**	*(82,692)*	1,635,879	*(20,530)*	1,656,409
Total net position	**5,318,167**	*(318,614)*	5,636,781	*(658,805)*	6,295,586
Total liabilities and net position	**$ 9,550,559**	*$ 198,701*	$ 9,351,858	*$ 361,944*	$ 8,989,914

Operating Results and Changes in the Hospital's Net Position

As shown in *Table 2*, in 2025 the Hospital's net position decreased by approximately $319,000, and approximately $659,000 in 2024, an increase to the decrease of approximately $118,000 in 2023. In 2025, the total operating revenues decreased approximately $692,000 compared to an increase of $2,187,000 in 2024 over 2023. The total operating expenses increased approximately $845,000 and $1,594,000 in 2025 and 2024, respectively.

This decrease in 2025 net position was primarily driven by a combination of lower operating revenues and higher operating expenses compared to the prior year.

The decrease in 2025 total operating revenues was attributable to both lower patient service volumes and reduced supplemental funding. Outpatient visits declined by approximately 6%, emergency department visits decreased by approximately 6.5%, and laboratory volumes declined by approximately 15%, compared to the prior year.

In addition, DSH income decreased by approximately $541,000, primarily due to a reduction in the Hospital's calculated DSH payment limits. This reduction reflects changes in program calculations rather than collectability or compliance issues.

Total operating expenses increased by approximately $845,000 during 2025. Salaries and wages increased by approximately $717,000, primarily due to an annual wage adjustment implemented to support employee retention and increased overtime costs within emergency medical services (EMS). Other operating expenses increased by approximately $356,000, largely attributable to purchased services and professional fees. These increases were partially offset by a decrease in supplies expense of approximately $159,000 and a decrease in depreciation expense of approximately $69,000.

The combined effect of declining volumes, reduced DSH funding, and higher operating expenses resulted in negative operating leverage during the year. In response, Hospital management, in collaboration with Alliant Management Services, is intensifying its focus on expense control, workforce management, and productivity monitoring. Specific emphasis is being placed on aligning staffing levels with patient volumes, managing overtime utilization, reviewing contracted services, and strengthening financial accountability across departments.

At the same time, management is prioritizing initiatives aimed at stabilizing and improving utilization across key service lines, including outpatient services, emergency services, and swing bed operations. These efforts include enhanced operational oversight, improved scheduling and throughput processes, and closer monitoring of performance metrics to support timely corrective actions.

While 2025 operating results were negatively impacted by external reimbursement pressures and internal cost dynamics, management views these results as a catalyst for reinforcing operational discipline and accountability. The Hospital's leadership and management company remain committed to implementing corrective actions designed to improve financial performance, enhance operational efficiency, and support long-term sustainability.

Table 2: Operating Results and Changes in Net Position

For the years ended September 30,	**2025**	*Variance*	2024	*Variance*	2023
Operating Revenues					
Net patient service revenue	**$ 8,799,491**	*$ (836,146)*	$ 9,635,637	*$ 2,110,918*	$ 7,524,719
Other operating revenue	**630,793**	*143,804*	486,989	*76,439*	410,550
Total operating revenues	**9,430,284**	*(692,342)*	10,122,626	*2,187,357*	7,935,269
Operating Expenses					
Salaries, wages, and benefits	**7,261,876**	*717,089*	6,544,787	*1,096,703*	5,448,084
Other operating expenses	**4,849,858**	*356,418*	4,493,440	*227,632*	4,265,808
Supplies	**1,093,946**	*(159,193)*	1,253,139	*132,251*	1,120,888
Depreciation and amortization	**784,258**	*(69,321)*	853,579	*137,403*	716,176
Total operating expenses	**13,989,938**	*844,993*	13,144,945	*1,593,989*	11,550,956
Operating income (loss)	**(4,559,654)**	*(1,537,335)*	(3,022,319)	*593,368*	(3,615,687)
Nonoperating Revenue (Expenses)					
Interest income	**41,964**	*(22,851)*	64,815	*45,571*	19,244
Noncapital grants and contributions	**815,689**	*673,188*	142,501	*(551,433)*	693,934
Other income (expense)	**73,878**	*42,262*	31,616	*(139,159)*	170,775
Interest expense	**(2,508)**	*(511)*	(1,997)	*754*	(2,751)
Total nonoperating revenues (expenses)	**929,023**	*692,088*	236,935	*(644,267)*	881,202
Transfers					
Transfers in	**3,312,017**	*672,879*	2,639,138	*22,269*	2,616,869
Transfers out	**-**	*512,559*	(512,559)	*(512,559)*	-
Total transfers	**3,312,017**	*1,185,438*	2,126,579	*(490,290)*	2,616,869
Increase (decrease) in net position	**$ (318,614)**	*$ 340,191*	$ (658,805)	*$ (541,189)*	$ (117,616)

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss— generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the Hospital has reported operating losses. This is consistent with the Hospital's recent operating history, as the Hospital was formed and is operated primarily to serve residents of Franklin County, Florida and the surrounding area.

The operating loss for fiscal year 2025 was approximately $4,560,000, down (negative) approximately $1,537,000 from an operating loss of approximately $3,022,000 in 2024. The primary components of the 2025 operating income are:

- A decrease in net patient service revenue of approximately $836,000 or 8.68%.
- An increase in other operating revenue of approximately $144,000, or 29.53%.
- An increase in operating expense of approximately $845,000, or 6.43%.

Decreased net patient service revenue was largely due to a decrease in supplemental funding, a 6.5% decrease in ER visits, a 6% decrease in Respiratory Therapy procedures, and a 15% decrease in Lab tests.

Operating expenses increased primarily because of increases in Salaries/Benefits, Purchased Services, and Professional Fees. The largest part of the increase was Salaries and related to EMS plus market adjustments to various clinical departments to make the Hospital more competitive and to support employee retention.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of interest income, non-capital grants, gifts, and other. Total nonoperating revenues and expenses declined approximately $644,000 in 2024 to approximately $237,000 and increased approximately $692,000 from approximately $237,000 in 2024 to $929,000 in 2025. Grant income increased by approximately $673,000 year over year. Of this increase, approximately $482,000 resulted from a prior-year audit adjustment related to grant revenue between the Hospital and Franklin County, which was reversed in 2025. In addition, approximately $227,000 was recognized during the year related to a USDA grant for mammography-related equipment, as the applicable eligibility requirements were satisfied.

Transfers increased to approximately $3,312,000 in 2025 from $2,127,000 in 2024, primarily due to Hospital receiving a significant contribution from Franklin County in the amount of approximately $565,000 during 2025. The contribution was used to reduce an outstanding payable to Tallahassee Memorial Hospital. This support reflects continued collaboration between the Hospital and the County to strengthen the Hospital's financial position.

Capital Contributions

There were no capital contributions in 2025 or 2024.

The Hospital's Cash Flows

As reflected in the Statements of Cash Flows, the Hospital's cash decreased in 2025 by approximately $76,000, and by approximately $1,176,000 in 2024. The Hospital's cash increased by approximately $593,000 in 2023. This modest decrease reflects the combined impact of lower operating revenues, including reduced patient volumes and supplemental funding, partially offset by increased nonoperating support, grant activity, and disciplined accounts receivable management. Cash levels were also influenced by the timing of grant receipts, deferred revenue recognition, and ongoing capital-related expenditures. Management continues to closely monitor liquidity and cash flow while prioritizing expense control, revenue cycle performance, and strategic capital investments to support the Hospital's long-term financial stability.

Capital Asset and Debt Administration

Capital Assets

The Hospital had approximately $3,878,000 and $4,190,000 of capital assets, net of accumulated depreciation, at the end of 2025 and 2024, respectively. In 2025 and 2024, the Hospital purchased new capital assets costing approximately $454,000 and $82,000, respectively.

Debt

At September 30, 2025 and 2024, respectively, the Hospital had $112,543 and $189,381 in lease obligations. At September 30, 2023, the Hospital had $305,197 in lease obligations.

Other Economic Factors

The Hospital is located within an economically distressed, geographically isolated, rural area. There is no significant manufacturing industry in the area. The major employers are governmental in nature. The largest employers in the area are the Franklin County Government, Franklin County School District, and the Hospital.

Strategic Planning for Future Growth

George E. Weems Memorial Hospital continues its partnership with Alliant Management Services to strengthen clinical, operational, and financial performance while advancing a sustainable long-term business model. Through this partnership, Alliant provides executive leadership, including the Hospital's Chief Executive Officer and Chief Financial Officer, and works collaboratively with the Board of Directors and local leadership to proactively guide strategic planning, operational discipline, and financial stewardship. This partnership is intended to position the Hospital to meet current community needs while adapting to an evolving healthcare and reimbursement environment.

Hospital administration, with the leadership and oversight of Alliant Management Services, has continued to enhance internal controls designed to safeguard assets, support reliable financial reporting, and ensure proper presentation of the financial statements in accordance with accounting principles (GAAP). Emphasis has been placed on improving the timeliness and accuracy of month-end and year-end close processes. The Hospital has retained and deployed additional accounting and financial resources to strengthen balance sheet reconciliations, bank reconciliations, inventory controls, and internal processes. Ongoing training initiatives are in place to improve staff competency in daily financial operations, regulatory reporting, and compliance requirements.

In addition, the Hospital is actively reviewing and updating key financial and operational policies and procedures to support consistency, accountability, and transparency in reporting. Alliant Management Services has implemented additional control tools, reporting mechanisms, and standardized processes while working with Hospital staff to improve separation of duties, cross-training, and workflow efficiency. These efforts are intended to promote stronger internal controls, reduce operational risk, and support more timely and informed decision-making.

Through its continued collaboration with Blue & Co., LLC, Alliant Management Services is also assisting the Hospital in evaluating 340B and clinic operations, physician enterprise performance, and related policies and procedures. These efforts are focused on aligning productivity expectations, improving operational efficiency, and maximizing both clinical and financial performance while maintaining quality of care.

Despite historical operational and financial challenges, the Hospital maintains important clinical strengths. The Rural Health Clinic (RHC) is staffed by three mid-level providers, and the emergency department is covered by residency-trained, board-certified physicians, supporting access to essential services for the community.

The Hospital continues to engage with legislative representatives and pursue external funding opportunities to support capital and infrastructure needs. Capital priorities include expansion and modernization of radiology services, including the planned relocation of certain radiology functions within the Hospital. Management remains mindful that grant availability and funding levels may be subject to change and is evaluating capital needs within the context of long-term financial sustainability and alternative funding strategies.

Hospital management participates in ongoing operational and strategic calls hosted by Alliant Management Services to remain informed of industry's best practices and emerging regulatory and reimbursement trends. The Hospital also participates in Monthly Operational Reviews with Alliant Management to evaluate financial performance, address operational challenges, monitor progress against strategic initiatives, and prepare for Board of Directors meetings. The Hospital remains an active member of the Florida Hospital Association and continues participation in the Florida Department of Health's State Rural Health Office FLEX Program, supporting continued financial, operational, and quality improvement initiatives for Florida's Critical Access Hospitals.

Given the evolving federal healthcare policy environment, management continues to monitor potential changes to governmental funding programs, including Medicaid-related supplemental funding such as the Low-Income Pool (LIP) and DSH programs. The Hospital currently receives DSH funding from the State of Florida related to services provided to Medicaid and indigent populations. While the ultimate impact of future policy changes is uncertain, management is proactively assessing financial exposure and developing contingency strategies to mitigate potential funding variability.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to Hospital Administration by calling (850) 653-8853.

Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Statements of Net Position

September 30,	**2025**	2024
Assets		
Current assets		
Cash and cash equivalents	**$ 2,826,273**	$ 2,902,456
Patient accounts receivable, net of estimated uncollectibles of $1,080,025 in 2025 and $1,269,624 in 2024	**1,039,796**	1,189,021
Due from other funds	**284,505**	483,818
Other receivables	**1,372,082**	436,346
Prepaid expenses	**56,421**	69,164
Supplies inventory	**93,959**	80,770
Total current assets	**5,673,036**	5,161,575
Capital assets		
Land	**13,400**	13,400
Construction in progress	**-**	44,519
Right-of-use lease assets, net	**31,472**	68,484
Right-of-use subscription assets, net	**100,987**	136,620
Depreciable capital assets, net	**3,731,664**	3,927,260
Total capital assets, net	**3,877,523**	4,190,283
Total assets	**$ 9,550,559**	$ 9,351,858

(Continued)

September 30,	**2025**	2024
Liabilities and Net Position		
Current liabilities		
Current maturities of long-term debt		
Lease liabilities	**$ 14,893**	$ 37,867
Subscription liabilities	**69,720**	60,720
Accounts payable	**722,215**	1,017,901
Accrued compensation	**160,893**	149,948
Due to other funds	**159,053**	510,779
Unearned revenue	**730,179**	350,206
Estimated third party settlements	**1,046,541**	295,978
Compensated absences	**238,466**	216,709
Total current liabilities	**3,141,960**	2,640,108
Long-term liabilities		
Lease liabilities, less current portion	**-**	14,894
Subscription liabilities, less current portion	**27,930**	75,900
Estimated third-party settlements, less current portion	**1,062,502**	984,175
Total long-term liabilities	**1,090,432**	1,074,969
Total liabilities	**4,232,392**	3,715,077
Net position		
Net investment in capital assets	**3,764,980**	4,000,902
Unrestricted	**1,553,187**	1,635,879
Total net position	**5,318,167**	5,636,781
Total liabilities and net position	**$ 9,550,559**	$ 9,351,858

The accompanying notes are an integral part of these financial statements.

Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Statements of Revenues, Expenses and Changes in Net Position

For the years ended September 30,	**2025**	2024
Operating Revenues		
Net patient service revenue before provision for uncollectible accounts	**$ 11,018,045**	$ 11,560,157
Provision for uncollectible accounts	**(2,218,554)**	(1,924,520)
Net patient service revenue	**8,799,491**	9,635,637
Other operating revenue	**630,793**	486,989
Total operating revenues	**9,430,284**	10,122,626
Operating Expenses		
Salaries, wages, and benefits	**7,261,876**	6,544,787
Other contract services	**3,362,573**	3,287,731
Supplies	**1,093,946**	1,253,139
Depreciation and amortization	**784,258**	853,579
Insurance	**499,274**	301,512
Repairs and maintenance	**342,625**	329,989
Utilities	**186,559**	181,596
Other current expenses	**160,250**	198,305
Licenses, permits and fees	**141,192**	60,616
Communications	**102,122**	68,963
Lease and rental	**50,340**	59,562
Other patient care related costs	**4,923**	5,166
Total operating expenses	**13,989,938**	13,144,945
Operating income (loss)	**(4,559,654)**	(3,022,319)
Nonoperating Revenues (Expenses)		
Interest income	**41,964**	64,815
Grants and contributions	**815,689**	142,501
Other income (expense)	**73,878**	31,616
Interest expense	**(2,508)**	(1,997)
Total nonoperating revenues (expenses)	**929,023**	236,935
Change in net position before transfers	**(3,630,631)**	(2,785,384)
Transfers		
Transfers In	**3,312,017**	2,639,138
Transfers out	**-**	(512,559)
Total transfers	**3,312,017**	2,126,579
Increase (decrease) in net position	**(318,614)**	(658,805)
Net position - beginning of year	**5,636,781**	6,295,586
Net position - end of year	**$ 5,318,167**	$ 5,636,781

The accompanying notes are an integral part of these financial statements.

Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Statements of Cash Flows

For the years ended September 30,	**2025**	2024
Operating Activities		
Receipts from and on behalf of patients	**$ 8,793,236**	$ 9,921,113
Payments to suppliers and others	**(6,183,977)**	(5,715,431)
Payments to and on behalf of leased employees	**(7,236,499)**	(6,522,414)
Other receipts (payments), net	**630,793**	486,989
Net cash provided by (used in) operating activities	**(3,996,447)**	(1,829,743)
Noncapital Financing Activities		
Other receipts (payments), net	**73,878**	31,616
Net change in due to other funds	**(351,726)**	(100,949)
Noncapital related transfers in	**3,511,330**	2,734,966
Net cash provided by (used in) noncapital financing activities	**3,233,482**	2,665,633
Capital and Related Financing Activities		
Purchase of capital assets	**(444,498)**	(81,755)
Capital related grants and transfers in	**1,195,662**	492,707
Principal paid on lease liabilities	**(37,868)**	(37,215)
Principal paid on subscription liabilities	**(65,970)**	(78,601)
Interest paid	**(2,508)**	(1,997)
Depreciation adjustments	**-**	(17,733)
Net cash provided by (used in) capital and related financing activities	**644,818**	275,406
Investing Activities		
Interest income	**41,964**	64,815
Net cash provided by (used in) investing activities	**41,964**	64,815
Net increase (decrease) in cash and cash equivalents	**(76,183)**	1,176,111
Cash and cash equivalents - beginning of year	**2,902,456**	1,726,345
Cash and cash equivalents - end of year	**$ 2,826,273**	$ 2,902,456

(Continued)

The accompanying notes are an integral part of these financial statements.

Hospital Fund of Franklin County, Florida
d/b/a George E. Weems Memorial Hospital
Statements of Cash Flows (Continued)

For the years ended September 30,	**2025**	2024
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating income (loss)	**$ (4,559,654)**	$ (3,022,319)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	**784,258**	853,579
Provision for uncollectible accounts	**2,218,554**	1,924,520
Changes in operating assets and liabilities		
Patient accounts receivable	**(2,069,329)**	(2,069,855)
Supplies	**(13,189)**	7,576
Prepaid expenses	**12,743**	11,767
Other receivables	**(935,736)**	(66,644)
Accounts payable	**(295,689)**	907
Accrued compensation and payroll taxes	**10,945**	56,526
Compensated absences	**21,757**	21,341
Estimated third-party settlements	**828,893**	452,859
Net cash provided by (used in) operating activities	**$ (3,996,447)**	$ (1,829,743)
Noncash Investing, Capital and Financing Activities		
Capital additions under subscription liability	**$ 31,143**	$ -
Disposal of abandoned projects (CIP)	**$ -**	$ 48,890
Transfer out to County recorded as a payable	**$ -**	$ 512,559

The accompanying notes are an integral part of these financial statements.

Note 1: DESCRIPTION OF HOSPITAL

The Hospital Fund of Franklin County, Florida, operating as George E. Weems Memorial Hospital (the "Hospital"), is administered by a nine-member board of directors appointed by Franklin County, Florida Board of County Commissioners. The Hospital operates a 25-bed critical access hospital in Apalachicola, Florida providing inpatient and outpatient services, as well as ambulance services and two physician clinics in Franklin County.

Activity and financial position of the Hospital make up the Hospital Fund, which is an enterprise fund of Franklin County, Florida.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"), using the economic resources measurement focus. Revenue, expenses, gains, losses, assets, liabilities, deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 and 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.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital purchases medical malpractice under claims-made policies. Under these policies, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less. At September 30, 2025 and 2024, cash equivalents consisted primarily of demand deposits.

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 Hospital 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.

For receivables associated with services provided to patients who have third-party coverage, the Hospital 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 payor has not yet paid, or for payors 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 Hospital 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 Hospital has not materially altered its accounts receivable and revenue recognition policies during fiscal year 2025 and did not have significant write-offs from third-party payors related to collectability in fiscal years 2025 or 2024.

Due from Other Funds

Due from other funds relates to sales tax receivable from Franklin County.

Prepaid Expenses

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Supplies

Supply inventories are stated at the lower of cost or net realizable value, determined using the first-in, first-out 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.

Pharmaceutical inventories are subject to a capitalization threshold, resulting in the expensing of insignificant drugs during the year.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease (right of use assets) and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss, if any, is included in the statement of revenues, expenses and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized. Routine maintenance and repairs are charged to expense when incurred.

Impairment of Long-Lived Assets

The Hospital evaluates, on an ongoing basis, the recoverability of its assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is required to be recognized if the carrying value of the asset exceeds the undiscounted future net cash flows associated with that asset. The impairment loss to be recognized is the amount by which the carrying value of the long-lived asset exceeds the asset's fair value. In most instances, the fair value is determined by discounted estimated future cash flows using an appropriate interest rate. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. Based on management’s evaluations, no long-lived assets impairments were recognized during the years ended September 30, 2025 and 2024.

Compensated Absences

Hospital policies permit most employees to accumulate vacation benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of net position date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The Hospital’s estimated accrual for accumulated vacation leave is recorded as a current liability on the accompanying statements of net position.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (continued)

A summary of changes in the Hospital's compensated absences for the years ended September 30, 2025 and 2024 follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Compensated absences	**$ 216,709**	**$ 307,392**	**$ 285,635**	**$ 238,466**	**$ 238,466**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Compensated absences	$ 195,368	$ 315,897	$ 294,556	$ 216,709	$ 216,709

Leases

Under GASB No. 87, *Leases*, 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 straight-line basis over the life of the lease. Leased assets, reported with capital assets, and lease liabilities, are reported on the statements 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 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 the straight-line basis over the life of the subscription.

The Hospital 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 Hospital is reasonably certain to exercise.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subscription-Based Information Technology Arrangements (continued)

The Hospital 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, reported with capital assets, and subscription liabilities, are reported on the statements of net position.

Categories and Classification of Net Position

Net position of the Hospital is classified in two components, as follows:

Net investment in capital assets – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt would also be included in this component of net position.

Unrestricted net position – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets.

The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Revenues and Expenses

The Hospital's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenue, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide health care services, other than financing costs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital 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.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

Net Patient Service Revenue (continued)

The Hospital 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.

Charity Care

The Hospital provides care without charge, or at a reduced charge, to patients who meet certain criteria under its charity care policy. Because the Hospital 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 Hospital's charity care policy was approximately $461,000 and $392,000 for the years ended September 30, 2025 and 2024, respectively, and estimated costs and expenses incurred to provide charity care totaled approximately $324,000 and $251,000, respectively. The estimated costs and expenses incurred to provide charity care were determined by applying the Hospital's cost to charge ratio from its latest filed Medicare cost report to its charges foregone for charity care, at established rates.

Grants and Contributions

From time to time, the Hospital 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 acquisition are reported after nonoperating revenue and expenses.

Ad Valorem Tax

Annually, the Hospital receives funding for EMS from the Franklin County Tax Collector related to taxes collected on the assessed value of real and personal property. Taxes are recognized as revenues in the year for which there is an enforceable claim. Ad valorem tax revenue is reported as nonoperating revenue.

Millage rates for property taxes are levied at the first regular meeting of the Franklin County Tax Collector in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the Franklin County Tax Collector. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes with a legally enforceable claim in the current year.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenses (continued)

Ad Valorem Tax (continued)

2025 property tax calendar:

- October 1 – Taxes due
- December 31 – Last day to pay taxes prior to late fees added
- January 1 – Taxes delinquent

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense for the years ended September 30, 2025 and 2024 was $27,809 and $49,931, respectively.

Income Taxes

As an essential government function of Franklin County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code (IRC) and a similar provision of state law.

Recently Issued and Implemented Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, (GASB 101) 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 are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Hospital adopted GASB 101 for the year ended September 30, 2025, and GASB 101 did not have a significant impact on the financial statements.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*, (GASB 102). 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 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. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Hospital adopted GASB 102 for the year ended September 30, 2025, and GASB 102 did not have a significant impact on the financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pronouncements Issued But Not Yet Effective

In April 2024, the GASB issued 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. In addition to other items, the Statement:

- Addresses changes to information presented in the MD&A;
- Requires governments to display the inflows and outflows related to unusual or infrequent items 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;
- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses;
- 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;
- Requires governments to present budgetary comparison information using a single method of communication (RSI).

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

In September 2024, the GASB issued GASB Statement No. 104, *Disclosure of Certain Capital Assets*, (GASB 104). 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. This Statement also requires additional disclosures for capital assets held for sale and 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.

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

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications were made to prior year balances to conform with current year presentation.

Subsequent Events

Management evaluated all events or transactions that occurred after September 30, 2025 through February 19, 2026, the date the Hospital's financial statements were available to be issued, and determined there were no events that occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Note 3: DEPOSITS AND INVESTMENTS

As of September 30, 2025 and 2024, the deposits of the Hospital consisted of the following:

September 30,	**2025**	2024
Petty cash and undeposited cash	**$ 900**	$ 900
Cash deposits with financial institutions	**2,825,373**	2,901,556
Total deposits	**$ 2,826,273**	$ 2,902,456

Deposits

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The Hospital's deposit policy for custodial credit risk requires compliance with the provisions of state law.

The State of Florida's Public Deposit Act (the "Act") requires that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses in excess of Federal Deposit Insurance Corporation ("FDIC") limits and proceeds from the sale of securities pledged by the defaulting depository are assessed against other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

The Hospital had no bank balances exposed to custodial credit risk at September 30, 2025 and 2024.

The Hospital's deposits at September 30, 2025 and 2024 were covered under the FDIC and the Act.

Note 3: DEPOSITS AND INVESTMENTS (Continued)

Investments

The Hospital is authorized by statute to invest public funds in the Local Government Surplus Funds Trust Fund; direct obligations of the United States government, its agencies and instrumentalities; Securities and Exchange Commission registered money market funds with the highest quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories; commercial paper; and certain registered open-end or closed-end management investment companies. The Hospital places no limit on the amount that may be invested in any one issuer.

The Hospital held no investments at September 30, 2025 or 2024.

Note 4: PATIENT ACCOUNTS RECEIVABLE

The Hospital is located in Apalachicola, Florida. The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2025 and 2024 was:

September 30,	**2025**	2024
Medicare	**$ 387,246**	$ 482,015
Medicaid	**194,849**	234,904
Other third-party payers	**1,822,253**	1,575,983
Patients	**1,042,333**	1,220,467
Total patient accounts receivable	**3,446,681**	3,513,369
Less allowance for contractual and other adjustments	**(1,326,860)**	(1,054,724)
Less allowance for uncollectible accounts	**(1,080,025)**	(1,269,624)
Patient accounts receivable, net	**$ 1,039,796**	$ 1,189,021

Note 5: CAPITAL ASSETS

Capital asset activity and balances for the year ended September 30, 2025 were as follows:

	Estimated Useful Lives (in years)	Balance 10/1/2024	Additions	Reductions	Transfers	Balance 9/30/2025
Nondepreciable capital assets						
Land		$ 13,400	$ -	$ -	$ -	**$ 13,400**
Construction in progress		44,519	-	-	(44,519)	**-**
Total nondepreciable		57,919	-	-	(44,519)	**13,400**
Depreciable capital assets						
Buildings	20 - 50	3,132,987	19,886	-	-	**3,152,873**
Equipment and furniture	3 - 10	4,887,831	402,732	-	44,519	**5,335,082**
ROU Assets - Equipment	2 - 7	569,655	-	-	-	**569,655**
ROU Assets - SBITA	2 - 5	464,529	31,143	-	-	**495,672**
Total depreciable, at cost		9,055,002	453,761	-	44,519	**9,553,282**
Less accumulated depreciation/amortization						
Buildings		(721,451)	(78,868)	-	-	**(800,319)**
Equipment and furniture		(3,372,107)	(583,865)	-	-	**(3,955,972)**
ROU Assets - Equipment		(501,171)	(37,012)	-	-	**(538,183)**
ROU Assets - SBITA		(327,909)	(66,776)	-	-	**(394,685)**
Total accumulated depreciation/amortization		(4,922,638)	(766,521)	-	-	**(5,689,159)**
Depreciable, net		4,132,364	(312,760)	-	44,519	**3,864,123**
Total capital assets, net		$ 4,190,283	$ (312,760)	$ -	$ -	**$ 3,877,523**

Note 5: CAPITAL ASSETS (Continued)

Capital asset activity and balances for the year ended September 30, 2024 were as follows:

	Estimated Useful Lives (in years)	Balance 10/1/2023	Additions	Reductions	Transfers	Balance 9/30/2024
Nondepreciable capital assets						
Land		$ 13,400	$ -	$ -	$ -	$ 13,400
Construction in progress		901,234	-	(48,890)	(807,825)	44,519
Total nondepreciable		914,634	-	(48,890)	(807,825)	57,919
Depreciable capital assets						
Buildings	20 - 50	3,132,987	-	-	-	3,132,987
Equipment and furniture	3 - 10	3,998,251	81,755	-	807,825	4,887,831
ROU Assets - Equipment	2 - 7	569,655	-	-	-	569,655
ROU Assets - SBITA	2 - 5	464,529	-	-	-	464,529
Total depreciable, at cost		8,165,422	81,755	-	807,825	9,055,002
Less accumulated depreciation/amortization						
Buildings		(641,765)	(79,686)	-	-	(721,451)
Equipment and furniture		(2,780,451)	(591,656)	-	-	(3,372,107)
ROU Assets - Equipment		(464,158)	(37,013)	-	-	(501,171)
ROU Assets - SBITA		(249,308)	(78,601)	-	-	(327,909)
Total accumulated depreciation/amortization		(4,135,682)	(786,956)	-	-	(4,922,638)
Depreciable, net		4,029,740	(705,201)	-	807,825	4,132,364
Total capital assets, net		$ 4,944,374	$ (705,201)	$ (48,890)	$ -	$ 4,190,283

Depreciation expense, which includes amortization of ROU assets, totaled $784,258 and $853,579, for the years ended September 30, 2025 and 2024, respectively. Depreciation expense for fiscal year 2024 includes a charge of approximately $49,000 related to CIP projects that were abandoned. Additionally, depreciation expense for fiscal year 2024 was increased by approximately $18,000 related to changes in estimates of useful lives of related assets. These two figures are not reflected in the tables shown above.

In fiscal year 2023, the Hospital acquired grant funded assets in the amount of approximately $588,000. These assets, were capitalized in “construction in progress”, and recorded as income in “grants and contributions” on the accompanying statement of revenues, expenses and changes in net position for 2023. In fiscal year 2024 these assets were placed in service.

Note 6: INTERFUND RECEIVABLE, TRANSFERS, AND ACCOUNTS PAYABLE

Interfund balances as of September 30, 2025 and 2024, consisted of the following:

September 30,	**2025**	2024
Due from Hospital Trust Fund	**$ 284,505**	$ 483,818

Note 6: INTERFUND RECEIVABLE, TRANSFERS, AND ACCOUNTS PAYABLE (Continued)

Interfund transfers for the years ended September 30, 2025 and 2024 consisted of the following:

For the years ended September 30,			**2025**		2024
Transfers in from:					
Hospital Trust Fund	Transfer of ½ cent sales tax	**$**	**1,746,434**	$	1,754,886
Hospital Trust Fund	Repayment of debt and other transfers		**681,331**		-
General Fund	Operation of clinics		**120,000**		120,000
General Fund	Operation of ambulance services		**764,252**		764,252
		$	**3,312,017**	$	2,639,138
Transfers out to:					
Hospital Trust Fund	Transfer of grant proceeds	**$**	**-**	$	512,559

Accounts payable and accrued liabilities included in current liabilities consisted of the following:

September 30,		**2025**		2024
Payable to employees (including payroll taxes, accrued compensation, and compensated absences)	**$**	**399,359**	$	371,440
Payable to suppliers and contractors		**722,215**		441,721
Due to Tallahassee Memorial Hospital		**-**		571,397
	$	**1,121,574**	$	1,384,558
Presented on the statements of net position as:				
Accounts payable	**$**	**722,215**	$	1,017,901
Accrued compensation		**160,893**		149,948
Compensated absences		**238,466**		216,709
	$	**1,121,574**	$	1,384,558

Note 7: LONG-TERM LIABILITIES

Leases – Lessee

The Hospital has entered into lease agreements to obtain the right-to-use to various specialized medical equipment and office equipment. The leases range from 24 to 60 months, often with one year renewal periods.

Note 7: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

As of September 30, 2025 and 2024, lease liabilities were $14,893 and $52,761, respectively. The Hospital is required to make monthly principal and interest payments on the leases totaling approximately $8,000. The leases have interest rates of approximately 3.25%.

The following is a schedule of minimum future lease payments from lease agreements as of September 30. Future interest payments are not material.

For the year ending September 30,		Principal Payments
2026	$	14,893
Total	$	14,893

The Hospital's ROU assets and related subscription liabilities largely involve the following:

- Licensing and remote hosting agreements with global suppliers of health information technology solutions which provide software/applications, managed/shared services, and remote hosting services. The contracts end in fiscal year 2028.

As of September 30, 2025 and 2024, the balance of subscription liabilities were $97,650 and $136,620, respectively. The Hospital is required to make monthly principal and interest payments totaling approximately $11,000. The subscriptions do not have stated interest rates. The Hospital used an estimate of its incremental borrowing rate, 3.25%.

The following is a schedule of minimum future payments from subscription agreements. Future interest amounts on these subscription agreements are not material.

For the years ending September 30,		Principal Payments
2026	$	69,720
2027		24,180
2028		3,750
Total	$	97,650

Note 7: LONG-TERM LIABILITIES (Continued)

Leases – Lessee (continued)

Lease and subscription liabilities activity for the years ended September 30, 2025 and 2024, was as follows:

	Balance 10/1/2024	Additions	Reductions	Balance 9/30/2025	Due Within One Year
Lease liabilities	**$ 52,761**	**$ -**	**$ (37,868)**	**$ 14,893**	**$ 14,893**
Subscription liabilities	**136,620**	**27,000**	**(65,970)**	**97,650**	**69,720**
	$ 189,381	**$ 27,000**	**$ (103,838)**	**$ 112,543**	**$ 84,613**

	Balance 10/1/2023	Additions	Reductions	Balance 9/30/2024	Due Within One Year
Lease liabilities	$ 89,976	$ -	$ (37,215)	$ 52,761	$ 37,867
Subscription liabilities	215,221	-	(78,601)	136,620	60,720
	$ 305,197	$ -	$ (115,816)	$ 189,381	$ 98,587

Note 8: NET INVESTMENT IN CAPITAL ASSETS

The Hospital's net investment in capital assets, as presented on the accompanying statements of net position, is calculated as follows:

September 30,	**2025**	2024
Capital assets, net	**$ 3,877,523**	$ 4,190,283
Less debt related to capital assets:		
Leases	**(14,893)**	(52,761)
Subscriptions	**(97,650)**	(136,620)
Net investment in capital assets	**$ 3,764,980**	$ 4,000,902

Note 9: NET PATIENT SERVICE REVENUE

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

Medicare – Inpatient and substantially all outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare Administrative Contractor.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid contractor. The inpatient rates are established by the Agency for Health Care Administration ("AHCA") for which the Hospital is a provider. Outpatient services are reimbursed based on a per diem amount established by utilization on a semi-annual basis.

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

A summary of gross revenue from patient services provided under contracts with third-party payors follows:

For the years ended September 30,	**2025**	2024
Medicare	**27%**	24%
Medicaid	**1%**	2%
Blue Cross	**8%**	9%
Commercial/HMO/PPO	**51%**	52%

The composition of net patient service revenue was as follows:

For the years ended September 30,	**2025**	2024
Gross patient service revenue	**$ 16,152,876**	$ 16,346,230
Less provision for contractual and other adjustments	**(5,134,831)**	(4,786,073)
Less provision for doubtful accounts	**(2,218,554)**	(1,924,520)
Net patient service revenue	**$ 8,799,491**	$ 9,635,637

Note 10: EMPLOYEE LEASING

On July 5, 2021, the Hospital entered into an agreement with DecisionHR (formerly Modern Business Associates, Inc.), to provide employees for the Hospital. Under the agreement, DecisionHR is the employer of all persons working at the Hospital, and is reimbursed by the Hospital for all wages and management fees associated with the lease. Employee leasing costs totaled $6,012,095 and $5,490,845 for the years ended September 30, 2025 and 2024, respectively.

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS

AHCA is the entity designated by the State of Florida to administer its Medicaid program. AHCA and the State of Florida have established various programs that provide additional payments from the state to qualifying Florida hospitals that service a disproportionate share of Medicaid, underinsured, uninsured and low-income patients. Notably, these programs include Medicaid disproportionate share ("DSH") and the low income pool ("LIP"). The Hospital generally qualifies as a DSH and LIP provider and receives payments based on formulas established by AHCA. The possibility exists that the formulas may continue to change, pending federal and/or state legislation.

The net amount of DSH and LIP payments recognized in net patient service revenue (included in contractual deductions) was approximately $1,380,000 and $1,921,000 (before recognition of the LIP payback discussed below) for fiscal years 2025 and 2024, respectively. DSH and LIP payments receivable of approximately $1,312,000 and $330,000 as of September 30, 2025 and 2024, respectively, are included in other receivables on the accompanying statements of net position.

In fiscal year 2022, the State of Florida began making payments under a new Directed Payment Program (DPP), retroactively for model years beginning October 1, 2020. No material amounts were received by the Hospital in fiscal years 2025 or 2024 under the DPP.

These program payments, in connection with other payments received from the State of Florida for providing health services to Medicaid, uninsured and underinsured people of the State of Florida, are subject to audit, and payments received in excess of costs may be required to be refunded to the State of Florida.

In 2024, the Hospital received a demand letter from AHCA totaling $335,674 related to calculated overpayments of LIP for state fiscal years ended June 30, 2014 – June 30, 2018. This issue was pursuant to a settlement agreement between CMS and AHCA, signed on September 28, 2023. In 2025, the Hospital received a demand letter totaling $176,859 for state fiscal year ended June 30, 2019 and a demand letter totaling $294,976 for state fiscal year ended June 30, 2020. Therefore, the total demanded amounts for state fiscal years ended June 30, 2014 – June 30, 2020 is $807,509.

As a result of that settlement agreement, the share of alleged LIP overpayments representing the federal financial participation (FFP) are to be repaid from AHCA to CMS. In turn, AHCA has demanded these monies back from the participating, affected hospitals.

The Hospital closely coordinated and communicated with AHCA in determining the potential total exposure as of September 30, 2025 and 2024. In addition to the demand letters noted above, it is possible AHCA may issue demand letters for state fiscal years ended after June 30, 2020. The Hospital estimated the repayment for state fiscal years after 2020, using the third party examination results letters received (LIP paid in excess of costs), multiplied by the estimated FFP.

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

At September 30, 2025, the Hospital recorded $807,509 of current liabilities, which were netted against current receivables in "estimated third party settlements" on the accompanying statement of net position. Additionally, the Hospital recorded $1,062,502 of noncurrent liabilities, included in "estimated third party settlements", long-term portion. At September 30, 2024, these figures were $335,674 and $984,175, respectively.

For state fiscal years ended after June 30, 2020, an exposure exists related to any potential LIP overpayments. The third- party examinations of the LIP program are conducted three years in arrears, and, as such, the actual overpayments, if any, will not be known until such examinations are completed. The Hospital used the best information available, including the CMS / AHCA settlement agreement, third party examination results, and other information to calculate a most likely exposure, included in the non-current liability discussed above.

During fiscal years 2025 and 2024, no payments were made on the LIP liabilities discussed above.

The Hospital anticipates payments will begin in fiscal year 2026 on the initial demands. The ultimate timing and resolution of the remaining portion (classified as noncurrent) is unclear.

It is possible that this matter is not limited only to LIP. In 2025, other hospitals throughout the State of Florida received demands for repayments related to DSH, which appeared to begin with State fiscal year 2020. As of the date these financials were available for release, the Hospital's management has not received a DSH demand letter, and, accordingly, the Hospital's management has determined that neither the likelihood of a potential liability nor the amount of any such liability can be reasonably estimated. No amounts are recorded on the accompanying financial statements related to any potential liabilities associated with DSH recoveries from previous fiscal years.

These matters are complex and fluid. It is possible that additional information may arise in the future, such as a future settlement agreement between CMS and AHCA that could result in additional repayments from the Hospital to AHCA, and such amounts could be significant to the financial statements. Likewise, it is possible that negotiations between CMS and AHCA may result in lower liabilities than were originally estimated and recorded by the Hospital.

During fiscal years 2025 and 2024, net patient service revenue increased by approximately $73,000 and $58,000, respectively, due to changes in estimates for outstanding and filed cost reports.

Section 395.701 of the Florida Statutes imposes an annual assessment on all hospitals operating in the State of Florida. The assessment is currently calculated as 1.5% of annual net operating revenues for inpatient services; 1% of annual net operating revenues for outpatient services; and .4% of annual gross operating expenses (per AHCA's definition). The assessments are due on a quarterly basis to AHCA and are used, among other purposes, to obtain federal financial participation for medical assistance payments to providers on behalf of Medicaid recipients, which serve to increase payments to Medicaid provider hospitals throughout the state.

Note 11: MEDICAID SUBSIDIES AND ASSESSMENTS (Continued)

Approximately $109,000 and $146,000 of expenses related to these assessments are included in operating expenses on the accompanying statements of revenues, expenses and changes in net position for fiscal years 2025 and 2024, respectively. Estimated assessments payable totaling approximately $232,000 and $188,000 as of September 30, 2025 and 2024, respectively, are included in estimated third-party payor settlements on the accompanying statements of net position.

Note 12: MEDICAL MALPRACTICE INSURANCE

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

In addition, other claims may be asserted arising from services provided to patients in the past. In the opinion of management, adequate provision has been made for losses which may occur from such asserted and unasserted claims that are not covered by liability insurance, if any. It is reasonably possible that this estimate could change materially in the near term.

Note 13: COMMITMENTS AND CONTINGENCIES

Contracts

The Hospital has various contracts with health care service providers. These contracts allow the various providers to perform their services at the Hospital under the terms of each agreement.

Litigation

In the normal course of business, the Hospital 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.

Supplemental Medicaid Reimbursements

The Hospital receives reimbursements from various programs in relation to the Medicaid uninsured and underinsured patients they serve. Funding received in excess of costs to provide these services is subject to audit and payments received in excess of costs may be required to be refunded to the State of Florida.

Note 13: COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

The Hospital may be subject to some financial risk associated with potential violations of certain healthcare laws. The potential amount of exposure to the Hospital as a result of this matter cannot be estimated at this time, but it is not expected to be material.

Net patient service revenue is reported at estimated net realizable amounts from patients, third party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Current Healthcare Environment

Revenue from the Medicare and Medicaid programs accounted for approximately 27% and 1%, respectively, of the Hospital's net patient revenue for the year ended 2025. Revenue from the Medicare and Medicaid programs accounted for approximately 24% and 2%, respectively, of the Hospital's net patient revenue for the year ended 2024. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 14: UNCERTAINTIES

Current Healthcare Environment

The Hospital 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 Hospital 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 the 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

Note 14: UNCERTAINTIES (Continued)

Current Healthcare Environment (continued)

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 Hospital's financial position and operating results.

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INDEPENDENT ACCOUNTANT'S REPORT ON AN EXAMINATION CONDUCTED IN ACCORDANCE WITH AICPA PROFESSIONAL STANDARDS, AT-C SECTION 315, REGARDING COMPLIANCE REQUIREMENTS IN ACCORDANCE WITH CHAPTER 10.550, *RULES OF THE AUDITOR GENERAL*

To the Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

We have examined the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") compliance with Section 218.415, Florida Statutes, during the year ended September 30, 2025. Management is responsible for the Hospital's compliance with those requirements. Our responsibility is to express an opinion on the Hospital's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Hospital complied, in all material respects, with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Hospital complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Hospital's compliance with specified requirements.

In our opinion, the Hospital complied, in all material respects, with the aforementioned requirements of Section 218.415 during the year ended September 30, 2025.

This report is intended solely for the information and use of management and the State of Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

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

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

Enterprise, Alabama
February 19, 2026

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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*

To the Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents, and have issued our report thereon dated February 19, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control,

described in the accompanying schedule of findings and responses as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

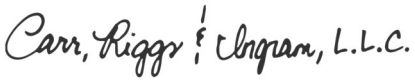
As part of obtaining reasonable assurance about whether the Hospital's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material 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 noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hospital's Responses to Findings

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

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.

Enterprise, Alabama
February 19, 2026

2025 – 001 Accounting & Finance Staffing / Segregation of Duties (Partial Repeat of 2024-002)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and presenting financial statements in accordance with generally accepted accounting principles. Such responsibility includes hiring and retaining effective and experienced staff to conduct such activities. Additionally, internal controls should be in place to ensure that proper segregation of duties are implemented by the Hospital, in order to mitigate material misstatement or other reporting errors, and to ensure that assets are safeguarded against loss.

Condition: Accounting and finance staffing is currently limited at the Hospital, increasing the possibility that misstatements may occur that are not identified. Processes and controls in place were not sufficient to maintain effective internal control over financial reporting. Additionally, limited resources and financial and administrative staffing requires staff to serve multiple roles and prevents optimal segregation of duties. A lack of segregation of duties can result in intentional or unintentional errors that could be made and not detected.

Cause: Limited staffing resulted in a lack of optimal segregation of duties.

Effect: Lack of optimal segregation of duties.

Recommendation: The Hospital should focus on retention of existing staff to ensure that existing control activities can be properly conducted and new policies and controls, necessary to address the findings noted herein, can be established and followed. We also recommend that the Hospital evaluate existing controls and improve segregation of duties, to the extent possible with existing resources and staffing.

Views of Responsible Officials and Planned Corrective Actions: Management will continue to work with the Alliant Financial Services team to aid in the strengthening of internal controls. Due to staffing constraints, hospital is not able to separate all duties. Additionally, management will continue to support the training and advancement opportunities of current staff.

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MANAGEMENT LETTER

Board of Directors
George E. Weems Memorial Hospital
Franklin County, Florida
Apalachicola, Florida

Report on the Financial Statements

We have audited the financial statements of the Hospital Fund of Franklin County, Florida d/b/a George E. Weems Memorial Hospital (the "Hospital") as of and for the year ended September 30, 2025, and have issued our report thereon dated February 19, 2026.

Auditor's Responsibility

We conducted our audit 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 of America; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, *AT-C Section 315*, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 19, 2026, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of each finding and recommendation made in the preceding annual financial audit report is noted below:

Finding No.	2024 FY Finding No.	2023 FY Finding No.	Description	Status
N/A	2024-001	2023-001	Accrual Basis Accounting	Cleared
2025-001	2024-002	2023-002	Accounting & Finance Staffing	Not Cleared
N/A	2024-003	2023-003	Information Technology	Cleared

Financial Condition and Management

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires us to apply appropriate procedures and communicate the results of our determination as to whether or not the Hospital has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific conditions(s) met. In connection with our audit, we determined that the Hospital did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Hospital. It is management's responsibility to monitor the Hospital's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we included recommendations in the accompanying schedule of findings and responses.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

The Hospital is currently being operated and reported as a fund of Franklin County, Florida. Accordingly, the Hospital has been informed that Special District reporting requirements are not applicable.

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as the whether the annual financial report for the Hospital for the fiscal year ended September 30, 2025, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2025. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or fraud, waste or abuse, that has occurred or is likely to have occurred, that has an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

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

Enterprise, Alabama
February 19, 2026