

Geary Community Hospital
A Component Unit of Geary County, Kansas
Independent Auditor's Report and Financial Statements
April 30, 2021 and 2020

Geary Community Hospital
A Component Unit of Geary County, Kansas
April 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Geary Community Hospital
Junction City, Kansas

We have audited the accompanying financial statements of Geary Community Hospital (Hospital) as of and for the years ended April 30, 2021 and 2020, and its discretely presented component unit (Geary Community Healthcare Foundation) as of and for the years ended December 31, 2020 and 2019, collectively a component unit of Geary County, Kansas, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Geary Community Healthcare Foundation (Foundation), the discretely presented component unit of the Hospital. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Geary Community Hospital and its discretely presented component unit as of April 30, 2021 and 2020 and December 31, 2020 and 2019, respectively, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern. As discussed in *Note 15*, the Hospital has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in *Note 15*. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 audits 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The Net Patient Service Revenue schedule, Contractual Allowances, Charity Care and Other Operating Revenues schedule and Operating Expenses schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Wichita, Kansas
April 5, 2022

Geary Community Hospital
A Component Unit of Geary County, Kansas
Balance Sheets
April 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	2021	2020
Current Assets		
Cash	\$ 6,133,366	\$ 6,991,837
Held under bond indenture for debt service - cash	-	104
Patient accounts receivable, net of allowance; 2021 - \$12,211,835; 2020 - \$9,365,209	5,645,162	2,697,170
Estimated amounts due from third-party payers	809,332	271,988
Supplies	1,054,332	1,136,959
Prepaid expenses and other	702,410	443,211
	<hr/>	<hr/>
Total current assets	14,344,602	11,541,269
	<hr/>	<hr/>
Noncurrent Cash and Short-term Certificates of Deposit		
Held under bond indenture for debt service - cash	-	104
Held under bond indenture for debt service - short-term certificates of deposit	457,963	457,958
Restricted by donors for specific operating activities - cash	103,212	103,212
	<hr/>	<hr/>
	561,175	561,274
Less amount required to meet current obligations	<hr/>	<hr/>
	-	104
	<hr/>	<hr/>
Total noncurrent cash and short-term certificates of deposit	561,175	561,170
	<hr/>	<hr/>
Capital Assets, Net	31,973,998	31,986,034
	<hr/>	<hr/>
Total assets	46,879,775	44,088,473
	<hr/>	<hr/>
Deferred Outflows of Resources		
Pension	3,212,544	1,247,344
Other postemployment benefits	108,717	101,123
	<hr/>	<hr/>
Total deferred outflows of resources	3,321,261	1,348,467
	<hr/>	<hr/>
Total assets and deferred outflows of resources	\$ 50,201,036	\$ 45,436,940
	<hr/>	<hr/>

See Notes to Financial Statements

Liabilities, Deferred Inflows of Resources and Net Position

	2021	2020
Current Liabilities		
Note payable	\$ -	\$ 1,480,023
Current maturities of long-term debt	4,498,541	1,916,753
Current portion of no fund warrants	482,400	-
Accounts payable	3,393,048	4,708,555
Accrued payroll and related expenses	1,761,506	1,408,637
Accrued interest	47,150	48,538
Estimated amounts due to third-party payers	-	522,353
Advance from Medicare	1,243,356	2,810,429
Unearned revenue	2,298,871	223,099
Total current liabilities	13,724,872	13,118,387
Advance from Medicare	1,492,590	-
Accrued FICA Taxes - Long-term	216,889	-
No Fund Warrants	997,900	-
Long-term Debt	5,961,965	6,719,188
Net Pension Liability	11,624,791	11,620,534
Total Other Postemployment Benefits Liability	228,060	261,371
Total liabilities	34,247,067	31,719,480
Deferred Inflows of Resources		
Pension	3,214,001	2,471,890
Other postemployment benefits	200,440	122,624
Total deferred inflows of resources	3,414,441	2,594,514
Net Position (Deficit)		
Net investment in capital assets	27,743,479	27,430,193
Restricted - expendable for		
Debt service	457,963	458,062
Specific operating activities	103,212	103,212
Unrestricted deficit	(15,765,126)	(16,868,521)
Total net position	12,539,528	11,122,946
Total liabilities, deferred inflows of resources and net position	\$ 50,201,036	\$ 45,436,940

Geary Community Healthcare Foundation
A Discretely Presented Component Unit of Geary Community Hospital
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash, cash equivalents and restricted cash	\$ 244,895	\$ 211,063
Programmatic loan receivable	<u>-</u>	<u>1,093,320</u>
Total current assets	244,895	1,304,383
Investments in marketable securities	<u>3,570,571</u>	<u>3,713,586</u>
Total assets	<u><u>\$ 3,815,466</u></u>	<u><u>\$ 5,017,969</u></u>
Liabilities and Net Assets		
Liabilities		
Note payable	\$ -	\$ 1,093,320
Net Assets		
Without donor restrictions	3,681,537	3,791,362
With donor restrictions	<u>133,929</u>	<u>133,287</u>
Total net assets	<u>3,815,466</u>	<u>3,924,649</u>
Total liabilities and net assets	<u><u>\$ 3,815,466</u></u>	<u><u>\$ 5,017,969</u></u>

Geary Community Hospital
A Component Unit of Geary County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2021 - \$6,082,933, 2020 - \$3,943,519	\$ 33,812,388	\$ 30,396,798
Other	<u>700,531</u>	<u>522,635</u>
Total operating revenues	<u>34,512,919</u>	<u>30,919,433</u>
Operating Expenses		
Salaries	15,469,976	14,646,772
Employee benefits	2,419,334	3,355,116
Purchased services and professional fees	10,135,807	7,660,298
Supplies and other	11,912,387	9,252,265
Depreciation	<u>2,034,598</u>	<u>2,066,995</u>
Total operating expenses	<u>41,972,102</u>	<u>36,981,446</u>
Operating Loss	<u>(7,459,183)</u>	<u>(6,062,013)</u>
Nonoperating Revenues (Expenses)		
Noncapital appropriations - Geary County	544,347	461,093
Interest income	298,072	325,752
Interest expense	(140,383)	(304,075)
Loss on disposal of capital assets	(27,911)	-
Other	11,674	-
Noncapital grants and gifts	43,512	1,015,857
Provider Relief Funds (<i>CARES Act</i>)	<u>6,650,295</u>	<u>671,460</u>
Total nonoperating revenues	<u>7,379,606</u>	<u>2,170,087</u>
Deficiency of Revenues Over Expenses Before Capital Grants and Gifts	(79,577)	(3,891,926)
Capital Grants and Gifts	<u>1,496,159</u>	<u>130,011</u>
Increase (Decrease) in Net Position	1,416,582	(3,761,915)
Net Position, Beginning of Year	<u>11,122,946</u>	<u>14,884,861</u>
Net Position, End of Year	<u><u>\$ 12,539,528</u></u>	<u><u>\$ 11,122,946</u></u>

Geary Community Healthcare Foundation
A Discretely Presented Component Unit of Geary Community Hospital
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Net Assets Without Donor Restrictions		
Revenues, Gains and Other Support		
Contributions	\$ 448,116	\$ 291,794
Special events	(630)	40,170
Net investment return	360,247	696,502
Financing loss on charitable gift annuity	(4,250)	(14,925)
Net assets released from restrictions	51,251	326,702
	<hr/>	<hr/>
Total revenues, gains and other support	854,734	1,340,243
	<hr/>	<hr/>
Expenses and Losses		
Program services	920,271	832,512
Supporting services	44,288	104,339
	<hr/>	<hr/>
Total expenses	964,559	936,851
	<hr/>	<hr/>
Change in Net Assets Without Donor Restrictions	(109,825)	403,392
	<hr/>	<hr/>
Net Assets Without Donor Restrictions, Beginning of Year	3,791,362	3,387,970
	<hr/>	<hr/>
Net Assets Without Donor Restrictions, End of Year	<u>\$ 3,681,537</u>	<u>\$ 3,791,362</u>
	<hr/>	<hr/>
Net Assets With Donor Restrictions		
Revenues, Gains and Other Support		
Contributions	\$ 51,400	\$ 24,787
Net investment return	493	4,346
Net assets released from restrictions	(51,251)	(326,702)
	<hr/>	<hr/>
Change in Net Assets With Donor Restrictions	642	(297,569)
	<hr/>	<hr/>
Net Assets With Donor Restrictions, Beginning of Year	133,287	430,856
	<hr/>	<hr/>
Net Assets With Donor Restrictions, End of Year	<u>\$ 133,929</u>	<u>\$ 133,287</u>
	<hr/>	<hr/>

Geary Community Hospital
A Component Unit of Geary County, Kansas
Statements of Cash Flows
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	\$ 29,730,216	\$ 35,063,951
Payments to suppliers and contractors	(23,556,604)	(16,712,798)
Payments to or on behalf of employees	(18,501,473)	(19,214,448)
Other receipts, net	<u>2,776,303</u>	<u>674,424</u>
Net cash used in operating activities	<u>(9,551,558)</u>	<u>(188,871)</u>
Cash Flows from Noncapital Financing Activities		
Noncapital appropriations - Geary County	544,347	461,093
Proceeds from issuance of note payable	-	1,224,993
Principal paid on note payable	(1,480,023)	(499,473)
Discount paid on note payable	-	(20,961)
Proceeds from issuance of long-term debt	2,000,000	4,080,100
No Fund Warrants	997,900	-
Noncapital grants and gifts	43,512	1,015,857
Other	11,674	-
Provider Relief Funds (<i>CARES Act</i>)	<u>6,650,295</u>	<u>671,460</u>
Net cash provided by noncapital financing activities	<u>8,767,705</u>	<u>6,933,069</u>
Cash Flows from Capital and Related Financing Activities		
Capital grants and gifts	1,496,159	130,011
Principal paid on revenue bonds payable	(285,000)	(240,000)
Principal paid on capital leases	(295,579)	(322,492)
Interest paid on long-term debt	(141,771)	(286,754)
Purchase of capital assets	(1,628,998)	(260,001)
Payments on long-term obligation	<u>482,400</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(372,789)</u>	<u>(979,236)</u>
Cash Flows from Investing Activities		
Interest on investments	298,072	325,752
Net change in construction escrow and debt-related accounts	<u>(5)</u>	<u>(9,491)</u>
Net cash provided by investing activities	<u>298,067</u>	<u>316,261</u>
Increase (Decrease) in Cash	<u>(858,575)</u>	<u>6,081,223</u>
Cash, Beginning of Year	<u>7,095,153</u>	<u>1,013,930</u>
Cash, End of Year	<u><u>\$ 6,236,578</u></u>	<u><u>\$ 7,095,153</u></u>

Geary Community Hospital
A Component Unit of Geary County, Kansas
Statements of Cash Flows (Continued)
Years Ended April 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of Cash to the Balance Sheets		
Cash in current assets	\$ 6,133,366	\$ 6,991,941
Cash in noncurrent assets	<u>103,212</u>	<u>103,212</u>
Total cash	<u><u>\$ 6,236,578</u></u>	<u><u>\$ 7,095,153</u></u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (7,459,183)	\$ (6,062,013)
Depreciation	2,034,598	2,066,995
Amortization included in interest expense	(16,331)	(16,331)
Provision for uncollectible accounts	(6,082,933)	(3,943,519)
Changes in operating assets and liabilities		
Patient accounts receivable	3,134,941	5,303,993
Estimated amounts due from and to third-party payers	(1,059,697)	496,250
Medicare advanced payment	(74,483)	2,810,429
Accounts payable and accrued expenses	(745,749)	(1,336,469)
Net pension liability	4,257	(643,719)
Total OPEB liability	(33,311)	(19,626)
Deferred outflows of resources	(1,972,794)	812,951
Deferred inflows of resources	819,927	(264,188)
Unearned revenue	2,075,772	151,789
Other assets and liabilities	<u>(176,572)</u>	<u>454,587</u>
Net cash used in operating activities	<u><u>\$ (9,551,558)</u></u>	<u><u>\$ (188,871)</u></u>
Noncash Investing, Capital and Financing Activities		
Capital assets acquisitions included in note payable	\$ 271,588	\$ -
Capital lease obligation incurred	\$ 149,887	\$ -

Geary Community Healthcare Foundation
A Discretely Presented Component Unit of Geary Community Hospital
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ (109,183)	\$ 105,823
Items not requiring (providing) cash		
Net investment return	(360,740)	(700,848)
Financing loss on charitable gift annuity	4,250	14,925
	<u>(465,673)</u>	<u>(580,100)</u>
Net cash used in operating activities		
Investing Activities		
Principal received from programmatic note receivable	1,093,320	738,893
Principal paid on programmatic note receivable	-	(1,804,196)
Purchase of investments	503,755	309,500
	<u>1,597,075</u>	<u>(755,803)</u>
Net cash provided by (used in) investing activities		
Financing Activities		
Principal received from note payable	-	1,804,196
Principal paid on note payable	(1,093,320)	(710,876)
Cash paid under charitable gift annuity	(4,250)	(8,500)
	<u>(1,097,570)</u>	<u>1,084,820</u>
Net cash provided by (used in) financing activities		
Increase (Decrease) in Cash	33,832	(251,083)
Cash, Beginning of Year	<u>211,063</u>	<u>462,146</u>
Cash, End of Year	<u><u>\$ 244,895</u></u>	<u><u>\$ 211,063</u></u>
Supplemental Cash Flow Information		
Interest paid	\$ 22,309	\$ 27,985

Geary Community Hospital
A Component Unit of Geary County, Kansas
Notes to Financial Statements
April 30, 2021 and 2020

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

Nature of Operations and Reporting Entity

Geary Community Hospital (Hospital) is an acute care hospital located in Junction City, Kansas. The Hospital is a component unit of Geary County (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Geary County area. It also operates a home medical equipment supplier in the same geographic area.

Foundation

Geary Community Healthcare Foundation (Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation acts primarily as a fund raising organization to supplement the resources that are available to the Hospital in support of its programs. The fifteen-member board of the Foundation is self-perpetuating and consists of the Chief Executive Officer (CEO) of the Hospital, three Hospital board members and eleven community members. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the Hospital by the donors or are provided to the Hospital for its programs. Because the majority of resources held by the Foundation can only be used by, or for the benefit of, the Hospital and for the benefit of patients served by the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements. The Foundation's financial statements are presented on a December 31 year-end basis.

During the years ended April 30, 2021 and 2020, the Foundation distributed \$0 and \$803,636, respectively, to the Hospital for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Administrative Office at 1110 St. Mary's Road, Junction City, Kansas 66441.

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Hospital's financial reporting entity for these differences.

Geary Community Hospital
A Component Unit of Geary County, Kansas
Notes to Financial Statements
April 30, 2021 and 2020

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions and county appropriations are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated nonexchange transactions that are not program specific such as county appropriations from property taxes, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

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

Patient Accounts Receivable

The Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Supplies

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

Geary Community Hospital
A Component Unit of Geary County, Kansas
Notes to Financial Statements
April 30, 2021 and 2020

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5 – 20 years
Buildings and building improvements	15 – 50 years
Fixed equipment	10 – 18 years
Major moveable equipment	3 – 20 years

Capital Asset Impairment

The Hospital evaluates capital and lease assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or lease asset has occurred. If a capital or lease asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended April 30, 2021 and 2020.

Unearned Revenue

Unearned revenue represents funds received in connection with the Medicaid Disproportionate Share (DSH) Program payments, which are made on a calendar quarter basis. The Hospital received the quarterly payment, which related to the April through June time window, prior to year-end and deferred the revenue related to May and June. See footnote below regarding the Provider Relief Funds as those funds were a component of unearned revenue at April 30, 2021.

Bond Premiums

Bonds payable are reported net of the applicable bond premium. Bond premiums are amortized over the life of the debt using the effective interest method. Amortization is included as a component of interest expense.

Deferred Outflows of Resources

The Hospital reports the consumption of net position that is applicable to a future reporting period as deferred outflows of resources in a separate section of its balance sheet.

Geary Community Hospital
A Component Unit of Geary County, Kansas
Notes to Financial Statements
April 30, 2021 and 2020

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs, and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters; and employee health, dental and accident benefits. Effective May 1, 2013, commercial insurance coverage is purchased for claims arising from such matters other than workers' compensation. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place to cover claims incurred but not reported.

No Fund Warrants

On May 18, 2020, the County authorized the issuance of \$1,933,000 of No Fund Warrants (Warrants) from the County to the Hospital to provide additional cash to support Hospital operations and pay outstanding accounts payable. The warrants are to be repaid to the County through a reduction of future noncapital appropriations and are reported as a liability of the Hospital in the accompanying balance sheets.

Paycheck Protection Program (PPP) Loans

The Hospital received two separate PPP loan established by the *Coronavirus Aid, Relief and Economic Security Act (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any

Geary Community Hospital
A Component Unit of Geary County, Kansas
Notes to Financial Statements
April 30, 2021 and 2020

revenue recognized. The Hospital received legal notice on June 8, 2021 and February 9, 2022, that the PPP loan - round 1 and PPP loan – round 2, respectively, were forgiven in its entirety and will recognize the gain from extinguishment as other nonoperating revenue on the fiscal year 2022 statements of revenues, expenses and changes in net position.

Cost-Sharing Defined Benefit Pension Plan

The Hospital participates in a cost-sharing multiple-employer defined benefit pension plan, the Kansas Public Employees Retirement Savings Plan (KPERS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS's fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Non-Trusted Agent Multiple Employer Defined Benefit Other Postemployment Benefit Plan

The Hospital has an agent defined benefit other postemployment benefit (OPEB) plan, KPERS Death and Disability Plan, (the OPEB Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources

The Hospital reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Noncapital Appropriations

The Hospital received approximately 1% in 2021 and 2020 of its financial support from Geary County. One hundred percent of the funds were used to support operations.

Provider Relief Funds (CARES Act)

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

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Income Taxes

As an essential government function of the County, the Hospital is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Note 2: Deposits and Investment Income

Deposits

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

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

At April 30, 2021 and 2020, respectively, \$6,326,757 and \$7,573,183 of the Hospital's bank balances of \$7,104,809 and \$8,344,507 were exposed to custodial credit risk as follows:

	<u>2021</u>	<u>2020</u>
Uninsured and uncollateralized	\$ 5,746,035	\$ 3,226,304
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	<u>580,722</u>	<u>4,346,879</u>
	<u>\$ 6,326,757</u>	<u>\$ 7,573,183</u>

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Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	\$ 6,694,541	\$ 7,553,111
Included in the following balance sheet captions		
Cash	\$ 6,133,366	\$ 6,991,837
Held under bond indenture for debt service - cash	-	104
Held under bond indenture for debt service - short-term certificates of deposit	457,963	457,958
Noncurrent cash and short-term certificates of deposit	103,212	103,212
	\$ 6,694,541	\$ 7,553,111

Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at April 30, 2021 and 2020, consisted of:

	2021	2020
Medicare	\$ 1,136,472	\$ 751,243
Medicaid	577,240	409,736
Blue Cross	952,378	489,478
Other third-party payers	1,984,496	617,693
Patients	13,206,411	9,794,229
	17,856,997	12,062,379
Less allowance for uncollectible accounts	12,211,835	9,365,209
	\$ 5,645,162	\$ 2,697,170

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Note 4: Capital Assets

Capital assets activity for the years ended April 30, 2021 and 2020, were:

	2021				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	\$ 1,289,702	\$ -	\$ -	\$ -	\$ 1,289,702
Buildings and building improvements	52,713,557	61,184	(4,356)	-	52,770,385
Fixed equipment	4,621,774	220,783	(15,198)	-	4,827,359
Major moveable equipment	20,866,434	1,685,502	(1,530,691)	86,953	21,108,198
Construction in progress	86,953	83,004	-	(86,953)	83,004
	<u>79,578,420</u>	<u>2,050,473</u>	<u>(1,550,245)</u>	<u>-</u>	<u>80,078,648</u>
Less accumulated depreciation					
Land improvements	1,041,381	9,294	-	-	1,050,675
Buildings and building improvements	23,083,971	1,442,672	(4,356)	-	24,522,287
Fixed equipment	4,540,499	27,275	(15,198)	-	4,552,576
Major moveable equipment	18,926,535	555,357	(1,502,780)	-	17,979,112
	<u>47,592,386</u>	<u>2,034,598</u>	<u>(1,522,334)</u>	<u>-</u>	<u>48,104,650</u>
Capital Assets, Net	<u>\$ 31,986,034</u>	<u>\$ 15,875</u>	<u>\$ (27,911)</u>	<u>\$ -</u>	<u>\$ 31,973,998</u>

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	2020				
	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Land and land improvements	\$ 1,292,010	\$ -	\$ -	\$ (2,308)	\$ 1,289,702
Buildings and building improvements	52,517,531	2,439	-	193,587	52,713,557
Fixed equipment	4,621,774	-	-	-	4,621,774
Major moveable equipment	20,747,867	110,296	(6,715)	14,986	20,866,434
Construction in progress	145,952	147,266	-	(206,265)	86,953
	<u>79,325,134</u>	<u>260,001</u>	<u>(6,715)</u>	<u>-</u>	<u>79,578,420</u>
Less accumulated depreciation					
Land improvements	1,031,995	9,386	-	-	1,041,381
Buildings and building improvements	21,649,350	1,434,621	-	-	23,083,971
Fixed equipment	4,509,766	30,733	-	-	4,540,499
Major moveable equipment	18,340,995	592,255	(6,715)	-	18,926,535
	<u>45,532,106</u>	<u>2,066,995</u>	<u>(6,715)</u>	<u>-</u>	<u>47,592,386</u>
Capital Assets, Net	<u>\$ 33,793,028</u>	<u>\$ (1,806,994)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,986,034</u>

Note 5: Note Payable

In August of 2017, the Foundation entered into an agreement with a bank for a note payable for up to \$2,000,000. The Foundation then entered into an agreement to lend the proceeds to the Hospital. The term of the original agreement was to expire on the anniversary of the effective date of the agreement or when payments were no longer owed to the Foundation. The terms of the agreement include a 2% discount on the pledged receivables, which is payable to the Foundation in addition to the amounts transferred to the Hospital. In October 2019 the Foundation and the Hospital renewed the agreement with the same terms for amounts up to \$1,500,000, which is secured by a pledge of the Hospital's patient accounts receivable. Repayments of \$1,500,058 and \$520,434, which includes the 2% discount, were made to the Foundation for the years ended April 30, 2021 and 2020, respectively. The balance outstanding at April 30, 2021 and 2020, respectively, was \$0 and \$1,480,023.

The Hospital paid off the entire balance of the note payable with the Foundation in May 2020.

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Note 6: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended April 30, 2021 and 2020:

2021					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
2016 refunding					
revenue bonds payable	\$ 4,070,000	\$ -	\$ 285,000	\$ 3,785,000	\$ 290,000
Reoffering premium	185,083	-	16,331	168,752	16,331
PPP loan payable, round one	4,080,100	-	-	4,080,100	4,080,100
PPP loan payable, round two	-	2,000,000	-	2,000,000	-
Note payable - Flint Hills OB	-	149,887	-	149,887	36,912
Capital leases payable	300,758	271,588	295,579	276,767	75,198
	<u>\$ 8,635,941</u>	<u>\$ 2,421,475</u>	<u>\$ 596,910</u>	<u>\$10,460,506</u>	<u>\$ 4,498,541</u>
2020					
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
2016 refunding					
revenue bonds payable	\$ 4,310,000	\$ -	\$ 240,000	\$ 4,070,000	\$ 285,000
Reoffering premium	201,414	-	16,331	185,083	16,331
PPP loan payable, round one	-	4,080,100	-	4,080,100	1,360,033
Capital leases payable	623,250	-	322,492	300,758	255,389
	<u>\$ 5,134,664</u>	<u>\$ 4,080,100</u>	<u>\$ 578,823</u>	<u>\$ 8,635,941</u>	<u>\$ 1,916,753</u>

2016 Refunding Revenue Bonds Payable

The revenue bonds payable consist of Hospital Revenue Refunding Bonds (Bonds) in the original amount of \$4,310,000 dated September 1, 2016, which bear interest at 2.87%. The Bonds are payable in semiannual interest only payments beginning February 1, 2017 through February 1, 2019. Annual principal payments begin August 1, 2019, and continue through August 1, 2031.

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The bond document requires the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a debt-service coverage ratio of at least 1.25 to 1, and restrictions on incurrence of additional debt. As of April 30, 2021, the Hospital was in compliance with the restrictive covenants listed above.

The debt service requirements of the Bonds as of April 30, 2021, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2022	\$ 397,750	\$ 290,000	\$ 107,750
2023	400,350	300,000	100,350
2024	401,200	310,000	91,200
2025	401,750	320,000	81,750
2026	402,000	330,000	72,000
2027 - 2031	2,031,900	1,830,000	201,900
2032	<u>411,075</u>	<u>405,000</u>	<u>6,075</u>
	<u>\$ 4,446,025</u>	<u>\$ 3,785,000</u>	<u>\$ 661,025</u>

Paycheck Protection Program (PPP) Loans Payable

The Hospital entered into the Paycheck Protection Program (PPP) loan (round one) on April 30, 2020, in the amount of \$4,080,100. The loan has provisions that, if met, allow for the Hospital to be forgiven up to 100% of the loan amount. The loan has an interest rate of 1% and is due in full two years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA. The loan was forgiven by the SBA on June 8, 2021, and will be shown as debt forgiveness in the Hospital's fiscal year 2022 statement of revenues, expenses and changes in net position.

The Hospital entered into the Paycheck Protection Program (PPP) loan (round two) on February 17, 2021, in the amount of \$2,000,000. The loan has provisions that, if met, allow for the Hospital to be forgiven up to 100% of the loan amount. Management believes that 100% of the loan will be forgiven. If any amounts are not forgiven, interest and principal payments begin six months from the date of the loan origination date. The loan has an interest rate of 1% and is due in full five years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA.

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Capital Lease Obligations

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at April 30, 2021 and 2020, totaled \$274,554 and \$306,767, net of accumulated depreciation of \$59,181 and \$1,620,415, respectively. The following is a schedule by year of future minimum lease payments under the capital leases including interest rates of 0% to 5.26% together with the present value of the future minimum lease payments as of April 30, 2021:

Year Ending April 30,	
2022	\$ 87,775
2023	82,596
2024	82,596
2025	51,396
Total minimum lease payments	304,363
Less amount representing interest	27,596
	<hr/>
Present value of future minimum lease payments	\$ 276,767

Note 7: Net Patient Service Revenue

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

Medicare. Inpatient acute care and skilled swing-bed services are paid at cost, subject to certain limitations, under a demonstration project with Medicare. Additional reimbursements under this program were approximately \$2,650,000 in 2021 and \$2,325,000 in 2020. Substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, or per billable service unit. The outpatient payment rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient rehabilitation services, inpatient gero-psychiatric services, medical education costs and home health agency services are paid at prospectively determined per diem rates that are based on the patients' acuity. Rural Health Clinic services are paid based on a cost reimbursement methodology. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient and most outpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective reimbursement methodology. Rural Health Clinic services are paid on a cost reimbursement methodology. Due to certain financial and clinical criteria, the Hospital also receives Medicaid disproportionate share (DSH) funding. Medicaid DSH payments were \$819,250 and \$702,308 in 2021 and 2020, respectively.

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Approximately 49% and 44% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2021 and 2020, respectively. Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible recorded estimates will change materially in the near term.

The Hospital has qualified for additional reimbursements from the Tricare program under its hold harmless provisions regarding certain outpatient services provided on and after January 1, 2010.

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

Note 8: Charity Care, Medicaid and Other Public Aid

Charges excluded from revenue under the Hospital's charity care policy were \$944,469 and \$746,141 for 2021 and 2020, respectively. The cost of charity care under the Hospital's charity care policy were \$333,247 and \$259,756 for 2021 and 2020, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

In support of its mission, the Hospital voluntarily provides free care to patients who lack financial resources and are deemed to be medically indigent. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. In addition, the Hospital provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts which are less than established charges for the services provided to the recipients and many times the payments are less than the cost of rendering the services provided.

Note 9: Pension Plan

Plan Description

The Hospital contributes to the Kansas Public Employees Retirement System (KPERS) plan a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees. The Kansas Public Employees Retirement System Plan is an umbrella organization administering the following three statewide retirement systems under one plan as provided by K.S.A. 74, Article 49: Kansas Public Employees Retirement System (KPERS), Kansas Police and Fire Retirement System and Kansas Retirement System for Judges.

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The KPERS plan is a cost-sharing multiple-employer defined benefit plan. KPERS is intended to be a qualified retirement plan under Section 401(a) of the Code. Information relating to KPERS, including stand-alone financial statements, is available by writing to KPERS, 611 South Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869 or accessing the internet at www.KPERS.org.

KPERS makes separate calculations for pension-related amounts for the following four groups participating in the Plan:

- State/School
- Local
- Police and Firemen
- Judges

The Hospital's employees participate in the Local group.

Benefits Provided

Retirement benefits for employees are calculated based on the credited service, final average salary and a statutory multiplier. KPERS has two levels of benefits depending on retirement age and years of credited service. Tier 1 benefits are for members who are age 65 or age 62 with ten years of credited service or of any age when combined age and years of credited service equal 85 "points." Tier 2 benefits are for members who are age 65 with five years of credited service or age 60 with 30 years of credited service. Tier 1 members receive a participating service credit of 1.75% of the final average salary for years of service prior to January 1, 2014. Participating service credit is 1.85% of final average salary for years of service after December 31, 2013. Tier 2 members retiring on or after January 1, 2012, participating service credit is 1.85% for all years of service.

Early retirement is permitted at the age of 55 and ten years of credited service. Benefits are reduced by 0.2% per month for each month between the ages of 60-62, plus 0.6% for each month between the ages of 55 and 60 for Tier 1 members. For Tier 2 members, benefits are reduced actuarially for each early commencement. The reduction factor is 35% at the age of 60 and 57.5% at age 55. If the member has 30 years of credited service, the early retirement reduction is less (50% of regular reduction). The Plan also provides disability and death benefits to plan members and their beneficiaries.

The terms of the plan provide for annual 2% cost-of-living adjustment for Tier 2 members who retired prior to July 1, 2012, beginning the later of age of 65 or the second July 1 after retirement date. Other participants do not receive a cost-of-living adjustment.

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Contributions

The law governing KPERS requires an actuary to make an annual valuation of the liabilities and reserves and a determination of the contributions required to discharge the KPERS liabilities. The actuary then recommends to the KPERS Board of Trustees the statewide employer-contribution rates required to maintain the three systems on the actuarial reserve basis. Prior to January 1, 2014, Tier 1 participants were required to contribute 4% of their annual pay. Effective January 1, 2014, the rate was raised to 5% with an increase in the benefit multiplier to 1.85% beginning January 1, 2014, for future years of service only. Effective January 1, 2015, the contribution rate was raised to 6%. Tier 2 participants are required to contribute 6% of compensation. The Hospital's contractually required contribution rate for the years ended April 30, 2021 and 2020, was 8.70% and 8.80% of annual payroll, respectively. The employer contribution is actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital's contributions to KPERS for pensions for the years ended April 30, 2021 and 2020, were \$1,201,301 and \$1,126,404, respectively.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At April 30, 2021 and 2020, the Hospital reported a liability of \$11,624,791 and \$11,620,534, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and 2019, respectively, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of December 31, 2019 and 2018, respectively, rolled forward to June 30, 2020 and 2019, respectively. The Hospital's proportion of the net pension liability was based on the ratio of the Hospital's actual contributions to total employer and nonemployer actual contributions of the group for the respective measurement periods. At June 30, 2020, the Hospital's proportion was 0.670537%, which was a decrease of 0.161062% from its proportion measured as of June 30, 2019, of 0.831599%. At June 30, 2018, the proportion was 0.879230%.

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For the years ended April 30, 2021 and 2020, the Hospital recognized pension expense of \$259,437 and \$617,511, respectively. At April 30, 2021 and 2020, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 194,099	\$ 149,451
Net difference between projected and actual earnings		
on pension plan investments	1,356,323	-
Changes of assumptions	700,198	-
Changes in proportion	-	3,064,550
Hospital's contributions subsequent to the measurement date	961,924	-
Total	<u>\$ 3,212,544</u>	<u>\$ 3,214,001</u>

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 25,437	\$ 292,654
Net difference between projected and actual earnings		
on pension plan investments	273,395	-
Changes of assumptions	355,166	23,553
Changes in proportion	-	2,155,683
Hospital's contributions subsequent to the measurement date	593,346	-
Total	<u>\$ 1,247,344</u>	<u>\$ 2,471,890</u>

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At April 30, 2021, the Hospital reported \$961,924 as deferred outflows of resources related to pension contributions made subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending April 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2021, related to pensions will be recognized in pension expense as follows:

2022	\$ (634,144)
2023	(316,074)
2024	(53,872)
2025	70,985
2026	(30,276)
	<hr/>
	\$ (963,381)
	<hr/>

Actuarial Assumptions

The total pension liability in the December 31, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	2.75%	2.75%
Salary increases, including inflation	3.25% to 11.75%	3.5% to 12%
Investment rate of return, net of pension plan investment expense, including inflation	7.50%	7.75%

Mortality rates were based on the RP-2014 Healthy Annuitant Table for males or females, as appropriate with adjustments for mortality improvements based on Scale MP-16 for the December 31, 2019 and 2018, actuarial valuations.

The actuarial assumptions used in the December 31, 2019 and 2018, valuation were based on the results of an actuarial experience study for the three-year period ended December 31, 2018 and 2015, respectively.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	2021		2020	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Global equity			47.0%	6.85%
Alternatives			8.0%	9.85%
U.S. equities	23.5%	5.20%		
Non-U.S. equities	23.5%	6.40%		
Private equity	8.0%	9.50%		
Private real estate	11.0%	4.45%	11.0%	5.05%
Yield driven	8.0%	4.70%	8.0%	6.55%
Real return	11.0%	3.25%	11.0%	1.71%
Fixed income	11.0%	1.55%	13.0%	1.25%
Short-term investments	4.0%	0.25%	2.0%	-0.25%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 and 7.75% for the years ended June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the contractually required rate.

Participating employer contributions do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by KPERS' Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The Hospital's proportionate share of the net pension liability has been calculated using a discount rate of 7.5%. The following presents the Hospital's proportionate share of the net pension liability calculated using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Hospital's proportionate share of the net pension liability (2021)	\$ 16,360,734	\$ 11,624,791	\$ 7,643,098

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

Note 10: Other Postemployment Benefit Plan

Plan Description

The Hospital contributes to the KPERS Long-Term Disability plan (the OPEB Plan), a single-employer defined benefit other postemployment benefit (OPEB) plan covering substantially all employees. The OPEB Plan is administered by a board of trustees appointed by KPERS. The OPEB Plan's assets are not accumulated in a qualified trust because contributions from the employer to the OPEB plan and earnings on those contributions are not irrevocable. Benefit provisions are contained in the plan document and were established and can be amended by action of the KPERS's governing body. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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Benefits Provided

The OPEB Plan provides LTD and life insurance benefits to eligible disabled members. Benefits provided are self-funded, and the full cost of the benefits is covered by the OPEB Plan. The monthly benefit is 60% of the member's monthly rate of compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member's retirement, whichever first occurs. Upon the death of a member who is receiving monthly disability benefits, the plan will pay a lump sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of (a) the member's annual rate of compensation at the time of disability, or (b) the member's previous 12 months of compensation at the time of the last date on payroll. If the member had been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, he or she may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary.

The employees covered by the benefit terms at June 30 (the measurement date), are:

	2020	2019
Active employees	191	262
Disabled employees	1	2
	<u>192</u>	<u>264</u>

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The total OPEB liability in the December 31, 2019 and 2018, actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2019	2018
Inflation	2.75%	2.75%
Discount rate	2.21%	3.50%
Salary increases, including inflation	3.50% to 10%	3.50% to 10%
	Bond Buyer	Bond Buyer
	General	General
	Obligation 20-	Obligation 20-
	Year Municipal	Year Municipal
Discount rate	Bond Index	Bond Index
Mortality tables	RP-2014	RP-2014
Mortality improvements	MP-2020	MP-2019
	Jan 1, 2016 -	Jan 1, 2013 -
Results of an Actuarial Experience Study during	Dec 31, 2018	Dec 31, 2015

Total OPEB Liability

The Hospital's total OPEB liability of \$261,371 and \$280,997 was measured as of June 30, 2020 and 2019, for the years ended April 30, 2021 and 2020, respectively, and was determined by actuarial valuations as of December 31, 2019 and 2018, respectively, and rolled forward to June 30, 2020 and 2019, respectively.

Changes in the total OPEB liability are:

	2021	2020
Balance, beginning of year	\$ 261,371	\$ 280,997
Changes for the year:		
Service cost	59,041	59,027
Interest	11,077	12,904
Differences between expected and actual experience	(103,219)	(80,725)
Changes of assumptions	7,692	2,488
Benefit payments	(7,902)	(13,320)
Net changes	(33,311)	(19,626)
Balance, end of year	\$ 228,060	\$ 261,371

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Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the Hospital, at April 30, 2021, has been calculated using a discount rate of 2.21%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the 2021 discount rate.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Hospital's total OPEB liability	\$ 230,901	\$ 228,060	\$ 223,712

The total OPEB liability of the Hospital is not impacted by health care cost trend rates given the nature of the benefits provided by the OPEB plan, as such no sensitivity tables were prepared for the health care trend rates.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended April 30, 2021 and 2020, the Hospital recognized OPEB expense of \$45,749 and \$57,221, respectively. At April 30, 2021 and 2020, the Hospital reported deferred outflows or resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (192,694)
Changes of assumptions	8,890	(7,746)
Hospital's contributions made subsequent to the measurement date	99,827	-
Total	<u>\$ 108,717</u>	<u>\$ (200,440)</u>

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	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (113,557)
Changes of assumptions	2,232	(9,067)
Hospital's contributions made subsequent to the measurement date	98,891	-
Total	<u>\$ 101,123</u>	<u>\$ (122,624)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at April 30, 2021, related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (24,369)
2023	(24,369)
2024	(24,369)
2025	(24,369)
2026	(24,369)
Thereafter	(69,705)
	<u>\$ (191,550)</u>

Note 11: Restricted Net Positions

At April 30, 2021 and 2020, restricted expendable net positions were available for the following purposes:

	2021	2020
Debt service	\$ 457,963	\$ 458,062
Specific operating activities		
Nursing scholarships	103,212	103,212
Total restricted expendable net position	<u>\$ 561,175</u>	<u>\$ 561,274</u>

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Note 12: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have been eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

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

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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

Provider Relief Fund

The Hospital received \$8,945,250 and \$671,460 of distributions from the *CARES Act* Provider Relief Fund for the years ended April 30, 2021 and 2020, respectively. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

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The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through April 30, 2021 and 2020, the Hospital recognized \$6,650,295 and \$671,460, respectively, related to the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as nonoperating revenue in the accompanying statements of revenues, expenses and changes in net position.

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

Medicare Accelerated and Advanced Payment Program

During the year ended April 30, 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

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

During the year ended April 30, 2020, the Hospital received approximately \$2,810,000 from these accelerated Medicare payment requests. The unapplied amount of accelerated Medicare payment requests are recorded under the caption Medicare advanced payments in the accompanying balance sheets. They are classified as current and long-term liabilities based on the provisions in effect at April 30, 2021.

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Payroll Tax Credits

The *CARES Act* provides for a deferral of payments of the employer portion of payroll tax incurred during the pandemic, allowing half of such payroll taxes be deferred until December 2021 and the remaining half until December 2022. At April 30, 2021, the Hospital had deferred approximately \$408,000, which will be payable as outlined above.

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation also provides a Small Business Administration (SBA) loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Payroll Protection Program (PPP) loans will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan – round 1 of \$4,080,100 on April 30, 2020. The loan has an interest rate of 1 percent, with monthly payments of principal and interest due monthly starting six months after the receipt of the loan. The loan was forgiven by the SBA on June 8, 2021, and will be shown as debt forgiveness in the Hospitals fiscal year 2022 statement of revenues, expenses and changes in net position

The Hospital entered into the Paycheck Protection Program (PPP) loan (round two) on February 17, 2021, in the amount of \$2,000,000. The loan has an interest rate of 1% and is due in full five years from date of issuance. The loan is a program under the SBA and is fully guaranteed by the SBA. The loan was forgiven by the SBA on February 9, 2022, and will be shown as debt forgiveness in the Hospitals fiscal year 2022 statement of revenues, expenses and changes in net position

Note 13: Contingencies

Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis, which provides \$1,000,000 of coverage for each medical incident and \$3,000,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim incurred.

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

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General Litigation

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. Some of these allegations are in areas not covered by the Hospital's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated balance sheets, change in net assets and cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Note 14: Future Changes in Accounting Principles

Leases

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* (GASB 87) provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly. GASB 87 is effective for financial statements for fiscal years beginning after June 15, 2021. Earlier application is encouraged. Governments will be allowed to transition using the facts and circumstances in place at the time of adoption, rather than retroactive to the time each lease was begun. The Hospital is evaluating the impact the statement will have on the financial statements.

Note 15: Management's Consideration of Going Concern Matters

The Hospital has incurred losses and negative cash flows from operations for the past several years. Management is considering several alternatives for mitigating these conditions during the next year. The Hospital has implemented an overall strategic plan to improve utilization and reduce costs without impacting the quality of patient care. The Hospital received full forgiveness of the PPP loan – round 1 and round 2 in fiscal year 2022, the total positive impact on net position for both loans forgiven will be approximately \$6,000,000.

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The Hospital recently met conditions to participate in the 340B drug savings program and expects to begin participating with contracting pharmacies. Based on initial projections the positive impact of the 340B program for the Hospital would be around \$750,000 a year. The Hospital received significant payments in November and December 2021 that totaled approximately \$1,220,000 related to the HHS PRF phase 4 stimulus funds as detailed below in the subsequent events. Due to conditions that have to be met to retain the HHS stimulus funds it is uncertain at this time the extent of funds that will be retained and positively impact the net position of the Hospital. The effects of these changes cannot be evaluated and substantial doubt about the Hospital's ability to continue as a going concern within one year after the date of the financial statements remains.

The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Hospital be unable to continue as a going concern.

Note 16: Subsequent Events

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On November 23, 2021, the Hospital received approximately \$1,082,000 of additional stimulus funds from HHS as part of the Phase 4 ARP funding. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain a portion, if not all, of the stimulus payments.

On December 16, 2021, the Hospital received approximately \$137,000 of additional stimulus funds from HHS as part of the Phase 4 PRF funding. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain a portion, if not all, of the stimulus payments.

The Hospital received approximately \$243,000 in October 2021 from the KDHE in connection with the Strengthening People and Revitalizing Kansas (SPARK) Frontline Workers Retention Plan as part of Kansas's share of the Coronavirus State and Local Recovery Fund. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain a portion, if not all, of the stimulus payments.

The Hospital received full forgiveness of the PPP loan – round 1 and round 2 in fiscal year 2022, the total positive impact on net position for both loans forgiven will be approximately \$6,000,000.

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Note 17: Geary Community Healthcare Foundation

Summary of Significant Accounting Policies

Organization

The Foundation is a not-for-profit organization whose purpose is to raise funds for the support of health and health care programs in Geary County and the Geary Community Hospital. The Foundation is considered a component unit of Geary Community Hospital.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of one year or less to be cash equivalents. Cash equivalents consist of cash accounts and certificates of deposit located at various financial institutions and brokerages.

Investments and Investment Return

The Foundation records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return (loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor restrictions. Restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the condition on which they depend have been substantially met.

Geary Community Hospital
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Functional Allocation of Expenses

The costs of providing the Foundation's programs and administration have been summarized on a functional basis in the Statements of Activities. Accordingly, expenses that benefit both programs and supporting services have been allocated using management's estimates.

Fair Value Measurement

The Foundation reports certain assets and liabilities at fair value in the financial statements. Fair value is 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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to the entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's assessment of the quality, risk or liquidity profile of the asset or liability.

The following table provides the hierarchy and fair value for each major category of assets measured at fair value at December 31:

	Fair Value Level	2020	2019
Cash and cash equivalents	Level 1	\$ 66,914	\$ 693,523
Exchange traded and mutual funds	Level 1	3,448,975	2,940,523
Bonds	Level 1	54,682	79,540
Total investments		<u>\$ 3,570,571</u>	<u>\$ 3,713,586</u>

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The programmatic loan was designed to be a financial instrument which would bear a value equivalent to the Foundation's note payable. Each of these instruments bear interest at 4%, which is the marketable rate of interest charged by the Foundation's bank to procure the note payable (level 2).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at December 31, 2019 and 2018. There have been no transfers between the three levels of fair value classification during the years ended December 31, 2019 and 2018.

Programmatic Note Receivable and Note Payable

During 2019, the Foundation entered into an arrangement in support of the ongoing operations of the Hospital whereby the following was agreed upon between the Foundation, the Foundation's local bank (the Bank), and the Hospital:

- The Foundation's assets were pledged as collateral on a promissory note with the Bank who agreed to provide up to \$2,000,000 of loan draws at a rate of 4% interest with maturity in August of 2020.
- The Hospital's accounts receivable were pledged as collateral on a programmatic note due to the Foundation at 4% interest with maturity in August of 2020.
- The Foundation agreed to draw on its loan with the Bank in order to pass-through funds to the Hospital.

As of December 31, 2019, the balance of the loan due by the Foundation to the Bank was \$1,093,320. This same amount was due by the Hospital to the Foundation on December 31, 2019. Each of these balances were fully retired in 2020 as the Foundation received the remaining principal due of \$1,093,320 from the Hospital and used these proceeds to retire the Bank loan.

Income Taxes and Uncertain Tax Positions

The Foundation is organized as a Kansas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). Further, the Foundation qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Sections 509(a)(1).

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The Foundation is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS on an annual basis. In addition, this entity is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. For 2020 and 2019, the Foundation has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Returns filed by the Foundation are subject to IRS examination, generally for three years after each return is filed. No taxing authorities have commenced income tax examinations for open tax years.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

Reclassifications

Reclassifications have been made to the amounts reported for 2019 to conform to the presentation of the 2020 financial statements. These reclassifications had no effect on the change in net assets for 2019.

Required Supplementary Information

Geary Community Hospital
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Schedule of the Hospital's Proportionate Share of the Net Pension Liability
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Hospital's proportion of the net pension liability	0.670537%	0.831599%	0.879230%	1.001085%	1.011597%	1.127297%	1.169507%
Hospital's proportionate share of the net pension liability	\$ 11,624,791	\$ 11,620,534	\$ 12,264,253	\$ 14,500,272	\$ 14,102,900	\$ 14,801,907	\$ 14,394,445
Hospital's covered-employee payroll	\$ 12,662,114	\$ 15,374,815	\$ 15,802,429	\$ 17,633,030	\$ 16,701,107	\$ 18,184,652	\$ 18,216,708
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	91.81%	75.58%	77.61%	82.23%	84.44%	81.40%	79.02%
Plan fiduciary net position as a percentage of the total pension liability	66.30%	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

Geary Community Hospital
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Schedule of the Hospital's Pension Contributions
Kansas Public Employees Retirement System Plan
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *	2017 *	2016 *	2015 *
Contractually required contribution	\$ 1,201,301	\$ 1,126,404	\$ 1,388,885	\$ 1,288,557	\$ 1,537,287	\$ 1,657,442	\$ 1,712,969
Contribution in relation to the contractually required contribution	<u>1,201,301</u>	<u>1,126,404</u>	<u>750,379</u>	<u>1,288,557</u>	<u>1,537,287</u>	<u>1,657,442</u>	<u>1,712,969</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$13,808,969	\$12,789,498	\$16,554,052	\$15,231,170	\$16,746,046	\$17,669,957	\$18,920,865
Contributions as a percentage of covered-employee payroll	8.70%	8.81%	8.39%	8.46%	9.18%	9.38%	9.05%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

*The amounts presented for each fiscal year are as of the most recent fiscal year-end (April 30).

Geary Community Hospital
A Component Unit of Geary County, Kansas
Schedule of Changes in the Hospital's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years

	2021 *	2020 *	2019 *	2018 *
Total OPEB Liability				
Service cost	\$ 59,041	\$ 59,027	\$ 58,293	\$ 68,352
Interest	11,077	12,904	14,129	12,195
Differences between expected and actual experience	(103,219)	(80,725)	(51,825)	-
Changes in assumptions	7,692	2,488	(2,352)	(10,435)
Benefit payments	<u>(7,902)</u>	<u>(13,320)</u>	<u>(145,947)</u>	<u>(41,629)</u>
Net Change in Total OPEB Liability	(33,311)	(19,626)	(127,702)	28,483
Hospital's Total OPEB Liability - Beginning	<u>261,371</u>	<u>280,997</u>	<u>408,699</u>	<u>380,216</u>
Hospital's Total OPEB Liability - Ending	<u><u>\$ 228,060</u></u>	<u><u>\$ 261,371</u></u>	<u><u>\$ 280,997</u></u>	<u><u>\$ 408,699</u></u>
Hospital's Covered-Employee Payroll	\$ 11,121,420	\$ 14,648,584	\$ 15,136,566	\$ 16,549,913
Hospital's Total OPEB Liability as a Percentage of Covered-employee Payroll	2.05%	1.78%	1.86%	2.47%

Note to Schedule: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Changes in assumptions: Discount rate changed from 2.85% for 2017 to 3.58 % for 2018 to 3.87% for 2019 to 3.5% for 2020.

*The amounts presented for each fiscal year are as of the measurement date (June 30 of the year reported).

Supplementary Information

Geary Community Hospital
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Net Patient Service Revenue
Years Ended April 30, 2021 and 2020

	2021		
	Inpatient	Outpatient	Total
Nursing, dietary and room service	\$ 5,305,553	\$ -	\$ 5,305,553
Intensive care	2,908,619	-	2,908,619
Nursery	495,835	-	495,835
Operating room	3,363,977	5,099,571	8,463,548
Extended recovery	1,995	167,968	169,963
Anesthesiology	587,040	1,154,458	1,741,498
Radiology, CT, MRI and Ultrasound	2,536,844	21,920,741	24,457,585
Nuclear medicine	10,295	878,837	889,132
Laboratory	3,381,331	20,242,973	23,624,304
Intravenous therapy	40,234	697,589	737,823
Raspatory therapy	3,546,584	1,767,521	5,314,105
Physical therapy	185,720	28,318	214,038
Occupational therapy	136,441	18,466	154,907
Speech therapy	41,681	7,964	49,645
Cardiac pulmonary rehabilitation	-	909,987	909,987
Sleep lab	-	843,653	843,653
Central supply	1,158,841	882,019	2,040,860
Pharmacy	3,835,874	2,822,159	6,658,033
Emergency room	1,170,634	11,590,717	12,761,351
Observation	-	1,054,541	1,054,541
Wound care	-	76,083	76,083
Pediatric clinic – RHC	-	1,142,740	1,142,740
4th Floor MAB II clinic – RHC	-	2,039,306	2,039,306
Hospitalist	-	660,473	660,473
Frieze clinic – RHC	-	564,848	564,848
Craig clinic – RHC	-	78,749	78,749
Alphacare – RHC	-	1,000,521	1,000,521
Naccarato clinic – RHC	-	727,329	727,329
Home medical equipment	-	2,042,651	2,042,651
Orthopedic clinic	956	1,966,474	1,967,430
Chapman clinic	-	45,882	45,882
Flint Hills OB/GYN	-	138,783	138,783
Flint Hills Surgical clinic	-	882,523	882,523
Total Hospital	<u>\$ 28,708,454</u>	<u>\$ 81,453,844</u>	110,162,298
Contractual allowances and charity care			<u>76,349,910</u>
Net patient service revenue			<u>\$ 33,812,388</u>

2020		
Inpatient	Outpatient	Total
\$ 4,518,416	\$ -	\$ 4,518,416
1,405,680	-	1,405,680
510,410	-	510,410
3,924,895	5,644,521	9,569,416
495	210,974	211,469
697,128	1,263,551	1,960,679
1,804,606	19,723,419	21,528,025
8,350	965,674	974,024
2,061,411	16,992,141	19,053,552
20,642	852,089	872,731
1,997,403	1,830,071	3,827,474
138,749	31,096	169,845
83,925	17,071	100,996
27,518	15,817	43,335
163,677	753,104	916,781
910	746,750	747,660
1,564,804	1,133,977	2,698,781
2,323,467	2,381,842	4,705,309
819,452	9,330,316	10,149,768
-	1,192,392	1,192,392
-	-	-
-	1,023,613	1,023,613
-	1,713,497	1,713,497
-	293,364	293,364
-	446,054	446,054
-	478,264	478,264
-	1,371,130	1,371,130
-	730,725	730,725
-	2,326,505	2,326,505
(19)	1,855,505	1,855,486
-	101,025	101,025
-	-	-
-	948,813	948,813
<u>\$ 22,071,919</u>	<u>\$ 74,373,300</u>	<u>96,445,219</u>
		<u>66,048,421</u>
		<u>\$ 30,396,798</u>

Geary Community Hospital
A Component Unit of Geary County, Kansas
Contractual Allowances, Charity Care and Other Operating Revenues
Years Ended April 30, 2021 and 2020

Contractual Allowances and Charity Care

	2021	2020
Hospital-sponsored charity care	\$ 944,469	\$ 746,141
Contractual allowances:		
Medicare	35,302,708	29,800,170
Medicaid	8,822,346	7,517,752
Blue Cross	9,441,121	9,626,335
Tricare	8,158,340	7,143,293
HMO/PPO	2,294,441	2,645,790
Pediatric clinic – RHC	35,917	(132,911)
4th Floor MAB II clinic – RHC	(79,219)	185,137
Hospitalist	224,346	208,336
Frieze clinic – RHC	29,332	2,740
Craig clinic – RHC	20,622	(4,443)
Alphacare – RHC	884,007	164,618
Naccarato – RHC	20,694	1,169
Chapman clinic	18,036	45,446
Flint Hills Surgical clinic	420,824	587,216
Orthopedic clinic	1,132,899	1,140,536
Employee discounts	2,953	16,506
Administrative adjustments	2,593,141	2,411,071
Provision for uncollectible accounts	6,082,933	3,943,519
	<u><u>\$ 76,349,910</u></u>	<u><u>\$ 66,048,421</u></u>

Other Operating Revenues

	2021	2020
Cafeteria and catering	\$ 154,434	\$ 220,880
Rental income	306,662	251,198
Medical records transcript fees	9,080	12,283
Vending machine receipts	5,795	5,322
340B Drug Program	213,063	-
Miscellaneous	11,497	32,952
	<u><u>\$ 700,531</u></u>	<u><u>\$ 522,635</u></u>

Geary Community Hospital
A Component Unit of Geary County, Kansas
Operating Expenses
Years Ended April 30, 2021 and 2020

	2021		
	Salaries	Other	Total
Nursing service	\$ 1,683,032	\$ 831,175	\$ 2,514,207
Intensive care	594,547	1,577,518	2,172,065
Nursery	35,793	3,385	39,178
Operating room	698,053	889,955	1,588,008
Anesthesiology	-	683,520	683,520
Radiology, CT, MRI and Ultrasound	702,600	517,679	1,220,279
Nuclear medicine	57,862	17,170	75,032
Laboratory	834,489	1,657,167	2,491,656
Intravenous therapy	59,262	233,778	293,040
Inhalation therapy	418,600	99,358	517,958
Physical therapy	-	38,051	38,051
Occupational therapy	-	25,436	25,436
Speech therapy	-	9,411	9,411
Cardiac pulmonary rehabilitation	77,168	1,011	78,179
Sleep lab	69,338	17,166	86,504
Central supply	77,411	55,247	132,658
Pharmacy	412,176	1,180,838	1,593,014
Emergency room	1,127,820	1,919,955	3,047,775
Pediatric clinic – RHC	538,409	152,899	691,308
4th Floor MAB II clinic – RHC	1,270,762	374,927	1,645,689
Frieze clinic – RHC	445,430	128,065	573,495
Craig clinic – RHC	176,189	50,620	226,809
Alphacare – RHC	424,953	223,751	648,704
Naccarato clinic – RHC	471,001	127,125	598,126
Clinic management – RHC	324,864	106,917	431,781
Hospitalist	408,801	217,270	626,071
Ambulance	-	-	-
Home medical equipment	223,520	855,784	1,079,304
Depreciation	-	1,822,590	1,822,590
Employee health and welfare	-	1,249,682	1,249,682
Administrative and general	2,409,805	5,634,293	8,044,098
Operation of plant	310,229	2,486,894	2,797,123
Laundry and linen	31,221	81,821	113,042
Housekeeping	-	907,441	907,441
Dietary	-	868,827	868,827
Dietician	275	302	577
Nursing administrative	491,103	108,302	599,405
Foundation	6,362	(2,233)	4,129
Public relations	81,989	78,751	160,740
Chapman clinic	3,119	16,546	19,665
Flint Hills Surgical clinic	671,086	193,271	864,357
Flint Hills OBGYN	51,254	18,921	70,175
Ortho clinic	278,275	723,370	1,001,645
Wound care	3,024	17,469	20,493
Community wellness	-	-	-
Medical arts building	154	300,701	300,855
	<u>\$ 15,469,976</u>	<u>\$ 26,502,126</u>	<u>\$ 41,972,102</u>

2020		
Salaries	Other	Total
\$ 1,316,255	\$ 212,850	\$ 1,529,105
469,971	40,246	510,217
92,540	3,149	95,689
692,933	1,414,105	2,107,038
-	586,830	586,830
654,226	625,228	1,279,454
59,175	46,256	105,431
771,297	1,296,363	2,067,660
64,234	155,376	219,610
424,158	69,325	493,483
-	40,455	40,455
-	25,494	25,494
-	7,069	7,069
80,025	2,675	82,700
57,112	16,508	73,620
80,248	(125,221)	(44,973)
382,041	176,780	558,821
923,922	1,896,256	2,820,178
535,661	280,473	816,134
1,153,999	343,967	1,497,966
445,491	123,452	568,943
317,831	102,274	420,105
494,572	225,410	719,982
391,755	112,470	504,225
379,650	36,175	415,825
509,156	140,295	649,451
-	1,585	1,585
188,140	740,128	928,268
-	1,856,592	1,856,592
-	2,135,271	2,135,271
2,416,624	4,982,708	7,399,332
329,497	1,255,858	1,585,355
64,062	65,161	129,223
-	862,971	862,971
-	1,027,912	1,027,912
9,961	569	10,530
558,493	124,317	682,810
(75,784)	(8,742)	(84,526)
20,731	59,041	79,772
2,083	28,234	30,317
606,147	203,544	809,691
-	-	-
230,433	806,423	1,036,856
-	-	-
133	-	133
-	338,842	338,842
<u>\$ 14,646,772</u>	<u>\$ 22,334,674</u>	<u>\$ 36,981,446</u>