Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas



Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
December 31, 2022 and 2021

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Independent Auditor's Report

Board of Trustees of Cheyenne County Hospital
St. Francis, Kansas

Opinions

We have audited the financial statements of the Board of Trustees of Cheyenne County Hospital, a component unit of Cheyenne County, Kansas, and Great Plains of Cheyenne County, Inc. as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Board of Trustees of Cheyenne County 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 respective financial position of the Board of Trustees of Cheyenne County Hospital and of its discretely presented component unit as of December 31, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board of Trustees of Cheyenne 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 opinions.

Emphasis of Matters

As discussed in *Note 4* to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

As discussed in *Note 9* to the financial statements, in 2022, Great Plains of Cheyenne County, Inc. adopted new accounting guidance for accounting for leases. 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board of Trustees of Cheyenne County Hospital's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Board of Trustees of Cheyenne 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 the Board of Trustees of Cheyenne 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 management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

FORVIS, LLP

Wichita, Kansas
June 23, 2023

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Balance Sheets
December 31, 2022 and 2021

	2022	2021 (Restated)
Assets		
Current Assets		
Cash	$ 1,240,649	$ 756,554
Intergovernmental receivable	-	82,048
Total current assets	1,240,649	838,602
Capital Assets - Land	13,000	13,000
Total assets	$ 1,253,649	$ 851,602
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Due to hospital	$ 31,963	$ 25,099
Net Position		
Net investment in capital assets	13,000	13,000
Unrestricted	1,208,686	813,503
Total net position	1,221,686	826,503
Total liabilities and net position	$ 1,253,649	$ 851,602

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash	$ 2,132,341	$ 1,983,282
Patient accounts receivable	1,424,273	2,022,834
Estimated amounts due from third-party payers	38,884	281,539
Other receivables	116,466	25,099
Supplies	182,070	208,452
Prepaid expenses and other	326,696	239,000
Total current assets	4,220,730	4,760,206
Assets Limited as to Use		
Internally designated for capital acquisitions	1,456,795	1,068,521
Externally restricted by donors	86,609	188,313
	1,543,404	1,256,834
Property and Equipment, at Cost		
Land	9,040	9,040
Land improvements	194,413	194,413
Buildings	3,312,290	3,231,702
Fixed equipment	1,629,224	1,629,224
Moveable equipment	2,594,169	2,385,862
Construction in Progress	60,163	-
	7,799,299	7,450,241
Less accumulated depreciation	6,024,928	5,684,747
	1,774,371	1,765,494
Other Assets		
Right-of-use assets - operating leases	410,690	-
Physician and mid-level provider advances	9,165	6,413
	419,855	6,413
Total assets	$ 7,958,360	$ 7,788,947

See Notes to Financial Statements

Liabilities and Net Assets

	2022	2021
Current Liabilities		
Current maturities of finance lease obligations	$ 48,673	$ 49,614
Accounts payable	463,288	536,393
Accrued wages	366,722	329,864
Accrued payroll taxes	168,724	145,285
Accrued benefits payable	509,326	481,150
Estimated amounts due to third-party payers	70,000	-
Current portion of operating lease liabilities	169,081	-
Deferred revenue	-	317,157
Total current liabilities	1,795,814	1,859,463
Other Liabilities		
Operating lease liabilities	241,609	-
Finance lease Obligations	69,236	117,162
Total long-term liabilities	310,845	117,162
Total liabilities	2,106,659	1,976,625
Net Assets		
Without donor restrictions	5,765,092	5,624,009
With donor restrictions	86,609	188,313
Total net assets	5,851,701	5,812,322
Total liabilities and net assets	$ 7,958,360	$ 7,788,947

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Noncapital appropriations - Cheyenne County	$ 804,882	$ 787,644
Operating Expenses	20	17
Operating Income	804,862	787,627
Nonoperating Revenues (Expenses)		
Interest income	2,265	480
Noncapital grants and gifts	4,105	2,860
Contributions to Hospital for operations	(410,563)	(570,929)
Total nonoperating revenues (expenses)	(404,193)	(567,589)
Excess of Revenues Over Expenses	400,669	220,038
Contributions to Hospital for Capital Assets	(5,486)	(18,448)
Increase in Net Position	395,183	201,590
Net Position, Beginning of Year	826,503	624,913
Net Position, End of Year	$ 1,221,686	$ 826,503

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Patient service revenue	$ 11,995,706	$ -	$ 11,995,706
Provider Relief Funds (*CARES Act*)	317,157	-	317,157
Contributions and grants	314,477	372,988	687,465
Other	4,233,150	-	4,233,150
Net assets released from restrictions used for operations	296,964	(296,964)	-
Total revenues, gains and other support	17,157,454	76,024	17,233,478
Expenses			
Salaries and wages	6,629,931	-	6,629,931
Supplies and other	10,571,822	-	10,571,822
Depreciation	386,307	-	386,307
Interest	22,088	-	22,088
Total expenses	17,610,148	-	17,610,148
Operating Income (Loss)	(452,694)	76,024	(376,670)
Other Income			
Contributions received from Board of Trustees for operations	410,563	-	410,563
Excess (Deficiency) of Revenues Over Expenses	(42,131)	76,024	33,893
Contributions received from Board of Trustees for property and equipment	5,486	-	5,486
Net assets released from restrictions used for purchase of property and equipment	177,728	(177,728)	-
Change in Net Assets	141,083	(101,704)	39,379
Net Assets, Beginning of Year	5,624,009	188,313	5,812,322
Net Assets, End of Year	$ 5,765,092	$ 86,609	$ 5,851,701

See Notes to Financial Statements

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
	$ 11,604,462	$ -	$ 11,604,462
	1,457,147	-	1,457,147
	46,974	471,491	518,465
	3,330,905	-	3,330,905
	365,870	(365,870)	-
	16,805,358	105,621	16,910,979
	6,202,643	-	6,202,643
	9,068,875	-	9,068,875
	308,434	-	308,434
	16,554	-	16,554
	15,596,506	-	15,596,506
	1,208,852	105,621	1,314,473
	570,929	-	570,929
	1,779,781	105,621	1,885,402
	18,448	-	18,448
	84,283	(84,283)	-
	1,882,512	21,338	1,903,850
	3,741,497	166,975	3,908,472
	$ 5,624,009	$ 188,313	$ 5,812,322

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Noncapital appropriations - Cheyenne County	$ 893,774	$ 780,078
Net cash provided by operating activities	893,774	780,078
Cash Flows From Noncapital Financing Activities		
Contributions to Hospital for operations	(410,563)	(570,929)
Noncapital grants and gifts	4,105	2,860
Net cash used in noncapital financing activities	(406,458)	(568,069)
Cash Flows From Capital and Related Financing Activities		
Contributions to Hospital for capital assets	(5,486)	(18,448)
Net cash used in investing activities	(5,486)	(18,448)
Cash Flows From Investing Activities		
Interest received	2,265	480
Net cash provided by investing activities	2,265	480
Increase in Cash	484,095	194,041
Cash, Beginning of Year	756,554	562,513
Cash, End of Year	$ 1,240,649	$ 756,554
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 804,862	$ 787,627
Changes in operating assets and liabilities		
Intergovernmental receivable	82,048	(10,172)
Due to hospital	6,864	2,623
Net cash provided by operating activities	$ 893,774	$ 780,078

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Change in net assets	$ 39,379	$ 1,903,850
Items not requiring (providing) operating cash flow		
Contributions received from Board of Trustees and others for purchase of property and equipment	(5,486)	(18,448)
Restricted contributions received	(372,988)	(471,491)
Depreciation	386,307	308,434
Noncash operating lease expense	155,062	-
Gain on sale of property and equipment	(11,304)	(257)
Changes in assets and liabilities		
Patient accounts receivable	598,561	(531,518)
Estimated amounts due from and to third-party payers	312,655	(4,886,772)
Other receivables	(91,367)	(2,623)
Supplies	26,382	(23,374)
Prepaid expenses and other	(87,696)	(50,530)
Accounts payable	(73,105)	(82,209)
Accrued wages	36,858	1,255
Accrued payroll taxes	23,439	(3,015)
Accrued benefits payable	28,176	39,086
Operating lease liability	(155,062)	-
Deferred revenue	(317,157)	(3,285,676)
Net cash provided by (used in) operating activities	492,654	(7,103,288)
Investing Activities		
Change in internally designated assets limited as to use	330,694	(190)
Purchase of property and equipment	(395,184)	(709,783)
Advances to physicians or employees	(5,369)	-
Repayment of advances to physicians or employees	2,617	1,997
Proceeds from sale of property and equipment	11,304	601
Net cash used in investing activities	(55,938)	(707,375)
Financing Activities		
Contributions received from Board of Trustees' Fund and others for purchase of property and equipment	5,486	18,448
Restricted contributions received	372,988	471,491
Payments on capital lease obligations	(48,867)	(42,870)
Net cash provided by financing activities	329,607	447,069
Increase (Decrease) in Cash and Cash Held in Assets Limited as to Use	766,323	(7,363,594)
Cash and Cash Held in Assets Limited as to Use, Beginning of Year	2,909,422	10,273,016
Cash and Cash Held in Assets Limited as to Use, End of Year	$ 3,675,745	$ 2,909,422

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Cash Flows – (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Cash and Cash Held in Assets Limited as to Use to the Balance Sheets		
Cash	$ 2,132,341	$ 1,983,282
Board-designated cash included in assets limited as to use	1,456,795	737,827
Restricted cash included in assets limited as to use	86,609	188,313
Total Cash and Cash Held in Assets Limited as to Use	$ 3,675,745	$ 2,909,422
Supplemental Cash Flows Information		
Interest paid	$ 22,088	$ 16,554
Capital lease obligation incurred for equipment	$ -	$ 109,746
Right-of-use asset and lease liability recognized at adoption of ASC 842	$ 565,752	$ -

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

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

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

Basis of Accounting and Presentation

The financial statements of the BOT have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Interest income, noncapital gifts, other income and contributions to the Hospital for operations are included in nonoperating revenues (expenses).

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 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 BOT considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2022 and 2021.

Noncapital Appropriations – Cheyenne County – Property and Sales Tax Revenues

The BOT receives tax appropriations (property and sales) from Cheyenne County, Kansas. Property taxes are assessed in November and are received beginning in January of the following year.

Sales tax revenue is recognized based on sales tax collected by the County's retailers in the BOT's accounting period.

Noncapital appropriations revenue for both property and sales taxes are recognized in full in the year in which use is first permitted.

Deferred Inflows of Resources

The BOT reports an acquisition of net position that relate to future periods as deferred inflows of resources in a separate section of its balance sheets.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes

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

Note 2: Lease and Management Agreement - BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Cheyenne County, Kansas, and leased to GPCC by the BOT. The lease agreement provides that GPCC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of five years through December 21, 2005, with two renewal option periods of five years each, which ended December 21, 2015. GPCC extended the lease agreement another three years through December 21, 2018, with two renewal option periods of three years each, which ends December 21, 2024. The BOT leases the hospital facilities to GPCC for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPCC, has a management agreement with GPCC. The management agreement is included within the lease agreement. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPCC upon commencement of the original term, December 21, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

Note 3: Deposits - BOT

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

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

As of December 31, 2022 and 2021, respectively, $924,235 and $439,378 of the BOT's bank balances of $1,240,649 and $756,554 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department in other than the BOT's name	$ 924,801	$ 439,378

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 1,240,649	$ 756,554
Included in the following balance sheet captions		
Cash	$ 1,240,649	$ 756,554

Note 4: Restatement - Beneficial Interest in Trusts

During 2016, the BOT began recording a beneficial interest in trusts that the entity believed would be a deferred inflow of resources to the BOT. Upon further examination of the trust documents, it was determined that the Grantor's descendants were the beneficiaries rather than the BOT. As a result, the asset and deferred inflow of resources of $2,477,399 recorded previously have been restated to $0 on the Board of Trustees of Cheyenne County Hospital's 2021 balance sheet. This restatement had no impact on the statement of revenues, expenses and changes in net position or statement of cash flows. Financial statement line items were impacted as follows:

	As Restated	As Previously Reported	Effect of Change
Balance Sheet			
Assets			
Beneficial Interest In Trusts	$ -	$ 2,477,399	$ (2,477,399)
Total Assets	-	2,477,399	(2,477,399)
Liabilities, Deferred Inflow of Resources and Net Position			
Beneficial Interest In Trusts	-	2,477,399	(2,477,399)
Total liabilities and net position	851,602	3,329,001	(2,477,399)

Note 5: Fair Value Measurement of Assets

The BOT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The beneficial interest in trusts is considered a level 2 measurement as its fair value is based on the fair values of the underlying assets which include cash, money markets, government and agency securities, corporate bonds, equities, and mutual funds.

Note 6: Nature of Operations and Summary of Significant Accounting Policies – GPCC

Nature of Operations

Great Plains of Cheyenne County, Inc. (GPCC or Hospital) is located in St. Francis, Kansas and provides acute, swing-bed and clinic services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*).

Use of Estimates

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

Cash Equivalents

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

At December 31, 2022, GPCC's cash accounts exceeded federally insured limits by approximately $70,000.

Patient Accounts Receivable

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

Supplies

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

Assets Limited as to Use

Assets limited as to use include (1) assets set aside by the GPCC Board of Directors for future capital improvements over which the GPCC Board of Directors retains control and may at its discretion subsequently use for other purposes and (2) assets restricted by donors.

Property and Equipment

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

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

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

Long-lived Asset Impairment

GPCC evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

Refund Liabilities

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

Accrued Benefits Payable

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned. 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. Accrued benefits payable are computed using the regular pay rates in effect at the balance sheet date.

Professional Liability Claims

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

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

Paycheck Protection Program (PPP) Loan

GPCC received a PPP loan established by the *Coronavirus Aide, Relief and Economic Security Act* (*CARES Act*). GPCC has accounted for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, the U.S. Small Business Administration (SBA), or the lender. The proceeds of the loan will remain recorded as debt until the loan is, in part or wholly, forgiven and the Hospital has been legally released or the Hospital pays off the loan. On November 12, 2020, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment, which is included in other income in the statement of operations and changes in net assets.

Net Assets

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

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The GPCC Board of Directors have designated, from net assets without donor restrictions, net assets for future capital improvements.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Patient Service Revenue

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

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

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.

Charges excluded from revenue under the Hospital's charity care policy were $169,538 and for $169,887 for December 31, 2022 and 2021, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $169,000 and $161,000 in 2022 and 2021, respectively. Costs were calculated using the overall cost-to-charge ratio from the December 31, 2022 and 2021, based upon the as-filed Medicare cost reports.

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 has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are reported as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. The unrecognized amount of the Provider Relief Funds (*CARES Act*) is recorded as a component of deferred revenue in the accompanying balance sheets.

Contributions and Grants

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

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

When a donor 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 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.

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.

Excess (Deficiency) of Revenues Over Expenses

The statements of operations and changes in net assets include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

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

Note 7: Concentration of Risk – GPCC

GPCC grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2022 and 2021, for GPCC is as follows:

	2022	2021
Medicare	39%	43%
Medicaid	9%	6%
Blue Cross	17%	18%
Other third-party payers	18%	22%
Self-pay	17%	11%
	100%	100%

Note 8: Assets Limited as to Use – GPCC

Assets limited as to use, at December 31, 2022 and 2021, include:

	2022	2021
Internally designated for capital improvements		
Cash	$ 1,456,795	$ 737,827
Certificates of deposits	-	330,694
	1,456,795	1,068,521
Externally restricted by donors		
Cash	86,609	188,313
	$ 1,543,404	$ 1,256,834

Note 9: Leases - GPCC

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e*., the comparatives under ASC 840 option.

The Hospital adopted Topic 842 on January 1, 2022, (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Hospital elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. The Hospital elected the practical expedient to account for nonlease components and the lease components to which they relate as a single lease component for all. Also, the Hospital elected to keep short-term leases with an initial term of 12 months or less off the balance sheet. The Hospital did not elect the hindsight practical expedient in determining the lease term for existing leases as of January 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of $565,752, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. The standard did not significantly affect the Statement of Operations and Change in Net Assets or Cash Flows.

Accounting Policies

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

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Hospital has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

Quantitative Disclosures

Lease costs for the year ending December 31, 2022, includes amortization of right-of-use asset and operating and short-term lease cost of $321,225.

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2022, are as follows:

	Finance Leases	Operating Leases
2023	$ 55,167	$ 174,000
2024	39,979	174,000
2025	25,136	72,500
2026	8,378	-
Total future undiscounted lease payments	128,660	420,500
Less amount representing interest	10,751	9,810
Lease Liabilities	$ 117,909	$ 410,690

Note 10: Net Assets With Donor Restrictions – GPCC

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods:

	2022	2021
Subject to expenditure for specified purpose		
Various operating purposes	$ 86,609	$ 188,313
	$ 86,609	$ 188,313

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors.

	2022	2021
Purpose restrictions accomplished		
Purchase of equipment	$ 177,728	$ 84,283
Various operating purposes	296,964	365,870
	$ 474,692	$ 450,153

Note 11: Liquidity and Availability – GPCC

GPCC's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2022 and 2021, comprise the following:

	2022	2021
Total financial assets		
Cash	$ 2,132,341	$ 1,983,282
Patient accounts receivable	1,424,273	2,022,834
Estimated amounts due from third-party payers	38,884	281,539
Other receivables	116,466	25,099
Assets limited as to use	1,543,404	1,256,834
Physician and mid-level provider advances	9,165	6,413
Total financial assets	5,264,533	5,576,001
Less amounts not available to be used within one year		
Physician and mid-level provider advances	(9,165)	(6,413)
Financial assets not available to be used within one year	(9,165)	(6,413)
Financial assets available to meet general expenditures within one year	$ 5,255,368	$ 5,569,588

The Hospital has certain board-designated and donor-restricted assets limited as to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets available for general expenditure within one year.

Note 12: Patient Service Revenue – GPCC

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

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Hospital does not believe it is required to provide additional goods related to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Transaction Price

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

Third-Party Payers

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

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

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

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

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

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

Patient and Uninsured Payers

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

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

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended December 31, 2022 and 2021, additional revenue of approximately $0 and $71,000, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of December 31, 2022 and 2021, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $36,000 and $38,000, respectively. The liability is included as a component of accounts payable in the accompanying balance sheets.

Revenue Composition

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

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

For the years ended December 31, 2022 and 2021, the Hospital recognized revenue of $11,995,706 and $11,604,462, respectively, from goods and services that transfer to the customer over time and $4,233,150 and $3,330,905, respectively, from goods and services that transfer to the customer at a point in time.

Contract Assets and Liabilities

Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Hospital's obligation to provide services to patients when consideration has already been received from the patient or a third-party payer. There are no contract assets and liabilities recognized for the years ended December 31, 2022 and 2021.

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

	2022	2021
Patient accounts receivable, beginning of year	$ 2,022,834	$ 1,491,316
Patient accounts receivable, end of year	$ 1,424,273	$ 2,022,834

Note 13: 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 $3,910,709 and $3,051,536 for the years ending December 31, 2022 and 2021, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $2,538,021 and 1,944,080 for the years ending December 31, 2022 and 2021, respectively, which is included in supplies and other 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 14: COVID-19 Pandemic and *CARES Act* Funding – GPCC

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.

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

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

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

Provider Relief Fund

During the years ended December 31, 2022 and 2021, the Hospital received $0 and $704,731 of distributions from the *CARES Act* Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2022 and 2021, the Hospital recognized $317,157 and $1,457,147, related to the distributions from the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as revenues, gains and other support in the accompanying statements of operations and changes in net assets. The unrecognized amount of Provider Relief Fund distributions of $0 and $317,157 is recorded as a component of deferred revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

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

Medicare Accelerated & Advanced Payment Program

During 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allowed critical access hospital facilities to request up to 125% of Medicare payments for a six-month period. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Hospital received $4,863,233 from these accelerated Medicare payment requests. On March 24, 2021, the Hospital paid back the advances from Medicare in full.

Other COVID-19 Funding

During the years ended December 31, 2022 and 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $172,863 and $63,613 during 2022 and 2021, respectively, related to this grant. A receivable of $84,503 is recorded as of December 31, 2022 for SHIP expenditures to be received in 2023. The Hospital recognized $237,366 and $83,613 for the years ended December 31, 2022 and 2021, respectively. The unrecognized amount of the SHIP grant of $0 and $20,000 is recorded as a component of deferred revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

In October 2021, the Hospital received and recognized $63,676 from a distribution from the Frontline Hospital Employee Retention Plan through the Strengthening People and Revitalizing Kansas (SPARK) program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 15: Functional Expenses – GPCC

GPCC provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been directly assigned to health care services and general and administrative expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedules present the natural classification of expenses by function for the years ended December 31, 2022 and 2021, as follows:

	2022		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 6,266,260	$ 363,671	$ 6,629,931
Supplies and other	9,403,132	1,168,690	10,571,822
Depreciation	381,126	5,181	386,307
Interest	-	22,088	22,088
	$ 16,050,518	$ 1,559,630	$ 17,610,148

	2021		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 5,776,856	$ 425,787	$ 6,202,643
Supplies and other	8,041,040	1,027,835	9,068,875
Depreciation	306,499	1,935	308,434
Interest	-	16,554	16,554
	$ 14,124,395	$ 1,472,111	$ 15,596,506

Note 16: Pension Plan – GPCC

Hospital employees are eligible to participate in the GPHA defined contribution pension and tax deferred annuity plans. All employees, to be eligible for employer contributions, must have completed one year of service, with a minimum of 1,000 paid hours of service and must be at least 18 years of age. Benefits are funded by an annuity contract with an insurance company. Employer contributions are computed at a rate of 5% of annual compensation plus 10% of the excess over $16,000. Employee contributions are computed at the rate of 2.5% of annual compensation plus 5.0% of the excess over $16,000. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Employer contributions vest at 20% per year of service with 100% vesting after five years of service. The total cost of the plan for the years ended December 31, 2022 and 2021, was $505,126 and $428,490, respectively.

Note 17: Great Plains Employee Benefits Trust – GPCC

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefit Plan (the Plan) for its member organizations and their participating employees. GPCC is a member organization in the Trust and substantially all of GPCC's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after

consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No such insurance assessment was administered to GPCC for the years ended December 31, 2022 and 2021.

Note 18: Lease and Management Agreement – GPCC

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Cheyenne County, Kansas, and leased to GPCC by the BOT. The lease agreement provides that GPCC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of five years through December 21, 2005, with two renewal option periods of five years each, which ended December 21, 2015. GPCC extended the lease agreement another three years through December 21, 2018, with two renewal option periods of three years each, which ends December 21, 2024. The BOT leases the hospital facilities to GPCC for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPCC, has a management agreement with GPCC. The management agreement is included within the lease agreement. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPCC upon commencement of the original term, December 21, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT. In addition, GPCC has entered into agreements with GPHA for other services, including data processing and management services, which are yearly contracts that automatically renew unless cancelled by either party at least 60 days before the end of the term. Fees incurred for services provided by GPHA totaled $890,816 and $814,120 in 2022 and 2021, respectively, and are included in supplies and other expense in the statements of operations and changes in net assets. There are no amounts included in accounts payable related to these services as of December 31, 2022 and 2021.

Note 19: Significant Estimates and Concentrations – GPCC

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

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Note 6*.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 6* and *12*.

Note 20: Subsequent Events – GPCC

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.

Subsequent events have been evaluated through June 23, 2023, which is the date the financial statements were available to be issued.