Grisell Memorial Hospital District No. 1



Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021

Grisell Memorial Hospital District No. 1

December 31, 2022 and 2021

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Independent Auditor's Report

Board of Directors
Grisell Memorial Hospital District No. 1
Ransom, Kansas

Opinion

We have audited the accompanying financial statements of Grisell Memorial Hospital District No. 1, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Grisell Memorial Hospital District No. 1'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 Grisell Memorial Hospital District No. 1 as of December 31, 2022 and 2021, 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). 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 Grisell Memorial Hospital District No. 1 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 13* to the financial statements, during the year ended December 31, 2022, Grisell Memorial Hospital District No. 1 adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *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.

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 Grisell Memorial Hospital District No. 1'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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Grisell Memorial Hospital District No. 1'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 Grisell Memorial Hospital District No. 1'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
August 22, 2023

Grisell Memorial Hospital District No. 1
Balance Sheets
December 31, 2022 and 2021

Assets

	2022	2021
Current Assets		*(As Restated)*
Cash	$ 1,956,158	$ 3,408,907
Certificates of deposit	419,878	417,374
Patient accounts receivable, net of allowance; 2022 – $124,011; 2021 – $191,891	2,107,190	767,176
Estimated amounts due from third-party payers	330,000	115,000
Supplies	93,336	75,665
Prepaid expenses and other	120,508	132,437
Grants receivable	209,079	-
Property taxes receivable	972,202	972,177
Total current assets	6,208,351	5,888,736
Noncurrent Cash and Certificates of Deposit	191,308	177,959
Capital Assets, Net	982,494	1,002,525
Lease Assets, Net	58,448	136,089
Total assets	$ 7,440,601	$ 7,205,309

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2022	2021
Current Liabilities		*(As Restated)*
Current maturities of long-term debt	$ 29,251	$ 34,560
Current portion of lease liabilities	46,719	44,088
Accounts payable	291,779	215,743
Accrued salaries	81,400	125,532
Accrued payroll taxes	40,247	41,177
Accrued benefits	265,554	213,342
Unearned revenue	87,045	316,331
Estimated amounts due to third-party payers	-	41,100
Total current liabilities	841,995	1,031,873
Long-term Debt	63,541	90,566
Long-term Lease Liabilities	80,111	126,830
Total liabilities	985,647	1,249,269
Deferred Inflows of Resources		
Property taxes	972,202	972,177
Net Position		
Net investment in capital assets	821,320	842,570
Restricted - expendable for Specific operating activities	35,517	24,346
Unrestricted	4,625,915	4,116,947
Total net position	5,482,752	4,983,863
Total liabilities, deferred inflows of resources and net position	$ 7,440,601	$ 7,205,309

Grisell Memorial Hospital District No. 1

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – -$28,277; 2021 – $18,949	$ 6,711,397	$ 5,831,108
Other	141,241	161,533
Total operating revenues	6,852,638	5,992,641
Operating Expenses		
Salaries and wages	3,293,604	2,955,317
Employee benefits	772,244	816,488
Supplies and other	3,586,866	3,118,503
Depreciation	271,385	281,440
Amortization	77,641	77,641
Total operating expenses	8,001,740	7,249,389
Operating Loss	(1,149,102)	(1,256,748)
Nonoperating Revenues (Expenses)		
Property taxes	1,012,066	1,029,537
Interest income	11,381	9,247
Interest expense	(16,408)	(19,991)
Gain on disposal of capital assets	22,499	-
Noncapital grants and gifts	401,957	185,609
Provider Relief Funds (*CARES Act*)	216,496	1,830,697
Paycheck Protection Program (PPP) loan forgiveness	-	633,240
Total nonoperating revenues	1,647,991	3,668,339
Increase in Net Position	498,889	2,411,591
Net Position, Beginning of Year	4,983,863	2,572,272
Net Position, End of Year	$ 5,482,752	$ 4,983,863

Grisell Memorial Hospital District No. 1
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Operating Activities		
Receipts from and on behalf of patients	$ 5,115,283	$ 6,755,279
Payments to suppliers and contractors	(4,498,825)	(3,864,638)
Payments to employees	(3,285,524)	(2,986,341)
Other receipts (payments), net	(88,045)	(2,339,115)
Net cash used in operating activities	(2,757,111)	(2,434,815)
Noncapital Financing Activities		
Property taxes supporting operations	1,012,066	1,029,537
Noncapital grants and gifts	401,957	185,609
Provider Relief Funds (*CARES Act*)	216,496	1,830,697
Net cash provided by noncapital financing activities	1,630,519	3,045,843
Capital and Related Financing Activities		
Principal paid on long-term debt	(32,334)	(26,317)
Principal paid on leases payable	(44,088)	(42,812)
Interest paid on long-term debt	(7,601)	(10,035)
Interest paid on leases payable	(8,807)	(9,956)
Proceeds from disposal of capital assets	22,499	-
Purchase of capital assets	(251,354)	(34,838)
Net cash used in capital and related financing activities	(321,685)	(123,958)
Investing Activities		
Interest income received	11,381	9,247
Proceeds from disposition of certificates of deposit	-	108,982
Change in certificates of deposit	(4,682)	(112,427)
Net cash provided by investing activities	6,699	5,802
Increase (Decrease) in Cash	(1,441,578)	492,872
Cash, Beginning of Year	3,424,201	2,931,329
Cash, End of Year	$ 1,982,623	$ 3,424,201
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	$ 1,956,158	$ 3,408,907
Cash in noncurrent cash	26,465	15,294
	$ 1,982,623	$ 3,424,201

Grisell Memorial Hospital District No. 1
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
		(As Restated)
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (1,149,102)	$ (1,256,748)
Depreciation	271,385	281,440
Amortization	77,641	77,641
Provision for uncollectible accounts	(28,277)	18,949
Changes in operating assets and liabilities		
Patient accounts receivable, net	(1,311,737)	(346,863)
Estimated amounts due from and to third-party payers	(256,100)	1,252,085
Supplies	(17,671)	124
Prepaid expenses and other current assets	11,929	113,312
Grant receivable	(209,079)	-
Accounts payable and accrued expenses	83,186	(74,107)
Unearned revenue	(229,286)	(2,500,648)
Net cash used in operating activities	$ (2,757,111)	$ (2,434,815)
Noncash Investing, Capital and Financing Activities		
Paycheck Protection Program (PPP) loan forgiveness	$ -	$ 633,240

Grisell Memorial Hospital District No. 1
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

Grisell Memorial Hospital District No. 1 (Hospital), located in Ransom, Kansas, is organized and operating under Kansas law and is governed by a Board of Directors. The Hospital operates a hospital which provides acute and long-term care services and operates outpatient clinics.

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

Budgetary Principles

The Hospital is required by state statutes to adopt an annual budget for its general funds on or before August 25 for the ensuing year. The Hospital's Board of Directors may amend the budget by transferring budgeted amounts from one object or purpose to another within the same fund. Expenditures may not legally exceed the total amount of the adopted budget of individual funds.

For budget purposes, the general fund utilizes the modified accrual basis of accounting. The modification in such method from the accrual basis is that revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred.

Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budgetary purposes, encumbrances of the budgeted governmental fund types, representing purchase orders, contracts and other commitments, are reported as a charge to the current year budget. All unencumbered appropriations lapse at the end of the calendar year. There were no material encumbrances at December 31, 2022 and 2021. Budgeted revenue and expenditure amounts represent the original budget adopted by the Board.

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. There were no cash equivalents for the years ended December 31, 2022 and 2021.

Noncurrent Cash and Certificates of Deposit

Noncurrent cash and certificates of deposit include 1) funds internally designated by the Board of Directors to be used for physician recruitment and replacement of capital assets or for the purchase of additional capital assets and 2) funds externally restricted by donors and grantors for student scholarships/loans and other specific purposes. The internally designated funds may be used for other purposes by action of the Board of Directors. Noncurrent cash and certificates of deposit consist of certificates of deposit, which are carried at amortized cost, and savings accounts.

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

Land improvements	8-15 years
Buildings	10-40 years
Fixed equipment	5-20 years
Moveable equipment	5-20 years

Lease Assets

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

Capital and Lease Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2022 and 2021.

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. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay 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. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on June 14, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets. Deferred inflows of resources consist of property taxes levied against members of the tax district.

Net Position

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

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

- 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, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.

- 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.

Property Taxes

The Hospital received approximately 12% and 11% of its financial support from property taxes in 2022 and 2021, respectively. One hundred percent of these funds were used to support operations in both years.

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year tax basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property and are recorded as property taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred property tax revenue on the balance sheets.

Income Taxes

As an essential government entity, 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.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

Note 2: Deposits

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

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

At December 31, 2022 and 2021, respectively, none of the Hospital's bank balances of $2,757,885 and $4,052,317 were exposed to custodial credit risk.

Summary of Carrying Values

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

	2022	2021
Cash	$ 1,956,158	$ 3,408,907
Certificates of deposit	419,878	417,374
Noncurrent cash and certificates of deposit	191,308	177,959
	$ 2,567,344	$ 4,004,240

Note 3: Patient Accounts Receivable

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

	2022	2021
Medicare	$ 1,878,351	$ 595,737
Medicaid	53,897	44,253
Blue Cross	54,991	44,447
Other third-party payers	64,396	50,696
Self-pay	179,566	223,934
	2,231,201	959,067
Less allowance for uncollectible accounts	(124,011)	(191,891)
	$ 2,107,190	$ 767,176

Note 4: Capital and Lease Assets

Capital assets activity for the years ended December 31, 2022 and 2021, was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 4,000	$ -	$ -	$ 4,000
Land improvements	64,246	-	-	64,246
Buildings	1,913,905	80,656	(50,030)	1,944,531
Fixed equipment	1,365,779	10,713	(2,260)	1,374,232
Moveable equipment	1,284,125	30,221	(15,631)	1,298,715
Construction in process	-	129,764	-	129,764
	4,632,055	251,354	(67,921)	4,815,488
Less accumulated depreciation				
Land improvements	48,322	1,459	-	49,781
Buildings	1,615,466	64,366	(50,028)	1,629,804
Fixed equipment	1,077,616	106,105	(2,260)	1,181,461
Moveable equipment	888,126	99,455	(15,633)	971,948
	3,629,530	271,385	(67,921)	3,832,994
Capital Assets, Net	$ 1,002,525	$ (20,031)	$ -	$ 982,494

	2021 (As Restated)			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 4,000	$ -	$ -	$ 4,000
Land improvements	64,246	-	-	64,246
Buildings	1,879,067	34,838	-	1,913,905
Fixed equipment	1,365,779	-	-	1,365,779
Moveable equipment	1,284,125	-	-	1,284,125
	4,597,217	34,838	-	4,632,055
Less accumulated depreciation				
Land improvements	46,863	1,459	-	48,322
Buildings	1,553,442	62,024	-	1,615,466
Fixed equipment	970,686	106,930	-	1,077,616
Moveable equipment	777,099	111,027	-	888,126
	3,348,090	281,440	-	3,629,530
Capital Assets, Net	$ 1,249,127	$ (246,602)	$ -	$ 1,002,525

Lease asset activity for the years ended December 31 was:

	2022			
	Beginning Balance	Additions	Disposals	Ending Balance
Moveable equipment	$ 213,730	$ -	$ -	$ 213,730
	213,730	-	-	213,730
Less accumulated amortization				
Moveable equipment	77,641	77,641	-	155,282
	77,641	77,641	-	155,282
Lease Assets, Net	$ 136,089	$ (77,641)	$ -	$ 58,448

	2021 (As Restated)			
	Beginning Balance	Additions	Disposals	Ending Balance
Moveable equipment	$ 213,730	$ -	$ -	$ 213,730
	213,730	-	-	213,730
Less accumulated amortization				
Moveable equipment	-	77,641	-	77,641
	-	77,641	-	77,641
Lease Assets, Net	$ 213,730	$ (77,641)	$ -	$ 136,089

Note 5: Long-term Obligations

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

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
Financed capital purchases	$ 125,126	$ -	$ (32,334)	$ 92,792	$ 29,251
Other long-term obligations					
Lease liabilities	170,918	-	(44,088)	126,830	46,719
Total long-term obligations	$ 296,044	$ -	$ (76,422)	$ 219,622	$ 75,970

	2021 (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Long-term debt					
PPP loan payable to bank	$ 633,240	$ -	$ (633,240)	$ -	$ -
Financed capital purchases	151,443	-	(26,317)	125,126	34,560
Total long-term debt	784,683	-	(659,557)	125,126	34,560
Other long-term obligations					
Lease liabilities	213,730	-	(42,812)	170,918	44,088
Total long-term obligations	$ 998,413	$ -	$ (702,369)	$ 296,044	$ 78,648

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to a vendor, with a maturity date of September 1, 2025. Principal and interest is payable monthly. The note is secured by the assets of the Hospital.

Debt Service Requirements

Debt service requirements on financed capital purchases as of December 31, 2022, is as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 34,517	$ 29,251	$ 5,266
2024	37,088	34,024	3,064
2025	30,279	29,517	762
	$ 101,884	$ 92,792	$ 9,092

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $633,240 in 2020. The loan has an interest rate of 1%, with monthly payments due starting ten months after the end of the covered period, which the Hospital elected to be 24 weeks after receipt of the loan. The Hospital received legal notice on June 14, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2025. Variable payments based upon the use of the underlying asset are not included in the lease liability because they are not fixed in substance.

The following is a schedule by year of payments under the leases as of December 31, 2022:

Year Ending December 31,	Total to be Paid	Principal	Interest
2023	$ 52,768	$ 46,719	$ 6,049
2024	56,596	53,344	3,252
2025	27,318	26,767	551
	$ 136,682	$ 126,830	$ 9,852

Note 6: Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance under a claims-made policy with a fixed premium which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 and $800,000 of coverage for each medical incident and $1,500,000 and $2,400,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively.

Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of professional liability claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the Hospital's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

Note 7: Net Patient Service Revenue

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

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care and 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 audits thereof by the Medicare administrative contractor.

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

Approximately 92% and 90% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, 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 and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined case rates and discounts from established charges and prospectively determined daily rates.

Note 8: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $9,000 and $0 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of gross charges to the gross uncompensated charges.

Note 9: 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 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 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 years ended December 31, 2022 and 2021, the Hospital received $121,696 and $281,845, 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, 2022 and 2021, the Hospital recognized $216,496 and $1,830,697, 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 paid back $945,182 of Provider Relief Funds for the years ended December 31, 2021. The unrecognized amount of Provider Relief Fund distributions of $87,045 and $281,845 is recorded as a component of unearned 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 Funds are complex and subject to interpretation and change. If the Hospital is unable to attest to or comply with current or future terms and conditions the Hospital's ability to retain some or all of the distributions received may be affected. The Provider Relief Funds are subject to government oversight, including potential audits.

Paycheck Protection Program (PPP) Loan

During the year ended December 31, 2020, the Hospital received a PPP loan of $633,240 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on June 14, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

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 (SHIP) 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 $48,288 and $63,313 during years ended December 31, 2022 and 2021, respectively, and recorded a receivable for $209,079 during 2022 related to the SHIP grant, which is recorded as a component of grant receivables in the accompanying balance sheets, for the year ended December 31, 2022. The Hospital recognized $257,367 and $0 related to the SHIP grant during the years ended December 31, 2022 and 2021, respectively. 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.

In November 2021, the Hospital received a distribution of $99,493 from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff. The Hospital recognized $34,486 and $65,007 of this funding for the years ended December 31, 2022 and 2021, respectively, which is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position. The unrecognized amount of the distribution of $0 and $34,486 is recorded as a component of unearned revenue in the accompanying balance sheets for the years ended December 31, 2022 and 2021, respectively.

Note 10: Pension Plans

The Hospital maintains a defined contribution plan (401(a) plan) for all eligible employees. Eligibility is established for all employees who are at least 18 years of age and have completed one year of service. The 401(a) plan provides elective employee contributions of 2.5% of the first $16,000 of annual compensation and 5% of annual compensation in excess of $16,000. Matching employer contributions are computed at 5% of the first $16,000 of annual compensation and 10% of annual compensation in excess of $16,000. The 401(a) plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the 401(a) plan to the employee's normal retirement date. Benefits begin to vest after one year of service with 100% vesting after five years of service. All funds contributed by the Hospital, which are not vested, will be returned to the 401(a) plan and remain in the 401(a) plan to reduce future employer contributions to the plan. Contributions actually made by plan members totaled $97,673 and $95,785 in 2022 and 2021, respectively. Hospital contributions totaled $171,020 and $192,433 in 2022 and 2021, respectively. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan). The Hospital does not make contributions to the 457 plan. Contributions made by plan members totaled $36,573 and $44,522 during 2022 and 2021, respectively. The plan year begins on January 1 and ends December 31. The Hospital does not control the plan assets.

Note 11: Management/Services Agreement

The Board of Directors of the Hospital has contracted with Great Plains Health Alliance, Inc. (GPHA) for various services, including management, data processing and accounting services. The terms of the agreements vary from one to seven years and can be canceled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2022 and 2021, were $648,728 and $574,201, respectively. Amounts payable to GPHA at December 31, 2022 and 2021, totaled $0 and $9,998, respectively.

Note 12: Compliance with Budgetary Statutes

Kansas statutes require that fixed budgets be legally adopted for all enterprise and debt service funds. Budgets are prepared utilizing the modified accrual basis of accounting. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures, which is prepared on a calendar year basis. Calendar year budgeted expenditures are compared to the Hospital's enterprise fund, which are on an annualized calendar year basis as follows:

	2022		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,012,066	$ 1,023,232	$ 11,166
Patient related revenues	6,683,120	6,333,304	(349,816)
Interest income	11,381	10,804	(577)
Other	759,694	146,409	(613,285)
Total revenues	8,466,261	7,513,749	(952,512)
Expenses			
Patient related expenses	7,652,714	7,500,000	(152,714)
Interest expense	16,408	-	(16,408)
Capital outlay	251,354	75,000	(176,354)
Total expenses	7,920,476	7,575,000	(345,476)
Excess (deficiency) of revenues over expenses	$ 545,785	$ (61,251)	$ (607,036)

	2021 (As Restated)		
	Actual	Budget	Variance Under (Over)
General Fund			
Revenues			
Taxes	$ 1,029,537	$ 1,010,414	$ (19,123)
Patient related revenues	5,850,057	5,900,000	49,943
Interest income	9,247	15,000	5,753
Other	2,811,079	171,987	(2,639,092)
Total revenues	9,699,920	7,097,401	(2,602,519)
Expenses			
Patient related expenses	6,890,308	6,900,000	9,692
Interest expense	19,991	-	(19,991)
Capital outlay	34,838	75,000	40,162
Total expenses	6,945,137	6,975,000	29,863
Excess of revenues over expenses	$ 2,754,783	$ 122,401	$ (2,632,382)

The following reconciliation is presented to provide a correlation between the different basis of accounting for reporting in accordance with accounting principles generally accepted in the United States of America and for reporting on the budgetary basis:

	2022	2021 (As Restated)
Increase in net position - financial basis	$ 498,889	$ 2,411,591
Depreciation	271,385	281,440
Amortization	77,641	77,641
Gain on disposal of capital assets	(22,499)	-
Provision for uncollectible accounts	(28,277)	18,949
Capital outlay	(251,354)	(34,838)
Excess of revenues over expenses	$ 545,785	$ 2,754,783

Note 13: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Effective January 1, 2022, the Hospital adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. 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 fiscal year ended December 31, 2021, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	$ 1,002,525	$ 1,091,140	$ (88,615)
Lease assets, net	136,089	-	136,089
Current maturities of long-term debt	34,560	73,032	(38,472)
Current portion of lease liabilities	44,088	-	44,088
Long-term debt	90,566	205,478	(114,912)
Lease liabilities	126,830	-	126,830
Net investment in capital assets	842,570	812,630	29,940
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	3,118,503	3,125,132	(6,629)
Depreciation	281,440	334,609	(53,169)
Amortization	77,641	-	77,641
Increase in net position	2,411,591	2,429,434	(17,843)
Net position, beginning of year	2,572,272	2,524,489	47,783
Net position, end of year	4,983,863	4,953,923	29,940
Statements of Cash Flows			
Payments to suppliers and contractors	(3,864,638)	(3,871,267)	6,629
Principal paid on long-term debt	(26,317)	(62,500)	36,183
Interest paid on long-term debt	(10,035)	(19,991)	9,956
Principal paid on leases payable	(42,812)	-	(42,812)
Interest paid on leases payable	(9,956)	-	(9,956)
Operating loss	(1,256,748)	(1,238,905)	(17,843)
Depreciation	281,440	334,609	(53,169)
Amortization	77,641	-	77,641

Note 14: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.