Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
September 30, 2023 and 2022

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Independent Auditor's Report

Board of Trustees of Ottawa County Health Center
Minneapolis, Kansas

Opinions

We have audited the financial statements of the Board of Trustees of Ottawa County Health Center, a component unit of Ottawa County, Kansas, and Great Plains of Ottawa County, Inc. as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Board of Trustees of Ottawa County Health Center's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Board of Trustees of Ottawa County Health Center and of its discretely presented component unit as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Board of Trustees of Ottawa County Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Board of Trustees of Ottawa County Health Center's ability to continue as a going concern for 12 months beyond the financial statements date, including any current known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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 Board of Trustees of Ottawa County Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Board of Trustees of Ottawa County Health Center's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
April 17, 2024

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Balance Sheets
September 30, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 862,398	$ 726,162
Other	1,023	92
Total current assets	863,421	726,254
Endowment	128,752	113,292
Capital Assets, Net	-	1,237,174
Total assets	$ 992,173	$ 2,076,720
Liabilities and Net Position		
Net Position		
Net investment in capital assets	$ -	$ 1,237,174
Restricted nonexpendable permanent endowments	101,360	101,360
Unrestricted	890,813	738,186
Total net position	992,173	2,076,720
Total liabilities and net position	$ 992,173	$ 2,076,720

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Great Plains of Ottawa County, Inc.
Balance Sheets
September 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Cash	$ 5,747,246	$ 5,557,188
Patient accounts receivable	1,038,802	651,395
Estimated amounts due from third-party payers	80,000	-
Supplies	145,867	101,968
Prepaid expenses and other	150,260	215,089
Total current assets	7,162,175	6,525,640
Certificates of Deposit	1,178,971	1,147,478
Property and Equipment, at Cost		
Land and land improvements	640,791	565,849
Buildings	9,569,462	8,303,072
Fixed equipment	1,500,270	1,283,290
Moveable equipment	2,256,126	2,127,512
Construction in progress	15,653	18,300
	13,982,302	12,298,023
Less accumulated depreciation	(7,812,034)	(7,062,096)
	6,170,268	5,235,927
Total assets	$ 14,511,414	$ 12,909,045

See Notes to Financial Statements

Liabilities and Net Assets

	2023	2022
Current Liabilities		
Accounts payable	$ 227,939	$ 119,858
Accrued salaries payable	235,871	177,489
Accrued payroll taxes payable	93,497	70,968
Accrued benefits payable	259,517	241,951
Other accrued liabilities	101,931	93,194
Estimated amounts due to third-party payers	-	91,000
Total current liabilities	918,755	794,460
Total liabilities	918,755	794,460
Net Assets		
Without donor restrictions	13,592,659	12,114,585
Total liabilities and net assets	$ 14,511,414	$ 12,909,045

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Revenues		
Noncapital appropriations - Ottawa County	$ 746,387	$ 418,702
Rent	72,810	97,080
Total operating revenues	819,197	515,782
Operating Expenses		
Depreciation	79,218	104,362
Other	-	38
Total operating expenses	79,218	104,400
Operating Income	739,979	411,382
Nonoperating Revenues (Expenses)		
Noncapital grants and gifts	2,830	80
Investment income (loss)	25,650	(36,590)
Contributions to Hospital for operations	(219,224)	(210,098)
Total nonoperating expenses	(190,744)	(246,608)
Income Before Contributions to Hospital for Property and Equipment	549,235	164,774
Contributions to Hospital for Property and Equipment	(1,633,782)	(184,521)
Decrease in Net Position	(1,084,547)	(19,747)
Net Position, Beginning of Year	2,076,720	2,096,467
Net Position, End of Year	$ 992,173	$ 2,076,720

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Great Plains of Ottawa County, Inc.
Statements of Operations and Changes in Net Assets
Years Ended September 30, 2023 and 2022

	2023	2022
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	$ 8,050,806	$ 7,465,106
Wellness Center	50,277	43,342
Provider Relief Funds (*CARES Act*)	-	705,993
Other COVID-19 funding	-	327,414
Other	148,350	76,337
Total unrestricted revenues, gains and other support	8,249,433	8,618,192
Expenses and Losses		
Salaries and wages	3,659,729	3,117,421
Supplies and other	4,300,261	4,250,040
Depreciation	766,344	749,311
Total expenses	8,726,334	8,116,772
Operating Income (Loss)	(476,901)	501,420
Other Income		
Contributions received from the Board of Trustees for operations	219,224	210,098
Interest income	101,969	33,193
Total other income	321,193	243,291
Excess (Deficiency) of Revenues Over Expenses	(155,708)	744,711
Contributions Received From the Board of Trustees for Property and Equipment	1,633,782	184,521
Increase in Net Assets	1,478,074	929,232
Net Assets, Beginning of Year	12,114,585	11,185,353
Net Assets, End of Year	$ 13,592,659	$ 12,114,585

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Receipts from Ottawa County	$ 746,387	$ 418,702
Other receipts and payments, net	72,810	97,042
Net cash provided by operating activities	819,197	515,744
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	2,830	80
Contribution to Hospital for operations	(219,224)	(210,098)
Net cash used in noncapital financing activities	(216,394)	(210,018)
Cash Flows From Capital and Related Financing Activities		
Contributions to Hospital for property and equipment	(475,826)	(184,521)
Net cash used in capital and related financing activities	(475,826)	(184,521)
Cash Flows From Investing Activities		
Interest on investments	9,259	2,711
Net cash provided by investing activities	9,259	2,711
Increase in Cash	136,236	123,916
Cash, Beginning of Year	726,162	602,246
Cash, End of Year	$ 862,398	$ 726,162
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 739,979	$ 411,382
Depreciation expense	79,218	104,362
Net cash provided by operating activities	$ 819,197	$ 515,744
Noncash Investing, Capital and Financing Activities		
Contributions of property and equipment to the Hospital	$ 1,157,956	$ -

Board of Trustees of Ottawa County Health Center
A component Unit of Ottawa County, Kansas
Great Plains of Ottawa County, Inc.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ 1,478,074	$ 929,232
Items not requiring (providing) operating cash flow		
Depreciation	766,344	749,311
Contributions received from the Board of Trustees for property and equipment	(1,633,782)	(184,521)
Changes in		
Patient accounts receivable	(387,407)	(366,107)
Estimated amounts due from and to third-party payers	(171,000)	348,953
Supplies	(43,899)	4,365
Prepaid expenses and other	64,829	(62,147)
Accounts payable	108,081	67,247
Accrued salaries and payroll taxes payable	80,911	26,293
Accrued benefits payable	17,566	43,493
Other accrued liabilities	8,737	6,453
Net cash provided by operating activities	288,454	1,562,572
Investing Activities		
Change in certificates of deposit	(31,493)	(11,614)
Purchase of property and equipment	(542,729)	(419,951)
Net cash used in investing activities	(574,222)	(431,565)
Financing Activities		
Contributions received from the Board of Trustees for property and equipment	475,826	184,521
Principal payments on capital lease obligations	-	(850)
Net cash provided by financing activities	475,826	183,671
Increase in Cash	190,058	1,314,678
Cash, Beginning of Year	5,557,188	4,242,510
Cash, End of Year	$ 5,747,246	$ 5,557,188
Supplemental Cash Flows Information		
Interest paid	$ -	$ 11
Contributions of property and equipment received from the Board of Trustees	$ 1,157,956	$ -

Board of Trustees of Ottawa County Health Center
A Component Unit of Ottawa County, Kansas
Notes to Financial Statements
September 30, 2023 and 2022

Note 1: Nature of Operations and Summary of Significant Accounting Policies – BOT

Nature of Operations and Reporting Entity

The Board of Trustees of Ottawa County Health Center (BOT) was organized by the County Commissioners of Ottawa County to operate a governmental hospital and to control the use of noncapital appropriations. The BOT is appointed by the County Commissioners of Ottawa County. The BOT is considered to be a component unit of Ottawa County, Kansas.

Great Plains of Ottawa County, Inc. (GPOC/Hospital) is located in Minneapolis, Kansas and provides acute, swing-bed, head trauma care and long-term care services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*). In 2020, the reporting entity changed to include Great Plains of Ottawa County, Inc. as a discretely presented component unit of the BOT. Based on the increasing financial relationships and transactions with GPOC, the BOT believes as a matter of professional judgment that it would be misleading to exclude the financial statements of GPOC. As a result, GPOC is considered to be a component of unit of the BOT and is discretely presented in the BOT's financial statements. GPOC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Basis of Accounting and Presentation

The financial statements of the BOT have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transactions take place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include noncapital appropriations and exchange transactions. Noncapital grants and gifts, investment income (loss) and contributions to Hospital for operations are included in nonoperating revenues (expenses). The BOT first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The BOT prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Use of Estimates

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

Cash Equivalents

The BOT considers all liquid investments with original maturities of three months or less to be cash equivalents.

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. The following estimated useful lives are being used by the BOT:

Land improvements	15 years
Buildings	10 – 30 years

Capital Asset Impairment

The BOT evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

Noncapital Appropriations – Ottawa County

The BOT receives noncapital appropriations from Ottawa County, Kansas, property tax levy. Property taxes are assessed on a calendar year basis and are received beginning in January 1 of each year. Revenue from noncapital appropriations is recognized in full in the year for which use is first permitted.

Net Position

Net position of the BOT is classified in three components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation.
- Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the BOT, such as permanent endowments.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes

As an essential government function, the BOT is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the BOT is subject to federal income tax on any unrelated business taxable income.

Note 2: Lease and Management Arrangement – BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Ottawa County, Kansas, and leased to GPOC by the BOT. The lease agreement provides that GPOC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of 5 years through December 18, 2005, with two renewal option periods of five years each. The lease was renewed October 1, 2015 for a period of five years through September 30, 2020, with two renewal options of five years each through September 30, 2025 (exercised) and September 30, 2030. The BOT leases the hospital facilities to GPOC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPOC, has a management agreement with GPOC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPOC upon commencement of the original term, December 18, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

Note 3: Deposits – BOT

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The BOT's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of September 30, 2023 and 2022, respectively, $602,109 and $468,724 of the BOT's bank balances of $862,398 and $726,161 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and uncollateralized	$ -	$ 128,073
Uninsured and collateral held by pledging financial institution's trust department in other than the BOT's name	602,109	340,651
	$ 602,109	$ 468,724

Subsequent to September 30, 2022, the BOT obtained additional pledged securities in excess of the uninsured and uncollateralized amount in the above table.

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets as follows:

	2023	2022
Carrying value		
Deposits	$ 862,398	$ 726,162
Included in the following balance sheet captions		
Cash	$ 862,398	$ 726,162

Note 4: Endowment and Restricted Net Position – BOT

The endowment is the BOT's interest in a trust at a local bank established for the benefit of the Hospital. The principal is invested in debt and equity securities which are reported and measured at fair market value using the net asset value per share and have not been classified in the fair value hierarchy. Kansas law permits the local bank to authorize for expenditure the net appreciation of the investments in the endowment unless the contributor provides for specific instructions. The contributor of the endowment has instructed those distributions from the trust to the BOT by the local bank are unrestricted and can only be made from the investment income generated by the trust. The principal balance in the trust is restricted to investment in perpetuity.

The local bank authorizes distributions from the endowment as available. Net appreciation (depreciation) of $15,460 and ($39,335) at September 30, 2023 and 2022, respectively, is included in the accompanying statements of revenues, expenses and changes in net position.

Note 5: Capital Assets – BOT

Capital asset activity for the years ended September 30 was:

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Land improvements	$ 95,855	$ -	$ (95,855)	$ -
Buildings	1,767,491	-	(1,767,491)	-
	1,863,346	-	(1,863,346)	-
Less accumulated depreciation				
Land improvements	(38,342)	(4,793)	43,135	-
Buildings	(587,830)	(74,425)	662,255	-
	(626,172)	(79,218)	705,390	-
Capital Assets, Net	$ 1,237,174	$ (79,218)	$ (1,157,956)	$ -

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Land improvements	$ 95,855	$ -	$ -	$ 95,855
Buildings	1,767,491	-	-	1,767,491
	1,863,346	-	-	1,863,346
Less accumulated depreciation				
Land improvements	(31,952)	(6,390)	-	(38,342)
Buildings	(489,858)	(97,972)	-	(587,830)
	(521,810)	(104,362)	-	(626,172)
Capital Assets, Net	$ 1,341,536	$ (104,362)	$ -	$ 1,237,174

The amounts shown above as disposals for the year-ended September 30, 2023 comprise assets that the BOT transferred to GPOC during 2023. This transaction is recorded as part of Contributions to Hospital for Property and Equipment in the accompanying statements of revenues and expenses and Noncash Investing, Capital and Financing Activities in the accompanying statements of cash flows.

Note 6: Nature of Operations and Summary of Significant Accounting Policies – GPOC/Hospital

Nature of Operations

Great Plains of Ottawa County, Inc. (GPOC/Hospital) is located in Minneapolis, Kansas and provides acute, swing-bed, and head trauma care services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*).

Use of Estimates

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

Cash Equivalents

GPOC considers all liquid investments with original maturities of three months or less to be cash equivalents.

At September 30, 2023, GPOC's cash accounts exceeded federally insured limits by approximately $6,375,000. The remaining amount is collateralized with pledged securities.

Certificates of Deposit

The certificates of deposit are measured at amortized cost. Original maturities of the certificates of deposit are all 12 months or more.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. As a service to the patient, the Hospital bills third-party payers directly and bills the patient when the patients' responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivables are due in full when billed.

Supplies

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

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	10-15 years
Buildings	10-40 years
Fixed equipment	10-25 years
Moveable equipment	5-20 years

Long-lived Asset Impairment

GPOC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2023 and 2022.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of the General Obligation Hospital Bonds, Series 2014. Such costs are being amortized over the term of the respective debt using the effective interest method. The debt obligation is recorded at the Ottawa County level. The Bonds were refunded during fiscal year 2022 and the unamortized debt issuance costs were written-off and included in depreciation expense in the accompanying statement of operations and changes in net assets for the year ended September 30, 2022.

Refund Liabilities

The consideration the Hospital has received from patients for which it does not expect to be entitled to is recorded as a refund liability and included as a component of accounts payable in the accompanying balance sheets.

Professional Liability Claims

GPOC recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor/grantor restrictions.

Net assets without donor/grantor restrictions are available for use in general operations and not subject to donor/grantor restrictions.

Patient Service Revenue

Patient service revenue is recognized as the Hospital satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Hospital's policies and implicit price concessions provided to uninsured patients.

The Hospital determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Hospital determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payors.

Charity Care

GPOC provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because GPOC does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as patient service revenue.

Charges excluded from revenue under GPOC's charity care policy were $15,627 and $7,868 for September 30, 2023 and 2022, respectively. GPOC's direct and indirect costs for services and supplies furnished under GPOC's charity care policy aggregated approximately $16,000 and $9,000 in 2023 and 2022, respectively. Costs were calculated using the overall cost-to-charge ratio from the September 30, 2023 and 2022, as-filed Medicare cost reports.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act*, as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19 was signed into law. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the Department of Health and Human Services (HHS). The Hospital has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met.

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor/grantor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor/grantor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Hospital overcoming a donor/grantor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor/grantor imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor/grantor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor/grantor restrictions are reclassified to net assets without donor/grantor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor/grantor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor/grantor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor/grantor restrictions.

Conditional contributions having donor/grantor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor/grantor restrictions.

Leases

Effective October 1, 2022, GPOC adopted ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

GPOC determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the balance sheet. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. GPOC determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. GPOC uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

GPOC has elected not to record leases with an initial term of 12 months or less on the balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Excess of Revenues Over Expenses

The statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor/grantor restrictions which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions received from the BOT for property and equipment.

Income Taxes

GPOC has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, GPOC is subject to federal income tax on any unrelated business taxable income.

GPOC files tax returns in the U.S. federal jurisdiction.

Note 7: Concentration of Risk – GPOC/Hospital

GPOC grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at September 30, 2023 and 2022, for GPOC is as follows:

	2023	2022
Medicare	70%	74%
Medicaid	1%	3%
Blue Cross	8%	5%
Other third-party payers	15%	16%
Patients	6%	2%
	100%	100%

Note 8: Professional Liability Claims – GPOC/Hospital

GPOC purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. GPOC also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based on GPOC's claims experience, no receivable or liability has been recorded in the accompanying financial statements related to its malpractice insurance policy. It is reasonably possible that this estimate could change materially in the near term.

Note 9: Liquidity and Availability – GPOC/Hospital

GPOC's financial assets available within one year of the balance sheet date for general expenditure are:

	2023	2022
Financial assets at year-end		
Cash	$ 5,747,246	$ 5,557,188
Patient accounts receivable	1,038,802	651,395
Estimated amounts due from third-party payers	80,000	-
Certificates of deposit	1,178,971	1,147,478
Total financial assets	8,045,019	7,356,061
Less amounts not available to be used within one year		
Certificates of deposit	162,825	-
Financial assets available to meet general expenditures within one year	$ 7,882,194	$ 7,356,061

Note 10: Patient Service Revenue – GPOC/Hospital

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payers several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance

obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Hospital does not believe it is required to provide additional goods related to the patient.

Transaction Price

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Hospital's policy and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-Party Payers

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. These payment arrangements include:

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care, skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Other. The Hospital has also entered into payment agreements with certain commercial insurance carriers 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.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of September 30, 2023 and 2022, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $37,500 and $1,600, respectively. The liability is included as a component of accounts payable in the accompanying balance sheets.

Patient and Uninsured Payers

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended September 30, 2023 and 2022, additional revenue of approximately $0 and $94,000, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Revenue Composition

The Hospital has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, long-term care, etc.)

For the years ended September 30, 2023 and 2022, the Hospital recognized revenue of $8,050,806 and $7,465,106, respectively, from goods and services that transfer to the customer over time. Other non-patient care related services recognized at a point in time is not significant.

Contract Assets and Liabilities

Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Hospital's obligation to provide services to patients when consideration has already been received from the patient or a third-party payer. There are no contract assets and liabilities recognized for the years ended September 30, 2023 and 2022.

The following table provides information about the Hospital's receivables from contracts with customers:

	2023	2022
Patient accounts receivable, beginning of year	$ 651,395	$ 285,288
Patient accounts receivable, end of year	1,038,802	651,395

Note 11: COVID-19 Pandemic and *CARES Act* Funding – GPOC/Hospital

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The Hospital has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the year ended September 30, 2022, the Hospital received $705,993 of distributions from the *CARES Act* Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through September 30, 2022, the Hospital recognized $705,993 related to the distributions from the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net position.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions, our ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Other COVID-19 Funding

The Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received and recognized $227,921 the year ended September 30, 2022, respectively, related to this Small Rural Hospital Improvement Program (SHIP) grant. The revenue is recorded as a component of other COVID-19 funding in the accompanying statements of operations and changes in net assets.

In October 2021, the Hospital received and recognized $99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue is recorded as a component of other COVID-19 funding in the accompanying statements of operations and changes in net assets.

Note 12: Functional Expenses – GPOC/Hospital

GPOC provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been directly assigned to health care services and general and administrative expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedules present the natural classification of expenses by function for the years ended September 30, 2023 and 2022, as follows:

	2023		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 2,923,618	$ 736,111	$ 3,659,729
Supplies and other	3,540,223	760,038	4,300,261
Depreciation	762,438	3,906	766,344
	$ 7,226,279	$ 1,500,055	$ 8,726,334

	2022		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 2,564,636	$ 552,785	$ 3,117,421
Supplies and other	3,527,473	722,567	4,250,040
Depreciation	704,633	44,678	749,311
	$ 6,796,742	$ 1,320,030	$ 8,116,772

Note 13: Pension Plan – GPOC/Hospital

GPOC maintains a contributory pension plan for all eligible employees. Every employee 18 years old or older becomes a plan participant upon active employment. After 12 months of continuous employment, the employer contributes 5% of the participant's annual compensation up to $16,000 and 10% of the participant's compensation in excess of $16,000. The participant contributes 2.5% of compensation up to $16,000 and 5% of compensation in excess of $16,000. Benefits are funded by a money purchase annuity contract with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. The total cost of the plan for the years ended September 30, 2023 and 2022, was $247,550 and $238,838, respectively. Benefits vest at 20% per year of service with 100% vesting after five years of service.

Note 14: Great Plains Employee Benefits Trust – GPOC/Hospital

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefit Plan (the Plan) for its member organizations and their participating employees. GPOC is a member organization in the Trust and substantially all of GPOC's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported, and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No such insurance assessment was administered to GPOC for the years ended September 30, 2023 and 2022.

Note 15: Lease and Management Agreement – GPOC/Hospital

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Ottawa County, Kansas, and leased to GPOC by the BOT. The lease agreement provides that GPOC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of 5 years through December 18, 2005, with two renewal option periods of five years each. The lease was renewed October 1, 2015 for a period of five years through September 30, 2020, with two renewal options of five years each through September 30, 2025 (exercised) and September 30, 2030. The BOT leases the hospital facilities to GPOC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPOC, has a management agreement with GPOC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPOC upon commencement of the original term, December 18, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

In addition, GPOC has entered into agreements with GPHA for other services, including data processing and management services, which are yearly contracts that automatically renew unless cancelled by either party at least 60 days before the end of the term. Fees incurred for services provided by GPHA totaled $572,425 and $582,081 in 2023 and 2022, respectively, and are included in supplies and other expense in the statements of operations and changes in net assets. Amounts included in accounts payable, related to these services, totaled $4,751 and $1,400 as of September 30, 2023 and 2022, respectively.

Note 16: Significant Estimates and Concentrations – GPOC/Hospital

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

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 6* and *8*.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 6* and *10*.

Note 17: Subsequent Events – GPOC/Hospital

Subsequent events have been evaluated through April 17, 2024, which is the date the financial statements were available to be issued.