Morris County Hospital

A Component Unit of Morris County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

Contents

Independent Auditor's Report 1

Financial Statements

Balance Sheets 3

Statements of Revenues, Expenses and Changes in Net Position 4

Statements of Cash Flows 5

Notes to Financial Statements 7

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Independent Auditor's Report

Board of Trustees
Morris County Hospital
Council Grove, Kansas

Opinion

We have audited the financial statements of Morris County Hospital (Hospital), a component unit of Morris County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Morris County Hospital as of December 31, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the provisions of the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Morris County Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in *Note 12* to the financial statements, during the year ended December 31, 2023, Morris County Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Morris County Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Forvis Mazars, LLP

Wichita, Kansas
July 22, 2024

Morris County Hospital
A Component Unit of Morris County, Kansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 931,522	$ 121,137
Restricted cash	470,749	424,552
Short-term investments	623,113	410,199
Patient accounts receivable, net of allowance; 2023 - $729,342; 2022 - $1,247,949	3,197,350	4,366,221
Estimated amounts due from third-party payers	64,000	430,000
Other receivables	457,159	249,704
Supplies	459,980	466,091
Prepaid expenses	363,076	340,215
Total current assets	6,566,949	6,808,119
Noncurrent Cash and Investments		
Board designated for capital improvements	3,225,049	3,166,656
Capital Assets, Net	6,996,041	7,560,055
Lease Assets, Net	258,908	381,006
Subscription Assets, Net	2,647,161	2,978,056
Physician Receivable	53,000	53,000
Total assets	$ 19,747,108	$ 20,946,892

See Notes to Financial Statements

	2023	2022 (As Restated)
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 150,000	$ 150,000
Current portion of lease liabilities	123,594	121,328
Current portion of subscription liability	297,482	285,836
Accounts payable	500,660	565,552
Accrued payroll and withholdings	137,541	105,492
Accrued employee benefits	560,942	548,846
Accrued interest payable	46,706	47,668
Total current liabilities	1,816,925	1,824,722
Long-term Debt	2,826,288	2,974,153
Long-term Lease Liabilities	141,090	264,684
Subscription Liability	2,450,836	2,748,318
Total liabilities	7,235,139	7,811,877
Net Position		
Net investment in capital assets	3,912,820	4,374,798
Restricted - expendable for Capital acquisitions	470,749	424,552
Unrestricted	8,128,400	8,335,665
Total net position	12,511,969	13,135,015
Total liabilities and net position	$ 19,747,108	$ 20,946,892

Morris County Hospital
A Component Unit of Morris County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2023 - $682,366; 2022 - $899,134	$ 14,681,222	$ 11,593,886
Other	819,398	545,452
Total operating revenues	15,500,620	12,139,338
Operating Expenses		
Salaries and wages	7,629,211	6,952,164
Employee benefits	1,132,231	1,159,142
Supplies and other	2,881,997	2,720,675
Contracts	4,497,410	3,957,713
Depreciation	707,982	783,556
Amortization	452,993	452,993
Total operating expenses	17,301,824	16,026,243
Operating Loss	(1,801,204)	(3,886,905)
Nonoperating Revenues (Expenses)		
Noncapital contributions	516,299	655,482
Noncapital appropriations - Morris County	539,032	519,852
Council Grove Assisted Living, LLC gains (losses)	112,676	(47,186)
Investment income (loss)	216,091	(63,821)
Interest expense	(252,137)	(282,121)
Provider Relief Funds (*CARES Act*)	-	400,000
Total nonoperating revenues	1,131,961	1,182,206
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(669,243)	(2,704,699)
Capital Grants and Gifts	46,197	91,394
Decrease in Net Position	(623,046)	(2,613,305)
Net Position, Beginning of Year	13,135,015	15,748,320
Net Position, End of Year	$ 12,511,969	$ 13,135,015

Morris County Hospital
A Component Unit of Morris County, Kansas
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 16,216,093	$ 11,173,038
Payments to suppliers and contractors	(7,446,871)	(6,582,027)
Payments to employees	(8,717,297)	(8,109,271)
Other receipts, net	611,943	26,825
Net cash provided by (used in) operating activities	663,868	(3,491,435)
Cash Flows From Noncapital Financing Activities		
Noncapital contributions	516,299	655,482
Noncapital appropriations - Morris County	539,032	519,852
Provider Relief Funds (*CARES Act*)	-	400,000
Net cash provided by noncapital financing activities	1,055,331	1,575,334
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	46,197	91,394
Purchase of capital assets	(158,146)	(840,923)
Principal paid on long-term debt	(147,865)	(142,791)
Interest paid on long-term debt	(128,547)	(146,181)
Principal paid on leases payable	(121,328)	(119,102)
Interest paid on leases payable	(8,388)	(8,388)
Principal paid on subscription liability	(285,836)	(274,797)
Interest paid on subscription liability	(116,164)	(127,203)
Net cash used in capital and related financing activities	(920,077)	(1,567,991)
Cash Flows From Investing Activities		
Purchase of investments	(823,393)	(773,011)
Proceeds from disposition of investments	664,762	866,365
Physician guarantee payments received	-	(38,000)
Investment income	216,091	(63,821)
Net cash provided by (used in) investing activities	57,460	(8,467)
Increase (Decrease) in Cash and Cash Equivalents	856,582	(3,492,559)
Cash and Cash Equivalents, Beginning of Year	545,689	4,038,248
Cash and Cash Equivalents, End of Year	$ 1,402,271	$ 545,689

Morris County Hospital
A Component Unit of Morris County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2023 and 2022

	2023	2022 (As Restated)
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	$ 931,522	$ 121,137
Restricted cash	470,749	424,552
	$ 1,402,271	$ 545,689
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (1,801,204)	$ (3,886,905)
Provision for uncollectible accounts	682,366	899,134
Depreciation	707,982	783,556
Amortization	452,993	452,993
Changes in operating assets and liabilities		
Patient accounts receivable	486,505	(719,982)
Estimated amounts due from and to third-party payers	366,000	(600,000)
Other receivables	(207,455)	(118,627)
Supplies	6,111	(44,114)
Prepaid expenses	(22,861)	(46,402)
Accounts payable	(50,714)	186,877
Accrued payroll and withholdings	32,049	(35,934)
Accrued employee benefits	12,096	37,969
Unearned revenue	-	(400,000)
Net cash provided by (used in) operating activities	$ 663,868	$ (3,491,435)
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	$ 3,135	$ 17,313

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

Nature of Operations and Reporting Entity

Morris County Hospital (Hospital) is a county-owned, general hospital located in Council Grove, Kansas with a licensed bed capacity of 21 beds. The Hospital is considered a component unit of Morris County, Kansas. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care and rural health clinic services to patients in the Morris County area.

The Hospital maintains an agreement with Morris County, Kansas (County) to operate the County health department. Under the terms of the agreement, the Hospital is responsible for providing overall administration and all related services for the health department. The Hospital is to receive the equivalent of at least a one mill levy from the County and the use of personal property of the health department. The agreement is renewable for successive one-year terms.

Morris County Hospital Foundation (Foundation) is a Kansas not-for-profit corporation exempt from federal income taxation under Internal Revenue Code Section 501(a) as an organization described in Section 501(c)(3). The Foundation was formed July 22, 1986, and is organized and shall be operated exclusively for the benefit of, to perform the functions of, or to do all things that may appear necessary and useful in accomplishing the purposes of the Hospital. The board of the Foundation is self-perpetuating. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted 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 included in the financial statements of the Hospital using the blended method. Complete financial statements of the Foundation may be obtained from its administrative offices at the following address:

Morris County Hospital Foundation
600 North Washington
Council Grove, Kansas 66846

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, liabilities and deferred outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as county appropriations, 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.

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, liabilities and deferred inflows and outflows of resources 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. At December 31, 2023 and 2022, cash equivalents consisted of certificates of deposit and money market accounts.

Investments and Investment Income

Noncurrent cash and investments include short-term investments (assets held by the Foundation) and designated assets set aside by the Board of Trustees for capital improvements. The Board of Trustees retains control over these assets and may, at its discretion, subsequently use these assets for other purposes. Short-term investments (assets held by the Foundation) consist of investments in U.S. Treasury securities, money market funds and mutual funds, which are carried at fair value, nonnegotiable certificate of deposit, which is carried at amortized cost, and an investment in equity investee (42% interest in net assets of Council Grove Assisted Living, LLC), which is reported on the equity method of accounting. All mutual funds are carried at fair value based upon readily determinable market values. Designated assets set aside by the Board of Trustees consist of certificates of deposit.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

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. 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	10 – 15 years
Buildings	5 – 40 years
Equipment	5 – 20 years

Lease Assets

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

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at, and certain prepayments made before, the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease and Subscription Asset Impairment

The Hospital evaluates capital, lease and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or accumulated amortization is increased by the amount of the impairment loss.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Other Assets

During 2022, the Hospital entered into a contract with a physician to relocate to Council Grove, Kansas to establish a medical practice. The Hospital agreed to extend a line of credit to the physician to make monthly advances as needed not to exceed a certain aggregate amount during the support period. The support period is a period of 24 months following the commencement date of August 12, 2022. The physician is required to diligently and fully devote their efforts to and time to the operation of their practice in Council Grove, Kansas for a 48-month commitment period. In the event the physician fails to perform under the contract, the physician is required to reimburse the Hospital for all sums advanced under the contract.

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. Employees with greater than 15 years of service vest in sick leave. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

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 medical malpractice. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Hospital was self-insured for a portion of its exposure to risk of loss from employee health claims through June 30, 2020. 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.

Bond Discount

Bond discount is being amortized over the life of the related debt using the effective interest method. The unamortized bond discount is included as a reduction to revenue bonds payable and is reflected as long-term debt in the accompanying balance sheets. The amortization of the bond discount is included as a component of interest expense.

Net Position

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

- Net investment in capital assets consists of capital, lease and subscription assets net of accumulated depreciation and amortization and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Hospital.

- 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.

Noncapital Appropriations – Morris County

The Hospital received approximately 3% and 4% of its financial support from noncapital appropriations from Morris County property tax levy in 2023 and 2022, respectively.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations – Morris County is recognized in full in the year in which use is first permitted.

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.

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 and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income.

The Foundation has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Foundation is subject to federal income tax on any unrelated business taxable income. The Foundation files tax returns in the U.S. federal jurisdiction.

Note 2. Deposits and Investments

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.

At December 31, 2023 and 2022, respectively, $3,248,393 and $3,288,963 of the Hospital's bank balances of $4,144,254 and $4,183,882 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution	$ 3,248,393	$ 3,288,963

At December 31, 2023 and 2022, the Foundation's bank balances were $272,225 and $118,656, respectively. At December 31, 2023 and 2022, the Foundation's cash accounts exceeded federally insured limits by approximately $22,225 and $0, respectively.

Investments

The Hospital may legally invest in direct obligations guaranteed as to the principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

As of December 31, 2023 and 2022, the Hospital has the following investments, which are entirely held at the Foundation:

Type	2023	2022
Mutual funds - equity ###	$ 409,505	$ 333,303
Mutual funds - fixed income ###	133,410	118,810
Certificate of deposit ***	131,137	129,701
Equity investment ^^^	(50,939)	(171,615)
	$ 623,113	$ 410,199

Carried at fair value

*** Carried at amortized cost

^^^ Reported on the equity investment of accounting

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Foundation's investment policy limits its investment portfolio to maturities of 10 years or less unless otherwise directed.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk. The Foundation's investment policy limits the amount that may be invested in any one issuer to the following maximum percentages:

Cash and certificates of deposit	25%
Fixed income	70%
Equity and other investments	60%

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 4,626,870	$ 3,711,895
Investments	623,113	410,199
Cash on hand	450	450
	$ 5,250,433	$ 4,122,544
Included in the following balance sheet captions		
Cash and cash equivalents	$ 931,522	$ 121,137
Restricted cash	470,749	424,552
Short-term investments	623,113	410,199
Board designated for capital improvements	3,225,049	3,166,656
	$ 5,250,433	$ 4,122,544

Investment Income

Investment income for the years ended December 31 consisted of:

	2023	2022
Interest and dividend income	$ 125,289	$ 38,381
Net increase (decrease) in fair value of investments	90,802	(102,202)
	$ 216,091	$ (63,821)

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 December 31 consisted of:

	2023	2022
Medicare	$ 1,133,411	$ 1,140,839
Medicaid	272,225	394,811
Blue Cross	142,365	737,593
Commercial	482,625	1,140,667
Self-pay	1,896,066	2,200,260
	3,926,692	5,614,170
Less allowance for uncollectible accounts	729,342	1,247,949
	$ 3,197,350	$ 4,366,221

Note 3. Capital, Lease and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 100,644	$ -	$ -	$ -	$ 100,644
Land improvements	238,472	-	-	-	238,472
Buildings and leasehold improvements	12,069,194	-	-	19,470	12,088,664
Fixed equipment	3,870,521	-	-	-	3,870,521
Moveable equipment	8,455,483	54,509	-	237,626	8,747,618
Construction in progress	282,384	89,459	-	(257,096)	114,747
	25,016,698	143,968	-	-	25,160,666
Less accumulated depreciation					
Land improvements	(229,607)	(1,571)	-	-	(231,178)
Buildings and leasehold improvements	(5,758,257)	(404,540)	-	-	(6,162,797)
Fixed equipment	(3,625,753)	(30,895)	-	-	(3,656,648)
Moveable equipment	(7,843,026)	(270,976)	-	-	(8,114,002)
	(17,456,643)	(707,982)	-	-	(18,164,625)
Capital Assets, Net	$ 7,560,055	$ (564,014)	$ -	$ -	$ 6,996,041

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 100,644	$ -	$ -	$ -	$ 100,644
Land improvements	238,472	-	-	-	238,472
Buildings and leasehold improvements	11,583,909	-	-	485,285	12,069,194
Fixed equipment	3,845,521	-	-	25,000	3,870,521
Moveable equipment	8,340,618	26,065	-	88,800	8,455,483
Construction in progress	69,928	811,541	-	(599,085)	282,384
	24,179,092	837,606	-	-	25,016,698
Less accumulated depreciation					
Land improvements	(228,036)	(1,571)	-	-	(229,607)
Buildings and leasehold improvements	(5,367,104)	(391,153)	-	-	(5,758,257)
Fixed equipment	(3,487,393)	(138,360)	-	-	(3,625,753)
Moveable equipment	(7,590,554)	(252,472)	-	-	(7,843,026)
	(16,673,087)	(783,556)	-	-	(17,456,643)
Capital Assets, Net	$ 7,506,005	$ 54,050	$ -	$ -	$ 7,560,055

Lease assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 583,153	$ -	$ -	$ -	$ 583,153
Less accumulated amortization Moveable equipment	(202,147)	(122,098)	-	-	(324,245)
Lease assets, net	$ 381,006	$ (122,098)	$ -	$ -	$ 258,908

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 583,153	$ -	$ -	$ -	$ 583,153
Less accumulated amortization Moveable equipment	(80,049)	(122,098)	-	-	(202,147)
Lease assets, net	$ 503,104	$ (122,098)	$ -	$ -	$ 381,006

Subscription assets activity for the years ended December 31 was:

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 3,308,951	$ -	$ -	$ -	$ 3,308,951
Less accumulated amortization Subscription IT assets	(330,895)	(330,895)	-	-	(661,790)
Subscription assets, net	$ 2,978,056	$ (330,895)	$ -	$ -	$ 2,647,161

	2022 - *Restated*				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 3,308,951	$ -	$ -	$ -	$ 3,308,951
Less accumulated amortization Subscription IT assets	-	(330,895)	-	-	(330,895)
Subscription assets, net	$ 3,308,951	$ (330,895)	$ -	$ -	$ 2,978,056

Note 4. Professional Liability Claims

The Hospital purchases professional liability insurance under a claims-made policy on a fixed premium basis. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the 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 5. Long-term Obligations

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

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018A	$ 625,000	$ -	$ 150,000	$ 475,000	$ 150,000
Series 2018B	2,520,000	-	-	2,520,000	-
Total long-term debt	3,145,000	-	150,000	2,995,000	150,000
Long-term liabilities					
Lease liabilities	386,012	-	121,328	264,684	123,594
Subscription liability	3,034,154	-	285,836	2,748,318	297,482
Total long-term liabilities	3,420,166	-	407,164	3,013,002	421,076
Unamortized discount on Series 2018 A&B bonds	(20,847)	-	(2,135)	(18,712)	-
Total long-term obligations	$ 6,544,319	$ -	$ 555,029	$ 5,989,290	$ 571,076

	2022 - *Restated*				
	Beginning Balance	Additions	Payments	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable					
Series 2018A	$ 770,000	$ -	$ 145,000	$ 625,000	$ 150,000
Series 2018B	2,520,000	-	-	2,520,000	-
Total long-term debt	3,290,000	-	145,000	3,145,000	150,000
Long-term liabilities					
Lease liabilities	505,114	-	119,102	386,012	121,328
Subscription liability	3,308,951	-	274,797	3,034,154	285,836
Total long-term liabilities	3,814,065	-	393,899	3,420,166	407,164
Unamortized discount on Series 2018 A&B bonds	(23,056)	-	(2,209)	(20,847)	-
Total long-term obligations	$ 7,081,009	$ -	$ 536,690	$ 6,544,319	$ 557,164

Revenue Bonds Payable – Series 2018A

On August 13, 2018, the Hospital issued $1,175,000 in Series 2018A Refunding Revenue Bonds with an average interest rate of 3.00% to advance refund $1,175,000 of outstanding 2011A Series bonds with an average interest rate of 3.21%. The net proceeds of $1,175,000 (after payment of $25,839 in underwriting fees and other issuance costs) plus an additional $150,753 of 2011A Series debt service fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2011A Series bonds. As a result, the 2011A Series bonds are considered to be defeased, and the liability for those bonds has been removed from the Hospital's balance sheet.

Revenue Bonds Payable – Series 2018B

The Series 2018B Taxable Revenue Bonds (Morris County Hospital Project) payable consist of bonds in the original amount of $2,520,000 dated August 13, 2018, which bear interest at 4.12% to 4.42%. The bonds are payable in annual installments through September 1, 2038. The Hospital is required to make monthly deposits at a pro-rated amount of the next maturing principal and interest to the debt service fund held by the trustee. All of the bonds still outstanding may be redeemed at the Hospital's option on or after September 1, 2025, at 100%. The bonds are secured by the net revenues of the Hospital. Proceeds from the issuance of these bonds were used to reconstruct and remodel portions of the existing hospital facility.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee in the balance sheets. The indenture agreements also require the Hospital to comply with restrictive covenants including maintaining a historical debt-service ratio of at least 1.25. The Hospital failed to comply with the required debt service coverage ratio of at least 1.25 at December 31, 2023. Under the bond agreement, the Hospital is required to engage a consultant to help determine a plan to get the Hospital back to a financial position where they are in compliance with the required covenants.

Debt Service Requirements

Debt service requirements on long-term debt other than capital lease obligations, as of December 31, 2023, are as follows:

Year Ending December 31,	Total to Be Paid	Principal	Interest
2024	$ 274,734	$ 150,000	$ 124,734
2025	280,734	160,000	120,734
2026	280,734	165,000	115,734
2027	275,934	165,000	110,934
2028	280,984	175,000	105,984
2029-2033	1,401,152	980,000	421,152
2034-2038	1,408,172	1,200,000	208,172
	$ 4,202,444	$ 2,995,000	$ 1,207,444

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2026. Payments are based on the lease agreements in each specific lease.

The following is a schedule by year of lease payments under the leases as of December 31, 2023:

Year Ending December 31,	Total to Be Paid	Principal	Interest
2024	$ 127,489	$ 123,594	$ 3,895
2025	92,855	91,087	1,768
2026	50,358	50,003	355
	$ 270,702	$ 264,684	$ 6,018

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2031. The subscription requires monthly payments of approximately $33,500.

The following is a schedule by year of payments under the SBITAs as of December 31, 2023:

Year Ending December 31,	Total to Be Paid	Principal	Interest
2024	$ 402,000	$ 297,482	$ 104,518
2025	402,000	309,602	92,398
2026	402,000	322,215	79,785
2027	402,000	335,343	66,657
2028	402,000	349,005	52,995
2029-2031	1,206,000	1,134,671	71,329
	$ 3,216,000	$ 2,748,318	$ 467,682

Note 6. 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 licensed as a CAH, and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare administrative contractor.

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future.

Approximately 50% and 55% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, 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, discounts from established charges and prospectively determined daily rates.

Note 7. Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $56,000 and $92,000 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 8. Pension Plans

Defined Contribution

The Board of Trustees elected to withdraw from the social security system and approved a defined contribution plan covering substantially all employees. Employees must have attained the age of 21 and has completed one year of service. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. According to the terms of the plan, the Hospital will contribute 7.5% of the employees' compensation each plan year. The Plan allows for direct rollover and participant rollover contributions from eligible retirement plans. Contributions from the Hospital to the plan were $519,484 and $445,258 for the years ended December 31, 2023 and 2022, respectively.

Profit-Sharing Plan

The Board of Trustees elected to provide its employees with a profit-sharing retirement plan. The profit-sharing retirement plan contributions are discretionary contributions equal to a percentage of the employees' compensation, which will be determined by action of the Hospital's governing body each plan year. The Hospital did not make any contributions to the plan for the years ended December 31, 2023 and 2022.

Deferred Compensation Plan

The Board of Trustees elected to provide its employees with a deferred compensation plan, also known as a 457(b) plan. The purpose of the plan is to benefit those employees who choose to participate by permitting them to defer a portion of future compensation in order to provide payments at retirement. The Hospital provides the 457(b) plan to substantially all employees of the Hospital. The employees may contribute up to 100% of their salary to the 457(b) plan. The employees' salary deferral is limited by the Internal Revenue Service (IRS) annually. Employees are 100% vested in the contributions they choose to defer. If an employee is 50 years old or older and has met the annual IRS deferral limit, the employee may contribute a catch-up deferral that is also limited by the IRS annually. Contributions from employees to the 457(b) plan were $248,195 and $221,541 for the years ended December 31, 2023 and 2022, respectively. The Hospital does not contribute to the 457(b) plan.

Note 9. Disclosure About Fair Value of Assets

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023 and 2022:

		Fair Value Measurements Using		
December 31, 2023	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds - equity	$ 409,505	$ 409,505	$ -	$ -
Mutual funds - fixed income	133,410	133,410	-	-
	542,915	$ 542,915	$ -	$ -
Certificate of deposit	131,137			
Equity investment	(50,939)			
	$ 623,113			

		Fair Value Measurements Using		
December 31, 2022	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Mutual funds - equity	$ 333,303	$ 333,303	$ -	$ -
Mutual funds - fixed income	118,810	118,810	-	-
	452,113	$ 452,113	$ -	$ -
Certificate of deposit	129,701			
Equity investment	(171,615)			
	$ 410,199			

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include all the investments held by the Foundation and consist of equity securities and treasury securities.

Note 10. Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of December 31, 2023 and 2022:

	December 31, 2023			
	Hospital	Foundation	Eliminations	Total
Assets				
Current assets	$ 5,668,280	$ 898,669	$ -	$ 6,566,949
Capital assets, net	6,996,041	-	-	6,996,041
Lease assets, net	258,908	-	-	258,908
Subscription assets, net	2,647,161	-	-	2,647,161
Other assets	3,278,049	-	-	3,278,049
Total assets	$ 18,848,439	$ 898,669	$ -	$ 19,747,108
Liabilities				
Current liabilities	$ 1,811,812	$ 5,113	$ -	$ 1,816,925
Noncurrent liabilities	5,418,214	-	-	5,418,214
Total liabilities	7,230,026	5,113	-	7,235,139
Net Position				
Net investments in capital assets	3,912,820	-	-	3,912,820
Restricted expendable	-	470,749	-	470,749
Unrestricted	7,705,593	422,807	-	8,128,400
Total net position	11,618,413	893,556	-	12,511,969
Total liabilities and net position	$ 18,848,439	$ 898,669	$ -	$ 19,747,108

	December 31, 2022 - *As Restated*			
	Hospital	**Foundation**	**Eliminations**	**Total**
Assets				
Current assets	$ 6,278,154	$ 529,965	$ -	$ 6,808,119
Capital assets, net	7,560,055	-	-	7,560,055
Lease assets, net	381,006	-	-	381,006
Subscription assets, net	2,978,056	-	-	2,978,056
Other assets	3,219,656	-	-	3,219,656
Total assets	$ 20,416,927	$ 529,965	$ -	$ 20,946,892
Liabilities				
Current liabilities	$ 1,824,722	$ -	$ -	$ 1,824,722
Noncurrent liabilities	5,987,155	-	-	5,987,155
Total liabilities	7,811,877	-	-	7,811,877
Net Position				
Net investments in capital assets	4,374,798	-	-	4,374,798
Restricted expendable	-	424,552	-	424,552
Unrestricted	8,230,252	105,413	-	8,335,665
Total net position	12,605,050	529,965	-	13,135,015
Total liabilities and net position	$ 20,416,927	$ 529,965	$ -	$ 20,946,892

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component unit for the years ended December 31, 2023 and 2022:

	December 31, 2023			
	Hospital	Foundation	Eliminations	Total
Operating Revenues				
Net patient service revenue	$ 14,681,222	$ -	$ -	$ 14,681,222
Other	707,105	112,293	-	819,398
Total operating revenues	15,388,327	112,293	-	15,500,620
Operating Expenses				
Other operating expenses	16,117,958	22,891	-	16,140,849
Depreciation	707,982	-	-	707,982
Amortization	452,993	-	-	452,993
Total operating expenses	17,278,933	22,891	-	17,301,824
Operating Income (Loss)	(1,890,606)	89,402	-	(1,801,204)
Nonoperating Revenues				
Noncapital contributions	493,700	22,599	-	516,299
Noncapital appropriations - Morris County	539,032	-	-	539,032
Council Grove Assisted Living, LLC losses	-	112,676	-	112,676
Investment income (loss)	123,374	92,717	-	216,091
Interest expense	(252,137)	-	-	(252,137)
Total nonoperating revenues	903,969	227,992	-	1,131,961
Excess (Deficiency) of Revenues Over Expenses Before Capital Grants and Gifts	(986,637)	317,394	-	(669,243)
Capital Grants and Gifts	-	46,197	-	46,197
Increase (Decrease) in Net	(986,637)	363,591	-	(623,046)
Net Position, Beginning of Year	12,605,050	529,965	-	13,135,015
Net Position, End of Year	$ 11,618,413	$ 893,556	$ -	$ 12,511,969

	December 31, 2022 - *As Restated*			
	Hospital	**Foundation**	**Eliminations**	**Total**
Operating Revenues				
Net patient service revenue	$ 11,593,886	$ -	$ -	$ 11,593,886
Other	541,824	3,628	-	545,452
Total operating revenues	12,135,710	3,628	-	12,139,338
Operating Expenses				
Other operating expenses	14,643,007	146,687	-	14,789,694
Depreciation	783,556	-	-	783,556
Amortization	452,993	-	-	452,993
Total operating expenses	15,879,556	146,687	-	16,026,243
Operating Loss	(3,743,846)	(143,059)	-	(3,886,905)
Nonoperating Revenues				
Noncapital contributions	622,152	33,330	-	655,482
Noncapital appropriations - Morris County	519,852	-	-	519,852
Council Grove Assisted Living, LLC losses	-	(47,186)	-	(47,186)
Investment income	34,305	(98,126)	-	(63,821)
Interest expense	(282,121)	-	-	(282,121)
Provider Relief Funds *(CARES Act)*	400,000	-	-	400,000
Total nonoperating revenues (expenses)	1,294,188	(111,982)	-	1,182,206
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(2,449,658)	(255,041)	-	(2,704,699)
Capital Grants and Gifts	-	91,394	-	91,394
Decrease in Net Position	(2,449,658)	(163,647)	-	(2,613,305)
Net Position, Beginning of Year	15,054,708	693,612	-	15,748,320
Net Position, End of Year	$ 12,605,050	$ 529,965	$ -	$ 13,135,015

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component unit for the years ended December 31, 2023 and 2022:

	December 31, 2023			
	Hospital	Foundation	Eliminations	Total
Net Cash Provided By Operating Activities	$ 569,816	$ 94,052	$ -	$ 663,868
Net Cash Provided By Noncapital Financing Activities	1,032,732	22,599	-	1,055,331
Net Cash Provided By (Used In) Capital and Related Financing Activities	(966,274)	46,197	-	(920,077)
Net Cash Provided By (Used In) Investing Activities	64,981	(7,521)	-	57,460
Increase in Cash and Cash Equivalents	701,255	155,327	-	856,582
Cash and Cash Equivalents, Beginning of Year	429,159	116,530	-	545,689
Cash and Cash Equivalents, End of Year	$ 1,130,414	$ 271,857	$ -	$ 1,402,271

	December 31, 2022 - *As Restated*			
	Hospital	Foundation	Eliminations	Total
Net Cash Used In Operating Activities	$ (3,347,670)	$ (143,765)	$ -	$ (3,491,435)
Net Cash Provided By Noncapital Financing Activities	1,542,004	33,330	-	1,575,334
Net Cash Provided By (Used In) Capital and Related Financing Activities	(1,659,385)	91,394	-	(1,567,991)
Net Cash Provided By (Used In) Investing Activities	(11,706)	3,239	-	(8,467)
Decrease in Cash and Cash Equivalents	(3,476,757)	(15,802)	-	(3,492,559)
Cash and Cash Equivalents, Beginning of Year	3,905,916	132,332	-	4,038,248
Cash and Cash Equivalents, End of Year	$ 429,159	$ 116,530	$ -	$ 545,689

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

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the lasting impact of 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.

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

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and 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.

Provider Relief Fund

During the years ended December 31, 2023 and 2022, the Hospital received $0 and $0, respectively, 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 HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2023 and 2022, the Hospital recognized $0 and $400,000, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the lasting 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.

Note 12. Adoption of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*

Effective January 1, 2023, the Hospital adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for information technology subscriptions by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain subscription assets and liabilities for subscriptions that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Hospital was required to retroactively restate December 31, 2022, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Subscription assets, net	$ 2,978,056	$ -	$ 2,978,056
Total assets	20,946,892	17,968,836	2,978,056
Current portion of subscription liability	285,836	-	285,836
Total current liabilities	1,824,722	1,538,886	285,836
Subscription liability	2,748,318	-	2,748,318
Total liabilities	7,811,877	4,777,723	3,034,154
Net position - net investment in capital and lease assets	4,374,798	4,430,896	(56,098)
Total net position	13,135,015	13,191,113	(56,098)
Total liabilities and net position	20,946,892	17,968,836	2,978,056
Statements of Revenues, Expenses and Changes in Net Position			
Contracts	$ 3,957,713	$ 4,359,713	$ (402,000)
Amortization	452,993	122,098	330,895
Total operating expenses	16,026,243	16,097,348	(71,105)
Operating loss	(3,886,905)	(3,958,010)	71,105
Interest expense	(282,121)	(154,918)	(127,203)
Total nonoperating revenues	1,182,206	1,309,409	(127,203)
Deficiency of revenues over expenses before capital grants and gifts	(2,704,699)	(2,648,601)	(56,098)
Decrease in net position	(2,613,305)	(2,557,207)	(56,098)
Net position, end of year	13,135,015	13,191,113	(56,098)
Statements of Cash Flows			
Payments to suppliers and contractors	$ (6,582,027)	$ (6,984,027)	$ 402,000
Net cash used in operating activities	(3,491,435)	(3,893,435)	402,000
Principal paid on subscription liability	(274,797)	-	(274,797)
Interest paid on subscription liability	(127,203)	-	(127,203)
Net cash used in capital and related financing activities	(1,567,991)	(1,165,991)	(402,000)
Operating loss	(3,886,905)	(3,958,010)	71,105
Amortization	452,993	122,098	330,895
Net cash used in operating activities	(3,491,435)	(3,893,435)	402,000