The Lawrence Memorial Hospital

A Component Unit of the City of Lawrence, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
The Lawrence Memorial Hospital
Lawrence, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of The Lawrence Memorial Hospital (the "Hospital"), a component unit of the City of Lawrence, Kansas, and its aggregate discretely presented component units as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, based on our audits and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Hospital and its aggregate discretely presented component units as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of LMH Health Foundation, a discretely presented component unit of the Hospital, which represent 66%, 93% and 36%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units as of December 31, 2024; and, which represent 66%, 94% and 37%, respectively, of the assets, net assets and revenues of the aggregate discretely presented component units as of December 31, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for LMH Health Foundation, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the Kansas Municipal Audit and Accounting Guide. Our 2024 audit also was conducted in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Hospital, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements of LMH Health Foundation and Lawrence Surgery Center, LLC, component units included in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management's for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, the Kansas Municipal Audit and Accounting Guide and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Hospital's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Kansas City, Missouri
April 25, 2025

Introduction

This management's discussion and analysis of the financial performance of The Lawrence Memorial Hospital (Hospital) provides an overview of the Hospital's financial activities for the years ended December 31, 2024 and 2023. It should be read in conjunction with the accompanying financial statements of the Hospital. Unless otherwise indicated, the information and financial data relates solely to the Hospital and does not include its discretely presented component units, LMH Health Foundation and Lawrence Surgery Center, LLC. Dollar amounts are in thousands.

Financial Highlights

- Cash deposits and investments as detailed in *Note 2* to the financial statements totaled $149,302 at December 31, 2024, an increase of $32,790 or 28.1% from the balance of $116,511 reported for December 31, 2023 when cash and investments increased $19,523 or 20.1% from the balance reported at December 31, 2022.
- The Hospital's net position at December 31, 2024 increased $32,991 or 12.1% compared to the increase of $1,285 or 0.5% in 2023.
- The Hospital reported operating income of $11,447 in 2024 representing an 833.3% improvement over the operating loss of $1,561 reported for 2023 and compared to the operating loss of $3,600 generated in 2022.
- Investment income of $7,145 increased $2,545 or 55.3% compared to investment income of $4,600 reported in 2023 and compared to investment losses of $1,121 in 2022. The year-to-year changes were impacted by the improved cash position as well as unrealized market gains and losses due to volatile market conditions, impacted by periods of recovery following the COVID-19 pandemic and subsequent inflation factors in the economy.
- Nonoperating revenues includes FEMA funds totaling $10,069 received in 2024 to support the Hospital's COVID-19 pandemic response in prior years.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements, along with the accompanying notes, provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Hospital utilizes accounting practices for a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps the user determine its overall financial condition. These statements include all restricted and unrestricted assets, all liabilities and all deferred inflows of resources using the accrual basis of accounting. Under the accrual basis of accounting, all of the current year's revenues and expenses are considered regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes during the period. The Hospital's total net position—the difference between assets, liabilities and deferred inflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases in the Hospital's net position are one indicator that its financial health is improving. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in medical staff, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The Statement of Cash Flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. This statement provides the user an understanding of the various sources and uses of cash for the Hospital.

The Hospital's Net Position

The Hospital's net position as illustrated in Table 1 below is the difference between its assets, liabilities and deferred inflows of resources reported in the Balance Sheet. Changes in net position were due to negative or positive financial operating results for the respective years.

Table 1: Assets, Liabilities, Deferred Inflows of Resources and Net Position

	2024	2023	2022
Assets			
Cash and cash equivalents	$ 55,686	$ 38,378	$ 18,378
Patient accounts receivable, net	41,957	40,077	50,054
Other current assets	19,366	16,569	24,590
Total current assets	117,009	95,024	93,022
Noncurrent cash and investments	91,028	75,547	76,074
Capital assets, net	224,978	225,605	230,161
Lease assets, net	5,311	4,410	5,373
Subscription assets, net	40,389	38,727	44,034
Lease receivable	12,854	13,510	13,648
Other	1,600	1,853	1,681
Total other noncurrent assets	14,454	15,363	15,329
Total assets	$ 493,169	$ 454,676	$ 463,993
Liabilities			
Long-term debt	$ 84,552	$ 87,461	$ 90,750
Lease liabilities	4,285	3,201	4,241
Subscription liabilities	33,436	34,661	38,799
Other current and noncurrent liabilities	52,752	43,455	45,249
Total liabilities	175,025	168,778	179,039
Deferred Inflows of Resources - Leases	13,008	13,753	14,094
Net Position			
Net investment in capital assets	136,834	134,334	141,444
Restricted - expendable for			
Capital acquisition	3,521	3,220	1,820
Specific operating activities	-	-	33
Unrestricted	164,781	134,591	127,563
Total net position	305,136	272,145	270,860
Total liabilities, deferred inflows of resources and net position	$ 493,169	$ 454,676	$ 463,993

Cash and cash equivalents totaled $55,686 at December 31, 2024 and reflected an increase of $17,308 or 45.1% compared to a balance of $38,378 in 2023 and compared to the balance of $18,378 in 2022. The Hospital's cash position in 2024 was supported with FEMA funds received to reimburse COVID-19 response expenditures incurred in prior years and with contributions from the LMH Health Foundation to support the Hospital's capital investment initiatives.

Net patient accounts receivable increased by $1,880 or 4.7% at December 31, 2024 compared to the balance at December 31, 2023 primarily due to higher patient revenues generated over the year. Net patient accounts receivable decreased by $9,977 or 19.9% at December 31, 2023 compared to the balance at December 31, 2022 due to revenue cycle improvements implemented during the year.

Total noncurrent cash and investments at December 31, 2024 increased $15,481 or 20.5% compared to a balance of $75,547 at December 31, 2023 and a balance of $76,074 at December 31, 2022. In 2022, the Hospital moved funds into securities with longer term maturities to yield higher investment rates.

Net capital assets of $224,978 at December 31, 2024 decreased by $627 or 0.3% compared to net capital assets of $225,605 at December 31, 2023 when net capital assets decreased by $4,556 compared to the balance of $230,161 reported at December 31, 2022. The year over year decreases are primarily due to depreciation and asset retirements.

Net lease assets increased by $901 or 20.4% at December 31, 2024 compared to the 2023 year-end balance when the balance decreased by $963 compared to the 2022 year-end balance. New equipment leases and an extension of leased clinic space contributed to the increase in lease assets for 2024.

Lease receivable assets decreased by $656 at December 31, 2024 compared to the 2023 year-end balance when the balance decreased by $138 compared to the 2022 year-end balance.

Net subscription assets of $40,389 increased by $1,662 or 4.3% compared to the balance of $38,727 at December 31, 2023 when a decrease of $5,307 or 12.1% was reported compared to December 31, 2022. The increase in 2024 was due to the commencement of new information technology subscription arrangements net of related amortization of subscription assets recorded.

Long-term debt of $84,552 at December 31, 2024 decreased by $2,909 or 3.3% compared to the prior year long-term debt of $87,461 reported at December 31, 2023 which decreased by $3,289 or 3.6% compared to long-term debt of $90,750 at December 31, 2022. The decreases are attributable to principal payments on the 2018 Series bonds, note payable and other financing obligations.

Long-term lease liabilities of $4,285 at December 31, 2024 increased $1,084 or 33.9% compared to the 2023 year-end balance of $3,201 which decreased $1,040 when compared to the 2022 year-end balance. New equipment leases and an extension of leased clinic space contributed to the increase in lease liabilities for 2024.

Long-term subscription liabilities of $33,436 at December 31, 2024 decreased $1,225 or 3.5% compared to the 2023 year-end balance as a result of making scheduled payments under the IT arrangements.

Other current and noncurrent liabilities of $52,752 increased $9,297 or 21.4% compared to the December 31, 2023 of $43,455 which decreased by $1,794 or 4.0% compared to the December 31, 2022 balance of $45,249. The increase is attributed to timing of vendor and employee payments impacting year-end expense accruals.

The Hospital reports an acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheet. The December 31, 2024 balance of deferred inflows of resources decreased $745 compared to the balance at December 31, 2023 and decreased $341 compared to the balance reported at December 31, 2022.

Operating Results and Changes in the Hospital's Net Position

The Hospital's Revenues Over (Under) Expenses in 2024 were $24,283 representing an increase of $25,132 over the prior year results and a net margin of 6.4%. In 2023 the Hospital reported expenses greater than revenues resulting in a negative ($849), an increase of $7,738 or 90.1% increase over the prior year and a net margin of (0.2)%. In 2022, the Hospital reported expenses greater than revenues, generating a negative ($8,587) for Revenues Over (Under) Expenses for the year. The Revenues Over (Under) Expenses were the principal factor in the increase in net position of $32,991 in 2024. In 2023, the Hospital's net position increased $1,285, despite the reported expenses greater than revenues of ($849), due to $2,134 of contributions restricted for acquisition of capital assets. The Revenues Over (Under) Expenses were the principal factor in the decrease in net position of ($7,927) in 2022, as shown in Table 2.

Table 2: Operating Results and Changes in Net Position

	2024	2023	2022
Operating Revenues			
Net patient service revenue	$ 375,436	$ 341,555	$ 333,417
Other operating revenues	6,356	6,222	5,708
Total operating revenues	381,792	347,777	339,125
Operating Expenses			
Salaries and wages and employee benefits	188,756	183,792	174,625
Purchased services and professional fees	36,312	37,469	38,515
Depreciation and amortization	23,026	21,466	20,955
Other operating expenses	122,251	106,611	108,630
Total operating expenses	370,345	349,338	342,725
Operating Income (Loss)	11,447	(1,561)	(3,600)
Nonoperating Revenues (Expenses)			
Investment income (loss)	7,145	4,600	(1,121)
Interest income from leases	574	633	581
Interest expense	(5,471)	(5,503)	(5,880)
Contributions and other	10,208	126	536
Gain (loss) on sale of capital assets	(13)	(63)	6
Gain on investment in equity investees	393	919	891
Total nonoperating revenues (expenses), net	12,836	712	(4,987)
Revenues Over (Under) Expenses	24,283	(849)	(8,587)
Contributions Restricted for Acquisition of Capital Assets	8,708	2,134	660
Increase (Decrease) in Net Position	$ 32,991	$ 1,285	$ (7,927)

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between operating revenues and the expenses incurred to perform those services.

The Hospital ended 2024 with a net operating income of $11,447, an improvement of $14,008 or 833.3% when compared to the net operating loss of $1,561 reported in the prior year.

Inpatient Hospital gross charge revenue increased 10.25% in 2024 when compared to the prior year with total adult and pediatric days of 28,508 reported and an increase of 1.7% for related patient discharges. Routine room and bed charges increased $3,864 while inpatient ancillary service charges increased $23,030 or 11.7% over the prior year. Inpatient surgical cases grew by 6.3% in 2024 due to the successful recruitment of additional spine and orthopedic surgeons able to provide new services for the community. Invasive cardiology services grew as a result of adding new providers through the collaboration with the University of Kansas Health System to provide vascular surgery and other cardiac related services at the Hospital.

In 2024, Hospital outpatient gross charge revenue increased 10.2% due to increased oncology, pharmacy, endoscopy and imaging services. Mid-year, the Hospital acquired and installed a new combination PET/CT scanner to enhance the ability to provide state-of-the-art imaging for oncology and cardiac services locally. Endoscopy services increased with the employment of new gastroenterology specialists to provide essential services for the community.

Revenues generated from Emergency department services in 2024 increased 10.5% over the prior year while Physician Enterprise revenue declined 2.6% with the loss of specialty service providers for pulmonary and neurology services and a shift from providing outpatient infusion services in a physician clinic setting to a Hospital main campus outpatient department in order to gain clinical efficiencies and streamline care delivery for the affected patients.

Deductions from revenue increased 8.0% in 2024 and were reported at 75.6% of gross revenue compared to deductions of 75.9% experienced in 2023. Other operating revenues increased $134 or 2.2% compared to the prior year and yielded total operating revenue of $381,792 representing an increase of $34,015 or 9.8% over the prior year.

Total operating expenses increased $20,007 or 5.7% when compared to expenses incurred in the prior year. Salaries and benefits increased $3,964 or 2.2% over the prior year while purchased services and profession fees decreased $1,157 or 3.1%. The shift in expense was largely due to a significant reduction in contract labor expense as a result of targeted initiatives to recruit and retain staff for needed clinical positions in conjunction with efforts to effectively manage workforce productivity. Contract labor expense decreased $2,066 or 27.5% from prior year's expenditures.

The most significant expense increases were in drug and medical supply costs and software maintenance and licensing expenses. Pharmacy drug expense increased due to higher volumes seen in the oncology department coupled with the utilization of high cost drugs to treat patients in the oncology and infusion clinics.

Included in other operating costs was an increase in the Kansas Healthcare Provider Assessment effective on July 1, 2024. The total assessment tax in 2024 was $8,469 compared to $7,892 paid in 2023, an increase of $577. The assessment was created to fund the state's Health Care Access Improvement Fund in order to receive federal matching funds to provide payment for health care services to hospital providers caring for Kansas Medicaid beneficiaries.

In 2023, Hospital inpatient gross charge revenue increased 12.6% when compared to 2022. Adult and pediatric inpatient days of 28,450 increased 1,238 days or 4.5% when compared to 2022 patient days and total discharges increased by 7.3% for the same time period. The inpatient volume increase contributed to a 10.7% increase in room and bed gross charge revenue. Inpatient ancillary service charges increased $29,586 or 12.7% over the prior year with growth in surgical, imaging, laboratory and pharmacy services. Inpatient surgical cases increased 28.1% over the prior year and inpatient imaging service volumes increased 5.9% compared to prior year volumes.

Hospital outpatient ancillary services gross charge revenue in 2023 increased by 8.7% when compared to the prior year. Increases in pharmacy and oncology pharmacy revenues were significant contributors to the higher revenue generated for Hospital outpatient services. Growth in imaging, endoscopy, therapy, and surgical services were also a factor in the increase over prior year results.

Emergency department patient visits of 37,540 declined by 566 visits from the prior year, but gross charge revenues generated from services increased by 5.0% over prior year charges. Physician practice gross revenue remained fairly even with prior year results, but were impacted by a shift from providing drug infusion therapy services in a physician clinic setting to the Hospital's outpatient infusion clinic to improve operational efficiency and standardization of clinical care.

Deductions from revenue increased 9.8% in 2023 and were reported at 75.9% of gross revenue compared to deductions of 74.6% experienced in 2022. The resulting net patient revenue of $341,555 showed an increase of $8,138 or 2.4% over prior year results. Other operating revenue increased 9.0% in 2023 due to increases in provider quality incentive awards earned by the family and internal medicine physician groups for providing high quality services and preventative care to their patient base as part of the overall commitment to help reduce cost and increase the health of the community we serve. When combined with other operating revenues of $6,222, total operating revenues were $347,777 in 2023.

Total operating expenses of $349,338 increased $6,613 or 1.9% in 2023 compared to prior year expenses. Salaries and wages and employee benefits expense of $183,792 grew $9,167 or 5.2% over the prior year due to a 4.0% cost of living increase and market adjustments granted to non-contract clinical and support staff as part of an ongoing recruitment and retention plan. Due to progress with the recruitment and retention project, the Hospital was able to significantly reduce contract labor expense which was higher in the two preceding years. Contract labor expense included within purchased services totaled $7,502 in 2023 compared to $12,247 in 2022, a decrease of $4,745.

Despite the increased drug usage to treat patients during 2023, the Hospital was able to realize significant savings under the government's 340B drug purchasing program for which the Hospital was newly qualified. The 340B program produced savings for all drug expense, which decreased more than $5,040 from what was expended in the prior year. The significant decreases in both contract labor and drug expense helped mitigate the impact of inflation in other purchased services and supplies expense categories.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses typically consist of investment earnings on the Hospital's fixed income and equity portfolios, income from the Hospital's investment in the Lawrence Surgery Center, LLC, Mid-America Service Solutions, LLC, interest income from leases and interest expense on bond financing, leases and subscription liabilities; however, in 2024, the Hospital also recognized $10,069 in revenue from FEMA to reimburse expenditures attributed to the Hospital's response to the COVID-19 pandemic.

Favorable market conditions resulted in investment income of $7,145 in 2024, an increase of $2,545 or 55.3% compared to earnings of $4,600 in 2023 and compared to investment losses of $1,121 recorded in 2022.

The Hospital recognized a net gain of $393 as a result of the investment in Lawrence Surgery Center, LLC, and Mid-America Service Solutions, LLC, a decrease of $526 when compared to income of $919 reported in 2023. The Hospital withdrew and redeemed interest in Mid-America Service Solutions, LLC in 2024 and was subject to a termination fee of $207 resulting in a reduction in net earnings. Total non-operating income increased $12,124 in 2024 compared to non-operating income of $712 reported in 2023.

Capital Gifts

The Hospital received contributions restricted for acquisition of capital assets of $8,708 from LMH Health Foundation during 2024 compared to $2,134 in 2023 and $660 in 2022. Expended contributions are reflected in unrestricted net position at December 31, 2024 and 2023. Non-expended contributions of $3,520 are reflected in restricted net position at December 31, 2024.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating income and non-operating revenues and expenses in 2024 and 2023, discussed earlier.

Capital Assets

At December 31, 2024, the Hospital reported $224,978 invested in capital assets, net of accumulated depreciation as detailed in *Note 5* to the financial statements, a decrease of $627 under the balance reported for 2023. Lease assets increased $901 due to new equipment leases and an extension of leased clinic space. Subscription assets increased $1,662 in 2024 due to acquiring new computer technology net of related amortization of the subscription assets.

In 2024, the Hospital expended $1,680 to purchase PET/CT Scanning equipment and $597 in related building modifications to enable clinicians to provide enhanced imaging services primarily for cardiology and oncology patients. A strategic investment of $497 was made to acquire land and an existing structure located adjacent to the main campus to allow opportunity for possible expansion. Additional capital dollars were invested to upgrade the Hospital's fleet of IV pumps, to acquire new fetal monitors, mobile x-ray equipment, and to update information technology infrastructure and devices throughout the organization. These purchases were in addition to ongoing construction of the new Oncology Center and related master facility projects.

The Hospital ended 2023 with $225,605 invested in capital assets, net of accumulated depreciation as detailed in *Note 5* to the financial statements, a decrease of $4,556 or 2.0% compared to the balance at the end of 2022. Lease and subscription assets decreased $963 and $5,307, respectively, in 2023 due to amortization of the right-to-use assets.

During 2023, the Hospital expended $1,950 for additional surgical booms and lights for remaining surgical suites not previously updated and for new surgical equipment to facilitate additional spine surgeries upon recruitment of a new surgeon. More than $3,100 was invested to update and improve infrastructure and leased tenant space in the 6th & Maine Street medical office building.

Debt

In May 2018, the Hospital issued $77,520 in Series 2018 revenue bonds to finance the LMH Health West construction project and other capital assets acquisitions. The bonds were issued with an $8 million premium. The amount outstanding for the Series 2018 Bonds at December 31, 2024 was $71,935. Other long-term debt consists of the remaining balance of $8,144 note payable of the $10,000 signed in 2018 to finance the purchase of the 6th & Maine Street medical office building and other obligations to finance surgical robotic equipment acquired in 2021 and 2020, and to replace the Hospital's fleet of patient beds and stretchers in 2021. In 2022, the Hospital financed the installation of a new air handler unit for the main patient tower. At the end of 2024, the Hospital had $84,552 in long-term debt obligations outstanding compared to $87,461 in 2023, a decrease of $2,909 or 3.3%.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional information should be directed to the Chief Financial Officer by telephoning 785.505.6133.

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 55,685,645	$ 38,378,162
Current portion of assets held by trustee	2,587,963	2,585,312
Patient accounts receivable, net of allowance for doubtful accounts; 2024 – $14,458,926, 2023 – $15,295,516	41,957,102	40,076,606
Due from third-party payors	2,764,161	2,242,368
Lease receivable - discretely presented component unit	542,375	520,063
Lease receivable	679,246	570,712
Accounts receivable – other	896,382	1,040,640
Supplies	6,394,717	5,486,229
Prepaid expenses and other	5,501,054	4,123,367
Total current assets	117,008,645	95,023,459
Noncurrent Cash and Investments		
Held by trustee for debt service	2,587,963	2,585,312
Restricted by donors for capital acquisitions and specific operating activities	3,520,434	3,220,434
Other long-term investments	87,507,593	72,327,494
	93,615,990	78,133,240
Less amount required to meet current obligations	2,587,963	2,585,312
	91,028,027	75,547,928
Capital Assets, Net	224,978,382	225,605,406
Lease Assets, Net	5,311,615	4,410,223
Subscription Assets, Net	40,388,806	38,726,598
Other Assets		
Lease receivable - discretely presented component unit	9,419,176	9,961,550
Lease receivable	3,434,519	3,548,286
Other	1,599,952	1,852,719
	14,453,647	15,362,555
Total assets	$ 493,169,122	$ 454,676,169

See Notes to Financial Statements

	2024	2023
LIABILITES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Current maturities of long-term debt	$ 2,523,462	$ 2,895,151
Current portion of lease liabilities	902,142	1,135,831
Current portion of subscription liabilities	7,359,771	4,803,980
Accounts payable	14,719,417	10,080,647
Accrued expenses	22,360,414	19,945,705
Accrued interest payable	2,240,410	2,187,113
Retirement plan obligation	1,318,450	1,686,365
Due to third-party payors	1,327,445	720,207
Total current liabilities	52,751,511	43,454,999
Other Liabilities		
Long-term debt	84,552,135	87,461,418
Lease liabilities	4,285,300	3,201,143
Subscription liabilities	33,436,375	34,660,646
Total other liabilities	122,273,810	125,323,207
Total liabilities	175,025,321	168,778,206
Deferred Inflows of Resources		
Leases - discretely presented component unit	9,309,632	9,972,988
Leases	3,698,103	3,779,790
	13,007,735	13,752,778
Net Position		
Net investment in capital assets	136,834,247	134,333,907
Restricted – expendable for		
Capital acquisition	3,520,434	3,220,434
Unrestricted	164,781,385	134,590,844
Total net position	305,136,066	272,145,185
Total liabilities, deferred inflows of resources and net position	$ 493,169,122	$ 454,676,169

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
LMH Health Foundation
Statements of Financial Position
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 982,554	$ 1,257,469
Pledges receivable – current portion	463,074	618,792
Total current assets	1,445,628	1,876,261
Noncurrent Assets		
Pledges receivable, net of current portion	496,616	828,059
Beneficial interests	7,485,383	6,629,120
Investments	19,751,613	22,878,598
	27,733,612	30,335,777
Total assets	$ 29,179,240	$ 32,212,038
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 8,109	$ 5,964
Total current liabilities	8,109	5,964
Net Assets		
Without donor restrictions		
Undesignated	6,194,364	6,787,555
Designated by the board for endowment	8,518,472	7,355,008
	14,712,836	14,142,563
With donor restrictions		
Purpose restrictions	4,988,432	9,126,579
Time restrictions	-	300,485
Perpetual in nature	9,469,863	8,636,447
	14,458,295	18,063,511
Total net assets	29,171,131	32,206,074
Total liabilities and net assets	$ 29,179,240	$ 32,212,038

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Lawrence Surgery Center, LLC
Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 756,645	$ 1,168,318
Patient accounts receivables	1,540,880	1,447,718
Supplies	401,270	339,936
Prepaid expenses and other	206,674	98,570
Total current assets	2,905,469	3,054,542
Property and Equipment, at Cost		
Leasehold improvements	24,155	24,155
Major movable equipment	3,196,404	3,063,674
Furniture, fixtures and office equipment	87,102	87,102
Computer equipment and software	113,701	113,701
	3,421,362	3,288,632
Less accumulated depreciation	3,068,754	2,904,272
	352,608	384,360
Other Assets		
Right-of-use assets - operating leases - related party	11,012,807	11,592,098
Right-of-use assets - finance leases - related party	384,719	484,739
Right-of-use assets - operating leases	172,833	400,016
Right-of-use assets - finance leases	188,801	333,740
	11,759,160	12,810,593
Total assets	$ 15,017,237	$ 16,249,495

See Notes to Financial Statements

	2024	2023
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Current portion of long-term debt	$ 10,094	$ 40,653
Accounts payable	198,063	350,234
Accrued expenses	849,465	874,741
Current portion of operating lease liabilities - related party	592,106	827,366
Current portion of finance lease liabilities - related party	103,213	102,371
Current portion of operating lease liabilities	172,832	232,012
Current portion of finance lease liabilities	153,402	149,211
Total current liabilities	2,079,175	2,576,588
Other Liabilities		
Long-term debt	-	10,094
Operating lease liabilities - related party	10,420,703	10,764,732
Finance lease liabilities - related party	289,948	389,732
Operating lease liabilities	-	168,004
Finance lease liabilities	43,130	198,179
Total other liabilities	10,753,781	11,530,741
Total liabilities	12,832,956	14,107,329
Members' Equity		
Capital contributions	1,237,825	1,237,825
Retained earnings	946,456	904,341
Total members' equity	2,184,281	2,142,166
Total liabilities and members' equity	$ 15,017,237	$ 16,249,495

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2024 – $15,960,853, 2023 – $14,115,951	$ 375,435,617	$ 341,555,464
Other	6,355,870	6,222,069
Total operating revenues	381,791,487	347,777,533
Operating Expenses		
Salaries and wages	158,182,304	150,946,767
Employee benefits	30,573,772	32,844,946
Professional fees	16,929,147	15,101,307
Purchased services	19,382,716	22,368,055
Supplies	90,309,098	78,578,284
Utilities	4,478,529	4,092,806
Miscellaneous expenses	2,083,572	1,168,605
Licenses, taxes and Kansas provider assessment	8,612,665	8,030,506
Repairs and maintenance	13,262,435	10,481,855
Depreciation and amortization	23,026,441	21,466,275
Insurance	2,153,300	2,151,346
Other capital costs	1,350,525	2,107,709
Total operating expenses	370,344,504	349,338,461
Operating Income (Loss)	11,446,983	(1,560,928)
Nonoperating Revenues (Expenses)		
Investment income	7,144,654	4,600,254
Interest income from leases	573,840	632,921
Interest expense	(5,471,364)	(5,502,401)
Contributions and other	10,208,282	125,789
Loss on sale of capital assets	(12,342)	(63,166)
Gain on investment in equity investees	392,958	918,683
Total nonoperating revenues, net	12,836,028	712,080
Revenues Over (Under) Expenses	24,283,011	(848,848)
Contributions Restricted for Acquisition of Capital Assets	8,707,870	2,133,912
Increase in Net Position	32,990,881	1,285,064
Net Position, Beginning of Year	272,145,185	270,860,121
Net Position, End of Year	$ 305,136,066	$ 272,145,185

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
LMH Health Foundation
Statements of Activities
Years Ended December 31, 2024 and 2023

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Gains				
Special event revenue	$ 489,520	$ -	$ 489,520	$ 196,876
Contributions	264,794	2,686,780	2,951,574	3,034,405
Change in beneficial interests	-	206,263	206,263	206,661
Contributions of nonfinancial assets	494,319	54,033	548,352	628,046
Interest and dividend income	593,873	82,183	676,056	563,401
Realized and unrealized gains, net	1,621,370	329,486	1,950,856	2,517,092
Total support and revenue	3,463,876	3,358,745	6,822,621	7,146,481
Amounts released from restrictions	6,963,961	(6,963,961)	-	-
Total support, revenue and reclassifications	10,427,837	(3,605,216)	6,822,621	7,146,481
Expenses				
Program	9,356,207	-	9,356,207	2,836,787
General and administrative	196,959	-	196,959	218,729
Fundraising	304,398	-	304,398	304,440
Total expenses	9,857,564	-	9,857,564	3,359,956
Change in Net Assets	570,273	(3,605,216)	(3,034,943)	3,786,525
Net Assets, Beginning of Year	14,142,563	18,063,511	32,206,074	28,419,549
Net Assets, End of Year	$ 14,712,836	$ 14,458,295	$ 29,171,131	$ 32,206,074

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Lawrence Surgery Center, LLC
Income Statements
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Patient revenue	$ 12,316,979	$ 12,052,721
Other revenue	131	1,026
Total operating revenues	12,317,110	12,053,747
Operating Expenses		
Salaries and wages	2,994,022	2,896,157
Employee benefits	913,479	857,028
Supplies	4,587,311	4,350,274
Purchased services	433,286	404,844
Professional fees	95,883	94,542
Depreciation and amortization	409,444	453,636
Other expenses	1,935,086	1,879,986
Total operating expenses	11,368,511	10,936,467
Operating Income	948,599	1,117,280
Other Income (Expense)		
Interest income	19,922	4,276
Interest expense	(22,309)	(24,069)
Total other expense	(2,387)	(19,793)
Net Income	$ 946,212	$ 1,097,487

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 373,019,924	$ 352,291,163
Payments to suppliers and contractors	(156,669,699)	(144,828,733)
Payments to employees	(186,089,827)	(183,779,960)
Other receipts, net	5,146,839	12,716,958
Net cash provided by operating activities	35,407,237	36,399,428
Cash Flows from Noncapital Financing Activities		
Noncapital grants and contributions	10,208,282	125,789
Net cash provided by noncapital financing activities	10,208,282	125,789
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(2,895,152)	(2,893,727)
Interest paid on long-term debt	(3,991,267)	(4,126,174)
Principal paid on lease liabilities	(1,188,514)	(1,083,237)
Interest paid on lease liabilities	(164,390)	(181,934)
Principal paid on subscription liabilities	(7,526,542)	(5,182,008)
Interest paid on subscription liabilities	(1,648,230)	(1,686,713)
Principal payments received on leases receivable	1,134,728	981,199
Interest payments received on leases receivable	573,840	632,921
Purchase of capital assets	(13,167,985)	(10,463,659)
Purchase of subscription assets	(814,190)	(463,584)
Capital gifts	8,707,870	2,133,912
Proceeds from sale of capital assets	376,392	5,800
Net cash used in capital and related financing activities	(20,603,440)	(22,327,204)
Cash Flows from Investing Activities		
Interest and dividends on investments	6,412,279	4,018,149
Purchase of investments	(43,885,201)	(19,989,520)
Sale of investments	29,249,579	22,495,576
Advances to and investments in equity investee	-	(75,000)
Distributions from affiliates	633,500	800,427
Net cash provided by (used in) investing activities	(7,589,843)	7,249,632
Increase in Cash and Cash Equivalents	17,422,236	21,447,645
Cash and Cash Equivalents, Beginning of Year	44,362,214	22,914,569
Cash and Cash Equivalents, End of Year	$ 61,784,450	$ 44,362,214
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 55,685,645	$ 38,378,162
Cash and cash equivalents in noncurrent cash and investments	6,098,805	5,984,052
Total cash and cash equivalents	$ 61,784,450	$ 44,362,214

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Statements of Cash Flows **(Continued)**
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	$ 11,446,983	$ (1,560,928)
Depreciation and amortization	23,026,441	21,466,275
Changes in operating assets and liabilities		
Patient accounts receivable, net	(1,880,496)	9,977,031
Other accounts receivable	144,258	919,432
Estimated amounts due from and to third-party payors	85,445	758,668
Accounts payable and accrued expenses	6,213,032	217,151
Deferred inflows of resources	(1,354,476)	(1,325,241)
Supplies	(908,488)	89,451
Prepaid expenses	(1,377,687)	5,774,249
Other	12,225	83,340
Net cash provided by operating activities	$ 35,407,237	$ 36,399,428
Noncash Investing, Capital and Financing Activities		
Capital asset acquisitions included in accounts payable	$ 1,132,924	$ 660,392
Lease obligation incurred for lease assets	2,038,982	107,212
Subscription obligation incurred for subscription assets	8,858,062	665,593
New lease receivables acquired through new or amended agreements	(609,433)	(983,742)
Amortization of original bond premium	(385,820)	(393,865)
Increase in fair value of investments	888,807	566,300

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

Nature of Operations and Reporting Entity

The Lawrence Memorial Hospital is a component unit of the City of Lawrence, Kansas (the City), which operates a hospital, clinics and other health care facilities for the residents of Lawrence, Kansas and surrounding communities. The Hospital is governed by a board of trustees composed of nine members who are appointed by the Mayor and confirmed by the City Commission.

Lawrence Physicians, LLC (LP, LLC) is considered a blended component unit and operates exclusively for the benefit of, to perform the functions of, and to carry out the purposes of the board of trustees of The Lawrence Memorial Hospital.

The Lawrence Memorial Hospital is the sole member of a nonprofit nonstock corporation, Reed Medical Group MDVIP Affiliate, Corporation (MDVIP). MDVIP is considered a blended component unit of the Hospital and was created to employ the two physicians associated with the Hospital's Reed Medical Group Physician Practice.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*, LMH Health Foundation (the Foundation) is presented as a discretely presented component unit of the Hospital. See *Note 16* for additional information about the Foundation.

Lawrence Surgery Center, LLC (LSC, LLC) is an ambulatory surgical care center located in Lawrence, Kansas. The Hospital holds 70% ownership interest in LSC, LLC. As the Hospital holds a majority equity interest in LSC, LLC, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 90, *Majority Equity Interests*, the reporting includes LSC, LLC as a component unit of The Lawrence Memorial Hospital and is discretely presented in the Hospital's financial statements. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. See *Notes 6* and *17* for additional information about the Hospital's equity interest in LSC, LLC.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific (such as county appropriations), property taxes, investment income and interest on capital asset-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. The financial statements include the accounts of The Lawrence Memorial Hospital, Lawrence Physicians, LLC and Reed Medical Group MDVIP Affiliate, Corporation (collectively known as the Hospital). All significant inter-company balances and transactions have been eliminated.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. The Hospital considers uninvested cash held in investment accounts as cash or cash equivalents. At December 31, 2024, cash equivalents consisted primarily of repurchase agreements and money market mutual funds.

Patient Accounts Receivable

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

Supplies

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

Investments and Investment Income

Investments in nonnegotiable certificates of deposit are carried at amortized cost. Investments in equity investees are reported on the equity method of accounting. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Noncurrent Cash and Investments

Noncurrent cash and investments include (1) assets held by trustees under bond indenture agreements, (2) assets restricted by donors for capital acquisitions and specific purposes and (3) undesignated and unrestricted investments. Amounts required to meet current liabilities of the Hospital are included in current assets. Such funds are primarily invested in money market mutual funds.

Capital Assets

Capital asset acquisitions over $5,000 are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by the Hospital:

Land improvements	2 to 25 years
Buildings	35 to 40 years
Leasehold improvements	5 to 10 years
Equipment	3 to 5 years
Computer software	3 to 5 years

Lease Assets

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

Lease Liabilities

Lease liabilities are initially recorded at present value of payments expected to be made during the lease term. The lease liabilities are reduced by the principal portion of the lease payments made.

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at and certain payments made before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Capital, Lease, and Subscription Asset Impairment

The Hospital evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital, lease or subscription asset has occurred. If a capital, lease or subscription 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 December 31, 2024 and 2023.

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. A liability is accrued for compensated absences as the benefits are earned if the leave is more likely than not to be used for time off or settled in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates, as applicable, in effect at the balance sheet date plus an additional amount for salary-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Risk Management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such policy, only claims made and reported to the insurer are covered during the policy term, regardless of when the incident giving rise to the claim occurred. Under Kansas law, the Kansas Insurance Department provides excess liability insurance through the Kansas Healthcare Stabilization Fund.

Lease Receivable

The Hospital is a lessor for noncancellable leases of certain buildings and equipment and recognizes a related lease receivable and deferred inflows of resources. At the commencement of a lease, the Hospital initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources is recognized as revenue over the life of the lease term.

The Hospital monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Deferred Inflows of Resources

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

Net Position

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

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

Net Patient Service Revenue

The Hospital has agreements with third-party payors 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 payors 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. Charges excluded from revenue under the Hospital's charity care policy were approximately $3,259,000 and $4,083,000 in 2024 and 2023, respectively.

The costs of charity care provided under the Hospital's charity care policy were approximately $787,000 and $1,009,000 in 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Income Taxes

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

Note 2. Deposits, Investments 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 and other acceptable collateral having an aggregate value at least equal to the amount of the deposits.

At December 31, 2024 and 2023, none of the Hospital's bank deposit balances of approximately $315,000 and $263,000, respectively, were exposed to custodial credit risk.

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

On December 31, 2024 and 2023, the Hospital had the following investments and maturities:

	December 31, 2024		
		Maturities in Less	
Type	Fair Value	Than 1 Year	1 – 5
U.S. agencies obligations	$ 59,218,515	$ 15,855,437	$ 43,363,078
Repurchase agreements	58,771,225	58,771,225	-
Money market mutual funds	2,578,371	2,578,371	-
Accrued interest	258,698	258,698	-
	120,826,809	$ 77,463,731	$ 43,363,078
Equity securities	28,039,971		
	$ 148,866,780		

	December 31, 2023		
		Maturities in Less	
Type	Fair Value	Than 1 Year	1 – 5
U.S. agencies obligations	$ 46,722,195	$ 15,677,500	$ 31,044,695
Repurchase agreements	41,370,181	41,370,181	-
Money market mutual funds	2,763,618	2,763,618	-
Accrued interest	415,130	415,130	-
	91,271,124	$ 60,226,429	$ 31,044,695
Equity securities	25,011,863		
	$ 116,282,987		

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Hospital's investment policy limits its investment portfolio to maturities of five years. The money market mutual funds are presented as investments with a maturity of less than one year because they are immediately redeemable in full.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Hospital's policy to limit its investments in corporate bonds to those that are rated Baa, or better, by Moody's Investor Services, Inc. and to equity securities included in the Russell 1000 Value Index. At December 31, 2024 and 2023, ratings of the Hospital's investments in money market mutual funds were rated AAA by Moody's Investor Services, Inc.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Hospital's investments in repurchase agreements at December 31, 2024 and 2023 are held by the third-party custodians in the Hospital's name. The Hospital's investment policy requires that a third-party safekeeping agreement be obtained for all third-party custodians.

Concentration of Credit Risk

The Hospital places a limit on the amount that may be invested in any single non-federal debt issuer or holdings of equity securities of a single company to no more than 6% of the Hospital's portfolio value. At December 31, 2024 and 2023, the Hospital's investments not directly guaranteed by the U.S. government that constituted more than 5% of its total investments are as follows:

	2024	2023
Repurchase agreements with Commerce Bank, n.a.	40%	36%

Summary of Carrying Values

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

	2024	2023
Carrying value		
Deposits[1]	$ 434,855	$ 228,415
Investments	148,866,780	116,282,987
	$ 149,301,635	$ 116,511,402
Included in the following balance sheet captions		
Cash and cash equivalents	$ 55,685,645	$ 38,378,162
Restricted by donors for capital acquisitions and specific operating activities	3,520,434	3,220,434
Current portion of assets held by trustee	2,587,963	2,585,312
Noncurrent cash and investments	87,507,593	72,327,494
	$ 149,301,635	$ 116,511,402

[1) The Hospital utilizes an overnight repurchase agreement for its bank deposits to maximize investment return. At December 31, 2024 and 2023, the overnight repurchase agreement amounted to approximately $58,771,000 and $41,370,000, respectively, and its carrying value is included in the investments above. The repurchase agreement balance is included as a cash equivalent on the balance sheets at year end.

Investment Income

Investment income for the years ended December 31, 2024 and 2023 consisted of:

	2024	2023
Interest and dividend income	$ 6,255,847	$ 4,033,954
Net increase in fair value of investments	888,807	566,300
	$ 7,144,654	$ 4,600,254

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 payor agreements. Patient accounts receivable at December 31, 2024 and 2023 consisted of:

	2024	2023
Medicare	$ 8,387,851	$ 7,754,686
Medicaid	1,287,283	1,425,900
Other third-party payors	30,214,483	28,356,101
Patients	16,526,411	17,835,435
	56,416,028	55,372,122
Less allowance for uncollectible accounts	14,458,926	15,295,516
	$ 41,957,102	$ 40,076,606

Note 4. Leases Receivable

The Hospital leases a portion of its real estate to various third parties, the terms of which expire 2025 through 2040. Annual payments increase periodically on several of the leases based upon the terms of the lease agreements. The leases were measured based upon the payments at lease commencement. The Hospital leases certain equipment to Lawrence Surgery Center, LLC, a discretely presented component unit of the Hospital. Annual payments are based upon the terms of the lease agreements.

Revenue recognized under lease contracts during the years ended December 31, 2024 and 2023, were approximately $1,902,000 and $1,821,000, respectively, which includes both lease revenue and interest.

The following schedule is expected future minimum lease payments by year as of December 31, 2024:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 1,773,380	$ 1,221,621	$ 551,759
2026	1,716,125	1,221,789	494,336
2027	1,647,768	1,202,880	444,888
2028	1,509,538	1,112,553	396,985
2029	1,351,615	996,855	354,760
2030-2034	5,355,347	4,130,807	1,224,540
2035-2039	4,136,822	3,645,416	491,406
2040	551,578	543,395	8,183
	$ 18,042,173	$ 14,075,316	$ 3,966,857

Note 5. Capital, Lease, and Subscription Assets

Capital assets activity for the years ended December 31, 2024 and 2023, was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 12,592,303	$ 497,468	$ -	$ -	$ 13,089,771
Land improvements	9,660,903	54,051	(45,447)	-	9,669,507
Buildings and leasehold improvements	255,125,954	902,630	(185,288)	845,977	256,689,273
Fixed equipment	1,567,803	-	(8,610)	-	1,559,193
Major movable equipment	103,485,762	4,553,550	(2,931,441)	831,885	105,939,756
Construction in progress	2,674,271	7,632,818	-	(1,677,862)	8,629,227
	385,106,996	13,640,517	(3,170,786)	-	395,576,727
Less accumulated depreciation					
Land improvements	4,059,335	454,479	(45,447)	-	4,468,367
Buildings and leasehold improvements	83,861,822	6,679,763	(185,288)	-	90,356,297
Fixed equipment	709,711	76,667	(8,610)	-	777,768
Major movable equipment	70,870,722	6,667,898	(2,542,707)	-	74,995,913
	159,501,590	13,878,807	(2,782,052)	-	170,598,345
Capital Assets, Net	$225,605,406	$ (238,290)	$ (388,734)	$ -	$224,978,382

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 12,437,303	$ 145,539	$ -	$ 9,461	$ 12,592,303
Land improvements	9,314,320	253,975	(70,867)	163,475	9,660,903
Buildings and leasehold improvements	250,732,754	2,113,703	(332,048)	2,611,545	255,125,954
Fixed equipment	1,604,694	-	(36,891)	-	1,567,803
Major movable equipment	102,328,006	3,927,806	(4,068,413)	1,298,363	103,485,762
Construction in progress	3,733,699	3,023,416	-	(4,082,844)	2,674,271
	380,150,776	9,464,439	(4,508,219)	-	385,106,996
Less accumulated depreciation					
Land improvements	3,676,604	453,598	(70,867)	-	4,059,335
Buildings and leasehold improvements	77,608,980	6,584,890	(332,048)	-	83,861,822
Fixed equipment	666,938	79,664	(36,891)	-	709,711
Major movable equipment	68,037,060	6,841,670	(4,008,008)	-	70,870,722
	149,989,582	13,959,822	(4,447,814)	-	159,501,590
Capital Assets, Net	$230,161,194	$ (4,495,383)	$ (60,405)	$ -	$225,605,406

Lease assets activity for the years ended December 31, 2024 and 2023, was:

	2024			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	$ 3,627,171	$ -	$ -	$ 3,627,171
Equipment	3,899,206	2,038,982	-	5,938,188
	7,526,377	2,038,982	-	9,565,359
Less accumulated amortization				
Buildings	1,296,912	432,304	-	1,729,216
Equipment	1,819,242	705,286	-	2,524,528
	3,116,154	1,137,590	-	4,253,744
Lease Assets, Net	$ 4,410,223	$ 901,392	$ -	$ 5,311,615

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Buildings	$ 3,627,171	$ -	$ -	$ 3,627,171
Equipment	3,791,994	107,212	-	3,899,206
	7,419,165	107,212	-	7,526,377
Less accumulated amortization				
Buildings	864,608	432,304	-	1,296,912
Equipment	1,181,873	637,369	-	1,819,242
	2,046,481	1,069,673	-	3,116,154
Lease Assets, Net	$ 5,372,684	$ (962,461)	$ -	$ 4,410,223

Subscription assets activity for the years ended December 31, 2024 and 2023, was:

	2024			
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription IT assets	$ 51,086,355	$ 9,672,252	$ (2,720,205)	$ 58,038,402
	51,086,355	9,672,252	(2,720,205)	58,038,402
Less accumulated amortization				
Subsciption IT assets	12,359,757	8,010,044	(2,720,205)	17,649,596
	12,359,757	8,010,044	(2,720,205)	17,649,596
Subscription Assets, Net	$ 38,726,598	$ 1,662,208	$ -	$ 40,388,806

	2023			
	Beginning Balance	Additions	Disposals	Ending Balance
Subscription IT assets	$ 50,110,428	$ 1,129,177	$ (153,250)	$ 51,086,355
	50,110,428	1,129,177	(153,250)	51,086,355
Less accumulated amortization Subsciption IT assets	6,076,227	6,436,780	(153,250)	12,359,757
	6,076,227	6,436,780	(153,250)	12,359,757
Subscription Assets, Net	$ 44,034,201	$ (5,307,603)	$ -	$ 38,726,598

Note 6. Other Assets

Investment in Lawrence Surgery Center, LLC

The Hospital has a 70% membership interest in Lawrence Surgery Center, LLC (LSC, LLC). The net investment totaled approximately $1,525,000 and $1,500,000 at December 31, 2024 and 2023, respectively. The remaining 30% membership interest is held by several physicians who are on the Hospital's active medical staff.

Note 7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at December 31, 2024 and 2023 consisted of:

	2024	2023
Payable to suppliers and contractors	$ 14,719,417	$ 10,080,647
Payable to employees (including payroll taxes and benefits)	20,306,312	17,272,148
Other	2,054,102	2,673,557
	$ 37,079,831	$ 30,026,352

Note 8. Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2024 and 2023:

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable Series 2018	$ 73,435,000	$ -	$ 1,500,000	$ 71,935,000	$ 1,575,000
Unamortized premiums	5,807,067	-	385,820	5,421,247	-
Note from direct borrowing	8,444,827	-	301,091	8,143,736	313,358
Other financing obligations	2,669,675	-	1,094,061	1,575,614	635,104
Total long-term debt	90,356,569	-	3,280,972	87,075,597	2,523,462
Other long-term liabilities					
Lease liabilities	4,336,974	2,038,982	1,188,514	5,187,442	902,142
Subscription liabilities	39,464,626	8,858,062	7,526,542	40,796,146	7,359,771
Total other long-term liabilities	43,801,600	10,897,044	8,715,056	45,983,588	8,261,913
Total long-term obligations	$ 134,158,169	$ 10,897,044	$ 11,996,028	$ 133,059,185	$ 10,785,375

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Revenue bonds payable Series 2018	$ 74,865,000	$ -	$ 1,430,000	$ 73,435,000	$ 1,500,000
Unamortized premiums	6,200,932	-	393,865	5,807,067	-
Note from direct borrowing	8,734,132	-	289,305	8,444,827	301,091
Other financing obligations	3,844,097	-	1,174,422	2,669,675	1,094,060
Total long-term debt	93,644,161	-	3,287,592	90,356,569	2,895,151
Other long-term liabilities					
Lease liabilities	5,312,999	107,212	1,083,237	4,336,974	1,135,831
Subscription liabilities	43,981,041	665,593	5,182,008	39,464,626	4,803,980
Total other long-term liabilities	49,294,040	772,805	6,265,245	43,801,600	5,939,811
Total long-term obligations	$ 142,938,201	$ 772,805	$ 9,552,837	$ 134,158,169	$ 8,834,962

Revenue Bonds Payable

The City issued Series 2018 Hospital Revenue Bonds (Bonds) under a Bond Indenture dated June 1, 1994, as amended and supplemented, to finance expansion and renovation of Hospital facilities, acquire equipment and property, refinance prior bond issues and reimburse the Hospital for certain capital expenditures. Under related Lease and Guaranty Agreements dated June 1, 1994, as amended and supplemented, the Hospital leases its facilities and substantially all equipment from the City. The Bonds and interest thereon are special, limited obligations of the City payable solely from: (i) lease payments from the Hospital, (ii) a pledge of the Hospital's gross revenues, (iii) a pledge of most Hospital facilities and equipment and (iv) amounts on deposit with the Bond Trustee. Therefore, both the Hospital facilities and equipment and bonds payable are recorded in the accompanying financial statements.

The indenture agreements require that certain funds be established with the trustee. Accordingly, these funds are included as assets held by trustee for debt service in the balance sheets. The indenture agreements also require the Hospital to comply with certain restrictive covenants including minimum insurance coverage, maintaining a historical debt-service coverage ratio of at least 1.10 to 1.00, and restrictions on incurrence of additional debt.

Bond premiums are amortized over the life of the bonds using the effective interest method.

Additional information about the bond Series 2018 is as follows:

	Original Balance	Interest Rates	Final Maturity
Series 2018	$ 77,520,000	3.50% - 5.00%	7/1/2048

Note from Direct Borrowing

The Hospital's outstanding note from direct borrowing of approximately $8,145,000 is secured by, among other things, the Assignment, Mortgage, and other Loan Documents (Security Instruments). This outstanding note contains (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if any payment of principal and interest or any other required payment is not received by the lender on or before five days after the date that such payment is due; and (2) a provision that if the Hospital is unable to make payment, outstanding amounts are due immediately. The note also contains a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs. Monthly payments include principal and interest of 4.0% with the term expiring in 2043.

Debt Service Requirements

Debt service requirements on long-term debt other than lease and subscription liabilities as of December 31, 2024, are as follows:

		Bonds		Direct Borrowings	
Year Ending December 31,	Total to be Paid	Principal	Interest	Principal	Interest
2025	$ 5,020,563	$ 1,575,000	$ 3,445,563	$ 313,358	$ 320,046
2026	5,021,813	1,655,000	3,366,813	326,125	307,279
2027	5,019,063	1,735,000	3,284,063	339,412	293,992
2028	5,022,313	1,825,000	3,197,313	353,240	280,164
2029	5,021,063	1,915,000	3,106,063	367,632	265,773
2030-2034	25,105,065	11,110,000	13,995,065	2,075,409	1,091,612
2035-2039	25,106,552	13,695,000	11,411,552	2,534,067	632,954
2040-2044	26,322,500	18,375,000	7,947,500	1,834,493	118,504
2045-2048	22,617,500	20,050,000	2,567,500	-	-
	$ 124,256,432	$ 71,935,000	$ 52,321,432	$ 8,143,736	$ 3,310,324

Other Financing Obligations

The Hospital is obligated under certain financings for purchase of equipment totaling approximately $1,576,000 and $2,670,000 at December 31, 2024 and 2023, respectively. Monthly payments of obligations include principal plus interest ranging from 3.25% to 4.0%; terms expire in various years through 2026.

Note 9. Lease Liabilities

The Hospital leases equipment and real estate, the terms of which expire in various years through 2036. The leases were measured based upon the discount rate at lease commencement.

The following is a schedule by year of payments under the leases as of December 31, 2024:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 1,108,481	$ 902,142	$ 206,339
2026	673,562	500,558	173,004
2027	654,511	504,529	149,982
2028	642,580	516,133	126,447
2029	606,549	502,487	104,062
2030-2034	2,274,085	2,035,159	238,926
2035-2036	234,619	226,434	8,185
	$ 6,194,387	$ 5,187,442	$ 1,006,945

Note 10. Subscription Liabilities

The Hospital has various subscription-based information technology arrangements (SBITAs), the terms of which expire in various years through 2033. Variable payments of certain subscriptions are based upon the Consumer Price Index (Index). The subscriptions were measured based upon the Index at commencement of the SBITA term. Variable payments based upon the use of the underlying asset are not included in the subscription liability because they are not fixed in substance.

The following is a schedule by year of payments under the SBITAs as of December 31, 2024:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 8,935,678	$ 7,359,771	$ 1,575,907
2026	8,090,779	6,838,803	1,251,976
2027	5,696,392	4,714,337	982,055
2028	5,285,292	4,499,146	786,146
2029	4,734,977	4,129,086	605,891
2030-2033	14,043,925	13,255,003	788,922
	$ 46,787,043	$ 40,796,146	$ 5,990,897

Note 11. Assets Held in Trust

Prior to 2023, the Hospital was the recipient of investment income from a perpetual endowment fund created under the last will and testament of Elizabeth M. Watkins. The will stipulated that the corpus is to be maintained inviolate under the administration of a trustee and the net investment income is to be distributed each year to the Hospital as long as the Hospital continues to be a charitable institution. Assets of this trust are not included in the accompanying financial statements.

In 2023, it was deemed proper, appropriate, and consistent with Elizabeth M. Watkins' probable intentions that the terms of the trust be modified so that the income of the trust be distributed to the LMH Health Foundation. No income distributions were received by the Hospital in 2024 or 2023.

Note 12. Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. 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.

Note 13. Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $300,000 and $250,000 per individual in 2024 and 2023, respectively. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount.

A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2024 and 2023 is summarized as follows:

	2024	2023
Balance, beginning of year	$ 1,758,410	$ 1,958,365
Claims incurred	15,110,842	14,321,797
Claims and expenses paid	(14,250,851)	(14,521,752)
Balance, end of year	$ 2,618,401	$ 1,758,410

Note 14. Net Patient Service Revenue

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

Medicare- Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates. 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- Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service or per covered member. 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 Medicaid administrative contractor.

Other- Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Approximately 32% and 33% of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2024 and 2023, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

Note 15. Employee Benefit Plans

457b Defined Contribution Plan

The Hospital sponsors a defined contribution retirement plan covering substantially all employees over age 18 with 1,000 hours of service. The plan is administered by a committee appointed by the board of trustees. The plan provides retirement benefits to plan members.

Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees. Contributions made by plan members totaled approximately $9,796,000 and $9,042,000 in 2024 and 2023, respectively. The Hospital does not contribute to the 457b defined contribution plan.

401a Defined Contribution Plan

The Hospital contributes to a defined contribution plan covering substantially all employees over the age of 18 with 1,000 hours of service. Retirement expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a committee appointed by the board of trustees.

The plan provides retirement benefits to plan members. Benefit provisions are contained in the plan document and were established and can be amended by action of the board of trustees.

Contributions aggregated approximately $3,247,000 and $6,669,000 during 2024 and 2023, respectively. Employer contributions to the plan are based on the following contribution types:

Employer Basic Contributions

All participants other than physicians are eligible to receive an allocation of employer basic contributions. During 2023, the employer basic contribution to which a participant was entitled for each quarter of a plan year was 2% of the participant's compensation for such quarter plan year. During 2024, the Hospital amended the 401a Plan, wherein the employer basic contribution to which a participant is entitled for each quarter of a plan year shall be 1% of the participant's compensation for such quarter plan year. Only those participants who are employed on the last day of the quarter plan year shall be entitled to an allocation of employer basic contributions for such quarter of the plan year.

Employer Matching Contributions

All participants other than physicians are eligible to receive an allocation of employer matching contributions. Except as limited below, the employer matching contributions to which a participant is entitled for a plan year is an amount equal to 50% of the participant's elective deferral contributions to the 457(b) defined contribution plan for such plan year. However, during 2023, employer matching contributions for participants whose employment classification is not administrative or director level shall not exceed 2% of the participant's compensation for the plan year, and employer matching contributions for participants whose employment classification is administrative or director level shall not exceed 4% of the participant's compensation for such plan year. During 2024, the Hospital amended the 401a Plan, wherein employer matching contributions for participants whose employment classification is not administrative or director level shall not exceed 1% of the participant's compensation for the plan year, and employer matching contributions for participants whose employment classification is administrative or director level shall not exceed 2% of the participant's compensation for such plan year.

Employee Deferral Agreements

The Hospital may, at its discretion, enter into individual compensation deferral agreements with certain employees and physicians, wherein the Hospital agrees to contribute a specified amount of deferred compensation on an annual basis to the plan.

Note 16. LMH Health Foundation

The LMH Health Foundation (the Foundation) is a legally separate tax-exempt component unit of the Hospital. The Foundation is exclusively dedicated to the support of the Hospital. The Foundation's operations are managed by a board of directors separate from the Hospital's board.

In October 1984, the City, upon request of the Hospital, passed an ordinance granting the Hospital's board of trustees the power to transfer personal property and funds previously donated to the Hospital to the Foundation to be held in trust for the benefit of the Hospital. A trust agreement was established between the Hospital and the Foundation.

Although the Hospital does not control the timing or amount of receipts from the Foundation, substantially all of the Foundation's resources and related income are restricted by donors for the benefit of the Hospital. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

During the years ended December 31, 2024 and 2023, the Foundation provided approximately $8,708,000 and $2,134,000 of support to the Hospital, respectively. Complete financial statements of the Foundation may be obtained from its Administrative Office at the following address: LMH Health Foundation, 325 Maine Street, Lawrence, Kansas 66044.

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

Note 17. Lawrence Surgery Center, LLC

Lawrence Surgery Center, LLC (LSC, LLC) is a legally separate tax-exempt component unit of the Hospital. LSC, LLC is a joint venture between the Hospital and several physicians who are on the Hospital's active medical staff. LSC, LLC's operations are managed by a board of directors separate from the Hospital's board. LSC, LLC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

LSC, LLC has entered into agreements with the Hospital to lease certain equipment and for certain information technology support services. In connection with these agreements LSC, LLC paid the Hospital approximately $179,000 and $110,000 for these services during 2024 and 2023, respectively. LSC, LLC leased certain real estate from the Hospital for approximately $975,000 during 2024 and 2023. As a result of these agreements, LSC, LLC has approximately $11,406,000 and $12,084,000 in related party lease liabilities recorded on its balance sheet at December 31, 2024 and 2023, respectively. The Hospital has corresponding related party lease receivables of approximately $9,962,000 and $10,482,000 recorded on its balance sheet at December 31, 2024 and 2023, respectively. As LSC, LLC's related party lease liabilities are recorded under those standards issued by the FASB, LSC, LLC's related party lease liabilities will not equal those related party lease receivables recorded on the Hospital's balance sheets, which are recorded under those standards issued by the GASB.

LSC, LLC approved member distributions to the Hospital of approximately $633,500 and $729,000 during the years ended December 31, 2024 and 2023, respectively. Complete financial statements of LSC, LLC may be obtained from its Administrative Office at the following address: Lawrence Surgery Center, LLC, 6265 Rock Chalk Dr., Lawrence, Kansas 66049.

Note 18. Disclosures About Fair Value of Assets and Liabilities

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. There is a hierarchy of 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 are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2024 and 2023:

Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
U.S. agencies obligations	$ 59,218,515	$ -	$ 59,218,515	$ -
Repurchase agreements	58,771,225	58,771,225	-	-
Money market mutual funds	2,578,371	2,578,371	-	-
Equity securities	28,039,971	28,039,971	-	-
	148,608,082	$ 89,389,567	$ 59,218,515	$ -
Accrued interest	258,698			
	$ 148,866,780			
December 31, 2023				
U.S. agencies obligations	$ 46,722,195	$ -	$ 46,722,195	$ -
Repurchase agreements	41,370,181	41,370,181	-	-
Money market mutual funds	2,763,618	2,763,618	-	-
Equity securities	25,011,863	25,011,863	-	-
	115,867,857	$ 69,145,662	$ 46,722,195	$ -
Accrued interest	415,130			
	$ 116,282,987			

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 19. Federal Emergency Management Agency (FEMA) Grant

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. COVID-19 created an immediate threat to the health and safety of the general public, requiring emergency response and protective measures. In response to the COVID-19 pandemic, the Hospital utilized force account materials in taking the Emergency Protective Measures of providing diagnostic testing and personal protective equipment to minimize the spread of the coronavirus and maximize the health and safety of the Hospital's staff and patients.

In 2024, as reimbursement for the costs associated with taking Emergency Protective Measures during the COVID-19 pandemic, the Hospital was a subrecipient of the COVID-19 Disaster Grants – Public Assistance (Presidentially Declared Disasters) grant, a Federal Emergency Management Agency (FEMA) federal award, passed through the Kansas Division of Emergency Management in the amount of approximately $10,069,000. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as eligibility requirements have been met. The Hospital recognized approximately $10,069,000 during the year ended December 31, 2024, and these payments are recorded as nonoperating revenue – contributions and other in the statement of revenues, expenses and changes in net position.

Note 20. Contingencies

Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. 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. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Investments

The Hospital invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying balance sheets.

Note 21. Subsequent Events

The Hospital's Board of Trustees unanimously approved the issuance of $20,000,000 in bonds. The bonds will fund revenue-generating facility projects such as a cardiac catheterization laboratory, completion of a cancer center and heart center.

Note 22. Condensed Combining Information

The following tables (in thousands) include condensed combining balance sheet information for the Hospital and its blended component units as of December 31, 2024 and 2023:

	December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Assets					
Current assets	$ 109,276	$ 7,623	$ 110	$ -	$ 117,009
Capital assets	224,978	-	-	-	224,978
Other assets	158,805	-	-	(7,623)	151,182
Total assets	$ 493,059	$ 7,623	$ 110	$ (7,623)	$ 493,169
Liabilities					
Current liabilities	$ 52,631	$ -	$ 121	$ -	$ 52,752
Noncurrent liabilities	122,273	-	-	-	122,273
Total liabilities	174,904	-	121	-	175,025
Deferred Inflows of Resources	13,008	-	-	-	13,008
Net Position					
Net investment in capital assets	136,834	-	-	-	136,834
Restricted - expendable for Capital acquisition	3,521	-	-	-	3,521
Unrestricted	164,792	7,623	(11)	(7,623)	164,781
Total net position	305,147	7,623	(11)	(7,623)	305,136
Total liabilities, deferred inflows of resources and net position	$ 493,059	$ 7,623	$ 110	$ (7,623)	$ 493,169

	December 31, 2023				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Assets					
Current assets	$ 88,384	$ 6,481	$ 159	$ -	$ 95,024
Capital assets	225,605	-	-	-	225,605
Other assets	140,528	-	-	(6,481)	134,047
Total assets	$ 454,517	$ 6,481	$ 159	$ (6,481)	$ 454,676
Liabilities					
Current liabilities	$ 43,285	$ -	$ 170	$ -	$ 43,455
Noncurrent liabilities	125,323	-	-	-	125,323
Total liabilities	168,608	-	170	-	168,778
Deferred Inflows of Resources	13,753	-	-	-	13,753
Net Position					
Net investment in capital assets	134,334	-	-	-	134,334
Restricted - expendable for Capital acquisition	3,220	-	-	-	3,220
Unrestricted	134,602	6,481	(11)	(6,481)	134,591
Total net position	272,156	6,481	(11)	(6,481)	272,145
Total liabilities, deferred inflows of resources and net position	$ 454,517	$ 6,481	$ 159	$ (6,481)	$ 454,676

The following tables (in thousands) include condensed combining statements of revenues, expenses and changes in net position information for the Hospital and its blended component units for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Operating Revenues					
Net patient service revenue	$ 313,338	$ 59,983	$ 2,115	$ -	$ 375,436
Other operating revenues	109,515	2,707	-	(105,866)	6,356
Total operating revenues	422,853	62,690	2,115	(105,866)	381,792
Operating Expenses					
Salaries and wages and employee benefits	187,506	-	1,657	(407)	188,756
Purchased services and professional fees	36,312	105,180	57	(105,237)	36,312
Other operating expenses	145,098	-	401	(222)	145,277
Total operating expenses	368,916	105,180	2,115	(105,866)	370,345
Operating Income (Loss)	53,937	(42,490)	-	-	11,447
Nonoperating Revenues	13,978	-	-	(1,142)	12,836
Revenues Over (Under) Expenses	67,915	(42,490)	-	(1,142)	24,283
Contributions Restricted for Acquisition of Capital Assets	8,708	-	-	-	8,708
Transfers from Hospital	(43,632)	43,632	-	-	-
Increase in Net Position	32,991	1,142	-	(1,142)	32,991
Beginning Net Position	272,156	6,481	(11)	(6,481)	272,145
Ending Net Position	$ 305,147	$ 7,623	$ (11)	$ (7,623)	$ 305,136

	Year Ended December 31, 2023				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Operating Revenues					
Net patient service revenue	$ 279,632	$ 60,085	$ 1,838	$ -	$ 341,555
Other operating revenues	108,548	2,916	-	(105,242)	6,222
Total operating revenues	388,180	63,001	1,838	(105,242)	347,777
Operating Expenses					
Salaries and wages and employee benefits	182,725	-	1,507	(440)	183,792
Purchased services and professional fees	37,468	104,624	29	(104,652)	37,469
Other operating expenses	127,925	-	302	(150)	128,077
Total operating expenses	348,118	104,624	1,838	(105,242)	349,338
Operating Income (Loss)	40,062	(41,623)	-	-	(1,561)
Nonoperating Expenses	(1,075)	-	-	1,787	712
Revenues Over (Under) Expenses	38,987	(41,623)	-	1,787	(849)
Contributions Restricted for Acquisition of Capital Assets	2,134	-	-	-	2,134
Transfers from Hospital	(39,836)	39,836	-	-	-
Increase (Decrease) in Net Position	1,285	(1,787)	-	1,787	1,285
Beginning Net Position	270,871	8,268	(11)	(8,268)	270,860
Ending Net Position	$ 272,156	$ 6,481	$ (11)	$ (6,481)	$ 272,145

The following tables (in thousands) include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Net Cash Provided by (Used in) Operating Activities	$ 79,033	$ (43,632)	$ 6	$ -	$ 35,407
Net Cash Provided by (Used in) Noncapital Financing Activities	(33,424)	43,632	-	-	10,208
Net Cash Used in Capital and Related Financing Activities	(20,603)	-	-	-	(20,603)
Net Cash Used In Investing Activities	(7,590)	-	-	-	(7,590)
Change in Cash and Cash Equivalents	17,416	-	6	-	17,422
Cash and Cash Equivalents, Beginning of Year	44,295	-	67	-	44,362
Cash and Cash Equivalents, End of Year	$ 61,711	$ -	$ 73	$ -	$ 61,784

	Year Ended December 31, 2023				
	The Lawrence Memorial Hospital	Lawrence Physicians, LLC	Reed Medical Group MDVIP	Eliminations	Combined
Net Cash Provided by (Used in) Operating Activities	$ 76,260	$ (39,836)	$ (25)	$ -	$ 36,399
Net Cash Provided by (Used in) Noncapital Financing Activities	(39,710)	39,836	-	-	126
Net Cash Used in Capital and Related Financing Activities	(22,328)	-	-	-	(22,328)
Net Cash Provided by Investing Activities	7,250	-	-	-	7,250
Change in Cash and Cash Equivalents	21,472	-	(25)	-	21,447
Cash and Cash Equivalents, Beginning of Year	22,824	-	91	-	22,915
Cash and Cash Equivalents, End of Year	$ 44,296	$ -	$ 66	$ -	$ 44,362

Supplementary Information

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity or Identifying Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. Department of Homeland Security				
Passed through the Kansas Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Projects 685475, 686373, 691921, 692778, 710332 and 747271	$ -	$ 10,069,431
U.S. Department of Health and Human Services				
Passed through the University of Kansas Medical Center Research Institute, Inc.				
Cancer Control	93.399	ZPD0000	-	16,500
			$ -	$ 10,085,931

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal awards activity of The Lawrence Memorial Hospital (the "Hospital"), a component unit of the City of Lawrence, Kansas, under programs of the federal government for the year ended December 31, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hospital.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3. Indirect Cost Rate

The Hospital has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Expenditures Incurred in Previous Fiscal Year

The total expenses reported on the Schedule related to the Disaster Grants – Public Assistance program (ALN 97.036) were incurred in a previous fiscal year but reported on the current year Schedule as the Project Worksheet was approved during the year ended December 31, 2024.

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

Independent Auditor's Report

Board of Trustees
The Lawrence Memorial Hospital
Lawrence, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of The Lawrence Memorial Hospital (the "Hospital"), a component unit of the City of Lawrence, Kansas, and its aggregate discretely presented component units as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements, and have issued our report thereon dated April 25, 2025.

Our report includes a reference to other auditors who audited the financial statements of LMH Health Foundation's financial statements, as described in our report on The Lawrence Memorial Hospital's financial statements. The financial statements of LMH Health Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with LMH Health Foundation or that are reported on separately by those auditors who audited the financial statements of LMH Health Foundation.

The financial statements of Lawrence Surgery Center, LLC, a component unit in the financial statements of the aggregate discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Lawrence Surgery Center, LLC.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

Forvis Mazars, LLP

Kansas City, Missouri
April 25, 2025

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
The Lawrence Memorial Hospital
Lawrence, Kansas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited The Lawrence Memorial Hospital's (the "Hospital), a component unit of the City of Lawrence, Kansas, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Hospital's major federal program for the year ended December 31, 2024. The Hospital's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Hospital complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effective on its major federal program for the year ended December 31, 2024.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Hospital's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Hospital's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Hospital's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Hospital's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Forvis Mazars, LLP

Kansas City, Missouri
April 25, 2025

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Schedule of Findings and Questioned Costs
Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with (GAAP):

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to the financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards program:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

5. Type of auditor's report issued on compliance for the major federal program:

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

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

7. Identification of the major federal program:

Name of Federal Program or Cluster	Assistance Listing Number
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

No matters are reportable

Section III – Federal Awards Findings and Questioned Costs

No matters are reportable

The Lawrence Memorial Hospital
A Component Unit of the City of Lawrence, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2024

Reference Number	Summary of Finding	Status
	No matters are reportable	