

**Independent Auditor's Report and Financial Statements**  
**Neosho Memorial Regional Medical Center**  
**December 31, 2021 and 2020**

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**Neosho Memorial Regional Medical Center  
Management's Discussion and Analysis  
Years ended December 31, 2021 and 2020**

Our discussion and analysis of the financial performance of Neosho Memorial Regional Medical Center provides a narrative overview of the Medical Center's financial activities for the years ended December 31, 2021 and 2020. Please read it in conjunction with the accompanying financial statements.

Financial highlights

The Medical Center's net position increased by \$4,195,089, or 13.0 percent, and decreased by \$193,559, or 0.6 percent, in 2021 and 2020, respectively.

The Medical Center reported operating losses of \$4,454,934, \$6,218,872, and \$909,943 in 2021, 2020, and 2019, respectively.

Using these financial statements

The Medical Center's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities and resources of the Medical Center, and the Neosho Memorial Hospital Foundation, Inc., The Foundation of Neosho Memorial Regional Medical Center, and The Green Living Foundation, Inc., component units of the Medical Center. In May 2021, the Neosho Memorial Hospital Foundation, Inc., was dissolved and its remaining assets were transferred to The Foundation of Neosho Memorial Regional Medical Center.

One of the most important questions asked about the Medical Center's finances is, "Is the Medical Center as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in them. The Medical Center's net position - the difference between assets and liabilities - may be thought of as one way to measure the financial health, or financial position. Over time, increases or decreases in the Medical Center's net position is one indicator of whether its financial health is improving or deteriorating. Consideration must also be given to other nonfinancial indicators, such as changes in the Medical Center's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Medical Center.

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

**Neosho Memorial Regional Medical Center**  
**Management's Discussion and Analysis - Continued**  
**Years ended December 31, 2021 and 2020**

Assets, liabilities, and net position

Table 1 below summarizes the Medical Center's statements of net position for the latest three calendar years.

Table 1: Assets, Liabilities, and Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current assets	\$ 35,971,396	\$ 39,693,906	\$ 23,666,791
Capital assets, net	28,882,191	30,736,486	31,533,713
Other noncurrent assets	<u>6,764,630</u>	<u>1,829,103</u>	<u>2,744,535</u>
Total assets	<u>71,618,217</u>	<u>72,259,495</u>	<u>57,945,039</u>
Current liabilities	14,029,847	15,685,109	5,664,651
Long-term liabilities	<u>21,106,022</u>	<u>24,425,935</u>	<u>19,938,378</u>
Total liabilities	<u>35,135,869</u>	<u>40,111,044</u>	<u>25,603,029</u>
Deferred inflows of resources	<u>138,808</u>		
Total net position	<u>\$ 36,343,540</u>	<u>\$ 32,148,451</u>	<u>\$ 32,342,010</u>

Beginning in March 2020, the Medical Center, along with all health care providers in the United States, was impacted by the worldwide coronavirus pandemic. Patient volumes and related revenues for the Medical Center's services were disrupted. Outpatient volumes decreased from suspension of elective procedures and stay at home practices. The Medical Center's community served was also impacted and the Medical Center experienced an increase in expenses related to treating coronavirus patients and overall inflation. In response, the Coronavirus Aid, Relief, and Economic Security Act (CARES) and subsequent legislation has provided funding during these uncertain times. The Medical Center was approved for a Paycheck Protection Program (PPP) loan and received several grants from Health and Human Services (HHS) to prevent, prepare for, and respond to the pandemic. In addition, the Medical Center also received advanced payments from Medicare. Total assets and liabilities increased as a result of these funding mechanisms.

Cash and accounts receivable are the two most significant components of current assets. Total days cash expenses on hand is 164 days in 2021, as compared to 196 days in 2020, and 116 days in 2019. Operating cash flows decreased by \$8,266,665 in 2021 as compared to 2020, which was due principally to the Medicare advance payments received in 2020 and increases in patients accounts receivable in 2021. These cash flows are used to fund the Medical Center's debt service requirements and capital acquisitions. Cash is also affected by timing of collection of accounts receivable. Net accounts receivable at December 31, 2021, 2020, and 2019, were \$8,904,041, \$7,357,468, and \$7,265,810, representing 61, 54, and 53 days of net patient service revenue in net accounts receivable. Assets limited as to use designated for capital acquisitions increased by \$1,431,008 in 2021 as compared with 2020, and decreased by \$1,127,196 between 2020 and 2019. The accompanying cash flow statement provides additional details as to the change in cash balances for 2021 and 2020.

The Medical Center's additions to capital assets were \$2,659,570 in 2021 as compared with \$3,772,276 in 2020 and \$1,412,797 in 2019. Net capital assets are also impacted by annual depreciation provisions.

Net position or equity, increased by 12.4 percent from 2019 to 2021. This change is discussed below in more detail.

**Neosho Memorial Regional Medical Center**  
**Management's Discussion and Analysis - Continued**  
**Years ended December 31, 2021 and 2020**

Operating results and changes in net position

The Medical Center's net position increased by \$4,195,089 or 13.0 percent, and decreased by \$193,559 or 0.6 percent in 2021 and 2020, respectively, as shown in Table 2.

Table 2: Operating Results and Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues			
Net patient service revenue	\$ 53,078,652	\$ 49,535,928	\$ 50,165,645
Other operating revenue	<u>679,953</u>	<u>709,691</u>	<u>678,488</u>
Total operating revenues	<u>53,758,605</u>	<u>50,245,619</u>	<u>50,844,133</u>
Operating expenses			
Salaries and benefits	32,039,973	30,176,461	26,626,959
Supplies and other	21,659,701	21,718,526	20,427,909
Depreciation and amortization	<u>4,513,865</u>	<u>4,569,504</u>	<u>4,699,208</u>
Total operating expenses	<u>58,213,539</u>	<u>56,464,491</u>	<u>51,754,076</u>
Operating loss	(4,454,934)	(6,218,872)	(909,943)
Nonoperating revenues	8,350,023	6,007,313	1,468,113
Capital grants and contributions	<u>300,000</u>	<u>18,000</u>	<u></u>
Change in net position	<u>\$ 4,195,089</u>	<u>\$ (193,559)</u>	<u>\$ 558,170</u>

The first component of the overall change in the Medical Center's net position is its operating loss - generally the difference between net patient service revenues and other operating revenues and the expenses incurred to perform those services. The Medical Center's operating loss improved to \$4,454,934 in 2021, as compared to an operating loss of \$6,218,872 in 2020. The operating loss was \$909,943 in 2019. The larger deficits in 2021 and 2020 were partially due to the coronavirus pandemic.

The change in net patient service revenue is affected by changes in charges to patients, payment rates by third-party payors, patient volumes, the type of services provided, and other special payments. Net patient service revenue is also affected by changes in expenses, as a significant portion of the revenues are associated with services provided to Medicare beneficiaries whose services are reimbursed based on cost reimbursement principles.

The Medical Center's net patient service revenues increased by 7.2 percent in 2021, as compared to a 1.3 percent decrease in 2020. Our outpatient service revenues as a percentage of total revenues decreased in 2021 and 2020, largely due to increased inpatient volumes from the coronavirus pandemic. In 2021 and 2020, we experienced an increase in inpatient routine, ICU, and swing-bed days of 613 days, or 13.1 percent and 478 days, or 11.3 percent, respectively. As a critical access hospital, we are limited to having 25 inpatients admitted to our Medical Center at any one time. While 2020 was an unusual year with the beginning of the pandemic, in 2021, volumes returned to higher levels for both inpatient and outpatient services.

**Neosho Memorial Regional Medical Center  
Management's Discussion and Analysis - Continued  
Years ended December 31, 2021 and 2020**

The Medical Center generated 41 and 46 percent of its net revenue in 2021 and 2020 from the Medicare program, respectively. The Medicaid program generated 10 and 9 percent of net revenue in 2021 and 2020, respectively.

The Medical Center also meets the eligibility requirements for the State of Kansas Medicaid DSH program which awards payments to hospitals based on the level of uncompensated care provided by hospitals to uninsured or Medicaid patients. The payments through Medicaid DSH are disbursed quarterly to the Medical Center. Net patient service revenues recognized from this program were \$1,415,756, \$1,389,441, and \$1,287,478 in 2021, 2020, and 2019, respectively.

Other significant items affecting net patient service revenues are the level of indigent care and bad debts incurred by the Medical Center. These amounts are deducted from gross revenues along with third-party contractual adjustments to arrive at net patient service revenues. We are focused on identifying indigent care which requires additional resources to document eligibility under the Medical Center's policies. For the years ended 2021, 2020, and 2019, the Medical Center's indigent care and provision for bad debts were \$10,705,193, \$9,911,243, and \$8,525,441. These amounts represent 6.8, 6.8, and 5.6 percent of gross patient service revenues for the respective years ended 2021, 2020, and 2019. These percentages are affected by the level of uninsured or underinsured patients seeking care in our facility.

Employee salaries and wages increased by \$1,856,410, or 7.6 percent, and increased by \$2,994,209, or 13.9 percent, during 2021 and 2020, respectively. The change in salaries is driven by two factors. The change in full-time equivalent employees (FTEs) and the average increase in employee hourly wages. The Medical Center employed an average of 366 FTEs during 2021, a decrease of 6 from 2020. FTEs for 2020 increased by 31 from 2019.

Employee benefit costs as a percentage of salary and wage expense was 21.6 percent, 23.2 percent, and 23.8 percent in 2021, 2020, and 2019, respectively. The changes in the employee benefits percentage are due primarily to the change in the cost of providing health insurance coverage for our employees.

Supplies and other expenses decreased by \$58,825 in 2021, after increasing by \$1,290,617 in 2020, and increasing by \$375,045 in 2019. The increase in 2020 is primarily due to an increase in medical supplies and pharmacy drugs.

Depreciation and interest expenses combined increased by \$232,535 in 2021 and decreased by \$167,815 in 2020, respectively. The increase is primarily due to the increase in interest expense which relates to the payments made for bond issuance costs related the Series 2021 bonds that were issued.

Nonoperating revenues in 2021 and 2020 include \$2,481,129 and \$3,895,952 in grant revenues that were recognized from the CARES Act. These funds were provided by the federal and state governments to assist with the impact of the coronavirus pandemic. The Medical Center also received forgiveness of its SBA PPP loan in 2021 which amounted to \$4,392,951. Another significant amount included in nonoperating revenues is the ambulance subsidy that the Medical Center receives from a sales tax. This subsidy is used to offset the unreimbursed costs associated with operating the ambulance service for the County.

This financial report is designed to provide a general overview of the Medical Center's finances and to discuss the significant changes in our financial statements. If you have any questions about the report or need additional financial information, contact the Administration Office at Neosho Memorial Regional Medical Center, 629 S. Plummer, Chanute, Kansas 66720.

## **Independent Auditor's Report**

Board of Trustees  
Neosho Memorial Regional Medical Center

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of Neosho Memorial Regional Medical Center (the Medical Center), a component unit of Neosho County, Kansas, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Medical Center as of December 31, 2021 and 2020, 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 Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The audit of the financial statements as of and for the year ended December 31, 2020, and the financial statements of the Foundation of Neosho Memorial Regional Medical Center, Inc., the Green Living Foundation, Inc., and the Neosho Memorial Hospital Foundation, Inc., which are presented as blended component units, were not audited in accordance with *Government Auditing Standards*.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America 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 Medical Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Medical Center'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 Medical Center'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 4 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Medical Center's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other



records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2022, on our consideration of the Medical Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control over financial reporting and compliance.

*Wendling Noe Nelson & Johnson LLC*

Topeka, Kansas  
August 5, 2022

## **Financial Statements**

**Neosho Memorial Regional Medical Center**  
**Statements of Net Position**  
**December 31,**

**Assets**

	<u>2021</u>	<u>2020</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 21,835,743	\$ 26,738,313
Investments	209,322	219,662
Assets limited as to use	938,968	986,511
Patient accounts receivable, net of estimated uncollectibles of \$5,040,931 in 2021 and \$4,294,624 in 2020	8,904,041	7,357,468
Inventories	1,275,608	1,196,838
Prepaid expenses	1,427,141	1,129,875
Other receivables	1,380,573	965,239
Estimated third-party payor settlements	<u>                    </u>	<u>1,100,000</u>
<b>Total current assets</b>	<u>35,971,396</u>	<u>39,693,906</u>
 <b>Assets limited as to use</b>		
Internally designated for capital acquisition	2,989,540	1,558,532
Under bond indenture agreements - held by trustee	4,539,391	986,511
Donor-imposed restrictions		25,215
Other receivables	<u>                    </u>	<u>5,189</u>
	7,528,931	2,575,447
Less amount required to meet current obligations	<u>938,968</u>	<u>986,511</u>
	<u>6,589,963</u>	<u>1,588,936</u>
 <b>Noncurrent prepaid expenses</b>	<u>174,667</u>	<u>240,167</u>
 <b>Capital assets, net</b>	<u>28,882,191</u>	<u>30,736,486</u>
 <b>Total assets</b>	<u><u>\$ 71,618,217</u></u>	<u><u>\$ 72,259,495</u></u>

The accompanying notes are an integral part of these statements.

## Liabilities and Net Position

	<u>2021</u>	<u>2020</u>
<b>Current liabilities</b>		
Current maturities of long-term debt and capital leases	\$ 2,288,210	\$ 1,976,766
Component unit note payable to bank	130,500	
SBA PPP loan payable to bank		4,348,500
Accounts payable and accrued expenses	1,870,663	1,725,571
Salaries, wages, and payroll taxes payable	835,707	736,669
Accrued vacation pay	1,496,431	1,361,496
Estimated health insurance claims payable	367,307	484,542
Interest payable	121,788	233,545
Medicare accelerated payments	5,102,906	3,150,000
Unearned CARES Act revenue	1,017,977	1,370,925
Estimated third-party payor settlements	798,358	297,095
<b>Total current liabilities</b>	<u>14,029,847</u>	<u>15,685,109</u>
<b>Long-term liabilities</b>		
Long-term debt and capital leases, net of current maturities	20,209,720	18,642,930
Medicare accelerated payments, excluding current portion		4,881,665
Refundable and nonrefundable fees	896,302	901,340
<b>Total long-term liabilities</b>	<u>21,106,022</u>	<u>24,425,935</u>
<b>Total liabilities</b>	<u>35,135,869</u>	<u>40,111,044</u>
<b>Deferred inflows of resources</b>		
Deferred sales tax revenue	138,808	
<b>Total deferred inflows of resources</b>	<u>138,808</u>	<u>-</u>
<b>Net position</b>		
Invested in capital assets, net of related debt, excluding component units	8,614,876	9,162,501
Restricted for debt service	1,039,391	986,511
Component units	331,748	230,533
Unrestricted	26,357,525	21,768,906
<b>Total net position</b>	<u>36,343,540</u>	<u>32,148,451</u>
<b>Total liabilities and net position</b>	<u>\$ 71,618,217</u>	<u>\$ 72,259,495</u>

**Neosho Memorial Regional Medical Center**  
**Statements of Revenues, Expenses, and**  
**Changes in Net Position**  
**Year ended December 31,**

	<u>2021</u>	<u>2020</u>
<b>Operating revenues</b>		
Net patient service revenue	\$ 53,078,652	\$ 49,535,928
Other	<u>679,953</u>	<u>709,691</u>
<b>Total operating revenues</b>	<u>53,758,605</u>	<u>50,245,619</u>
<b>Operating expenses</b>		
Salaries and wages	26,351,276	24,494,866
Employee benefits	5,688,697	5,681,595
Supplies and other expenses	21,659,701	21,718,526
Depreciation and amortization	<u>4,513,865</u>	<u>4,569,504</u>
<b>Total operating expenses</b>	<u>58,213,539</u>	<u>56,464,491</u>
<b>Operating loss</b>	<u>(4,454,934)</u>	<u>(6,218,872)</u>
<b>Nonoperating revenues (expenses)</b>		
Investment income	190,381	311,290
Interest expense	(1,034,822)	(746,648)
Ambulance subsidy	2,223,895	2,258,362
SBA PPP loan forgiveness	4,392,951	
Noncapital grants and contributions	238,487	471,717
Noncapital grants from CARES Act	2,481,129	3,895,952
Other	<u>(141,998)</u>	<u>(183,360)</u>
<b>Total nonoperating revenues (expenses)</b>	<u>8,350,023</u>	<u>6,007,313</u>
Revenues over (under) expenses before capital grants and contributions	3,895,089	(211,559)
Capital grants and contributions	<u>300,000</u>	<u>18,000</u>
<b>Change in net position</b>	<u>4,195,089</u>	<u>(193,559)</u>
<b>Net position at beginning of year</b>	<u>32,148,451</u>	<u>32,342,010</u>
<b>Net position at end of year</b>	<u><u>\$ 36,343,540</u></u>	<u><u>\$ 32,148,451</u></u>

The accompanying notes are an integral part of these statements.

**Neosho Memorial Regional Medical Center**  
**Statements of Cash Flows**  
**Year ended December 31,**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Receipts from and on behalf of patients	\$ 50,199,545	\$ 56,614,168
Payments to or on behalf of employees	(31,923,235)	(29,754,007)
Payments for supplies and services	(21,910,909)	(22,446,599)
Other receipts and payments	<u>426,033</u>	<u>644,537</u>
<b>Net cash provided (used) by operating activities</b>	<u>(3,208,566)</u>	<u>5,058,099</u>
<b>Cash flows from noncapital financing activities</b>		
Ambulance subsidy	2,200,000	2,031,669
Noncapital grants and contributions	309,129	476,968
CARES Act grants received	2,128,181	5,266,877
SBA PPP loan proceeds		4,348,500
Proceeds from note payable	130,500	
Other nonoperating expenses	<u>(164,262)</u>	<u>(191,318)</u>
<b>Net cash provided by noncapital financing activities</b>	<u>4,603,548</u>	<u>11,932,696</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of property and equipment	(2,573,806)	(1,912,168)
Proceeds from the sale of assets		2,707
Interest and financing costs paid on capital related debt	(1,145,317)	(771,273)
Principal payments on long-term debt obligations	(11,576,766)	(1,740,785)
Proceeds from issuance of long-term debt	13,455,000	
Capital grants and contributions	<u>300,000</u>	<u>46,188</u>
<b>Net cash used for capital and related financing activities</b>	<u>(1,540,889)</u>	<u>(4,375,331)</u>
<b>Cash flows from investing activities</b>		
Change in assets limited as to use	(3,527,665)	13,331
Changes in investments	11,098	(22,627)
Investment income received	<u>190,912</u>	<u>313,996</u>
<b>Net cash provided (used) by investing activities</b>	<u>(3,325,655)</u>	<u>304,700</u>
<b>Change in cash and cash equivalents</b>	(3,471,562)	12,920,164
<b>Cash and cash equivalents at beginning of year</b>	<u>28,296,845</u>	<u>15,376,681</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 24,825,283</u>	<u>\$ 28,296,845</u>

The accompanying notes are an integral part of these statements.

**Neosho Memorial Regional Medical Center**  
**Statements of Cash Flows - Continued**  
**Year ended December 31,**

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of cash and cash equivalents to statements of financial position</b>		
Cash and cash equivalents in current assets	\$ 21,835,743	\$ 26,738,313
Cash internally designated by the board for capital asset acquisitions	<u>2,989,540</u>	<u>1,558,532</u>
	<u>\$ 24,825,283</u>	<u>\$ 28,296,845</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities</b>		
Operating loss	\$ (4,454,934)	\$ (6,218,872)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization	4,513,865	4,569,504
Provision for bad debts	5,601,445	4,828,304
Change in assets and liabilities		
Accounts receivable	(7,148,018)	(4,919,962)
Estimated third-party payor settlements	1,601,263	(872,767)
Inventories	(78,770)	(181,378)
Prepaid expenses	(231,766)	(648,234)
Other current assets	(253,920)	(65,154)
Accounts payable and accrued expenses	59,328	101,539
Salaries and payroll taxes payable	99,038	(384,662)
Accrued vacation	134,935	322,574
Estimated health insurance claims payable	(117,235)	484,542
Medicare accelerated payments	(2,928,759)	8,031,665
Refundable and nonrefundable fees	<u>(5,038)</u>	<u>11,000</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ (3,208,566)</u>	<u>\$ 5,058,099</u>
<b>Supplemental schedule of noncash financing activities</b>		
Capital lease obligations incurred	<u>\$ -</u>	<u>\$ 1,702,443</u>

The accompanying notes are an integral part of these statements.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements**  
**December 31, 2021 and 2020**

**Note A - Description of Reporting Entity and Summary of Significant Accounting Policies**

Neosho Memorial Regional Medical Center (the Medical Center) is owned by Neosho County, Kansas, and operated by the Board of Trustees of Neosho Memorial Regional Medical Center, a seven-member governing board appointed by the governing body of the County. The Medical Center, which was organized in 1950, is a not-for-profit general hospital located in Chanute, Kansas. The Medical Center can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the County. The Medical Center is a component unit of the County.

The Neosho Memorial Hospital Foundation, Inc. (NMHF), is a legally separate 501(c)(3) exempt private foundation operated by a separate board of directors and provides support exclusively to the Medical Center. NMHF was dissolved effective May 31, 2021. The Foundation of Neosho Memorial Regional Medical Center, Inc. (Foundation of NMRMC), and The Green Living Foundation, Inc. (GLF), are also legally separate 501(c)(3) corporations with the Medical Center serving as the sole voting member of both the Foundation of NMRMC and GLF. The Foundations are operated exclusively for charitable purposes. The Medical Center includes the above Foundations as component units in the Medical Center's financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 these estimates.

2. Basis of accounting

The financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities are recognized when the transaction occurs.

3. Cash and cash equivalents

The Medical Center considers all cash and invested cash to be cash equivalents, excluding any amounts included in assets limited as to use under bond indenture agreements held by trustee, assets limited as to use under donor-imposed restrictions, and items classified as investments by the Foundation.

4. Investments

Investments are reported at fair value. Interest, dividends, and gains and losses, both realized and unrealized, are included in investment income.

5. Allowance for doubtful accounts

The Medical Center provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Medical Center estimates this allowance based on the aging of its accounts receivable and applying specific reserve factors for each type of payor.



**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued**

6. Inventories

Inventories are stated at the lower of cost or market with cost determined on the first-in, first-out method.

7. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes; assets held by a trustee under a bond indenture agreement; and assets whose use is restricted by donors. Assets limited as to use that are required for obligations classified as current liabilities are reported in current assets.

8. Capital assets

Capital assets, including assets recorded as capital leases, are stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets which are substantially in conformity with useful lives established by the American Hospital Association.

The costs of maintenance and repairs are charged to operating expenses as incurred. The costs of significant additions, renewals, and betterments to depreciable properties are capitalized and depreciated over the remaining or extended estimated useful lives of the item or the properties. Gains and losses on disposition of capital assets are included in nonoperating revenues and expenses.

9. Cost of borrowing

Interest costs (including amortization of bond premium), incurred on borrowed funds during the period of construction of capital assets are expensed as interest in the period incurred. Costs incurred in connection with the issuance of long-term debt are expensed in the period incurred. Original issue premiums and discounts associated with the issuance of long-term debt are amortized using the interest method over the term of the related debt.

10. Accrued vacation pay

The Medical Center employees earn paid time off at varying rates depending on years of service. Paid time off benefits vest to the employee and are paid at the time of termination.

11. Net position

The net position of the Medical Center is classified into the following components. "Net position invested in capital assets net of related debt, excluding component units" consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is noncapital related assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees as required by revenue bond indentures. "Unrestricted net position" is the remaining net position that does not meet the definition of "invested in capital assets net of related debt, excluding component units" or "restricted." Component unit's net position is related to the Foundations and are under the control of each entity's board.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note A - Description of Reporting Entity and Summary of Significant Accounting Policies - Continued**

12. Operating revenues and expenses

The Medical Center's statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Medical Center's principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs and costs associated with fundraising activities by the component units.

13. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

14. Grants and contributions

From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

15. Indigent care

The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as indigent care, they are not reported as revenue. The amount of indigent care charges foregone and the estimated cost of providing this care is disclosed in Note B.

16. Income taxes

The Medical Center is exempt from federal income taxes pursuant to Section 115 of the Internal Revenue Code.

17. Subsequent events

The Medical Center has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Notes K and U for subsequent events reported.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note B - Reimbursement Programs**

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated third-party payor settlements consist of the estimated differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

**Medicare** - The Medical Center is a critical access hospital for purposes of the Medicare program and is paid for most services rendered to Medicare beneficiaries under various cost reimbursement methodologies. Ambulance and physician services are prospectively paid based on their respective fee schedules. The Medical Center is paid for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Medical Center and audits or reviews thereof by the Medicare administrative contractor. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Medical Center's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2018.

**Medicaid** - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Medical Center receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment.

**Blue Cross and Blue Shield** - Services rendered to patients who are insured by Blue Cross-Blue Shield are paid on the basis of prospectively determined rates per discharge or discounts from established charges.

A summary of gross and net patient service revenue is as follows:

	<u>2021</u>	<u>2020</u>
Gross patient service revenue	\$156,986,774	\$145,021,890
Deductions from patient service revenue		
Third-party contractual adjustments	(93,374,239)	(86,153,248)
Medicaid DSH payments	1,415,756	1,389,441
Other discounts and allowances	(1,244,446)	(810,912)
Charity care	(5,020,679)	(5,057,991)
Uninsured discounts	(83,069)	(24,948)
Provision for bad debts	(5,601,445)	(4,828,304)
Net patient service revenue	<u>\$ 53,078,652</u>	<u>\$ 49,535,928</u>

The Medical Center estimates that the cost of providing charity care, based on overall cost to charge ratios obtained from the Medical Center's cost reports was \$1,841,000 and \$1,902,000 for 2021 and 2020, respectively.

Revenue from the Medicare and Medicaid programs accounted for approximately 41 percent and 10 percent, respectively, of the Medical Center's net patient service revenue during 2021 and 46 percent and 9 percent, respectively, of the Medical Center's net patient service revenue during 2020. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note C - Capital Assets**

Capital asset additions, retirements, and balances are as follows:

	Balance December 31, <u>2020</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2021</u>
Land - nondepreciable	\$ 596,656	\$ -	\$ -	\$ 596,656
Land improvements	1,996,984			1,996,984
Buildings	32,419,585	159,135		32,578,720
Fixed equipment	20,251,522	358,178	417	20,609,283
Major movable equipment	<u>30,699,889</u>	<u>1,421,318</u>	<u>64,121</u>	<u>32,057,086</u>
Totals at historical cost	<u>85,964,636</u>	<u>1,938,631</u>	<u>64,538</u>	<u>87,838,729</u>
Less accumulated depreciation				
Land improvements	1,211,230	99,566		1,310,796
Buildings and fixed equipment	30,719,134	2,351,112	417	33,069,829
Major movable equipment	<u>24,011,245</u>	<u>2,063,187</u>	<u>64,121</u>	<u>26,010,311</u>
	30,023,027	(2,575,234)	-	27,447,793
Projects in progress and minor equipment	<u>713,459</u>	<u>720,939</u>	<u>-</u>	<u>1,434,398</u>
Capital assets, net	<u>\$ 30,736,486</u>	<u>\$ (1,854,295)</u>	<u>\$ -</u>	<u>\$ 28,882,191</u>

  

	Balance December 31, <u>2019</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2020</u>
Land - nondepreciable	\$ 596,656	\$ -	\$ -	\$ 596,656
Land improvements	1,996,984			1,996,984
Buildings	32,294,590	124,995		32,419,585
Fixed equipment	20,381,605	26,743	156,826	20,251,522
Major movable equipment	<u>27,829,279</u>	<u>3,206,177</u>	<u>335,567</u>	<u>30,699,889</u>
Totals at historical cost	<u>83,099,114</u>	<u>3,357,915</u>	<u>492,393</u>	<u>85,964,636</u>
Less accumulated depreciation				
Land improvements	1,109,314	101,916		1,211,230
Buildings and fixed equipment	28,479,795	2,396,165	156,826	30,719,134
Major movable equipment	<u>22,275,390</u>	<u>2,071,422</u>	<u>335,567</u>	<u>24,011,245</u>
	31,234,615	(1,211,588)	-	30,023,027
Projects in progress and minor equipment	<u>299,098</u>	<u>414,361</u>	<u>-</u>	<u>713,459</u>
Capital assets, net	<u>\$ 31,533,713</u>	<u>\$ (797,227)</u>	<u>\$ -</u>	<u>\$ 30,736,486</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note D - Assets Limited as to Use and Investments**

Internally designated

The Medical Center's Board of Trustees has designated certain investments to be used for future capital improvements. These assets may be used for other purposes by action of the Board of Trustees. These assets are held in an interest bearing checking account.

Under bond indenture agreement - held by trustee

Assets limited as to use by a bond indenture agreement are held by a trustee and are invested in cash or money market funds and are stated at fair value. These assets relate to the 2014 and the 2015 revenue bond issues and are set aside for the repayment of principal and interest on those bonds.

Donor imposed restrictions

Assets limited as to use by donor-imposed restrictions are held by the Neosho Memorial Hospital Foundation, Inc., and consist of bank deposits in a money market savings account that will be transferred to the Medical Center for the purchase of capital assets.

**Note E - Investments**

Investments are stated at fair value and are summarized as follows:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 15,926	\$ 4,860
Fixed income funds	64,694	73,982
Equity funds	<u>128,702</u>	<u>140,820</u>
	<u>\$ 209,322</u>	<u>\$ 219,662</u>

Investment income consists of the following:

	<u>2021</u>	<u>2020</u>
Interest on patient accounts	\$ 75,271	\$ 135,066
Dividends and interest	95,498	152,618
Investment fees	(683)	(744)
Realized and unrealized gains and losses	<u>20,295</u>	<u>24,350</u>
	<u>\$ 190,381</u>	<u>\$ 311,290</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note F - Fair Value**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Medical Center has the ability to access.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

Fair value measurement is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Medical Center for assets measured at fair value on a recurring basis:

Money market mutual funds, fixed income funds, and equity funds are valued at unadjusted quoted prices for identical securities in active markets.

The following table sets forth, by level within the fair value hierarchy, the Medical Center's assets measured at fair value on a recurring basis.

	December 31, 2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 15,926	\$ -	\$ -	\$ 15,926
Fixed income funds	64,694			64,694
Equity funds	<u>128,702</u>	<u></u>	<u></u>	<u>128,702</u>
	<u>\$ 209,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,322</u>
	December 31, 2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 4,860	\$ -	\$ -	\$ 4,860
Fixed income funds	73,982			73,982
Equity funds	<u>140,820</u>	<u></u>	<u></u>	<u>140,820</u>
	<u>\$ 219,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 219,662</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note G - Employee Health Insurance**

Effective January 1, 2020, the Medical Center began to sponsor a partially self-funded employee health insurance plan. The Medical Center has reinsured a portion of its risk for health insurance claims of its employees. The reinsurance agreement generally covers claims totaling over \$75,000 for each covered individual on an annual basis. The reinsurance arrangement also covers aggregate annual claims of the plan in excess of an amount determined in relation to the number of individuals participating in the plan during the year. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Medical Center has retained an agent to process and settle claims.

The following is a summary of the activity under this arrangement for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Estimated net health insurance claims payable at beginning of year	\$ 484,542	\$ -
Provision for employer's share of incurred claims and related expenses for the year, net of any reinsurance proceeds	2,776,644	2,984,827
Participant contributions	1,166,768	1,123,501
Payments made for claims and related expenses	<u>(4,060,647)</u>	<u>(3,623,786)</u>
Estimated net health insurance claims payable at end of year	<u>\$ 367,307</u>	<u>\$ 484,542</u>

**Note H - Unearned CARES Act Revenue**

Unearned revenue consists of federal financial assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, received from the United States Department of Health and Human Services (HHS). The provider relief funds are to be used to prevent, prepare for, and respond to coronavirus and to reimburse the Medical Center for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus, until such eligibility requirements are met. The rural health clinic testing grants are to be used to support coronavirus testing and related expenses in the rural health clinic. The Kansas Department of Health and Environment funds were used to retain frontline healthcare workers. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned income until the conditions have been satisfied. The Medical Center has determined that the conditions have been met for recognizing revenue of \$2,481,129 and \$3,895,952 in 2021 and 2020, respectively. These amounts are included in nonoperating revenues and expenses as noncapital grants from the CARES Act. The terms and conditions of the programs are complex and subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term. The following table provides information about significant changes in unearned revenue for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Unearned revenue at beginning of year	\$ 1,370,925	\$ -
HHS Provider relief funds received	1,788,890	5,167,954
HHS Rural health clinic testing funds received	200,000	98,923
KDHE frontline health care worker funds received	139,291	
Funds recognized as income during the year	<u>(2,481,129)</u>	<u>(3,895,952)</u>
Unearned revenue at end of year	<u>\$ 1,017,977</u>	<u>\$ 1,370,925</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note I - Medicare Accelerated Payments**

The CARES Act provided for a temporary expansion of Medicare's ability to provide accelerated (advance) payments due to claim disruption or unusual operating circumstances. In April 2020, the Medical Center requested and received advances under this program in response to the coronavirus pandemic totaling \$8,031,665. Medicare will recoup the payments by offsetting future claim and settlement payments due to the Medical Center for services rendered to Medicare beneficiaries. The Continuing Appropriations Act, 2021 and Other Extensions Act amended the repayment (recoupment) terms of the accelerated payments. Recoupment began in April 2021. For the first 11 months, the recoupment rate will be 25 percent of Medicare payments. The recoupment rate will increase to 50 percent for the next 6 months. If the full amount has not been recovered 29 months after initial receipt of the funds, they will be due in full on demand. If demanded amount is not paid within 30 days, interest will be charged at 4 percent. The Medical Center has recorded these amounts as refundable advance liabilities. The following table provides information about significant changes in Medicare accelerated payments for years ended December 31:

	<u>2021</u>	<u>2020</u>
Medicare accelerated payments at beginning of year	\$ 8,031,665	\$ -
Advances received		8,031,665
Advances recouped	<u>(2,928,759)</u>	<u>                    </u>
Medicare accelerated payments at end of year	<u>\$ 5,102,906</u>	<u>\$ 8,031,665</u>

**Note J - SBA PPP Notes Payable to Bank**

On May 1, 2020, the Medical Center was granted a \$4,348,500 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the Federal government. On May 4, 2021, the Medical Center received loan forgiveness of the entire loan amount plus accrued interest of \$44,451. The loan forgiveness has been recognized as nonoperating income in the statement of revenues, expenses, and changes in net position.



**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note K - Long-term Debt and Capital Leases**

Long-term debt and capital lease obligations are summarized as follows:

	Outstanding balance	
	<u>2021</u>	<u>2020</u>
3.35 - 4.80% Neosho County, Kansas Hospital Refunding Revenue Bonds, Series 2014A (Neosho Memorial Regional Medical Center); issued on June 26, 2014, in the original amount of \$8,800,000; refunded in 2021	\$ -	\$ 8,800,000
2.05 - 3.0% Neosho County, Kansas Hospital Refunding Revenue Bonds, Series 2014B (Neosho Memorial Regional Medical Center); issued on June 26, 2014, in the original amount of \$5,975,000 term bonds due serially through September 1, 2018, and term bonds due September 1, 2022, with mandatory annual redemptions beginning September 1, 2019; refunded in 2021		1,575,000
Neosho County, Kansas Hospital Revenue Bonds, Series 2015 (Neosho Memorial Regional Medical Center); issued on April 15, 2015, funds drawn as expended for projects, current interest rate at 3.35% with mandatory annual redemptions through September 1, 2030	7,793,038	8,673,038
1.45 - 2.20% Neosho County, Kansas Hospital Refunding Revenue Bonds, Series 2021A (Neosho Memorial Regional Medical Center); issued on October 27, 2021, in the original amount of \$9,870,000 term bonds due serially through September 1, 2030, with mandatory annual redemptions beginning September 1, 2022	9,870,000	
1.25 - 2.40% Neosho County, Kansas Hospital Revenue Bonds, Series 2021B (Neosho Memorial Regional Medical Center); issued on December 23, 2021, in the original amount of \$3,585,000 term bonds due serially through September 1, 2031, with mandatory redemptions beginning September 1, 2022	3,585,000	
Capital lease obligation, interest rate of 3.5%, due in monthly payments of \$30,970 through July 2025, collateralized by leased equipment with an amortized cost of \$1,219,494 at December 31, 2021	<u>1,249,892</u>	<u>1,571,658</u>
	22,497,930	20,619,696
Less current maturities	<u>(2,288,210)</u>	<u>(1,976,766)</u>
Long-term obligations net of current portion	<u>\$ 20,209,720</u>	<u>\$ 18,642,930</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note K - Long-term Debt and Capital Leases - Continued**

The following is a summary of changes in long-term debt and capital lease obligations:

	<u>Capital lease obligations</u>	<u>Hospital revenue bonds</u>	<u>Total long-term obligations</u>
Outstanding at January 1, 2020	\$ -	\$ 20,658,038	\$ 20,658,038
Capital lease obligations incurred	1,702,443		1,702,443
Principal payments	<u>(130,785)</u>	<u>(1,610,000)</u>	<u>(1,740,785)</u>
Outstanding at December 31, 2020	1,571,658	19,048,038	20,619,696
Revenue bonds incurred		13,455,000	13,455,000
Principal payments	<u>(321,766)</u>	<u>(11,255,000)</u>	<u>(11,576,766)</u>
Outstanding at December 31, 2021	<u>\$ 1,249,892</u>	<u>\$ 21,248,038</u>	<u>\$ 22,497,930</u>

On June 26, 2014, the County issued Hospital Refunding Revenue Bonds, Series 2014 A and B, in the principal amount of \$14,775,000, to refund the remaining portion of the Series 2006 A and B bonds and to pay costs related to issuance of the 2014 bonds. These bonds were refunded in 2021.

On April 15, 2015, the County issued Hospital Revenue Bonds, Series 2015 (the 2015 bonds) in the principal amount not to exceed \$12,250,000 on behalf of the Medical Center pursuant to the supplemental bond trust indenture. The proceeds of the 2015 bonds were drawn as needed to fund the (1) renovation and expansion of the current hospital facility, and (2) acquisition of certain equipment for the hospital facility.

On October 27, 2021, the County issued Hospital Refunding Revenue Bonds, Series 2021A in the principal amount of \$9,870,000 to refund the Series 2014A and B bonds and to pay the costs related to issuance of the Series 2021A bonds. The refunding transaction decreased the total amount of future debt service requirements by \$975,322 and provided a net present value benefit of \$885,028.

On December 23, 2021, the County issued Hospital Refunding Revenue Bonds, Series 2021B in the principal amount of \$3,585,000 on behalf of the Medical Center pursuant to the supplementary bond trust indenture. The proceeds of the Series 2021B bonds are to fund future projects of the Medical Center.

Subsequent to year-end, on January 12, 2022, the County issued Hospital Refunding Revenue Bonds, Series 2022, in the principal amount of \$8,045,000 to refund the Series 2015 bonds and to pay the costs related to issuance of the Series 2022 bonds.

Under the terms of the bond indentures, the Medical Center is required to maintain certain deposits with a trustee. Such deposits are for the repayment of principal and interest as they come due as well as for the maintenance of required bond reserve accounts. These amounts are included with assets limited as to use in the financial statements. The indenture agreement also includes certain restrictive covenants relating to the acquisition and disposition of property, incurrence of additional indebtedness, and level of fees and rates charged.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note K - Long-term Debt and Capital Leases - Continued**

Scheduled annual debt service requirements for the Hospital Revenue Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,955,000	\$ 467,423	\$ 2,422,423
2023	1,950,000	474,649	2,424,649
2024	1,995,000	430,514	2,425,514
2025	2,040,000	369,259	2,409,259
2026	2,090,000	310,305	2,400,305
2027 to 2031	<u>11,218,038</u>	<u>812,952</u>	<u>12,030,990</u>
	<u>\$ 21,248,038</u>	<u>\$ 2,865,102</u>	<u>\$ 24,113,140</u>

Scheduled annual debt service requirements for capital lease obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 333,210	\$ 38,435	\$ 371,645
2023	345,062	26,583	371,645
2024	357,334	14,311	371,645
2025	<u>214,286</u>	<u>2,507</u>	<u>216,793</u>
	<u>\$ 1,249,892</u>	<u>\$ 81,836</u>	<u>\$ 1,331,728</u>

Total interest costs are summarized as follows:

	<u>2021</u>	<u>2020</u>
Total interest incurred	\$ 756,897	\$ 746,648
Payment of bond issuance costs	<u>277,925</u>	<u></u>
	<u>\$ 1,034,822</u>	<u>\$ 746,648</u>

Rental expense under operating leases totaled \$206,593 in 2021 and \$192,339 in 2020.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note L - Refundable and Nonrefundable Fees**

The Green Living Foundation, Inc., has entered into contracts with residents to provide housing and other services under an independent living arrangement for the Foundation Homes (Community). Residents are required to pay a Lifetime Deposit in order to occupy a unit. The Lifetime Deposit is 72.5 percent to 75 percent refundable and the remaining 25 to 27.5 percent is nonrefundable. The nonrefundable fee is amortized over the remaining life expectancy of the resident. The Lifetime Deposit is held by GLF and used for the purpose of construction, financing, operational costs, capital repairs, improvements, future refunds for the Community, and for any reserve funds. Refundable fees are summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning of period	\$ 709,671	\$ 692,571
Payments received	140,625	17,100
Payment of refundable liability	<u>(130,500)</u>	<u>          </u>
	<u><u>\$ 719,796</u></u>	<u><u>\$ 709,671</u></u>

Nonrefundable fees are summarized as follows:

	<u>2021</u>	<u>2020</u>
Beginning of period	\$ 191,669	\$ 197,769
Payments received	46,875	5,700
Amortization	<u>(62,038)</u>	<u>(11,800)</u>
	<u><u>\$ 176,506</u></u>	<u><u>\$ 191,669</u></u>

**Note M - Related Party Transactions**

The Medical Center contracts for management services, services of certain management personnel, and other services with Quorum Health Resources (QHR). Under the agreement, QHR is responsible for daily management and administration of the Medical Center, with ultimate control over the assets and operations of the Medical Center retained by the Medical Center's board. Amounts paid to QHR during 2021 and 2020, for management services were \$314,985 and \$311,185, respectively. The Medical Center also reimbursed QHR for salaries, employee benefits, and expenses of the chief executive officer and the chief financial officer. During 2020, the Medical Center entered into a new contract with QHR that resulted in a prepayment of a portion of management fees to be amortized over a 60-month period which will reduce future monthly management fee payments through August 31, 2025. The current portion of this payment is included with prepaid expenses and the noncurrent portion is included in noncurrent prepaid expenses on the statements of financial position.

The County provides annual support to the Medical Center for the operation of the ambulance department. The County funded this support through sales tax receipts. The Medical Center recognized total revenues of \$2,223,895 in 2021 and \$2,258,362 in 2020 for ambulance operations.

**Neosho Memorial Regional Medical Center  
Notes to Financial Statements - Continued  
December 31, 2021 and 2020**

**Note N - Retirement Plan**

The Medical Center sponsors a defined contribution plan (Plan) as authorized by Kansas statutes. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The Plan covers substantially all employees of the Medical Center. Employees are eligible to make contributions immediately to the Plan. To become eligible for contributions made by the Medical Center, the employee must have a year of service, defined as 1,000 hours. Employee contributions vest immediately and contributions made by the Medical Center vest over six years.

The Medical Center provides for a discretionary match which is determined annually by the Board of Trustees. For the years ended December 31, 2021 and 2020, the Medical Center matched 100 percent of each eligible employee's contribution up to 4 percent of the participant's compensation.

The payroll for employees covered by the Plan for the years ended December 31, 2021 and 2020, was \$19,005,273 and \$17,682,710, respectively. The total payroll was \$26,249,033 in 2021 and \$24,048,821 in 2020. Total contributions to the Plan in 2021 were \$1,806,194 which consisted of \$1,184,783 of employee contributions and \$621,411 of employer matching contributions. Total contributions to the Plan in 2020 were \$1,730,439 which consisted of \$1,138,396 of employee contributions and \$592,043 of employer matching contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Medical Center or its employees. The Plan held no securities of the Medical Center or other related parties during the year or as of the close of the year.

Total employer contributions were 3.3 and 3.4 percent of covered payroll in 2021 and 2020. Total employee contributions were 6.2 and 6.4 percent of covered payroll in 2021 and 2020.

**Note O - Deposits and Investments with Financial Institutions**

Kansas statutes authorize the Medical Center, with certain restrictions, to deposit or invest in open accounts, time deposits, certificates of deposit, repurchase agreements, U.S. Treasury bills and notes, and the State Treasurer's investment pool. Also, statutes require that financial institutions pledge securities with a market value equal to total deposits in excess of F.D.I.C. coverage at any given time and the securities pledged be deposited with a Kansas state or national bank or trust company, the Federal Reserve Bank, or the Federal Home Loan Bank.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note O - Deposits and Investments with Financial Institutions - Continued**

The carrying amount of deposits with financial institutions was \$24,822,869, and the bank balance was \$25,919,918 at December 31, 2021. The bank deposits are categorized as follows:

	<u>Medical Center</u>	<u>Component units</u>	<u>Total</u>
Amount insured by the F.D.I.C.	\$ 1,500,000	\$ 224,209	\$ 1,724,209
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipt by an authorized depository other than the pledging financial institution's trust department, but not in the Medical Center's name) or covered by a \$7,750,000 letter of credit	24,174,124		24,174,124
Amounts unsecured (noncompliance with Kansas statutes)	<u>21,585</u>		<u>21,585</u>
	<u>\$ 25,695,709</u>	<u>\$ 224,209</u>	<u>\$ 25,919,918</u>

**Note P - Commitments and Contingencies**

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Medical Center purchases commercial insurance for these risks.

The Medical Center has outstanding commitments for ongoing operation and maintenance of an accounting and electronic health record system as follows:

2022	\$ 565,873
2023	565,908
2024	565,908
2025	565,908
2026	565,908
2027	565,908
2028	565,908
2029	<u>565,908</u>
	<u>\$ 4,527,229</u>

The Medical Center has also entered into a commitment for renovating its nuclear medicine space. The remaining commitment for this renovation is approximately \$580,000.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note Q - Concentration of Credit Risk**

The Medical Center is located in Chanute, Kansas. The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors is as follows:

	<u>2021</u>		<u>2020</u>
Medicare	24 %		35 %
Medicaid	8		8
Blue Cross	21		14
Commercial and other	23		18
Uninsured	<u>24</u>		<u>25</u>
	<u>100 %</u>		<u>100 %</u>

**Note R - Medical Malpractice Insurance**

The Medical Center is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Medical Center is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Medical Center for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by the independent insurance carrier provides for umbrella liability in excess of the underlying limits set forth above in the amount of \$5,000,000 per occurrence with an aggregate amount in any policy year of \$5,000,000. All coverage is on a claims-made basis. The above policies were renewed on January 1, 2022, for the policy period from January 1, 2022 to January 1, 2023. Management believes that any claims asserted for incidents occurring through December 31, 2021, would be settled within the limits of insurance coverage.

**Note S - Risks and Uncertainties**

On March 11, 2020, the World Health Organization designated coronavirus (COVID-19) as a global pandemic. Various policies were implemented by federal, state, and local governments in response to the pandemic that caused people to stay home, forced closure and limitations on some businesses, and suspended elective procedures at health care facilities. While many restrictions have eased and the Medical Center is now back to normal operations, the pandemic continues to impact the Medical Center through changes in patient patterns and increased cost inflation. The impact on future operations is driven by numerous factors, which are beyond management's control and management's ability to forecast the total impact on operations. The Medical Center is unable to estimate the length of time or financial impact the pandemic will have on operations. The CARES Act and subsequent legislation enacted by the federal government has provided much needed funding during these uncertain times.

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note T - Condensed Combining Information**

Condensed financial data for the Medical Center and its blended component units as of and for the year ended December 31, 2021, are presented in the following tables:

	Statement of Net Position - 2021			
	Medical Center	Component units	Eliminations	Combined
Assets				
Current assets	\$ 35,533,340	\$ 438,056	\$ -	\$ 35,971,396
Capital assets	27,698,570	1,183,621		28,882,191
Other assets	6,764,630			6,764,630
Total assets	<u>\$ 69,996,540</u>	<u>\$ 1,621,677</u>	<u>\$ -</u>	<u>\$ 71,618,217</u>
Liabilities				
Current liabilities	\$ 13,636,220	\$ 393,627	\$ -	\$ 14,029,847
Noncurrent liabilities	20,209,720	896,302		21,106,022
Total liabilities	<u>33,845,940</u>	<u>1,289,929</u>	<u>-</u>	<u>35,135,869</u>
Deferred inflows of resources	138,808			138,808
Net position				
Invested in capital assets net of related debt, excluding component units	8,614,876			8,614,876
Restricted for debt service	1,039,391			1,039,391
Restricted for component units		331,748		331,748
Unrestricted	26,357,525			26,357,525
Total net position	<u>36,011,792</u>	<u>331,748</u>	<u>-</u>	<u>36,343,540</u>
Total liabilities and net position	<u>\$ 69,996,540</u>	<u>\$ 1,621,677</u>	<u>\$ -</u>	<u>\$ 71,618,217</u>



**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note T - Condensed Combining Information - Continued**

	Statement of Revenues, Expenses, and Changes in Net Position - 2021			
	<u>Medical Center</u>	<u>Component units</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues				
Net patient service revenue	\$ 53,078,652	\$ -	\$ -	\$ 53,078,652
Other	594,125	85,828		679,953
	<u>53,672,777</u>	<u>85,828</u>		<u>53,758,605</u>
Total operating revenues			-	53,758,605
Operating expenses				
Salaries and wages	26,351,276			26,351,276
Employee benefits	5,688,697			5,688,697
Supplies and other expenses	21,607,296	52,405		21,659,701
Depreciation and amortization	4,464,077	49,788		4,513,865
	<u>58,111,346</u>	<u>102,193</u>		<u>58,213,539</u>
Total operating expenses			-	58,213,539
Operating loss	<u>(4,438,569)</u>	<u>(16,365)</u>	-	<u>(4,454,934)</u>
Nonoperating revenues (expenses)				
Investment income	169,328	21,053		190,381
Interest expense	(1,033,560)	(1,262)		(1,034,822)
Ambulance subsidy	2,223,895			2,223,895
SBA PPP loan forgiveness	4,392,951			4,392,951
Noncapital grants and contributions	156,498	108,180	(26,191)	238,487
Noncapital grants from CARES Act	2,481,129			2,481,129
Other		(310,391)	168,393	(141,998)
	<u>8,390,241</u>	<u>(182,420)</u>	<u>142,202</u>	<u>8,350,023</u>
Total nonoperating revenues (expenses)				8,350,023
Expenses over revenues before capital grants and contributions	3,951,672	(198,785)	142,202	3,895,089
Capital grants and contributions	142,202	300,000	(142,202)	300,000
	<u>4,093,874</u>	<u>101,215</u>	-	<u>4,195,089</u>
Change in net position				
Net position beginning of year	31,917,918	230,533		32,148,451
	<u>31,917,918</u>	<u>230,533</u>		<u>32,148,451</u>
Net position end of year	<u>\$ 36,011,792</u>	<u>\$ 331,748</u>	<u>\$ -</u>	<u>\$ 36,343,540</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note T - Condensed Combining Information - Continued**

	Statement of Cash Flows - 2021			
	Medical Center	Component units	Eliminations	Combined
Net cash provided (used) by				
Operating activities	\$ (3,500,078)	\$ 291,512	\$ -	\$ (3,208,566)
Noncapital financing activities	4,529,130	(67,784)	142,202	4,603,548
Capital and related financing activities	(1,261,901)	(136,786)	(142,202)	(1,540,889)
Investing activities	(3,382,263)	56,608		(3,325,655)
Net change in cash and cash equivalents	(3,615,112)	143,550	-	(3,471,562)
Cash and cash equivalents at beginning of year	28,211,661	85,184		28,296,845
Cash and cash equivalents at end of year	<u>\$ 24,596,549</u>	<u>\$ 228,734</u>	<u>\$ -</u>	<u>\$ 24,825,283</u>

Condensed financial data for the Medical Center and its blended component units as of and for the year ended December 31, 2020, are presented in the following tables:

	Statement of Net Position - 2020			
	Medical Center	Component units	Eliminations	Combined
Assets				
Current assets	\$ 39,389,060	\$ 304,846	\$ -	\$ 39,693,906
Capital assets	29,939,863	796,623		30,736,486
Other assets	1,798,699	30,404		1,829,103
Total assets	<u>\$ 71,127,622</u>	<u>\$ 1,131,873</u>	<u>\$ -</u>	<u>\$ 72,259,495</u>
Liabilities				
Current liabilities	\$ 15,685,109	\$ -	\$ -	\$ 15,685,109
Noncurrent liabilities	23,524,595	901,340		24,425,935
Total liabilities	<u>39,209,704</u>	<u>901,340</u>	<u>-</u>	<u>40,111,044</u>
Net position				
Invested in capital assets net of related debt, excluding component units	9,162,501			9,162,501
Restricted for debt service	986,511			986,511
Restricted for component units		230,533		230,533
Unrestricted	21,768,906			21,768,906
Total net position	<u>31,917,918</u>	<u>230,533</u>	<u>-</u>	<u>32,148,451</u>
Total liabilities and net position	<u>\$ 71,127,622</u>	<u>\$ 1,131,873</u>	<u>\$ -</u>	<u>\$ 72,259,495</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note T - Condensed Combining Information - Continued**

	Statement of Revenues, Expenses, and Changes in Net Position - 2020			
	<u>Medical Center</u>	<u>Component units</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenues				
Net patient service revenue	\$ 49,535,928	\$ -	\$ -	\$ 49,535,928
Other	674,490	35,201		709,691
	<u>50,210,418</u>	<u>35,201</u>		<u>50,245,619</u>
Operating expenses				
Salaries and wages	24,494,866			24,494,866
Employee benefits	5,681,595			5,681,595
Supplies and other expenses	21,652,870	65,656		21,718,526
Depreciation and amortization	4,518,865	50,639		4,569,504
	<u>56,348,196</u>	<u>116,295</u>		<u>56,464,491</u>
Operating loss	<u>(6,137,778)</u>	<u>(81,094)</u>	<u>-</u>	<u>(6,218,872)</u>
Nonoperating revenues (expenses)				
Investment income	282,332	28,958		311,290
Interest expense	(746,648)			(746,648)
Ambulance subsidy	2,258,362			2,258,362
Noncapital grants and contributions	309,808	167,160	(5,251)	471,717
Noncapital grants from CARES Act	3,895,952			3,895,952
Other	2,707	(191,318)	5,251	(183,360)
	<u>6,002,513</u>	<u>4,800</u>	<u>-</u>	<u>6,007,313</u>
Revenues over (under) expenses before capital grants and contributions	(135,265)	(76,294)	-	(211,559)
Capital grants and contributions	18,000			18,000
Change in net position	(117,265)	(76,294)	-	(193,559)
Net position beginning of year	32,035,183	306,827		32,342,010
Net position end of year	<u>\$ 31,917,918</u>	<u>\$ 230,533</u>	<u>\$ -</u>	<u>\$ 32,148,451</u>

**Neosho Memorial Regional Medical Center**  
**Notes to Financial Statements - Continued**  
**December 31, 2021 and 2020**

**Note T - Condensed Combining Information - Continued**

	Statement of Cash Flows - 2020			
	<u>Medical Center</u>	<u>Component units</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by				
Operating activities	\$ 5,077,554	\$ (19,455)	\$ -	\$ 5,058,099
Noncapital financing activities	11,956,854	(24,158)		11,932,696
Capital and related financing activities	(4,380,719)	5,388		(4,375,331)
Investing activities	<u>302,761</u>	<u>1,939</u>		<u>304,700</u>
Net change in cash and cash equivalents	12,956,450	(36,286)	-	12,920,164
Cash and cash equivalents at beginning of year	<u>15,255,211</u>	<u>121,470</u>		<u>15,376,681</u>
Cash and cash equivalents at end of year	<u>\$ 28,211,661</u>	<u>\$ 85,184</u>	<u>\$ -</u>	<u>\$ 28,296,845</u>

**Note U - Subsequent Events**

Subsequent to year-end, the Medical Center secured a United States Department of Agriculture Rural Development grant to be used to fund information technology capital and minor equipment purchases. The grant will reimburse the Medical Center 35 percent of eligible purchases, not to exceed \$434,300. See also Note K for additional bond refunding which occurred after the end of the year.

## **Supplementary Information**

**Neosho Memorial Regional Medical Center  
Schedule of Expenditures of Federal Awards  
Year ended December 31, 2021**

<u>Federal grantor/pass-through grantor/program title</u>	<u>Assistance listing number</u>	<u>Pass-through grantor's number</u>	<u>Passed through to subrecipients</u>	<u>Total federal expenditures</u>
<b>United States Department of Health and Human Services</b>				
COVID-19 Provider Relief Fund	93.498	N/A	\$ -	\$ 5,168,649
COVID-19 Testing and Mitigation for Rural Health Clinics	93.697	N/A		230,049
COVID-19 Rural Health Clinic Vaccine Confidence Program	93.912	N/A		89,550
COVID-19 HRSA Claims Reimbursement for the Uninsured Program and the COVID-19 Reimbursement for the Uninsured Passed through Healthworks KHA Foundation, Inc.	93.461	N/A		64,423
Small Hospital Improvement Program	93.301	N/A		11,297
COVID-19 Small Hospital Improvement Program	93.301	N/A		133,205
<b>Total United States Department of Health and Human Services</b>			-	5,697,173
<b>United States Department of Treasury</b>				
Passed through Kansas Department of Health and Environment				
COVID-19 Coronavirus Relief Fund	21.027	N/A		139,291
<b>Total United States Department of Treasury</b>			-	139,291
<b>Total federal awards</b>			\$ -	\$ 5,836,464

**Neosho Memorial Regional Medical Center**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2021**

**Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant award activity of Neosho Memorial Regional Medical Center (the Medical Center) under programs of the federal government, for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Medical Center, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Medical Center.

**Note 2 - Significant Accounting Policies**

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles continued in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**Note 3 - Indirect Cost Rate**

The Medical Center has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance. The Medical Center's federal expenditures do not include indirect administrative expenses.

**Note 4 - Donated Personal Protective Equipment (unaudited)**

The Medical Center received nonmonetary assistance of personal protective equipment (PPE) during the emergency period of the COVID-19 pandemic. The donated PPE was generally provided by donors without information about compliance or reporting requirements associated with federal financial CFDA numbers. The donated PPE is not included in the Schedule. The value of the donated PPE cannot be reasonably estimated.

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Trustees  
Neosho Memorial Regional Medical Center

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of the business-type activities of Neosho Memorial Regional Medical Center (Medical Center), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements, and have issued our report thereon dated August 5, 2022. The financial statements of the Foundation of Neosho Memorial Regional Medical Center, Inc., the Green Living Foundation, Inc., and the Neosho Memorial Hospital Foundation, Inc., (Foundations) were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundations.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Medical Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Medical Center's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Medical Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Medical Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Medical Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wendling Noe Nelson & Johnson LLC*

Topeka, Kansas  
August 5, 2022

**Independent Auditor's Report on Compliance for Each Major Program and on  
Internal Control Over Compliance Required by the Uniform Guidance**

Board of Trustees  
Neosho Memorial Regional Medical Center

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Neosho Memorial Regional Medical Center's (Medical Center) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Medical Center's major federal programs for the year ended December 31, 2021. The Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Medical Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Medical Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Medical Center's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Medical Center's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Medical Center's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance

resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Medical Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Medical Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Medical Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Medical Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

#### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Topeka, Kansas  
August 5, 2022

**Neosho Memorial Regional Medical Center**  
**Schedule of Findings and Questioned Costs on Federal Awards**  
**Year ended December 31, 2021**

**Section I - Summary of Auditor's Results**

Financial statements

Type of opinion expressed in the auditor's report issued Unmodified

Internal control over financial reporting

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted ☐ Yes ☒ No

Federal awards

Internal control over major programs

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiencies identified that are not considered to be material weakness(es)? ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a) ☐ Yes ☒ No

Identification of major programs

CFDA Number

Name of Program

93.498

Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs \$750,000

Entity qualified as low-risk auditee ☐ Yes ☒ No

**Section II - Financial Statement Findings**

No reportable items

**Section III - Federal Award Findings and Questioned Costs**

No reportable items