# Hodgeman County Health Center

## A Component Unit of Hodgeman County, Kansas

## Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

**Hodgeman County Health Center**
**A Component Unit of Hodgeman County, Kansas**
**Contents**
**December 31, 2024 and 2023**


**Independent Auditor's Report** ..... 1

**Financial Statements**

Balance Sheets ..... 3

Statements of Revenues, Expenses and Changes in Net Position ..... 4

Statements of Cash Flows ..... 5

Notes to Financial Statements ..... 7

Forvis Mazars, LLP
1551 N. Waterfront Parkway, Suite 300
Wichita, KS 67206
P 316.265.2811 | F 316.265.9405
forvismazars.us

# Independent Auditor's Report

Board of Trustees
Hodgeman County Health Center
Jetmore, Kansas

## *Opinion*

We have audited the financial statements of Hodgeman County Health Center, a component unit of Hodgeman County, Kansas, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Hodgeman 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 financial position of Hodgeman County Health Center as of December 31, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. 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 Hodgeman County Health Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Prior Year Audited by Other Auditors*

The 2023 financial statements were audited by other auditors, and their report thereon, dated September 18, 2024, expressed an unmodified 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 Hodgeman County Health Center's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Hodgeman 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 Hodgeman 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 opinion on the basic financial statements is not affected by this missing information.

Forvis Mazars, LLP

**Wichita, Kansas**
**July 15, 2025**

**Hodgeman County Health Center**
**A Component Unit of Hodgeman County, Kansas**
**Balance Sheets**
**December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash | $ 2,122,200 | $ 3,456,476 |
| Restricted cash | 950,000 | 950,000 |
| Certificates of deposit | 3,077,481 | - |
| Patient accounts receivable, net of allowance; 2024 - $900,650, 2023 - $692,398 | 1,980,756 | 1,257,498 |
| Estimated amounts due from third-party payers | - | 2,025,000 |
| Supplies | 162,400 | 157,776 |
| Prepaid expenses | 122,532 | 141,153 |
| Other | 135,467 | 111,873 |
| **Total Current Assets** | 8,550,836 | 8,099,776 |
| **Capital Assets, Net** | 4,058,834 | 4,170,327 |
| **Lease Assets, Net** | 99,853 | 164,740 |
| **Total Assets** | $ 12,709,523 | $ 12,434,843 |
| **Liabilities and Net Position** | | |
| **Current Liabilities** | | |
| Current portion of lease liabilities | $ 73,229 | $ 76,082 |
| Accounts payable | 434,228 | 317,120 |
| Accrued expenses | 493,901 | 477,079 |
| Estimated amounts due to third-party payers | 479,632 | 5,000 |
| Unearned revenue | 950,000 | 950,000 |
| **Total Current Liabilities** | 2,430,990 | 1,825,281 |
| **Long-term Lease Liabilities** | - | 73,229 |
| **Total Liabilities** | 2,430,990 | 1,898,510 |
| **Net Position** | | |
| Net investment in capital assets | 4,085,458 | 4,185,756 |
| Unrestricted | 6,193,075 | 6,350,577 |
| **Total Net Position** | 10,278,533 | 10,536,333 |
| **Total Liabilities and Net Position** | $ 12,709,523 | $ 12,434,843 |

**Hodgeman County Health Center**
**A Component Unit of Hodgeman County, Kansas**
**Statements of Revenues, Expenses and Changes in Net Position**
**Years Ended December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Operating Revenues** | | |
| Net patient service revenue, net of provision for uncollectible accounts; 2024 - $46,328, 2023 - $42,828 | $ 11,321,086 | $ 10,767,606 |
| Bramley Place | 138,508 | 162,011 |
| 340B drug program | 634,160 | 414,093 |
| Other | 112,547 | 87,674 |
| **Total Operating Revenues** | 12,206,301 | 11,431,384 |
| **Operating Expenses** | | |
| Salaries and wages | 5,401,427 | 5,250,059 |
| Employee benefits | 956,545 | 1,024,234 |
| Purchased services and professional fees | 3,416,195 | 2,987,759 |
| Supplies and other | 2,581,384 | 2,683,586 |
| Depreciation | 491,017 | 453,731 |
| Amortization | 64,887 | 77,737 |
| **Total Operating Expenses** | 12,911,455 | 12,477,106 |
| **Operating Loss** | (705,154) | (1,045,722) |
| **Nonoperating Revenues (Expenses)** | | |
| Noncapital appropriations - Hodgeman County | 284,994 | 280,000 |
| Noncapital contributions and grants | 21,295 | 1,395,819 |
| Interest income | 145,888 | 239,081 |
| Interest expense | (4,823) | (8,033) |
| **Total Nonoperating Revenues** | 447,354 | 1,906,867 |
| **Increase (Decrease) in Net Position** | (257,800) | 861,145 |
| **Net Position, Beginning of Year** | 10,536,333 | 9,675,188 |
| **Net Position, End of Year** | $ 10,278,533 | $ 10,536,333 |

**Hodgeman County Health Center**
**A Component Unit of Hodgeman County, Kansas**
**Statements of Cash Flows**
**Years Ended December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Receipts from and on behalf of patients | $ 13,097,460 | $ 9,696,177 |
| Payments to suppliers and contractors | (5,890,068) | (5,636,794) |
| Payments to employees | (6,341,150) | (6,209,807) |
| Other receipts, net | 885,215 | 663,778 |
| **Net Cash Provided by (Used in) Operating Activities** | 1,751,457 | (1,486,646) |
| **Cash Flows From Noncapital Financing Activities** | | |
| Noncapital appropriations - Hodgeman County | 284,994 | 280,000 |
| Noncapital contributions and grants received | 21,295 | 1,395,819 |
| **Net Cash Provided by Noncapital Financing Activities** | 306,289 | 1,675,819 |
| **Cash Flows From Capital and Related Financing Activities** | | |
| Principal paid on leases payable | (76,082) | (87,851) |
| Interest paid on leases payable | (4,823) | (8,033) |
| Purchase of capital assets | (379,524) | (234,003) |
| **Net Cash Used in Capital and Related Financing Activities** | (460,429) | (329,887) |
| **Cash Flows From Investing Activities** | | |
| Interest income received | 145,888 | 239,081 |
| Purchase of investments | (3,077,481) | - |
| **Net Cash Provided by (Used in) Investing Activities** | (2,931,593) | 239,081 |
| **Increase (Decrease) in Cash** | (1,334,276) | 98,367 |
| **Cash, Beginning of Year** | 4,406,476 | 4,308,109 |
| **Cash, End of Year** | $ 3,072,200 | $ 4,406,476 |

**Hodgeman County Health Center**
**A Component Unit of Hodgeman County, Kansas**
**Statements of Cash Flows - Continued**
**Years Ended December 31, 2024 and 2023**

| | 2024 | 2023 |
|---|---|---|
| **Reconciliation of Cash to the Balance Sheets** | | |
| Cash | $ 2,122,200 | $ 3,456,476 |
| Restricted cash | 950,000 | 950,000 |
| | $ 3,072,200 | $ 4,406,476 |
| **Reconciliation of Operating Loss to Net Cash Provided by (used in) operating activities** | | |
| Operating loss | $ (705,154) | $ (1,045,722) |
| Depreciation | 491,017 | 453,731 |
| Amortization | 64,887 | 77,737 |
| Provision for uncollectible accounts | 46,328 | 42,828 |
| Changes in operating assets and liabilities | | |
| Patient accounts receivable, net | (769,586) | (875,771) |
| Estimated amounts due from/to third-party payers | 2,499,632 | (214,237) |
| Supplies and prepaid expenses | 13,997 | (26,577) |
| Other assets | (23,594) | (24,249) |
| Accounts payable and accrued expenses | 133,930 | 125,614 |
| **Net Cash Provided by (Used in) Operating Activities** | $ 1,751,457 | $ (1,486,646) |

## Note 1. Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations and Reporting Entity*

Hodgeman County Health Center (Health Center) is located in Jetmore, Kansas. The Health Center is a component unit of Hodgeman County (County) and governed by a Board of Trustees appointed by the county commissioners. The Health Center consists of a hospital, long-term care unit, clinics and independent living units (Bramley Place). The Health Center provides inpatient, outpatient and emergency care services to patients/residents in the Hodgeman County area.

### *Basis of Accounting and Presentation*

The financial statements of the Health Center 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 transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally tax appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Health Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

### *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 Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2024 and 2023.

### *Certificates of Deposit*

Certificates of deposit are carried at amortized cost. Certificates of deposit with original maturities of less than one year are reported as current assets. Those with original maturities greater than one year are reported as long-term assets.

### *Patient Accounts Receivable*

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

### *Supplies*

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

### *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 capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Health Center:

| | |
|---|---|
| Land improvements | 7 – 25 years |
| Buildings | 5 – 40 years |
| Fixed equipment | 10 – 20 years |
| Moveable equipment | 5 – 20 years |

### *Lease Assets*

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

### *Capital and Lease Asset Impairment*

The Health Center evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

### *Compensated Absences*

Health Center policies permit most employees to accumulate vacation and sick leave 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. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

### *Risk Management*

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

### *Net Position*

Net position of the Health Center is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital and lease assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

### *Net Patient Service Revenue*

The Health Center has agreements with third-party payers that provide for payments to the Health Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

### *Charity Care*

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

### *Noncapital Appropriations – Hodgeman County*

The Health Center received approximately 2% in 2024 and 2023 of its financial support from the proceeds on noncapital appropriations from Hodgeman County. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied by the County and shared with the Health Center for operational purposes. Taxes are assessed by the County in November of one year and are received beginning in January of the following year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

### *Income Taxes*

As an essential government function of the County, the Health Center is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

### *Reclassifications*

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation. The reclassifications had no effect on the changes in financial position.

## Note 2. Deposits

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 Health Center'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.

At December 31, 2024 and 2023, respectively, $5,587,849 and $4,012,978 of the Health Center's bank balances of $6,135,273 and $4,492,300 were exposed to custodial credit risk as follows:

| | 2024 | 2023 |
|---|---|---|
| Uninsured and collateral held by pledging financial institution | $ 5,587,849 | $ 4,012,978 |

### *Summary of Carrying Values*

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

| | 2024 | 2023 |
|---|---|---|
| Carrying value | | |
| Deposits | $ 3,071,500 | $ 4,405,776 |
| Petty cash | 700 | 700 |
| Certificates of deposit | 3,077,481 | - |
| | $ 6,149,681 | $ 4,406,476 |
| Included in the following balance sheet captions | | |
| Cash | $ 2,122,200 | $ 3,456,476 |
| Restricted cash | 950,000 | 950,000 |
| Certificates of deposit | 3,077,481 | - |
| | $ 6,149,681 | $ 4,406,476 |

## Note 3. Patient Accounts Receivable

The Health Center grants credit without collateral to its patients, most of whom are local area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

| | 2024 | 2023 |
|---|---|---|
| Medicare | $ 1,350,846 | $ 801,472 |
| Medicaid | 141,044 | 126,166 |
| Blue Cross | 66,699 | 87,058 |
| Other third-party payers | 163,531 | 98,899 |
| Self-pay | 1,159,286 | 836,301 |
| | 2,881,406 | 1,949,896 |
| Less allowance for uncollectible accounts | 900,650 | 692,398 |
| Patient accounts receivable, net | $ 1,980,756 | $ 1,257,498 |

## Note 4. Capital and Lease Assets

Capital assets activity for the years ended December 31 was:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land improvements | $ 225,963 | $ - | $ - | $ - | $ 225,963 |
| Buildings | 7,686,034 | 108,332 | - | 9,859 | 7,804,225 |
| Fixed equipment | 830,609 | 61,196 | - | 141,247 | 1,033,052 |
| Moveable equipment | 1,956,140 | 30,714 | - | - | 1,986,854 |
| Construction in progress | 41,092 | 179,282 | - | (151,106) | 69,268 |
| | 10,739,838 | 379,524 | - | - | 11,119,362 |
| Less accumulated depreciation | | | | | |
| Land improvements | 116,937 | 15,638 | - | - | 132,575 |
| Buildings | 4,552,679 | 247,957 | - | - | 4,800,636 |
| Fixed equipment | 530,937 | 62,052 | - | - | 592,989 |
| Moveable equipment | 1,368,958 | 165,370 | - | - | 1,534,328 |
| | 6,569,511 | 491,017 | - | - | 7,060,528 |
| Capital assets, net | $ 4,170,327 | $ (111,493) | $ - | $ - | $ 4,058,834 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Land improvements | $ 225,963 | $ - | $ - | $ - | $ 225,963 |
| Buildings | 7,660,149 | 25,885 | - | - | 7,686,034 |
| Fixed equipment | 771,060 | 15,015 | - | 44,534 | 830,609 |
| Moveable equipment | 1,848,663 | 98,565 | - | 8,912 | 1,956,140 |
| Construction in progress | - | 94,538 | - | (53,446) | 41,092 |
| | 10,505,835 | 234,003 | - | - | 10,739,838 |
| Less accumulated depreciation | | | | | |
| Land improvements | 102,207 | 14,730 | - | - | 116,937 |
| Buildings | 4,316,008 | 236,671 | - | - | 4,552,679 |
| Fixed equipment | 431,964 | 98,973 | - | - | 530,937 |
| Moveable equipment | 1,265,601 | 103,357 | - | - | 1,368,958 |
| | 6,115,780 | 453,731 | - | - | 6,569,511 |
| Capital assets, net | $ 4,390,055 | $ (219,728) | $ - | $ - | $ 4,170,327 |

Lease assets activity for the years ended December 31 was:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Moveable equipment | $ 170,596 | $ - | $ - | $ - | $ 170,596 |
| Fixed equipment | 333,819 | - | - | - | 333,819 |
| | 504,415 | - | - | - | 504,415 |
| Less accumulated amortization | | | | | |
| Moveable equipment | 145,471 | 16,750 | - | - | 162,221 |
| Fixed equipment | 194,204 | 48,137 | - | - | 242,341 |
| | 339,675 | 64,887 | - | - | 404,562 |
| Lease assets, net | $ 164,740 | $ (64,887) | $ - | $ - | $ 99,853 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
| Moveable equipment | $ 170,596 | $ - | $ - | $ - | $ 170,596 |
| Fixed equipment | 333,819 | - | - | - | 333,819 |
| | 504,415 | - | - | - | 504,415 |
| Less accumulated amortization | | | | | |
| Moveable equipment | 128,721 | 16,750 | - | - | 145,471 |
| Fixed equipment | 133,217 | 60,987 | - | - | 194,204 |
| | 261,938 | 77,737 | - | - | 339,675 |
| Lease assets, net | $ 242,477 | $ (77,737) | $ - | $ - | $ 164,740 |

## Note 5. Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium, which provides $200,000 of coverage for each medical incident and $600,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $800,000 of coverage for each medical incident and $2,400,000 of aggregate coverage for each policy year.

Accounting principles generally accepted in the United States of America require 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 Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

## Note 6. Long-term Obligations

The following is a summary of long-term obligation transactions for the Health Center for the years ended December 31:

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term liabilities | | | | | |
| Lease liabilities | $ 149,311 | $ - | $ 76,082 | $ 73,229 | $ 73,229 |
| Total long-term obligations | $ 149,311 | $ - | $ 76,082 | $ 73,229 | $ 73,229 |

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
| Long-term liabilities | | | | | |
| Lease liabilities | $ 237,162 | $ - | $ 87,851 | $ 149,311 | $ 76,082 |
| Total long-term obligations | $ 237,162 | $ - | $ 87,851 | $ 149,311 | $ 76,082 |

### *Lease Liabilities*

The Health Center leases equipment, the terms of which expire in 2025. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of payments under the leases as of December 31, 2024:

| Year Ending December 31 | Total to Be Paid | Principal | Interest |
|---|---|---|---|
| 2025 | $ 74,810 | $ 73,229 | $ 1,581 |

## Note 7. Net Patient Service Revenue

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

*Medicare.* The hospital is recognized as a CAH and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Health Center is reimbursed for certain services and cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Health Center and audits 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.

Approximately 80% and 79% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

## Note 8. Charity Care

The costs of charity care provided under the Health Center's charity care policy were approximately $17,000 and $16,000 for 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

## Note 9. Pension Plans

### *Defined Contribution Plan*

The Health Center contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Health Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Health Center's governing body. If an employee authorizes the Health Center to make a salary reduction contribution on their behalf to the deferred compensation plan noted below, the Health Center will make a contribution to the defined contribution plan equal to 100% of the employee's contribution. Only salary deferral contributions up to 6% of an employee's compensation are eligible to be matched. Contributions actually made by the Health Center were $165,944 for 2024 and $189,124 for 2023. Employees do not contribute to the defined contribution pension plan.

### *Deferred Compensation Plan*

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $350,507 and $317,178 for the years ended December 31, 2024 and 2023, respectively. The Health Center does not contribute to the 457 Plan.

## Note 10. 340B Drug Pricing Program

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $634,160 and $414,093 for the years ending December 31, 2024 and 2023, respectively. The Health Center recorded expenses related to the 340B Program of $96,990 and $428,700 for the years ending December 31, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenue and expenses and changes in net position. This program is overseen by the Health Resources and Service Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing is compliance monitoring processes. Laws and regulations governing the 340B program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to 340B Program could occur in the near term.

## Note 11. COVID-19 Pandemic & *CARES Act* Funding

On March 22, 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.

### *Provider Relief Fund*

During the years ended December 31, 2021 and 2020, the Health Center received $455,541 and $3,615,510, respectively, of distributions from the *Coronavirus Aid, Relief, and Economic Security Act* (*CARES Act)* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Health Center 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 HHS.

The Health Center accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Health Center's operating revenues and expenses through December 31, 2024, the Health Center recognized $455,541, $2,497,309 and $168,201, related to the Provider Relief Fund for the years ended December 31, 2022, 2021 and 2020, respectively, and these payments were recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $950,000 is recorded as unearned revenue in the accompanying balance sheets.

The Health Center will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Health Center's revenues and expenses. The terms and conditions governing the Provider Relief Funds are complex and subject to interpretation and change. If the Health Center is unable to attest to or comply with current or future terms and conditions the Health Center's ability to retain some or all of the distributions received may be affected. Additionally, the amounts recorded in the financial statements compared to the Health Center's Provider Relief Fund reporting could differ. The Provider Relief Funds are subject to government oversight, including potential audits.

## Note 12. Employee Retention Credit

The *CARES Act*, and subsequent legislation, provides a refundable employee retention tax credit (ERC) to eligible employers who meet either a gross receipts test or a government mandate test. The tax credit is equal to a specified percentage of qualified wages paid to employees subject to certain limits. The Health Center has elected to account for these employee retention credits in accordance with GASB Topic N50. The Health Center has determined it qualifies for the tax credit and has claimed ERCs of $0 and $1,460,063, respectively, during the years ended December 31, 2024 and 2023, respectively. The following financial statement line items were affected by these transactions:

- Cash
- Noncapital contributions and grants
- Interest income

Laws and regulations concerning the employee retention credit are complex and subject to varying interpretation. These credits may be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Health Center's claim to the employee retention credit, and it is not possible to determine the impact this would have on the Health Center.