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

Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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 the Board of Trustees of Cheyenne County Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any 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 opinions. 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 the 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
May 23, 2024

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 870,827	$ 1,240,649
Certificate of Deposit	600,000	-
Total current assets	1,470,827	1,240,649
Capital Assets - Land	13,000	13,000
Total assets	$ 1,483,827	$ 1,253,649
Liabilities and Net Position		
Current Liabilities		
Due to hospital	$ 33,456	$ 31,963
Net Position		
Net investment in capital assets	13,000	13,000
Unrestricted	1,437,371	1,208,686
Total net position	1,450,371	1,221,686
Total liabilities and net position	$ 1,483,827	$ 1,253,649

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Balance Sheets
December 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	$ 1,894,115	$ 2,132,341
Patient accounts receivable, net	2,294,171	1,424,273
Estimated amounts due from third-party payers	26,972	38,884
Other receivables	33,456	116,466
Supplies	192,858	182,070
Prepaid expenses and other	448,548	326,696
Total current assets	4,890,120	4,220,730
Assets Limited as to Use		
Internally designated for capital acquisitions	1,493,632	1,456,795
Externally restricted by donors	121,561	86,609
	1,615,193	1,543,404
Property and Equipment, at Cost		
Land	9,040	9,040
Land improvements	194,413	194,413
Buildings	3,514,423	3,312,290
Fixed equipment	1,629,224	1,629,224
Moveable equipment	2,771,541	2,594,169
Construction in Progress	15,934	60,163
	8,134,575	7,799,299
Less accumulated depreciation	6,268,372	6,024,928
	1,866,203	1,774,371
Other Assets		
Right-of-use assets - operating leases	250,786	410,690
Physician and mid-level provider advances	6,765	9,165
	257,551	419,855
Total assets	$ 8,629,067	$ 7,958,360

See Notes to Financial Statements

	2023	2022
Liabilities and Net Assets		
Current Liabilities		
Current maturities of finance lease obligations	$ 35,141	$ 48,673
Accounts payable	1,592,750	463,288
Accrued wages	379,914	366,722
Accrued payroll taxes	169,022	168,724
Accrued benefits payable	583,223	509,326
Estimated amounts due to third-party payers	43,371	70,000
Current portion of operating lease liabilities	169,482	169,081
Total current liabilities	2,972,903	1,795,814
Other Liabilities		
Operating lease liabilities	72,126	241,609
Finance lease Obligations	32,251	69,236
Total long-term liabilities	104,377	310,845
Total liabilities	3,077,280	2,106,659
Net Assets		
Without donor restrictions	5,430,226	5,765,092
With donor restrictions	121,561	86,609
Total net assets	5,551,787	5,851,701
Total liabilities and net assets	$ 8,629,067	$ 7,958,360

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, 2023 and 2022

	2023	2022
Operating Revenues		
Noncapital appropriations - Cheyenne County	$ 891,380	$ 804,882
Operating Expenses	40	20
Operating Income	891,340	804,862
Nonoperating Revenues (Expenses)		
Interest income	6,309	2,265
Noncapital grants and gifts	8,260	4,105
Contributions to Hospital for operations	(665,792)	(410,563)
Total nonoperating revenues (expenses)	(651,223)	(404,193)
Excess of Revenues Over Expenses	240,117	400,669
Contributions to Hospital for Capital Assets	(11,432)	(5,486)
Increase in Net Position	228,685	395,183
Net Position, Beginning of Year	1,221,686	826,503
Net Position, End of Year	$ 1,450,371	$ 1,221,686

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, 2023 and 2022

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Patient service revenue	$ 13,360,358	$ -	$ 13,360,358
Provider Relief Funds (*CARES Act*)	-	-	-
Contributions and grants	31,725	323,218	354,943
Other	5,435,429	-	5,435,429
Net assets released from restrictions used for operations	267,260	(267,260)	-
Total revenues, gains and other support	19,094,772	55,958	19,150,730
Expenses			
Salaries and wages	6,813,296	-	6,813,296
Supplies and other	12,903,382	-	12,903,382
Depreciation	398,574	-	398,574
Interest	12,616	-	12,616
Total expenses	20,127,868	-	20,127,868
Operating Income (Loss)	(1,033,096)	55,958	(977,138)
Other Income			
Contributions received from Board of Trustees for operations	665,792	-	665,792
Excess (Deficiency) of Revenues Over Expenses	(367,304)	55,958	(311,346)
Contributions received from Board of Trustees for property and equipment	11,432	-	11,432
Net assets released from restrictions used for purchase of property and equipment	21,006	(21,006)	-
Change in Net Assets	(334,866)	34,952	(299,914)
Net Assets, Beginning of Year	5,765,092	86,609	5,851,701
Net Assets, End of Year	$ 5,430,226	$ 121,561	$ 5,551,787

See Notes to Financial Statements

2022		
Without Donor Restrictions	With Donor Restrictions	Total
$ 11,995,706	$ -	$ 11,995,706
317,157	-	317,157
314,477	372,988	687,465
4,233,150	-	4,233,150
296,964	(296,964)	-
17,157,454	76,024	17,233,478
6,629,931	-	6,629,931
10,571,822	-	10,571,822
386,307	-	386,307
22,088	-	22,088
17,610,148	-	17,610,148
(452,694)	76,024	(376,670)
410,563	-	410,563
(42,131)	76,024	33,893
5,486	-	5,486
177,728	(177,728)	-
141,083	(101,704)	39,379
5,624,009	188,313	5,812,322
$ 5,765,092	$ 86,609	$ 5,851,701

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

	2023	2022
Cash Flows From Operating Activities		
Noncapital appropriations - Cheyenne County	$ 892,833	$ 893,774
Net cash provided by operating activities	892,833	893,774
Cash Flows From Noncapital Financing Activities		
Contributions to Hospital for operations	(665,792)	(410,563)
Noncapital grants and gifts	8,260	4,105
Net cash used in noncapital financing activities	(657,532)	(406,458)
Cash Flows From Capital and Related Financing Activities		
Contributions to Hospital for capital assets	(11,432)	(5,486)
Net cash used in investing activities	(11,432)	(5,486)
Cash Flows From Investing Activities		
Interest received	6,309	2,265
Purchase of Certificate of Deposits	(600,000)	-
Net cash provided by (used in) investing activities	(593,691)	2,265
Increase (Decrease) in Cash	(369,822)	484,095
Cash, Beginning of Year	1,240,649	756,554
Cash, End of Year	870,827	1,240,649
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	891,340	804,862
Changes in operating assets and liabilities		
Intergovernmental receivable	-	82,048
Due to hospital	1,493	6,864
Net cash provided by operating activities	$ 892,833	$ 893,774

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, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	$ (299,914)	$ 39,379
Items not requiring (providing) operating cash flow		
Contributions received from Board of Trustees and others for purchase of property and equipment	(11,432)	(5,486)
Restricted contributions received	(323,218)	(372,988)
Depreciation	398,574	386,307
Noncash operating lease expense	159,904	155,062
Gain on sale of property and equipment	(1,144)	(11,304)
Changes in assets and liabilities		
Patient accounts receivable	(869,898)	598,561
Estimated amounts due from and to third-party payers	(14,717)	312,655
Other receivables	83,010	(91,367)
Supplies	(10,788)	26,382
Prepaid expenses and other	(121,852)	(87,696)
Accounts payable	1,129,462	(73,105)
Accrued wages	13,192	36,858
Accrued payroll taxes	298	23,439
Accrued benefits payable	73,897	28,176
Operating lease liability	(169,082)	(155,062)
Deferred revenue	-	(317,157)
Net cash provided by operating activities	36,292	492,654
Investing Activities		
Change in internally designated assets limited as to use	(755,896)	330,694
Purchase of property and equipment	(502,989)	(395,184)
Advances to physicians or employees	(1,232)	(5,369)
Repayment of advances to physicians or employees	3,632	2,617
Proceeds from sale of property and equipment	13,727	11,304
Net cash used in investing activities	(1,242,758)	(55,938)
Financing Activities		
Contributions received from Board of Trustees' Fund and others for purchase of property and equipment	11,432	5,486
Restricted contributions received	323,218	372,988
Payments on finance lease obligations	(50,517)	(48,867)
Net cash provided by financing activities	284,133	329,607
Increase (Decrease) in Cash and Cash Held in Assets Limited as to Use	(922,333)	766,323
Cash and Cash Held in Assets Limited as to Use, Beginning of	3,675,745	2,909,422
Cash and Cash Held in Assets Limited as to Use, End of Year	$ 2,753,412	$ 3,675,745

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, 2023 and 2022

	2023	2022
Reconciliation of Cash and Cash Held in Assets Limited as to Use to the Balance Sheets		
Cash	$ 1,894,115	$ 2,132,341
Board-designated cash included in assets limited as to use	737,736	1,456,795
Restricted cash included in assets limited as to use	121,561	86,609
Total Cash and Cash Held in Assets Limited as to Use	$ 2,753,412	$ 3,675,745
Supplemental Cash Flows Information		
Interest paid	$ 12,616	$ 22,088
Right-of-use asset and lease liability recognized at adoption of ASC 842	$ -	$ 565,752

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, 2023 and 2022.

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.

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, 2023 and 2022, respectively, $1,158,077 and $924,801 of the BOT's bank balances of $1,470,827 and $1,240,649 were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution's trust department in other than the BOT's name	$ 1,158,077	$ 924,801

Summary of Carrying Values

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

	2023	2022
Carrying value		
Deposits	$ 1,470,827	$ 1,240,649
Included in the following balance sheet captions		
Cash	$ 870,827	$ 1,240,649
Certificate of Deposit	600,000	-
Total carrying value of deposits	$ 1,470,827	$ 1,240,649

Note 4. 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, 2023, GPCC's cash accounts exceeded federally insured limits by approximately $2,990,000.

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.

Credit loss expense of $308,728 and $290,561 was recognized for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022.

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.

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 $159,427 and for $169,538 for December 31, 2023 and 2022, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $167,000 and $169,000 in 2023 and 2022, respectively. Costs were calculated using the overall cost-to-charge ratio from the December 31, 2023 and 2022, based upon the as-filed Medicare cost reports.

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 5. 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, 2023 and 2022, for GPCC is as follows:

	2023	2022
Medicare	58%	39%
Medicaid	5%	9%
Blue Cross	7%	17%
Other third-party payers	21%	18%
Self-pay	9%	17%
	100%	100%

Note 6. Assets Limited as to Use – GPCC

Assets limited as to use, at December 31, 2023 and 2022, include:

	2023	2022
Internally designated for capital improvements		
Cash	$ 737,736	$ 1,456,795
Certificates of deposits	755,896	-
	1,493,632	1,456,795
Externally restricted by donors		
Cash	121,561	86,609
	$ 1,615,193	$ 1,543,404

Note 7. Leases - GPCC

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, 2023 and 2022, includes amortization of right-of-use asset and operating and short-term lease cost of $146,280 and $321,225, respectively.

Future minimum lease payments and reconciliation to the balance sheet at December 31, 2023, are as follows:

	Finance Leases	Operating Leases
2024	$ 38,135	$ 174,000
2025	25,136	72,500
2026	8,378	-
Total future undiscounted lease payments	71,649	246,500
Less amount representing interest	4,257	4,892
Lease Liabilities	$ 67,392	$ 241,608

Note 8. Net Assets With Donor Restrictions – GPCC

Net Assets With Donor Restrictions

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

	2023	2022
Subject to expenditure for specified purpose		
Various operating purposes	$ 121,561	$ 86,609
	$ 121,561	$ 86,609

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.

	2023	2022
Purpose restrictions accomplished		
Purchase of equipment	$ 21,006	$ 177,728
Various operating purposes	267,260	296,964
	$ 288,266	$ 474,692

Note 9. 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, 2023 and 2022, comprise the following:

	2023	2022
Total financial assets		
Cash	$ 1,894,115	$ 2,132,341
Patient accounts receivable	2,294,171	1,424,273
Estimated amounts due from third-party payers	26,972	38,884
Other receivables	33,456	116,466
Assets limited as to use	1,615,193	1,543,404
Physician and mid-level provider advances	6,765	9,165
Total financial assets	5,870,672	5,264,533
Less amounts not available to be used within one year		
Physician and mid-level provider advances	(6,765)	(9,165)
Financial assets not available to be used within one year	(6,765)	(9,165)
Financial assets available to meet general expenditures within one year	$ 5,863,907	$ 5,255,368

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 10. 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, 2023 and 2022, there was no additional revenue 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, 2023 and 2022, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $0 and $36,000, 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, 2023 and 2022, the Hospital recognized revenue of $13,360,358 and $11,995,706, respectively, from goods and services that transfer to the customer over time and $5,435,429 and $4,233,150, 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, 2023 and 2022.

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

	2023	2022
Patient accounts receivable, beginning of year	$ 1,424,273	$ 2,022,834
Patient accounts receivable, end of year	$ 2,294,171	$ 1,424,273

Note 11. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $4,924,040 and $3,910,709 for the years ending December 31, 2023 and 2022, 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 $3,414,558 and $2,538,021 for the years ending December 31, 2023 and 2022, 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 12. 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, 2023 and 2022, the Hospital received $0 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, 2023 and 2022, the Hospital recognized $0 and $317,157, 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 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.

Other COVID-19 Funding

During the years ended December 31, 2023 and 2022, 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 $0 and $172,863 during 2023 and 2022, 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 $0 and $237,366 for the years ended December 31, 2023 and 2022, respectively.

Note 13. 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, 2023 and 2022, as follows:

	2023		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 6,362,759	$ 450,537	$ 6,813,296
Supplies and other	11,699,706	1,203,676	12,903,382
Depreciation	397,429	1,145	398,574
Interest	-	12,616	12,616
	$ 18,459,894	$ 1,667,974	$ 20,127,868

	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

Note 14. 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, 2023 and 2022, was $536,085 and $505,126, respectively.

Note 15. 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, 2023 and 2022.

Note 16. 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 $885,237 and $890,816 in 2023 and 2022, respectively, and are included in supplies and other expense in the statements of operations and changes in net assets. There is $75,717 and $0 included in accounts payable related to these services as of December 31, 2023 and 2022, respectively.

Note 17. 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 4*.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 4* and *10*.

Note 18. Subsequent Events – GPCC

Subsequent events have been evaluated through May 23, 2024, which is the date the financial statements were available to be issued.