

Greenwood County Hospital

Report to the Board of Trustees and Management

For the Year Ended September 30, 2020

Results of the 2020 financial statement audit, selected ratios, internal control matters and other required communications.



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October 27, 2021

Board of Trustees and Management
Greenwood County Hospital
Eureka, Kansas

We have completed our audit of the financial statements of Greenwood County Hospital (Hospital) as of and for the year ended September 30, 2020. This report includes communication required under auditing standards generally accepted in the United States of America as well as other matters.

Our audit plan represented an approach responsive to the assessment of risk of material misstatement in financial reporting for the Hospital. Specifically, auditing standards require us to:

- Express an opinion on the September 30, 2020, financial statements of the Hospital
- The Key Operating Indicators and Ratios listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it
- Issue communications required under auditing standards generally accepted in the United States of America to assist those charged with governance in overseeing management's financial reporting and disclosure process

This report also presents an overview of areas of audit emphasis, as well as other industry matters for the health care environment.

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Hospital and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

BKD, LLP



Summary of Our Audit Approach & Results

Our Approach

BKD's audit approach focuses on areas of higher risk – the unique characteristics of the Hospital's operating environment, the design effectiveness of your internal controls and your financial statement amounts and disclosures. The objective is to express an opinion on the conformity of your financial statements, in all material respects, with accounting principles generally accepted in the United States of America.

Areas of Audit Emphasis

The principal areas of audit emphasis and results were as follows:

Risk Area	Results
➡ <i>Management override of controls</i> – The risk that management may override existing and functioning accounting controls is an inherent risk to the Hospital.	➡ No matters are reportable.
➡ <i>Revenue recognition</i> – The risk that management may record revenue in the incorrect period.	➡ No matters are reportable.
➡ <i>Management estimates</i> – Estimates and judgments made by management materially impact financial statement amounts. The following financial statement areas include material estimates made by management: <ul style="list-style-type: none">• Allowance for uncollectible accounts• Allowance for contractual adjustments• Estimated amounts due from and to third-party payers• Capital asset impairment• Employee health claims (self-insurance)• Professional liability claims	➡ No matters are reportable.

Risk Area	Results
<p>➤ <i>Current economic environment</i> – New legislation was enacted by the United States Congress to respond to the overall effect of the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19). The new legislation is unprecedented in scale and scope and includes the following bills:</p> <ul style="list-style-type: none"> ○ <i>Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020</i> ○ <i>Families First Coronavirus Response Act, 2020</i> ○ <i>Coronavirus Aid, Relief and Economic Security Act (CARES Act), 2020</i> ○ <i>Consolidated Appropriations Act, 2021</i> ○ <i>Continuing Appropriations Act, 2021 and Other Extensions Act</i> <p>➤ The passage of these laws had a wide sweeping effect on all businesses but especially to health care organizations, as they address the impact to their business in treating residents impacted by the COVID-19 pandemic and its impact on their business in treating residents not directly infected with COVID-19.</p>	<p>➤ The Hospital is a recipient of distributions from the Provider Relief Fund established by the <i>CARES Act</i>. The Hospital attested to the terms and conditions upon receipt of the funding, including the requirement to demonstrate that funds received have been used for health care-related expenses or lost revenue attributable to the coronavirus as defined in the <i>CARES Act</i>. Based on guidance issued by the U.S. Department of Health and Human Services (HHS) as of December 31, 2020, management recognized revenue from the Provider Relief Fund based on expenses attributable to the coronavirus that another source has not reimbursed and is not obligated to reimburse and lost revenues, as defined by the “Post-Payment Notice of Reporting Requirements” guidance issued by HHS on September 29, 2020, and the Frequently Asked Questions issued by HHS on September 29, 2020.</p> <p>➤ Based on current guidance, it was determined that the Hospital did not meet the Single Audit threshold requirement of \$750,000 related to the amount of Federal funding recognized during the year as a result of the Provider Relief Funds (<i>CARES Act</i>), the Small Rural Hospital Improvement Program (SHIP) grant, and the Assistant Secretary for Preparedness and Response (ASPR) grant. Management acknowledges that future guidance published by the Office of Management and Budget (OMB) regarding the compliance of this federal program may lead to different reporting between the financial statements and the Schedule of Expenditures of Federal Awards.</p>

Significant Estimates

The preparation of the financial statements requires considerable judgment because some assets, liabilities, revenues and expenses are “estimated” based on management’s assumptions about future outcomes. Other estimates may be dependent on assumptions related to economic or environmental conditions, regulatory reform or changes in industry trends.

Some estimates are inherently more difficult to evaluate and highly susceptible to variation because the assumptions relating to future outcomes have a higher degree of uncertainty. To the extent future outcomes are different than expected, management’s estimates are adjusted in future periods, sometimes having a significant effect on subsequent period financial statements. The following are considered to be significant estimates for the Hospital:

- **Allowance for Uncollectible Accounts** – Primary collection risks related to patient accounts receivable include uninsured patients and patient balances where the insurance payer did not pay the entire balance. Management’s estimate for allowance for uncollectible accounts is based on historical collection, payer mix and anticipated trends. Similar to third-party reimbursements, management assumptions about the economy and types of payers affect the estimation of allowance for uncollectible accounts.
- **Allowance for Contractual Adjustments (Third-party Reimbursement)** – Net operating revenues include management’s estimates of amounts to be reimbursed by third parties. Amounts received for patient billings are generally less than amounts billed. The difference between what is billed and expected to be received is recorded through contractual adjustments. Management’s process of estimating amounts to be received from third parties requires estimation based on payer classification, historical data and payer contract provisions. Estimates of third-party reimbursements also include management assumptions about uncertainties in health care reform, payer mix and state of the economy.
- **Amounts Due From and To Third-party Payers** – The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital. Management estimates the settlement to be made from and to the Medicare program for all open cost report years.
- **Capital Asset Impairment** – The Hospital 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.
- **Professional Liability Claims** – Professional liability claims are based on estimates of known claims and estimates for incurred but not reported claims. Management estimates the liability based on specific claim facts, historical claim reporting and actuarial assumptions. In addition to the liability, management records a receivable for the amount expected to be reimbursed by excess insurance.

- **Employee Health Claims Liability** – The Hospital is self-insured for health claims of participating employees and dependents. The Hospital reinsures a portion of its risk under that plan. The reinsurance arrangement covers claims up to the specified amount of \$50,000 for each covered individual on an annual basis. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors.

Opinion & Reconciliation of Changes in Net Position/Assets

Unmodified, or “Clean,” Opinion Issued on Financial Statements

We have issued an unmodified opinion as to whether the financial statements of the Hospital and its discretely present component unit, Greenwood County Healthcare Foundation, Inc., as of and for the year ended September 30, 2020, included at *Tab I*, are fairly presented, in all material respects. As a result of our audit, we proposed adjustments that management determined were necessary to prevent the financial statements from being materially misstated. A summary of adjustments impacting the change in net position/assets is presented below:

	Greenwood County Hospital	Greenwood County Healthcare Foundation, Inc.	Total
Change in net position/assets, as internally reported	\$ (2,993,966)	\$ 29,685	\$ (2,964,281)
Adjustments			
Management proposed entries:			
Year end closing entries	3,188,025	-	3,188,025
Entries outsourced to BKD:			
Provider Relief Funds	202,811	-	202,811
Audit adjustments:			
None	-	-	-
Change in net position/assets, per audited financial statements	<u>\$ 396,870</u>	<u>\$ 29,685</u>	<u>\$ 426,555</u>



Key Operating Indicators and Ratios – Hospital Only

	BKD KS CAH Average	GPHA KS CAH Average	2020	2019	2018	2020-2019 % Change	2019-2018 % Change
<u>Liquidity Ratios:</u>							
Days cash on hand - current	57	30	137	7	5	1909%	50%
Days cash on hand - all sources	92	53	137	7	5	1909%	50%
Days revenue in patient accounts receivable, net	55	56	52	59	48	-11%	22%
Current ratio	2.21	2.08	1.16	0.92	0.81	26%	13%
Average payment period of accounts payable	44	29	10	80	69	-87%	16%
<u>Capital/Debt Ratios:</u>							
Average age of plant	16	15	35	37	33	-5%	13%
Long-term debt to capitalization	47%	57%	59%	19%	35%	39%	-15%
<u>Operating and Performance Ratios:</u>							
Contractual adjustments as a % of gross patient revenue			43%	40%	39%	3%	2%
Provision for uncollectible accounts as a % of gross patient revenue			5%	5%	5%	0%	0%
Net patient revenue as a % of gross patient revenue			52%	55%	56%	-2%	-2%
Patient days							
Acute			1,194	1,064	952	12%	12%
Swing-bed			1,100	1,232	1,176	-11%	5%
Home Health Visits			7,411	6,627	8,073	12%	-18%
Rural Health Clinic Visits			8,736	9,795	10,711	-11%	-9%
			18,441	18,718	20,912	-1%	-10%



Key Operating Indicators and Ratios – Hospital Only - Continued

	BKD KS CAH Average	GPHA KS CAH Average	2020	2019	2018	2020-2019 %	2019-2018 %
						Change	Change
<u>Operating and Performance Ratios - Continued:</u>							
Salaries and wages			\$ 6,537,759	\$ 6,309,895	\$ 6,440,574	4%	-2%
Total operating expenses			\$ 12,090,146	\$ 12,133,449	\$ 12,063,602	0%	1%
Salaries and wages as a % of total of operating expenses	45%	43%	54%	52%	53%	2%	-1%
Salaries and wages as a % of net patient revenue (labor ratio)	56%	53%	65%	62%	64%	4%	-2%
Full-time equivalents	92	108	113	111	116	2%	-4%
Patient service revenue per full-time equivalent	\$ 95,696	\$ 99,305	\$ 88,744	\$ 92,093	\$ 87,200	-4%	6%
Salaries and wages per full-time equivalent	\$ 52,309	\$ 52,904	\$ 57,856	\$ 56,810	\$ 55,705	2%	2%
Operating margin	-15%	-14%	-8%	-7%	-13%	-1%	6%
Operating margin before depreciation	-8%	-8%	-6%	-5%	-10%	-1%	6%
Total margin	-3%	-2%	3%	1%	-5%	2%	5%
Total margin before depreciation	3%	4%	5%	3%	-2%	2%	5%
Tax support	6%	6%	8%	7%	7%	1%	0%



Key Operating Indicators and Ratios – Hospital Only - Continued

	BKD KS CAH Average	GPHA KS CAH Average	2020	2019	2018	2020-2019 %	2019-2018 %
						Change	Change
Medicare Cost Report Data:							
Medicare Part A Costs (W/S E-3 Part V Line 6)			\$ 1,283,323	\$ 1,197,214	\$ 1,160,366	7%	3%
Medicare IP Days			902	833	740	8%	13%
Medicare IP Cost Per Day			\$ 1,423	\$ 1,437	\$ 1,568	-1%	-8%
Medicare Swing-Bed Costs (W/S E-2 Line 10)			\$ 1,327,062	\$ 1,481,754	\$ 1,565,453	-10%	-5%
Medicare SWB Days			1,098	1,203	1,176	-9%	2%
Medicare SWB Cost Per Day			\$ 1,209	\$ 1,232	\$ 1,331	-2%	-7%
Acute Days			1,194	1,064	952	12%	12%
Acute Discharges			519	300	269	73%	12%
Length of Stay - Acute			2.30	3.55	3.54	-35%	0%
SWB Skilled Days			1,098	1,203	1,176	-9%	2%
SWB Skilled Discharges Per PS&R			107	111	139	-4%	-20%
Length of Stay - SWB			10.26	10.84	8.46	-5%	28%
Medicare Discharges - Acute			216	226	212	-4%	7%
Medicare % - Discharges - Acute			42%	75%	79%	-34%	-3%
Medicaid Discharges - Acute			12	9	18	33%	-50%
Medicaid % - Discharges - Acute			2%	3%	7%	-1%	-4%

Required Communications

Generally accepted auditing standards require the auditor to provide to those charged with governance additional information regarding the scope and results of the audit that may assist you in overseeing management's financial reporting and disclosure process. Below, we summarize these required communications.

Auditor's Responsibilities Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this communication or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Area	Comments
Significant Accounting Policies Significant accounting policies are described in <i>Note 1</i> of the financial statements.	➡ There are no unusual accounting policies or accounting methods used by the Hospital.
Alternative Accounting Treatments	➡ No matters are reportable.

Area	Comments
<p>Management Judgments & Accounting Estimates</p> <p>Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. Areas involving significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates are listed in the adjacent comments section.</p>	<ul style="list-style-type: none"> ➤ See Significant Estimates section. ➤ Provider Relief Fund revenue recognition – The Hospital is a recipient of distributions from the Provider Relief Fund established by the <i>CARES Act</i>. The Hospital attested to the terms and conditions upon receipt of the funding, including the requirement to demonstrate that funds received have been used for health care-related expenses or lost revenue attributable to coronavirus as defined in the <i>CARES Act</i>. Based on guidance issued by the U.S. Department of Health and Human Services (HHS) as of September 30, 2020, management recognized revenue from the Provider Relief Fund based on expenses attributable to coronavirus that have not been reimbursed from other sources and not obligated to reimburse, including expenses to maintain health care delivery capacity.
<p>Financial Statement Disclosures</p> <p>The areas listed in the adjacent comments section involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures.</p>	<ul style="list-style-type: none"> ➤ Paycheck Protection Program (PPP) loan and subsequent PPP loan forgiveness. ➤ Employee health claims ➤ Charity care ➤ 304B drug pricing program ➤ COVID-19 pandemic and <i>CARES Act</i> Funding ➤ Management agreement ➤ Future change in accounting principle ➤ Disclosures related to Greenwood County Healthcare Foundation, Inc.
<p>Audit Adjustments</p> <p>During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.</p>	<p><u>Proposed Audit Adjustments Recorded</u></p> <ul style="list-style-type: none"> ➤ See Opinion & Reconciliation of Changes of Net Position/Assets section. <p><u>Proposed Audit Adjustments Not Recorded</u></p> <ul style="list-style-type: none"> ➤ None
<p>Auditor's Judgments About the Quality of the Hospital's Accounting Policies</p>	<ul style="list-style-type: none"> ➤ No matters are reportable.

Area	Comments
Disagreements with Management	➤ No matters are reportable.
Consultation with Other Accountants	➤ No matters are reportable.
Significant Issues Discussed with Management Prior to Retention and During the Audit Process	<ul style="list-style-type: none">➤ Financial impact of the COVID-19 pandemic and <i>CARES Act</i> funding➤ Other COVID-19 funding received.➤ Paycheck Protection Program (PPP) loan received and subsequent PPP loan forgiveness.➤ Impact of new lease standard on the financial statements.
Difficulties Encountered in Performing the Audit	➤ Timing of audit testing was delayed due to overall condition of accounts and lack of supporting documentation to support balances. The books were cleaned up by Great Plains Health Alliance, Inc. and we ultimately had a clean audit but there was a significant delay in timing.

Other Material Communications

Other material communications between management and us related to the audit include:

- Management representation letter (*Tab 2*)
- Deficiencies in internal control that are not considered to be significant deficiencies or material weaknesses (verbal communication)

Other Matters

GASB Statement No. 84, *Fiduciary Activities* (GASB 84)

The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

GASB 84 is effective for the Hospital's fiscal year ending September 30, 2021. Earlier application is encouraged.

GASB has issued Statement 97 that amends some provisions in GASB 84 related to evaluation and treatment of Section 457 Plans. The change related to 457 Plans is effective for fiscal year ending September 30, 2022.

GASB Issues New Lease Standard

Government Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021, which for the Hospital will be July 1, 2022. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun.



Paycheck Protection Program (PPP) Loans

During 2020, the Hospital obtained a loan under the Paycheck Protection Program (PPP). The U.S. Small Business Administration (SBA) has authority to audit the loan for a period of six years from the date the loan is forgiven or repaid. Subsequent to year-end, on November 3, 2020, the Hospital received a Notice from the SBA indicating that the PPP loan had been forgiven in its entirety. The PPP rules have created uncertainty among organizations about their eligibility to obtain a loan due to economic need for the loan and the affiliation rules. We advise the Hospital to consider the following actions regarding the PPP loan it received:

- Maintain PPP loan records and documentation for a period of six years from the date of loan forgiveness.

* * *

This communication is intended solely for the information and use of management, the Board of Trustees and others within the Hospital and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Wichita, Kansas
October 27, 2021

TAB 1

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas

Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
September 30, 2020 and 2019

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Independent Auditor's Report

Board of Trustees
Greenwood County Hospital
Eureka, Kansas

We have audited the accompanying financial statements of Greenwood County Hospital (Hospital), a component unit of Greenwood County, Kansas, and its discretely presented component unit, Greenwood County Healthcare Foundation, Inc. (Foundation), as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the provisions of the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenwood County Hospital and of its discretely presented component unit as of September 30, 2020 and 2019, 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.

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.

BKD, LLP

Wichita, Kansas
October 27, 2021

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Balance Sheets
September 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash	\$ 4,438,069	\$ 221,560
Patient accounts receivable, net of allowance; 2020 - \$4,212,800, 2019 - \$3,322,300	1,426,784	1,644,083
Sales taxes receivable	190,715	162,197
Supplies	154,881	114,992
Prepaid expenses and other	179,011	113,802
Total current assets	<u>6,389,460</u>	<u>2,256,634</u>
Capital Assets, Net	<u>1,015,292</u>	<u>986,759</u>
Other Assets		
Loans to nurses, net of allowance; 2020 - \$26,250, 2019 - \$26,375	-	377
	<u>-</u>	<u>377</u>
Total assets	<u><u>\$ 7,404,752</u></u>	<u><u>\$ 3,243,770</u></u>
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	\$ 836,395	\$ 114,983
Accounts payable	145,520	1,215,940
Accrued expenses	650,243	793,319
Estimated amounts due to third-party payers	130,000	327,720
Unearned revenue	3,755,315	-
Total current liabilities	<u>5,517,473</u>	<u>2,451,962</u>
Long-term Debt	<u>757,022</u>	<u>58,421</u>
Total liabilities	<u>6,274,495</u>	<u>2,510,383</u>
Net Position (Deficit)		
Net investment in capital assets	790,875	813,355
Unrestricted (deficit)	339,382	(79,968)
Total net position	<u>1,130,257</u>	<u>733,387</u>
Total liabilities and net position	<u><u>\$ 7,404,752</u></u>	<u><u>\$ 3,243,770</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Greenwood County Healthcare Foundation, Inc.
Statements of Financial Position
September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash	\$ 92,742	\$ 64,837
Short-term certificates of deposit	<u>77,744</u>	<u>75,964</u>
Total assets	<u>\$ 170,486</u>	<u>\$ 140,801</u>
 Net Assets	 <u>\$ 170,486</u>	 <u>\$ 140,801</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2020 - \$902,381, 2019 - \$933,430	\$ 10,028,092	\$ 10,228,730
340B drug pricing program	1,075,065	1,024,794
Other	85,814	94,494
	<hr/>	<hr/>
Total operating revenues	11,188,971	11,348,018
	<hr/>	<hr/>
Operating Expenses		
Salaries and wages	6,537,759	6,309,895
Employee benefits	1,284,461	1,433,088
Purchased services	1,354,090	1,540,869
Drugs	881,835	943,067
Medical and surgical supplies	388,419	410,812
Dues and subscriptions	58,204	46,126
Food	50,152	67,403
Insurance	100,592	96,573
Repairs and maintenance	90,801	81,930
Telephone	80,197	99,389
Utilities	131,737	130,267
Supplies and other	870,850	706,011
Depreciation	261,049	270,811
Gain on disposal of capital assets	-	(2,792)
	<hr/>	<hr/>
Total operating expenses	12,090,146	12,133,449
	<hr/>	<hr/>
Operating Loss	(901,175)	(785,431)
	<hr/>	<hr/>
Nonoperating Revenues (Expenses)		
Sales tax revenue	997,901	851,082
Interest income	2,684	303
Interest expense	(29,472)	(27,706)
Noncapital grants and gifts	124,121	68,926
Provider Relief Funds (<i>CARES Act</i>)	202,811	-
	<hr/>	<hr/>
Total nonoperating revenues	1,298,045	892,605
	<hr/>	<hr/>
Increase in Net Position	396,870	107,174
	<hr/>	<hr/>
Net Position, Beginning of Year	733,387	626,213
	<hr/>	<hr/>
Net Position, End of Year	<u>\$ 1,130,257</u>	<u>\$ 733,387</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Greenwood County Healthcare Foundation, Inc.
Statements of Activities
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenues, Gains and Other Support		
Contributions	\$ 65,593	\$ 83,854
Interest income	417	954
	<u>66,010</u>	<u>84,808</u>
Expenses		
Support to Greenwood County Hospital	16,516	64,374
Management and general	19,809	28,238
Community support	-	5,565
	<u>36,325</u>	<u>98,177</u>
Change in Net Assets	29,685	(13,369)
Net Assets, Beginning of Year	<u>140,801</u>	<u>154,170</u>
Net Assets, End of Year	<u><u>\$ 170,486</u></u>	<u><u>\$ 140,801</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	\$ 10,047,671	\$ 10,014,004
Payments to suppliers and contractors	(5,182,018)	(3,911,038)
Payments to employees	(7,965,296)	(7,754,022)
Receipts from 340B drug pricing program	1,075,065	1,024,794
Other receipts, net	3,841,129	94,494
	<u>1,816,551</u>	<u>(531,768)</u>
Net cash provided by (used in) operating activities		
Cash Flows From Noncapital Financing Activities		
Sales tax revenue	969,383	814,846
Noncapital gifts	124,121	68,926
Provider Relief Funds (<i>CARES Act</i>)	202,811	-
Proceeds from issuance of long-term debt	1,369,000	-
	<u>2,665,315</u>	<u>883,772</u>
Net cash provided by noncapital financing activities		
Cash Flows From Capital and Related Financing Activities		
Proceeds from long-term debt	35,147	35,886
Principal paid on long-term debt	(174,895)	(193,699)
Interest paid on long-term debt	(29,472)	(27,706)
Purchases of capital assets	(98,821)	(92,069)
	<u>(268,041)</u>	<u>(277,588)</u>
Net cash used in capital and related financing activities		
Cash Flows From Investing Activities		
Interest income	2,684	303
	<u>2,684</u>	<u>303</u>
Net cash provided by investing activities		
Increase in Cash	4,216,509	74,719
Cash, Beginning of Year	<u>221,560</u>	<u>146,841</u>
Cash, End of Year	<u><u>\$ 4,438,069</u></u>	<u><u>\$ 221,560</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows (Continued)
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Net Operating Loss to Net		
Cash Provided by (Used in) Operating Activities		
Operating loss	\$ (901,175)	\$ (785,431)
Depreciation	261,049	270,811
Gain on disposal of capital assets	-	(2,792)
Provision for uncollectible accounts	902,381	933,430
Changes in operating assets and liabilities		
Patient accounts receivable, net	(685,082)	(1,243,876)
Estimated amounts due from and to third-party payers	(197,720)	95,720
Supplies	(39,889)	11,141
Prepaid expenses and other	(65,209)	(51,556)
Other assets	377	2,064
Accounts payable and accrued expenses	(1,213,496)	238,721
Unearned revenue	3,755,315	-
	<u>\$ 1,816,551</u>	<u>\$ (531,768)</u>
Net cash provided by (used in) operating activities		
	<u>\$ 1,816,551</u>	<u>\$ (531,768)</u>
Noncash Investing, Capital and Financing Activities		
Capital lease obligations incurred for capital assets	\$ 190,761	\$ -

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

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

Nature of Operations and Reporting Entity

Greenwood County Hospital (Hospital) is an acute care hospital located in Eureka, Kansas. The Hospital is a component unit of Greenwood County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Greenwood County area. It also operates a home health agency in the same geographic area.

Foundation

Greenwood County Healthcare Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the Foundation's by-laws restrict its resources and related income to be used for the benefit of the Hospital. Because these resources held by the Foundation can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

During the fiscal years ended September 30, 2020 and 2019, the Foundation provided \$16,516 and \$64,374 of support to the Hospital, respectively.

The Foundation is a private nonprofit organization that 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. No modifications have been made to the Foundation's statements in the Hospital's financial reporting entity for these differences.

Basis of Accounting and Presentation

The financial statements of the Hospital 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 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 intergovernmental revenue from property taxes, sales taxes, investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

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

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital 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. The Hospital's capitalization policy is to capitalize assets acquired with a cost in excess of \$5,000. 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 Hospital:

Land improvements	8 – 15 years
Buildings and building improvements	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Capital Asset Impairment

The Hospital 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, 2020 and 2019.

Compensated Absences

Hospital 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 included in accrued expenses on the accompanying balance sheets 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. Effective May 1, 2019, vacation benefits to be paid to employees who resign or are terminated are capped at \$5,000.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on November 3, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue at that time.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Risk Management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation 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 or restricted net position.

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party 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 Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Noncapital Appropriations –Sales Tax Revenue

The Hospital received approximately 8% and 7% of its financial support from the proceeds of noncapital appropriations from sales taxes in 2020 and 2019, respectively. One hundred percent of these funds were used to support operations in both years.

Sales tax revenue is recognized based on sales taxes collected by the County's retailers in the Hospital's accounting period. The Hospital sales tax is 1% and is in place in perpetuity. In addition to the 1% sales tax the Hospital passed an additional ½% sales tax that went into effect January 1, 2019, and is in effect until December 31, 2021.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds 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 HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

Income Taxes

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

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 Hospital'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.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

At September 30, 2020 and 2019, \$3,992,961 and \$0 of the Hospital's bank balances of \$4,432,904 and \$197,729, respectively, were exposed to custodial credit risk as follows:

	2020	2019
Uninsured and uncollateralized	\$ 67,270	\$ -
Uninsured and collateral held by pledging financial institution's agent in other than the Hospital's name	<u>3,925,691</u>	<u>-</u>
	<u><u>\$ 3,992,961</u></u>	<u><u>\$ -</u></u>

Summary of Carrying Values

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

	2020	2019
Carrying value		
Deposits	<u>\$ 4,438,069</u>	<u>\$ 221,560</u>
Included in the following balance sheet captions		
Cash	<u><u>\$ 4,438,069</u></u>	<u><u>\$ 221,560</u></u>

Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2020	2019
Medicare	\$ 598,544	\$ 920,582
Medicaid	148,604	115,301
Blue Cross	150,652	141,487
Other third-party payers	641,972	637,844
Patients	<u>4,099,812</u>	<u>3,151,169</u>
	5,639,584	4,966,383
Less allowance for uncollectible accounts	<u>4,212,800</u>	<u>3,322,300</u>
	<u><u>\$ 1,426,784</u></u>	<u><u>\$ 1,644,083</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 4: Capital Assets

Capital assets activity for the years ended September 30 was:

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 26,835	\$ -	\$ -	\$ -	\$ 26,835
Land improvements	139,597	-	-	-	139,597
Buildings and building improvements	3,713,174	-	-	-	3,713,174
Fixed equipment	1,364,642	-	-	-	1,364,642
Major moveable equipment	5,828,016	281,561	(1,142,199)	-	4,967,378
Construction in progress	-	8,021	-	-	8,021
	<u>11,072,264</u>	<u>289,582</u>	<u>(1,142,199)</u>	<u>-</u>	<u>10,219,647</u>
Less accumulated depreciation					
Land improvements	131,307	1,961	-	-	133,268
Buildings and building improvements	3,172,783	84,802	-	-	3,257,585
Fixed equipment	1,181,430	25,881	-	-	1,207,311
Major moveable equipment	5,599,985	148,405	(1,142,199)	-	4,606,191
	<u>10,085,505</u>	<u>261,049</u>	<u>(1,142,199)</u>	<u>-</u>	<u>9,204,355</u>
Capital assets, net	<u>\$ 986,759</u>	<u>\$ 28,533</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,015,292</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

	2019				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 26,835	\$ -	\$ -	\$ -	\$ 26,835
Land improvements	139,597	-	-	-	139,597
Buildings and building improvements	3,713,174	-	-	-	3,713,174
Fixed equipment	1,274,209	8,652	-	81,781	1,364,642
Major moveable equipment	5,823,588	4,428	-	-	5,828,016
Construction in progress	40,040	41,741	-	(81,781)	-
	<u>11,017,443</u>	<u>54,821</u>	<u>-</u>	<u>-</u>	<u>11,072,264</u>
Less accumulated depreciation					
Land improvements	124,439	6,868	-	-	131,307
Buildings and building improvements	3,076,770	96,013	-	-	3,172,783
Fixed equipment	1,158,518	22,912	-	-	1,181,430
Major moveable equipment	5,454,967	145,018	-	-	5,599,985
	<u>9,814,694</u>	<u>270,811</u>	<u>-</u>	<u>-</u>	<u>10,085,505</u>
Capital assets, net	<u>\$ 1,202,749</u>	<u>\$ (215,990)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 986,759</u>

Note 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2020	2019
Payable to suppliers and contractors	\$ 145,520	\$ 1,215,940
Payable to employees (including payroll taxes and benefits)	<u>650,243</u>	<u>793,319</u>
	<u>\$ 795,763</u>	<u>\$ 2,009,259</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 6: Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance which provides \$200,000 of coverage for each medical incident and \$600,000 of aggregate coverage for each policy year on a fixed premium basis. 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 claims made 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 professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the near term.

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$1,000,000 for the covered group or \$50,000 per covered member. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2020 and 2019 is summarized as follows:

	2020	2019
Balance, beginning of year	\$ 91,995	\$ 61,001
Current year claims incurred and changes in estimates for claims incurred in prior years	722,838	905,605
Claims and expenses paid	<u>(746,893)</u>	<u>(874,611)</u>
Balance, end of year	<u>\$ 67,940</u>	<u>\$ 91,995</u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 8: Long-term Debt

The following is a summary of long-term debt transactions for the Hospital for the years ended September 30:

2020					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Notes payable to banks	\$ 3,701	\$ 35,147	\$ 34,838	\$ 4,010	\$ 4,010
PPP loan payable to bank	-	1,369,000	-	1,369,000	751,622
Capital lease obligations	169,703	190,761	140,057	220,407	80,763
Total long-term debt	<u>\$ 173,404</u>	<u>\$ 1,594,908</u>	<u>\$ 174,895</u>	<u>\$ 1,593,417</u>	<u>\$ 836,395</u>

2019					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Notes payable to banks	\$ 53,737	\$ 35,886	\$ 85,922	\$ 3,701	\$ 3,701
Capital lease obligations	277,480	-	107,777	169,703	111,282
Total long-term debt	<u>\$ 331,217</u>	<u>\$ 35,886</u>	<u>\$ 193,699</u>	<u>\$ 173,404</u>	<u>\$ 114,983</u>

Notes Payable to Banks

The notes payable to banks was due March 1, 2019, with principal payable annually and interest at 5.173% payable monthly. The note was secured by certain capital assets. The note was paid in full during 2019. A new note was entered into in January 2019 and was due October 2019, with principal payable annually and interest at 9.000% payable monthly. The final payment of \$3,738, \$37 being interest was made in October 2019. A new note was entered into in January 2020 and was due October 2020, with principal and interest payable monthly. The final payment of \$4,036, \$27 being interest was made in October 2020.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Paycheck Protection Program (PPP) Loan Payable

The *CARES Act* and other subsequent legislation also provides a SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loan will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of \$1,369,000 in 2020. The loan has an interest rate of 1%, with monthly payments due monthly starting 10 months after the 24-week covered period. The PPP loan was forgiven in its entirety on November 3, 2020.

Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. The capital leases are secured by the related assets as collateral. Capital assets include the following property under capital leases at September 30, 2020 and 2019:

	2020	2019
Equipment	\$ 733,327	\$ 542,566
Less accumulated depreciation	<u>(405,937)</u>	<u>(380,940)</u>
	<u><u>\$ 327,390</u></u>	<u><u>\$ 161,626</u></u>

The following is a schedule by year of future minimum lease payments under the capital leases including interest at rates of 4.956% to 7.781% together with the present value of the future minimum lease payments as of September 30, 2020:

Year Ending September 30,	
2021	\$ 93,623
2022	57,405
2023	44,035
2024	44,035
2025	<u>7,337</u>
Total minimum lease payments	246,435
Less amount representing interest	<u>26,028</u>
Present value of future minimum lease payments	<u><u>\$ 220,407</u></u>

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 9: Net Patient Service Revenue

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 and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Home health services are paid on a per-episode basis using clinical diagnostic and other factors.

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 74% and 77% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2020 and 2019, 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 Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Note 10: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately \$33,000 and \$32,000 for 2020 and 2019, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 11: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of \$1,075,065 and \$1,024,794 for the years ending September 30, 2020 and 2019, respectively, which is included as its own line in operating revenues in the accompanying statements of revenues and expenses and changes in net position. The Hospital recorded expenses of \$573,715 and \$661,407 for the years ending September 30, 2020 and 2019, respectively, which is included in drugs within operating expenses in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 12: Pension Plans

The Hospital contributes to a mandatory 401(a) defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Hospital's Board of Trustees. The plan provides retirement 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 Hospital's governing body. Contribution rates for plan members expressed as a percentage of covered payroll was 3% until December 31, 2018. Effective January 1, 2019, the Hospital changed their contribution rate for plan members to 0%, which remained effective through September 30, 2020. Contributions actually made by plan members and the Hospital aggregated \$186,162 and \$0 in 2020 and \$185,232 and \$43,134 in 2019, respectively.

The Hospital also offers a 457(b) deferred compensation plan which plan members may contribute voluntarily. The Hospital does not incur any expense into this plan, and the Hospital does not make contributions to this plan.

Note 13: Management Agreement

The Board of Trustees has entered into a management agreement with Great Plains Health Alliance, Inc. The agreement can be cancelled with 60 days' notice. Fees incurred under this agreement were \$146,475 and \$147,790 in 2020 and 2019, respectively. There are \$950 and \$295,501 included in accounts payable related to these services at September 30, 2020 and 2019, respectively.

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2020 and 2019

Note 14: 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.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

Beginning in mid-March of 2020, the Hospital deferred all nonessential medical and surgical procedures and suspended elective procedures, which resumed at different dates during the final quarter of the fiscal year.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken precautionary steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

In addition, the Hospital received \$3,958,126 in general and targeted Provider Relief Fund distributions, both as provided for under the *CARES Act*, a PPP loan of \$1,369,000, and other COVID-19 funding of \$100,000.

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. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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 result of operations may have an effect on debt covenant compliance and on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

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Provider Relief Fund

During the year ended September 30, 2020, the Hospital received \$3,958,126 of distributions from the *CARES Act* 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 (HHS).

The Hospital is accounting for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required 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 Hospital's operating revenues and expenses through September 30, 2020, the Hospital recognized \$202,811, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenues – Provider Relief Funds (*CARES Act*) in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of \$3,755,315 is recorded as unearned revenue in the accompanying balance sheets.

Subsequent to year-end, HHS issued guidance on the use of payments from the Provider Relief Fund. The Hospital considers the guidance issued subsequent to year-end to be substantive changes in guidance rather than clarifications of guidance existing at September 30, 2020. As a result, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. The estimated amount of lost revenue related to fiscal year 2020 is approximately \$210,000, however due to being a governmental entity the Hospital was precluded from recording as revenue due to fiscal year ending prior to the close of the calendar year and governmental accounting rules specifically prohibiting estimates of lost revenues in the situation where the fiscal year and calendar year-end were not the same.

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 Funds 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 the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

During 2020, the Hospital received a PPP loan of \$1,369,000 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue

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recognized. The Hospital received legal notice on November 3, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the fiscal year 2021 statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received and recognized \$100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 15: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 16: Future Change in Accounting Principle

Leases

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly.

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In response to the challenges arising from COVID-19, on May 7, 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB, in a unanimous vote, approved an 18-month postponement for GASB 87. All statements and implementation guides with a current effective date of reporting periods beginning after June 15, 2018, and later will have a one-year postponement. This change is effective immediately. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is permitted. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

Fiduciary Activities

GASB Statement No. 84 (GASB 84), *Fiduciary Activities* establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

GASB 84 is effective for financial statements for fiscal years beginning after December 15, 2019. The Hospital is evaluating the impact the statement will have on the financial statements.

GASB has issued Statement 97 that amends some provisions in GASB 84 related to evaluation and treatment of Section 457 Plans. The change related to 457 Plans is effective for fiscal year ending September 30, 2022.

Note 17: Greenwood County Healthcare Foundation, Inc.

Summary of Significant Accounting Policies

Organization

The Foundation is a not-for-profit organization whose purpose is to raise funds for the support of health and health care programs for the Hospital.

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Related Entity

The Foundation works closely with the Hospital. As discussed above, much of the funds raised by the Foundation are distributed to the Hospital. The entities share one common member of their Boards of Trustees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2020 and 2019, the Foundation had no cash equivalents.

Certificate of Deposit

The Foundation reports certificates of deposits at amortized cost.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Foundation in perpetuity. At September 30, 2020 and 2019, there were no net assets with donor restrictions.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and administration have been summarized on a functional basis in the statements of activities. Accordingly, expenses that benefit both programs and supporting services have been allocated using management's estimates.

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Donated Services

The Foundation receives donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Contributions

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

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Foundation overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
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 stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Absent explicit donor 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.

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Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Liquidity and Availability

The Foundation's financial assets available within one year of the balance sheet date for general expenditures encompass all assets of the Foundation at both September 30, 2020 and 2019.

TAB 2

Representation of:
Greenwood County Hospital
100 West 16th Street
Eureka, Kansas 67045

Provided to:
BKD, LLP
Certified Public Accountants
1551 North Waterfront Parkway, Suite 300
Wichita, Kansas 67206

The undersigned (“We”) are providing this letter in connection with BKD’s audits of our financial statements as of and for the years ended September 30, 2020 and 2019.

Our representations are current and effective as of the date of BKD’s report: October 27, 2021.

Our engagement with BKD is based on our contract for services dated: January 5, 2021.

Our Responsibility and Consideration of Material Matters

We confirm that we are responsible for the fair presentation of the financial statements subject to BKD’s report in conformity with accounting principles generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide.

We are also responsible for adopting sound accounting policies; establishing and maintaining effective internal control over financial reporting, operations, and compliance; and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Confirmation of Matters Specific to the Subject Matter of BKD’s Report

We confirm, to the best of our knowledge and belief, the following:

1. We have fulfilled our responsibilities, as set out in the terms of our contract, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide except for the omission of management’s discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basis financial statements.

2. We acknowledge our responsibility for the design, implementation, and maintenance of:
 - a. Internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
 - b. Internal control to prevent and detect fraud.
3. We have reviewed and approved a draft of the financial statements and related notes referred to above, which you prepared in connection with your audit of our financial statements. We acknowledge that we are responsible for the fair presentation of the financial statements and related notes.
4. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Hospital from whom you determined it necessary to obtain audit evidence.
 - d. All minutes of trustees' meetings held through the date of this letter or summaries of actions of recent meetings for which minutes have not yet been prepared. All unsigned copies of minutes provided to you are copies of our original minutes approved by the Board, if applicable, and maintained as part of our records.
 - e. All significant contracts and grants.
 - f. All peer review organizations, fiscal intermediary, and third-party payer reports and information.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. We have informed you of all current risks of a material amount that are not adequately prevented or detected by Hospital procedures with respect to:
 - a. Misappropriation of assets.
 - b. Misrepresented or misstated assets, liabilities or net position.
7. We have no knowledge of any known or suspected fraudulent financial reporting or misappropriation of assets involving:
 - a. Management or employees who have significant roles in internal control, or
 - b. Others, where activities of others could have a material effect on the financial statements.

8. We have no knowledge of any communications from regulatory agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws and regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting the Hospital received in communications from employees, customers, regulators, suppliers, or others.
10. We have assessed the risk that the financial statements may be materially misstated as a result of fraud and disclosed to you any such risk identified.
11. We have disclosed to you the identity of the Hospital's related parties and all the related party relationships and transactions of which we are aware. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.

We understand that the term related party refers to an affiliate, principal owners, management and members of their immediate families, subsidiaries accounted for by the equity method, and any other party with which the Hospital may deal if the Hospital can significantly influence, or be influenced by, the management or operating policies of the other. The term affiliate refers to a party that directly or indirectly controls, or is controlled by, or is under common control with, the Hospital.

12. Except as reflected in the financial statements, there are no:
 - a. Plans or intentions that may materially affect carrying values or classifications of assets and liabilities.
 - b. Material transactions omitted or improperly recorded in the financial records.
 - c. Material gain/loss contingencies requiring accrual or disclosure, including those arising from environmental remediation obligations.
 - d. Events occurring subsequent to the balance sheet date through the date of this letter requiring adjustment or disclosure in the financial statements.
 - e. Agreements to purchase assets previously sold.
 - f. Restrictions on cash balances or compensating balance agreements.
 - g. Guarantees, whether written or oral, under which the Hospital is contingently liable.
13. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
14. We have no reason to believe the Hospital owes any penalties or payments under the Employer Shared Responsibility Provisions of the *Patient Protection and Affordable Care Act* nor have we received any correspondence from the IRS or other agencies indicating such payments may be due.

15. We are not aware of any pending or threatened litigation or claims whose effects should be considered when preparing the financial statements. We have not sought or received attorney's services related to pending or threatened litigation or claims during or subsequent to the audit period. Also, we are not aware of any litigation or claims, pending or threatened, for which legal counsel should be sought.
16. We have informed you of all pending or completed investigations by regulatory authorities of which we are aware. There are no known circumstances that could jeopardize the Hospital's participation in the Medicare or other governmental health care programs.
17. Adequate provisions and allowances have been accrued for any material losses from:
 - a. Uncollectible receivables.
 - b. Medicare/Medicaid and other third-party payer contractual, audit, or other adjustments.
 - c. Reducing obsolete or excess inventories to estimated net realizable value.
 - d. Purchase commitments in excess of normal requirements or above prevailing market prices.
18. Except as disclosed in the financial statements, the Hospital has:
 - a. Satisfactory title to all recorded assets, and they are not subject to any liens, pledges, or other encumbrances.
 - b. Complied with all aspects of contractual agreements, for which noncompliance would materially affect the financial statements.
19. The financial statements disclose all significant estimates known to us. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
20. The fair values of financial and nonfinancial assets and liabilities, if any, recognized in the financial statements or disclosed in the notes thereto are reasonable estimates based on the methods and assumptions used. The methods and significant assumptions used result in measurements of fair value appropriate for financial statement recognition and disclosure purposes and have been applied consistently from period to period, taking into account any changes in circumstances. The significant assumptions appropriately reflect market participant assumptions.
21. We have not been designated as a potentially responsible party (PRP or equivalent status) by the Environmental Protection Agency (EPA) or other cognizant regulatory agency with authority to enforce environmental laws and regulations.

22. With respect to any nonattest services you have provided us during the year, including preparation of the financial statements and related notes and assistance in evaluating revenue related to Provider Relief Funds:
- a. We have designated a qualified management-level individual to be responsible and accountable for overseeing the nonattest services.
 - b. We have established and monitored the performance of the nonattest services to ensure they meet our objectives.
 - c. We have made any and all decisions involving management functions with respect to the nonattest services and accept full responsibility for such decisions.
 - d. We have evaluated the adequacy of the services performed and any findings that resulted.
23. With respect to the Hospital's possible exposure to past or future medical malpractice assertions:
- a. We have disclosed to you all incidents known to us that could possibly give rise to an assertion of malpractice.
 - b. All known incidents have been reported to the appropriate medical malpractice insurer and are appropriately considered in our malpractice liability accrual.
 - c. There is no known lapse in coverage, including any lapse subsequent to the fiscal year-end, that would result in any known incidents being uninsured.
 - d. Management does not expect any claims to exceed malpractice insurance limits.
 - e. We believe our accruals for malpractice claims are sufficient for all known and probable potential claims.
24. With regard to deposit and investment activities:
- a. All deposit, repurchase and reverse repurchase agreements, and investment transactions have been made in accordance with legal and contractual requirements.
 - b. Disclosures of deposit and investment balances and risks in the financial statements are consistent with our understanding of the applicable laws regarding enforceability of any pledges of collateral.
 - c. We understand that your audit does not represent an opinion regarding the enforceability of any collateral pledges.
25. Billings to third-party payers comply in all material respects with applicable coding guidelines, laws, and regulations. Billings reflect only charges for goods and services that were medically necessary; properly approved by regulatory bodies, if required; and properly rendered.

26. With regard to cost reports filed with Medicare, Medicaid, or other third parties:

- a. All required reports have been properly filed.
 - b. Management is responsible for the accuracy and propriety of those reports.
 - c. All costs reflected on such reports are appropriate and allowable under applicable reimbursement rules and regulations and are patient-related and properly allocated to applicable payers.
 - d. The reimbursement methodologies and principles employed are in accordance with applicable rules and regulations.
 - e. All items required to be disclosed, including disputed costs that are being claimed to establish a basis for a subsequent appeal, have been fully disclosed in the cost report.
 - f. Recorded third-party settlements include differences between filed (and to be filed) cost reports and calculated settlements, which are necessary based upon historical experience or new or ambiguous regulations that may be subject to differing interpretations. While management believes the Hospital is entitled to all the amounts claimed on the cost reports, management also believes the amounts of these differences are appropriate.
27. We are responsible for establishing a calculation for claims incurred but not reported (IBNR) on our self-insured group health insurance and believe the assumptions we have used to calculate the accrual are appropriate. We believe our accruals for employee health claims are sufficient for all known and probable potential claims.
28. We acknowledge the current economic volatility presents difficult circumstances and challenges for our industry. Hospitals are potentially facing declines in the fair values of investments and other assets, declines in contributions, constraints on liquidity and difficulty obtaining financing. We understand the values of the assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to asset values and allowances for accounts, etc., that could negatively impact the Hospital's ability to meet debt covenants or maintain sufficient liquidity.

We acknowledge that you have no responsibility for future changes caused by the current economic environment and the resulting impact on the Hospital's financial statements. Further, management and the Board are solely responsible for all aspects of managing the Hospital, including questioning the quality and valuation of investments and other assets, reviewing allowances for uncollectible amounts and evaluating capital needs and liquidity plans.

29. With regards to the payments received from the Provider Relief Fund established by the *CARES Act*, we represent the following:

- a. To the extent revenue has been recognized, we believe we have met the eligibility requirements as outlined in the U.S. Department of Health and Human Services' (HHS) terms and conditions for the Provider Relief Fund.

- b. We believe the method we have utilized to recognize revenue associated with the Provider Relief Fund is consistent with acceptable methods outlined in HHS' terms and conditions and other guidance available as of September 30, 2020.
 - c. We acknowledge that HHS may issue new guidance that could have a material impact on the amount of revenue recognized from the Provider Relief Fund as of September 30, 2020.
 - d. We understand that amounts recognized on the Schedule of Expenditures of Federal Awards may differ from amounts recognized on the financial statements.
30. With regards to our loan obtained under the "first draw" Paycheck Protection Program (created under the *CARES Act of 2020* and extended under the *2021 Consolidated Appropriations Act*) (PPP-1 or First Draw), dated April 27, 2020, we represent the following:
- a. At the time of the loan application, the current economic uncertainty that existed made this loan request necessary to support the Hospital's ongoing operations. In making this assessment, we considered the nature of our business activities at the time of the loan application and our ability to access other sources of liquidity that were (could have been) sufficient to support ongoing operations.
 - b. The Hospital, when considered together with all its affiliates (using the affiliate determinations required by the PPP-1), had fewer than 500 employees at the date of the loan application.
 - i. In addition, we have determined the number of full-time equivalent employees on payroll at the time of the application in a manner that is consistent with the clarification guidance released by the Small Business Administration.
 - c. We have not received more than one loan under the First Draw Paycheck Protection Program. In addition, we have confirmed with our affiliated entities (using the affiliate determinations required by the PPP-1) that the total of any PPP loans received by us and by those affiliates under the First Draw program does not exceed \$20 million in the aggregate.
 - d. We have not used the proceeds from the PPP-1 loan for expenditures that were covered by other funding sources, *i.e.*, government grants or contracts.


Sandra Dickerson, Chief Executive Officer
sdickerson@gwch.org


Melody Curnutt, Chief Financial Officer
melodycurnutt@gwch.org