

Independent Auditor's Report and Financial Statements
William Newton Memorial Hospital
December 31, 2019 and 2018

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**William Newton Memorial Hospital
Management's Discussion and Analysis
Years ended December 31, 2019 and 2018**

Our discussion and analysis of the financial performance of William Newton Memorial Hospital (the Hospital) and our blended component unit William Newton Healthcare Foundation, Inc., provides a narrative overview of the Hospital's financial activities for the years ended December 31, 2019 and 2018. Please read it in conjunction with the accompanying basic financial statements.

Financial highlights

The Hospital's net position decreased by \$542,436 or 3.9 percent in 2019 and increased by \$2,132,500 or 18.2 percent in 2018.

The Hospital reported an operating loss of \$1,766,225 in 2019 and an operating income of \$795,246 in 2018.

Using these financial statements

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by or for the benefit of the Hospital, and resources restricted for specific purposes by contributors, grantors, and indenture agreements.

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

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

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

William Newton Memorial Hospital
Management's Discussion and Analysis - Continued
Years ended December 31, 2019 and 2018

Assets, liabilities, and net position

The Hospital's net position as of the end of each of the last three years is summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets			
Cash	\$ 4,262,684	\$ 6,967,466	\$ 4,587,835
Patient accounts receivable, net	8,746,269	5,917,302	5,141,406
Other current assets	<u>2,993,570</u>	<u>1,137,107</u>	<u>1,348,610</u>
 Total current assets	 16,002,523	 14,021,875	 11,077,851
Capital assets, net	22,109,879	14,446,445	14,318,321
Other assets	<u>4,186,870</u>	<u>4,511,088</u>	<u>3,614,299</u>
 Total assets	 <u>42,299,272</u>	 <u>32,979,408</u>	 <u>29,010,471</u>
Liabilities			
Current liabilities	(7,783,445)	(6,289,109)	(3,634,684)
Long-term obligations	<u>(10,788,500)</u>	<u>(2,735,083)</u>	<u>(3,334,906)</u>
 Total liabilities excluding net pension and OPEB liabilities	 <u>(18,571,945)</u>	 <u>(9,024,192)</u>	 <u>(6,969,590)</u>
 Net pension and OPEB liabilities net of deferred outflows and net deferred inflows of resources related to pension and OPEB plans	 <u>(10,445,405)</u>	 <u>(10,130,858)</u>	 <u>(10,349,023)</u>
 Net position	 <u>\$ 13,281,922</u>	 <u>\$ 13,824,358</u>	 <u>\$ 11,691,858</u>

The cash balances decreased by \$2,704,782 in 2019 as compared to 2018 and increased by \$2,379,631 in 2018 as compared to 2017. Significant items affecting the change in cash are reported in the cash flow statement. Operating cash flows decreased by approximately \$5.4 million in 2019 as compared to 2018, which was due principally to the change in the accounts receivable and the decrease in current year operations. The number of days net revenue in net patient accounts receivable represented 82 days in 2019, 58 days in 2018, and 55 days in 2017. Our current ratio, or the ratio of current assets to current liabilities was 2.0, 2.2, and 3.0 for 2019, 2018, and 2017. The decrease in this ratio in 2019 and 2018 is impacted by the increase in construction costs payable.

Capital assets increased by \$7,663,434 in 2019 and increased by \$128,124 in 2018. The change in capital assets will vary based on the timing of replacement in property and equipment and the annual provision for depreciation. During 2018, the Hospital began a significant building renovation which was substantially completed in January 2020.

We utilize long-term leases or debt to finance major capital expenditures and try to maintain sufficient liquidity in our balance sheet to cover day-to-day operating expenses of the Hospital and to provide flexibility in operating the Hospital. Our ratio of equity to total assets for the past three years was 25, 36, and 36 percent at December 31, 2019, 2018, and 2017, respectively. Total liabilities, excluding the pension and OPEB plans, increased by \$9,547,753 in 2019 as compared to 2018, and increased by \$2,054,602 in 2018 as

William Newton Memorial Hospital
Management's Discussion and Analysis - Continued
Years ended December 31, 2019 and 2018

compared with 2017. The 2019 and 2018 increases are due primarily to the commencement of the construction project in 2018. The net pension and OPEB liabilities, net of deferred outflows and inflows related to the pension and OPEB plans increased by \$314,547 in 2019 as compared to 2018, after decreasing by \$218,165 in 2018 as compared to 2017.

Operating results and changes in net position

The Hospital's operating results and changes in net position for each of the last three years are summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues	\$ 40,104,222	\$ 38,652,314	\$ 35,978,414
Operating expenses			
Salaries and benefits	21,478,011	19,609,692	18,110,074
Supplies and other	17,741,032	16,124,375	16,093,256
Depreciation	<u>2,336,857</u>	<u>2,341,166</u>	<u>2,432,050</u>
Total operating expenses	<u>41,555,900</u>	<u>38,075,233</u>	<u>36,635,380</u>
Operating income before pension and OPEB adjustments	(1,451,678)	577,081	(656,966)
Actuarial expense adjustments to pension and OPEB	<u>(314,547)</u>	<u>218,165</u>	<u>(230,751)</u>
Operating income (loss)	(1,766,225)	795,246	(887,717)
Other changes in net position	<u>1,223,789</u>	<u>1,337,254</u>	<u>794,427</u>
Change in net position	<u>\$ (542,436)</u>	<u>\$ 2,132,500</u>	<u>\$ (93,290)</u>

The first, and most significant, component of the overall change in the Hospital's net position is its operating income - generally, the difference between net patient service revenue and the expenses incurred to perform those services. The Hospital's operating income prior to the effect of the actuarial pension and OPEB adjustments decreased by \$2,028,759 in 2019 and increased by \$1,234,047 in 2018, both as compared with the prior year. We have segregated the actuarial effect of the pension plan and OPEB adjustments to highlight the impact that these adjustments have on our financial statements.

Total operating revenues increased by 3.8 percent in 2019 as compared to an increase of 7.4 percent in 2018. Operating revenues are impacted by volume of services provided, payor mix, level of financial assistance and uncompensated care, and expenses as this impacts our revenues associated with cost-reimbursed services.

As a not-for-profit hospital, we serve all patients who come to our Hospital, regardless of ability to pay. During 2019, 2018, and 2017, the Hospital wrote off \$4,267,425, \$4,542,549, and \$4,114,603 in charges related to patients who qualify either for financial assistance under our financial assistance policy or to bad debts. The change in these net write-offs typically will correlate with the change in revenue from uninsured patients.

William Newton Memorial Hospital
Management's Discussion and Analysis - Continued
Years ended December 31, 2019 and 2018

We receive some relief for the cost of uncompensated care as we qualify for Medicaid disproportionate share payments (DSH) which is designed to reimburse hospitals for the cost of uncompensated care related to both uninsured and Medicaid beneficiaries. Total revenue recognized under the Medicaid DSH program was \$922,418 in 2019, \$899,227 in 2018, and \$863,614 in 2017. These payments are funded by both federal and state funds.

Operating expenses increased by 9.1 percent in 2019 as compared with 2018 and increased by 3.9 percent in 2018 as compared to 2017. Significant changes in operating expenses in 2019 in comparison to 2018 were due to an increase in salaries and benefits of \$1.9 million. The increase is due to increased hours related to the Hospital expanded physician clinic services and implementing a hospitalist program. Significant changes in operating expenses in 2018 in comparison to 2017 were due to an increase in salaries and benefits of \$1.4 million. The increase is due to increased hours related to an increase in patient volumes as well as increased compensation related to the filling of provider positions which were previously vacant.

Other changes in net position for the years presented were impacted by the changes in interest expense, investment income, and the change in capital grants and contributions.

The Hospital's focus remains that of maintaining and growing utilization of Hospital services. Although the population living in our primary market area is not anticipated to change dramatically in the future, patient out-migration to other health care markets is a concern as some residents look outside our community for services. Our philosophy is to commit resources to maintain updated facilities and to invest in state of the art technology. We are also committed to offering programs and services that improve patient safety and promote a high level of quality care within the Hospital. Many factors, both internal and external, affect our ability to meet our goals. For example, to maintain or grow hospital utilization, there is a requirement that the community have an adequate number and mix of primary care and specialty physicians. We monitor these numbers and continue to be proactive in the recruitment of physicians to our community.

This financial report is designed to provide a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the funds it receives. If you have any questions about this report or need additional information, contact the Administration Office at 1300 East 5th Avenue, Winfield, Kansas 67156.

Independent Auditor's Report

Board of Trustees
William Newton Memorial Hospital

We have audited the accompanying financial statements of William Newton Memorial Hospital as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activity of William Newton Memorial Hospital as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 4 be presented to supplement the financial statements. These standards also require that the pension and other postemployment information listed in the table of contents be included to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
August 26, 2020

Financial Statements

William Newton Memorial Hospital
Statements of Net Position
December 31,

Assets and Deferred Outflows of Resources

	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 4,262,684	\$ 6,967,466
Assets limited as to use	1,858,965	
Patient accounts receivable, net of allowance for doubtful accounts of \$3,699,885 in 2019 and \$2,523,833 in 2018	8,746,269	5,917,302
Other receivables	243,064	432,395
Inventories	521,714	390,217
Prepaid expenses	259,608	314,495
Estimated third-party payor settlements	<u>110,219</u>	<u> </u>
Total current assets	<u>16,002,523</u>	<u>14,021,875</u>
 Assets limited as to use		
Cash restricted under lease agreement	237,200	237,200
Contributions receivable, net	1,230,234	1,244,614
Investments held by Foundation	<u>1,598,584</u>	<u>1,733,646</u>
	<u>3,066,018</u>	<u>3,215,460</u>
 Capital assets, net	<u>22,109,879</u>	<u>14,446,445</u>
 Other assets	<u>1,120,852</u>	<u>1,295,628</u>
 Total assets	<u>42,299,272</u>	<u>32,979,408</u>
 Deferred outflows of resources		
Pension	2,159,149	1,904,830
Other postemployment benefits	<u>50,568</u>	<u>66,875</u>
Total deferred outflows of resources	<u>2,209,717</u>	<u>1,971,705</u>
 Total assets and deferred outflows of resources	<u>\$ 44,508,989</u>	<u>\$ 34,951,113</u>

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	<u>2019</u>	<u>2018</u>
Current liabilities		
Current maturities of long-term obligations	\$ 1,412,191	\$ 805,081
Accounts payable	2,068,128	982,271
Construction costs payable	2,079,392	1,788,478
Salaries, wages, and related withholdings payable	775,051	925,628
Accrued discretionary leave	1,112,915	1,027,651
Accrued health insurance claims	222,887	
Estimated third-party payor settlements	112,881	760,000
	<hr/>	<hr/>
Total current liabilities	7,783,445	6,289,109
Long-term obligations, net of current maturities	10,788,500	2,735,083
Net pension liability	11,688,628	11,015,025
Net other postemployment benefit liability	450,550	471,496
	<hr/>	<hr/>
Total liabilities	30,711,123	20,510,713
Deferred inflows of resources		
Pension	493,862	595,391
Other postemployment benefits	22,082	20,651
	<hr/>	<hr/>
Total deferred inflows of resources	515,944	616,042
Net position		
Invested in capital assets - net of related debt	9,688,761	10,906,281
Restricted		
For lease or operating activities	244,165	247,808
Expendable for capital acquisitions	1,806,941	1,866,988
Nonexpendable permanent endowments	466,119	465,257
Unrestricted	1,075,936	338,024
	<hr/>	<hr/>
Total net position	13,281,922	13,824,358
Total liabilities, deferred inflows of resources, and net position	\$ 44,508,989	\$ 34,951,113
	<hr/>	<hr/>

William Newton Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31,

	<u>2019</u>	<u>2018</u>
Operating revenues		
Net patient service revenue	\$ 38,732,196	\$ 37,075,426
Other	<u>1,372,026</u>	<u>1,576,888</u>
Total operating revenues	<u>40,104,222</u>	<u>38,652,314</u>
Operating expenses		
Salaries and wages	17,021,747	15,858,211
Employee benefits	4,456,264	3,751,481
Actuarial adjustments to pension and OPEB expenses	314,547	(218,165)
Supplies and other	17,741,032	16,124,375
Depreciation and amortization	<u>2,336,857</u>	<u>2,341,166</u>
Total operating expenses	<u>41,870,447</u>	<u>37,857,068</u>
Operating income (loss)	<u>(1,766,225)</u>	<u>795,246</u>
Nonoperating revenues (expenses)		
Investment income (loss)	406,995	(35,880)
Interest expense	(97,755)	(192,100)
Noncapital grants and contributions	141,764	143,146
Other	<u>(42,215)</u>	<u>(44,618)</u>
Total nonoperating revenues (expenses)	<u>408,789</u>	<u>(129,452)</u>
Excess of revenues over (under) expenses before capital grants and contributions	<u>(1,357,436)</u>	<u>665,794</u>
Capital grants and contributions	<u>815,000</u>	<u>1,466,706</u>
Change in net position	<u>(542,436)</u>	<u>2,132,500</u>
Net position at beginning of year	<u>13,824,358</u>	<u>11,691,858</u>
Net position at end of year	<u>\$ 13,281,922</u>	<u>\$ 13,824,358</u>

The accompanying notes are an integral part of these statements.

William Newton Memorial Hospital
Statements of Cash Flows
Years ended December 31,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Receipts from and on behalf of patients	\$ 35,145,891	\$ 37,811,003
Payments to or on behalf of employees	(21,320,437)	(19,266,230)
Payments to suppliers	(16,557,009)	(15,474,512)
Other receipts and payments	<u>1,561,357</u>	<u>1,144,493</u>
Net cash provided (used) by operating activities	<u>(1,170,198)</u>	<u>4,214,754</u>
Cash flows from noncapital financing activities		
Noncapital grants and contributions	141,764	143,146
Other	<u>(52,455)</u>	<u>(44,654)</u>
Net cash provided by noncapital financing activities	<u>89,309</u>	<u>98,492</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(9,472,203)	(670,365)
Grants and contributions for capital	829,380	567,092
Proceeds from sale of equipment	14,297	36
Issuance of long-term debt	9,776,914	845,643
Principal payments on long-term debt	(1,116,387)	(1,891,117)
Payment of capital lease financing costs		(56,107)
Interest paid	<u>(338,986)</u>	<u>(146,440)</u>
Net cash used by capital and related financing activities	<u>(306,985)</u>	<u>(1,351,258)</u>
Cash flows from investing activities		
Change in investments held by Foundation	372,417	(479,836)
Investment income received	<u>169,640</u>	<u>134,679</u>
Net cash provided (used) by investing activities	<u>542,057</u>	<u>(345,157)</u>
Change in cash and cash equivalents	(845,817)	2,616,831
Cash and cash equivalents at beginning of year	<u>7,204,666</u>	<u>4,587,835</u>
Cash and cash equivalents at end of year	<u>\$ 6,358,849</u>	<u>\$ 7,204,666</u>

The accompanying notes are an integral part of these statements.

**William Newton Memorial Hospital
Statements of Cash Flows - Continued
Years ended December 31,**

	<u>2019</u>	<u>2018</u>
Reconciliation of cash and cash equivalents to statements of financial position		
Cash and cash equivalents in current assets	\$ 4,262,684	\$ 6,967,466
Cash restricted under lease agreement in current assets	1,858,965	
Cash restricted under lease agreement	<u>237,200</u>	<u>237,200</u>
	<u>\$ 6,358,849</u>	<u>\$ 7,204,666</u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	\$ (1,766,225)	\$ 795,246
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation and amortization	2,336,857	2,341,166
Provision for bad debts	3,541,984	3,465,568
 Changes in		
Patient accounts receivable	(6,370,951)	(4,241,464)
Inventories	(131,497)	28,621
Prepaid expenses	54,887	(136,196)
Other receivables	189,331	(432,395)
Other assets	174,776	549,302
Accounts payable and accrued expenses	1,243,431	551,598
Estimated third-party payor settlements	(757,338)	1,511,473
Net pension liability, deferred inflows and deferred outflows related to defined benefit pension and OPEB plans	<u>314,547</u>	<u>(218,165)</u>
Net cash provided (used) by operating activities	<u>\$ (1,170,198)</u>	<u>\$ 4,214,754</u>
 Supplemental schedule of noncash investing and financing activities		
Net change in unrealized gains (losses) on investments	\$ 237,355	\$ (170,559)
Capital lease obligations incurred	1,470,570	

The accompanying notes are an integral part of these statements.

William Newton Memorial Hospital
Notes to Financial Statements
December 31, 2019 and 2018

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

A summary of the significant accounting policies of William Newton Memorial Hospital (Hospital) consistently applied in the preparation of the accompanying financial statements follows.

1. Reporting entity

William Newton Memorial Hospital (Hospital) is governed by a five-member Board of Trustees appointed by the Commissioners of the City of Winfield, Kansas. The Hospital, which was organized in 1927, is a 25-bed, not-for-profit general hospital located in Winfield, Kansas. The Hospital can sue and be sued, and can buy, sell, or lease real property.

2. Component unit

William Newton Healthcare Foundation, Inc. (Foundation), is a legally separate not-for-profit corporation established for the purpose of providing financial assistance to the Hospital and assisting the Hospital and others in the recruitment of physicians and other medical health care personnel to locate and practice in Winfield, Kansas. The Foundation is administered by a self-perpetuating Board of Directors, which is appointed by the Hospital, who is the sole voting member of the Foundation. The Hospital includes the Foundation as a component unit in the Hospital's financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

3. Use of estimates

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

4. Basis of accounting

The financial statements of the Hospital have been prepared on the accrual basis of accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

5. Cash and cash equivalents

Cash and cash equivalents include all cash and highly-liquid debt instruments with maturities of three months or less.

6. Allowance for doubtful accounts

The Hospital provides for accounts receivable that could become uncollectible in the future by establishing an allowance to reduce the carrying value of such receivables to their estimated net realizable value. The Hospital estimates this allowance based on a percentage of revenue, the aging of its accounts receivable by type of payor, and its historical collection experience for each type of payor.

7. Inventories

Inventories are stated at the lower of fair value or cost as determined by the first-in, first-out method.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

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

8. Assets limited as to use

Assets limited as to use include assets restricted under lease agreement, investments held by the Foundation, and contributions receivable related to a capital campaign conducted by the Foundation. Investments are reported at fair value. See Note O. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in nonoperating revenue when earned.

9. Capital assets

Capital assets (including assets recorded as capital leases) are stated at cost. Depreciation and amortization of capital assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

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

10. Grants and contributions

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

11. Accrued discretionary leave

Employees of the Hospital are entitled to paid time off depending on length of service and whether they are full-time or part-time. Upon resignation, termination, or retirement from service with the Hospital, employees are entitled to payment for all accrued discretionary leave, up to an allowable maximum. The Hospital accrues these benefits as earned.

12. Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

13. Pension and Other Post Employment Benefit (OPEB) plans

The Hospital participates in the Kansas Public Employees Retirement System Plan (KPERS), a cost-sharing multiple-employer defined benefit pension plan. The Hospital also provides long-term disability benefits to its employees through KPERS. The Hospital uses information provided by KPERS to measure the net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources of the KPERS pension and OPEB plans.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

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

14. Net position

Net position of the Hospital is classified in three components. "Net position invested in capital assets net of related debt" consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted" is net position whose use has been limited by lenders or donors to a specific time period or purpose either temporarily or permanently. "Unrestricted net position" is remaining net position that does not meet the definition of "invested in capital assets net of related debt" or "restricted."

15. Operating revenues and expenses

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

16. Financial assistance

The Hospital provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify for financial assistance, they are not reported as revenue. The amount of financial assistance provided by the Hospital is disclosed in Note B.

17. Income taxes

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

The Foundation is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its related income pursuant to Section 501(a) of the Code. Management is unaware of any uncertainties in income tax positions. Tax years ending on or after December 31, 2016, are subject to examination by taxing authorities.

18. Subsequent events

Management has reviewed subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Note R for subsequent events disclosed.

Note B - 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 charge rates. The amounts reported on the statement of net position as estimated third-party payor settlements consist of management's best estimate of the differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - The Hospital is a critical access hospital for purposes of the Medicare program and is paid for most services rendered to Medicare beneficiaries under various cost reimbursement methodologies. Physician services except for the rural health clinics, are prospectively paid based on their respective fee schedules. The Hospital is paid for cost reimbursable items at a tentative rate with final settlement

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note B - Net Patient Service Revenue - Continued

determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2017.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or fee-for-service basis.

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

A summary of Hospital gross and net patient service revenue for the years ended December 31, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Gross patient service revenue	\$ 83,747,237	\$ 80,960,841
Deductions from patient service revenue		
Third-party contractual adjustments	(41,576,367)	(40,194,293)
Medicaid DSH payments	922,418	899,227
Other discounts and allowances	(93,667)	(47,800)
Financial assistance	(725,441)	(1,076,981)
Provision for bad debts	<u>(3,541,984)</u>	<u>(3,465,568)</u>
Net patient service revenue	<u>\$ 38,732,196</u>	<u>\$ 37,075,426</u>

The Hospital estimates that the cost of providing financial assistance, based on overall cost to charge ratios obtained from the Hospital's cost reports was \$320,000 and \$460,000 for 2019 and 2018, respectively.

Revenue from the Medicare and Medicaid programs accounted for approximately 38 percent and 9 percent and 40 percent and 7 percent, respectively, of the Hospital's net patient service revenue during 2019 and 2018. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note C - Assets Limited as to Use

Assets limited as to use, cash restricted under lease agreement, are comprised of a certificate of deposit as required under a financing agreement and a checking account and are stated at fair value. Assets limited as to use, held by the Foundation, are carried at fair value which is determined based on quoted market prices in active markets. The Foundation carries its interest in the assets held by the community foundation at the value provided by the community foundation. These assets are invested as follows and reported in the statement of net position under the following categories:

	2019		
	<u>Cost</u>	Unrealized gains (losses)	Fair market value
Equity mutual funds	\$ 937,269	\$ 99,581	\$ 1,036,850
Fixed income mutual funds	404,801	5,582	410,383
Real estate mutual funds	33,936	(708)	33,228
Common Stock	66,283	(474)	65,809
Interest in assets, held by community foundation	52,314		52,314
	<u>\$ 1,494,603</u>	<u>\$ 103,981</u>	<u>\$ 1,598,584</u>
	2018		
	<u>Cost</u>	Unrealized gains (losses)	Fair market value
Equity mutual funds	\$ 1,135,729	\$ (111,935)	\$ 1,023,794
Fixed income mutual funds	637,501	(14,627)	622,874
Real estate mutual funds	48,398	(6,812)	41,586
Interest in assets, held by community foundation	45,392		45,392
	<u>\$ 1,867,020</u>	<u>\$ (133,374)</u>	<u>\$ 1,733,646</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note D - Capital Assets

Capital assets consist of the following:

	Balance December 31, <u>2018</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2019</u>
Land	\$ 101,702	\$ -	\$ -	\$ 101,702
Land improvements	670,997			670,997
Buildings	25,939,777	270,088		26,209,865
Equipment	<u>14,825,857</u>	<u>1,768,461</u>	<u>4,197</u>	<u>16,590,121</u>
	<u>41,538,333</u>	<u>2,038,549</u>	<u>4,197</u>	<u>43,572,685</u>
Less accumulated depreciation and amortization				
Land improvements	316,295	26,659		342,954
Buildings	18,543,635	1,062,504		19,606,139
Equipment	<u>11,076,297</u>	<u>1,247,694</u>	<u>140</u>	<u>12,323,851</u>
	<u>29,936,227</u>	<u>2,336,857</u>	<u>140</u>	<u>32,272,944</u>
Projects in progress	<u>2,844,339</u>	<u>7,965,799</u>		<u>10,810,138</u>
Capital assets, net	<u>\$ 14,446,445</u>	<u>\$ 7,667,491</u>	<u>\$ 4,057</u>	<u>\$ 22,109,879</u>
	Balance December 31, <u>2017</u>	Transfers and <u>additions</u>	<u>Retirements</u>	Balance December 31, <u>2018</u>
Land	\$ 101,702	\$ -	\$ -	\$ 101,702
Land improvements	670,997			670,997
Buildings	26,234,733	(113,937)	181,019	25,939,777
Equipment	<u>15,863,908</u>	<u>193,729</u>	<u>1,231,780</u>	<u>14,825,857</u>
	<u>42,871,340</u>	<u>79,792</u>	<u>1,412,799</u>	<u>41,538,333</u>
Less accumulated depreciation and amortization				
Land improvements	288,151	28,144		316,295
Buildings	17,604,191	1,120,463	181,019	18,543,635
Equipment	<u>11,115,518</u>	<u>1,192,559</u>	<u>1,231,780</u>	<u>11,076,297</u>
	<u>29,007,860</u>	<u>2,341,166</u>	<u>1,412,799</u>	<u>29,936,227</u>
Projects in progress	<u>454,841</u>	<u>2,389,498</u>		<u>2,844,339</u>
Capital assets, net	<u>\$ 14,318,321</u>	<u>\$ 128,124</u>	<u>\$ -</u>	<u>\$ 14,446,445</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note E - Other Assets

The Hospital has determined that recruitment of physicians is in the best interest of the Hospital's patients and the community served by the Hospital, and will enhance the Hospital's ability to meet the health care needs of the community's residents. To accomplish this, the Hospital has entered into agreements with certain physicians to provide them with financial assistance as an inducement for them to establish medical practices in the Hospital's service area. In return, the physicians have agreed to provide professional services for the residents of the Hospital's service area over varying periods up to five years. The financial assistance is rendered in the form of interest-bearing loans from the Hospital. Upon establishment of their practices, principal and accumulated interest on loans are forgiven ratably over the required service periods. If the physician does not establish a medical practice, or if they leave the community prior to completion of the service obligation, they will be required to repay any unpaid or unforgiven principal and accumulated interest on the loans, or liquidated damages, if applicable.

Note F - Long-Term Obligations

Long-term obligations consist of the following:

	<u>2019</u>	<u>2018</u>
2.00% City of Winfield, Kansas General Obligation Temporary Notes, Series 2016-2; issued on December 19, 2016, in the original amount of \$870,000; due in principal payments through December 1, 2020	\$ 225,000	\$ 445,000
Capital lease obligations; interest rates from 1.86% to 9.12%; collateralized by leased equipment with an amortized cost of \$2,333,845 at December 31, 2019	2,234,808	1,338,628
Capital lease obligations; interest rates from 3.40% to 5.59%; collateralized by leased buildings or building improvements with an amortized cost of \$929,529 at December 31, 2019	780,130	910,893
Capital lease obligations; interest rates from 4.25% to 5.15%; collateralized by building improvement renovation project in progress at December 31, 2019	<u>8,960,753</u>	<u>845,643</u>
	12,200,691	3,540,164
Less current maturities	<u>1,412,191</u>	<u>805,081</u>
Long-term maturities, less current maturities	<u>\$10,788,500</u>	<u>\$ 2,735,083</u>

On July 26, 2018, the Hospital entered into lease purchase agreements with a local bank to fund an extensive building renovations project. The first lease agreement had an available amount of \$2,300,000 and an interest rate of 4.25 percent and was loaned to the Hospital as building renovation costs were incurred. Once the funds in the first lease agreement were exhausted, the second lease agreement with an available amount of \$6,851,987 and an interest rate of 5.15 percent was loaned to the Hospital as building renovations costs were incurred. With the exception of a principal only payment made in July 2019, the Hospital made interest only payments during the construction period on these lease agreements. The Hospital will be making monthly interest and principal payments in the month following the date of construction completion. The anticipated completion date of the construction project is January 2020.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note F - Long-Term Obligations - Continued

The following is a summary of changes in long-term obligations:

	<u>Capital lease obligations</u>	<u>Temporary notes</u>	<u>Total long-term obligations</u>
Outstanding at January 1, 2018	\$ 3,938,780	\$ 646,858	\$ 4,585,638
Obligations incurred	845,643		845,643
Principal payments	<u>(1,689,259)</u>	<u>(201,858)</u>	<u>(1,891,117)</u>
Outstanding at December 31, 2018	3,095,164	445,000	3,540,164
Obligations incurred	9,776,914		9,776,914
Principal payments	<u>(896,387)</u>	<u>(220,000)</u>	<u>(1,116,387)</u>
Outstanding at December 31, 2019	<u>\$11,975,691</u>	<u>\$ 225,000</u>	<u>\$12,200,691</u>

Scheduled future debt service payments for temporary notes are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	<u>\$ 225,000</u>	<u>\$ 4,500</u>	<u>\$ 229,500</u>

Scheduled annual future minimum lease payments under capital leases are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,187,191	\$ 489,842	\$ 1,677,033
2021	1,193,725	481,038	1,674,763
2022	1,078,725	435,284	1,514,009
2023	905,002	394,425	1,299,427
2024	737,566	357,882	1,095,448
2025 - 2029	3,070,992	1,334,972	4,405,964
2030 - 2034	3,732,029	513,324	4,245,353
2035 - 2039	<u>70,461</u>	<u>296</u>	<u>70,757</u>
Total	<u>\$11,975,691</u>	<u>\$ 4,007,063</u>	<u>\$15,982,754</u>

Total interest costs are summarized as follows:

	<u>2019</u>	<u>2018</u>
Total interest incurred	\$ 338,986	\$ 146,440
Capital lease issuance costs incurred		56,107
Interest capitalized	<u>(241,231)</u>	<u>(10,447)</u>
Interest expense	<u>\$ 97,755</u>	<u>\$ 192,100</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note G - Defined Benefit Pension Plan

Plan description

The Hospital participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Substantially all employees of the Hospital are eligible to participate in KPERS. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. Substantially all public employees in Kansas are covered by KPERS. Participation by local political subdivisions and entities is optional, but irrevocable once elected. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas Avenue, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Benefits

Benefits are established by statute and may only be changed by the Kansas Legislature. Members with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points." Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement, a member may receive a lump-sum payment of up to 50 percent of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate at 6 percent of covered salary for all members. The employer rates established by statute at December 31, 2019 and 2018, are 8.89 percent and 8.39 percent, respectively. The Hospital employer contributions to KPERS for the years ended December 31, 2019 and 2018, were \$1,466,374 and \$1,237,921, respectively, equal to the statutory required contributions for each year.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note G - Defined Benefit Pension Plan - Continued

Employer and nonemployer allocations

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, the System maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The Hospital is included in the local group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. The allocation percentages for the Hospital's share of the collective pension amounts as of December 31, 2019 and 2018, are based on the ratio of each employer's contributions to total employer and nonemployer contributions of the group for the years ended June 30, 2019 and 2018, respectively. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of December 31, 2019, the Hospital's proportion was 0.836 percent which was an increase of .046 percent over from its share at December 31, 2018.

Net pension liability

At December 31, 2019 and 2018, the Hospital reported a liability of \$11,688,628 and \$11,015,025, respectively, for its proportionate share of the net pension liability.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2018 and 2017, which were then rolled forward to June 30, 2019 and 2018, using the following actuarial assumptions:

<u>Actuarial assumptions</u>	<u>2018</u>	<u>2017</u>
Price inflation	2.75%	2.75%
Wage inflation	3.50%	3.50%
Salary and wage increases	3.50% - 12.00%	3.50% - 12.00%
Long-term rate of return net of investment expense and including price inflation	7.75%	7.75%

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018 and 2017 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note G - Defined Benefit Pension Plan - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2019, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	47.00 %	6.85
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	<u>2.00</u>	(0.25)
Total	<u>100.00 %</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. The State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The statutory cap for 2019 was 1.2 percent. The projection of cash flows used to determine the discount rates assumed that contributions from plan members will be made within the same range as have been made during the past few years.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the pension plan as of June 30, 2019, calculated using the discount rate of 7.75 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% decrease <u>(6.75%)</u>	Current discount rate <u>(7.75%)</u>	1% increase <u>(8.75%)</u>
Hospital's share of net pension liability	\$ 17,457,211	\$ 11,688,628	\$ 6,863,314

Pension expense

For the years ended December 31, 2019 and 2018, the Hospital recognized pension expense of \$1,784,129 and \$1,124,802, respectively, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note G - Defined Benefit Pension Plan - Continued

Deferred outflows of resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources at December 31, 2019 and 2018, are included in the tables below. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members at the beginning of the measurement period. Investment gains and losses are recognized over a fixed five-year period.

	<u>2019</u>	<u>2018</u>
Deferred outflows of resources		
Differences between expected and actual experience	\$ 25,586	\$ 39,769
Change of assumptions	357,247	476,997
Net difference between projected and actual earnings on pension plan investments	274,997	257,676
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	744,060	499,473
Employer contributions subsequent to the measurement date	<u>757,259</u>	<u>630,915</u>
Total deferred outflows of resources	<u>\$ 2,159,149</u>	<u>\$ 1,904,830</u>
Deferred inflows of resources		
Differences between expected and actual experience	\$ 294,369	\$ 312,117
Changes of assumptions	23,691	53,044
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	<u>175,802</u>	<u>230,230</u>
Total deferred inflows of resources	<u>\$ 493,862</u>	<u>\$ 595,391</u>

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2019, that will be recognized in pension expense in future years:

<u>Year ended</u> <u>December 31,</u>	Employer contributions subsequent to the measurement <u>date</u>	Recognition of net deferred outflows/(inflows) of resources <u>by year</u>	<u>Total</u>
2020	\$ 757,259	\$ 511,954	\$ 1,269,213
2021		39,690	39,690
2022		163,050	163,050
2023		183,652	183,652
2024		<u>9,682</u>	<u>9,682</u>
	<u>\$ 757,259</u>	<u>\$ 908,028</u>	<u>\$ 1,665,287</u>

**William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018**

Note H - Other Postemployment Benefit Plan

Plan description and benefits provided

The Kansas Public Employees Retirement System (KPERS) sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their members as provided by K.S.A. 74-04927. The Hospital is considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than postemployment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which includes Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

The death benefit paid to beneficiaries of disabled members is 150 percent of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the member's previous 12 months of compensation at the time of the past date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100 percent of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered employees

The Hospital has the following employees covered by the Plan as of June 30:

	<u>2018</u>	<u>2017</u>
Inactive employees or beneficiaries currently receiving benefit payments	2	4
Active employees	<u>264</u>	<u>251</u>
Total	<u><u>266</u></u>	<u><u>255</u></u>

Net OPEB liability

At December 31, 2019 and 2018, the Hospital reported a total OPEB liability of \$450,550 and \$471,496, respectively.

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note H - Other Post Employment Benefit Plan - Continued

Actuarial assumptions

The total OPEB liability was determined by actuarial valuations as of December 31, 2018 and 2017, which were then rolled forward to June 30, 2019 and 2018, using the following actuarial assumptions:

<u>Actuarial assumptions</u>	<u>2018</u>	<u>2017</u>
Price inflation	2.75%	2.75%
Wage inflation	3.00%	3.00%
Salary and wage increases	3.50% - 10.00%	3.50% - 10.00%
Discount rate	3.50%	3.87%

In 2018 and 2017, mortality rates used for the death benefits were based on the RP-2014 Mortality Tables. Future mortality improvements are anticipated using Scales MP-2019 and MP-2018 in 2018 and 2017, respectively. Mortality used for the disability benefits were included in long-term disability claim termination rates.

The actuarial assumptions used in the December 31, 2018 and 2017 valuations were based on the results of an actuarial experience study conducted for the period December 31, 2013 through December 31, 2015.

Changes in total OPEB liability

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Balance at beginning of period	\$ 471,496	\$ 548,574
Changes for the year		
Service cost	48,553	48,120
Interest	18,405	18,989
Changes of economic/demographic gains or losses	(4,434)	(5,282)
Changes in assumptions of other inputs	6,322	(5,155)
Benefit payments	<u>(89,792)</u>	<u>(133,750)</u>
	<u>(20,946)</u>	<u>(77,078)</u>
Balance at end of period	<u>\$ 450,550</u>	<u>\$ 471,496</u>

Sensitivity of the OPEB liability to changes in the discount rate

The following table presents the total OPEB liability as of June 30, 2019, calculated using the discount rate of 3.50 percent, as well as what the OPEB's liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current rate:

	1% decrease <u>2.50%</u>	Current discount rate <u>3.50%</u>	1% increase <u>4.50%</u>
Total OPEB liability	\$ 466,843	\$ 450,550	\$ 433,242

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note H - Other Post Employment Benefit Plan - Continued

OPEB expense

For the years ended December 31, 2019 and 2018, the Hospital recognized OPEB expense of \$64,605 and \$64,562, respectively, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Deferred outflows of resources and deferred inflows of resources

A summary of the collective deferred outflows of resources and deferred inflows of resources related to the OPEB plan at December 31, 2019 and 2018, are included in the tables below.

	<u>2019</u>	<u>2018</u>
Deferred outflows of resources		
Benefit payments subsequent to the measurement date	\$ 44,896	\$ 66,875
Changes of assumptions	<u>5,672</u>	<u> </u>
Total deferred outflows of resources	<u>\$ 50,568</u>	<u>\$ 66,875</u>
Deferred inflows of resources		
Differences between expected and actual experience	\$ 8,170	\$ 4,737
Changes of assumptions	<u>13,912</u>	<u>15,914</u>
Total deferred outflows of resources	<u>\$ 22,082</u>	<u>\$ 20,651</u>

The following table provides the deferred outflows of resources and deferred inflows of resources as of December 31, 2019, that will be recognized in OPEB expense in future years:

<u>Year ended</u> <u>December 31,</u>	Benefit payments subsequent to the measurement <u>date</u>	Recognition of net deferred outflows/(inflows) of resources <u>by year</u>	<u>Total</u>
2020	\$ 44,896	\$ (2,353)	\$ 42,543
2021		(2,353)	(2,353)
2022		(2,353)	(2,353)
2023		(2,353)	(2,353)
2024		(2,353)	(2,353)
Therafter		<u>(4,645)</u>	<u>(4,645)</u>
	<u>\$ 44,896</u>	<u>\$ (16,410)</u>	<u>\$ 28,486</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note I - Employee Health Insurance Claims

The Hospital is partially self-insured for health insurance claims of its employees. The Hospital has reinsured a portion of its risk for such claims. The reinsurance arrangement covers annual claims in excess of \$75,000 for each covered individual. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Hospital has retained a third party agent to process and settle claims. The Hospital reimburses the agent weekly for the amount of claims paid by the agent.

The following is a summary of the activity under this arrangement for the year ended December 31, 2019:

Estimated employee health insurance claims payable at beginning of period	\$	-
Provision for employer's share of incurred claims expenses for the period		1,413,397
Employee contributions		797,776
Payments made for claims, expenses, and reinsurance		<u>(1,988,286)</u>
Estimated employee health insurance claims payable at end of period		<u>\$ 222,887</u>

Note J - Operating Leases

The Hospital leases equipment under operating leases with related rentals charged to operations as incurred. Total rent expense for 2019 and 2018 was approximately \$285,000 and \$200,000, respectively.

Note K - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of \$200,000 per occurrence up to an annual aggregate of \$600,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to \$800,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of \$2,400,000. The policy provided by an independent insurance carrier also provides for umbrella liability in excess of the underlying limits set forth above in the amount of \$1,000,000 per occurrence with an aggregate in any one policy year of \$1,000,000. All coverage is on a claims-made basis. The Hospital renewed this coverage in January 2020 for a one-year term.

The Hospital has entered into a self-insured trust agreement with the Kansas Hospital Association, along with other qualified hospitals in the State of Kansas. The purpose of this trust is to purchase workers' compensation insurance for employees. To the extent the trust would have been unable to meet its claims liabilities, members have, jointly and severally, agreed to pay for all claims. Management has assessed the financial condition of the trust and believes that the trust is sufficiently funded to meet its liabilities as they come due as of December 31, 2019. Management is not aware of any intention by the trust to implement an assessment in the future for past funding shortages.

**William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018**

Note L - Deposits with Financial Institutions

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

The carrying amount of the Hospital's deposits with financial institutions including repurchase agreements was \$5,904,504 and the bank balance was \$6,070,531 at December 31, 2019.

The bank balance is categorized as follows:

Amount insured by the F.D.I.C., or collateralized with securities held by the Hospital in the Hospital's name	\$ 1,250,058
Uncollateralized (collateralized with securities held in safekeeping under joint custody receipts by an authorized depository other than the pledging financial institution's trust department but not in the Hospital's name)	<u>4,820,473</u>
	<u>\$ 6,070,531</u>

Note M - Concentration of Credit Risk

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

	<u>2019</u>	<u>2018</u>
Medicare	28 %	28 %
Medicaid	10	9
Blue Cross	14	13
Commercial insurance	18	18
Self-pay	<u>30</u>	<u>32</u>
	<u>100 %</u>	<u>100 %</u>

Note N - Commitments and Contingencies

A summary of outstanding contract commitments for a building renovation project as of December 31, 2019, is as follows:

Total commitment	\$ 9,575,032
Costs incurred to date	<u>(9,115,540)</u>
Remaining commitment	<u>\$ 459,492</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note N - Commitments and Contingencies - Continued

In addition to the risk disclosed elsewhere in these financial statements and notes thereto, the Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Hospital purchases commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three years.

Note O - Restricted Net Assets

When a donor specifies the purpose of a contribution, the contribution and related income is recorded as either temporarily restricted or permanently restricted according to the donor's request. If the Foundation receives a gift that does not specify a restriction, the Foundation records the gift as unrestricted.

The Foundation's net assets include permanent endowments, the income from which is to accumulate to enable the Foundation to provide continuing support to the Hospital. As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Trustees has interpreted the Kansas Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. The remaining portion of the donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

It is the policy of the board to manage its investments in a prudent manner consistent with good stewardship, yet striving to enhance its return on the available funds. To assist in accomplishing this objective, the board has established an asset allocation policy, engages a professional investment advisor, and monitors the investments and investment returns.

If the fair value of assets associated with donor-restricted funds falls below the level that the donor or UPMIFA requires the Foundation to retain as permanently restricted, such deficiencies are reported in unrestricted net assets. At December 31, 2019, no such deficiencies existed.

Note P - Fair Value of Financial Instruments

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

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets.

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

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

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note P - Fair Value of Financial Instruments - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodology used for assets measured at fair value on a recurring basis.

Money market mutual funds, equity, common stock, fixed income, and real estate mutual funds, are valued at unadjusted quoted prices for identical securities in active markets (Level 1 inputs).

The following tables are set forth, by level, the assets measured at fair value on a recurring basis for the Foundation.

	December 31, 2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 1,036,850	\$ -	\$ -	\$ 1,036,850
Common stock	65,809			65,809
Fixed income mutual funds	410,383			410,383
Real estate mutual funds	33,228			33,228
	<u>\$ 1,546,270</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,546,270</u>
	December 31, 2018			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity mutual funds	\$ 1,023,794	\$ -	\$ -	\$ 1,023,794
Fixed income mutual funds	622,874			622,874
Real estate mutual funds	41,586			41,586
	<u>\$ 1,688,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,688,254</u>

Note Q - Contributions Receivable

The Foundation has initiated a Capital Campaign to help fund a Hospital building renovations project. These contributions are considered restricted by donor. Promises to give and contributions receivable recognized under the Capital Campaign consist of the following:

	<u>2019</u>	<u>2018</u>
Restricted promises receivable	\$ 1,640,312	\$ 1,659,485
Less: unamortized discounts and allowance for uncollectible pledges	<u>(410,078)</u>	<u>(414,871)</u>
Net unconditional promises receivable	<u>\$ 1,230,234</u>	<u>\$ 1,244,614</u>
Amounts due in		
Less than one year	\$ 540,333	\$ 281,999
One to five years	954,970	1,171,166
Six to nine years	<u>145,009</u>	<u>206,320</u>
	<u>\$ 1,640,312</u>	<u>\$ 1,659,485</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note R - Subsequent Events

Subsequent to December 31, 2019, the Hospital entered into agreements to purchase capital equipment for approximately \$930,000.

Subsequent to year-end, the Hospital experienced significant declines in volumes resulting from uncertainty caused by the worldwide coronavirus pandemic. The Hospital is closely monitoring its liquidity and has received grant funding through the CARES Act and has also qualified for a Paycheck Protection Program loan. These grants and programs will assist the Medical Center in maintaining liquidity until operations return back to normal. The Hospital's financial statements do not include any adjustments to fair value that may have resulted from this event.

Note S - Condensed Combining Information

Condensed financial data for the Hospital and its blended component unit as of and for the year ended December 31, 2019, are presented in the following tables:

	Statement of Net Position - 2019			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Cash and cash equivalents	\$ 3,811,164	\$ 451,520	\$ -	\$ 4,262,684
Other current assets	11,838,445		(98,606)	11,739,839
Contributions receivable, net		1,230,234		1,230,234
Investments held by Foundation		1,598,584		1,598,584
Capital assets, net	22,109,879			22,109,879
Other assets	1,358,052			1,358,052
Total assets	<u>39,117,540</u>	<u>3,280,338</u>	<u>(98,606)</u>	<u>42,299,272</u>
Deferred outflows of resources	2,209,717	-	-	2,209,717
Total assets and deferred outflows of resources	<u>\$ 41,327,257</u>	<u>\$ 3,280,338</u>	<u>\$ (98,606)</u>	<u>\$ 44,508,989</u>
Liabilities				
Current liabilities	\$ 7,783,445	\$ 98,606	\$ (98,606)	\$ 7,783,445
Noncurrent liabilities	22,927,678			22,927,678
Total liabilities	<u>30,711,123</u>	<u>98,606</u>	<u>(98,606)</u>	<u>30,711,123</u>
Deferred inflows of resources	515,944	-	-	515,944
Net position				
Invested in capital assets - net of related debt	9,688,761			9,688,761
Restricted				
For lease or operating	237,200	6,965		244,165
For capital acquisition	311,595	1,495,346		1,806,941
Nonexpendable permanent endowments		466,119		466,119
Unrestricted	(137,366)	1,213,302		1,075,936
Total net position	<u>10,100,190</u>	<u>3,181,732</u>	<u>-</u>	<u>13,281,922</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 41,327,257</u>	<u>\$ 3,280,338</u>	<u>\$ (98,606)</u>	<u>\$ 44,508,989</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note S - Condensed Combining Information - Continued

	Statement of Revenues, Expenses, and Changes in Net Position - 2019			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenue				
Net patient service revenue	\$ 38,732,196	\$ -	\$ -	\$ 38,732,196
Other revenues	1,372,026			1,372,026
Total operating revenues	<u>40,104,222</u>	<u>-</u>	<u>-</u>	<u>40,104,222</u>
Operating expenses				
Salaries and wages, employee benefits, and actuarial adjustments to pension and OPEB expenses	21,792,558			21,792,558
Supplies and other	17,741,032			17,741,032
Depreciation and amortization	2,336,857			2,336,857
Total operating expenses	<u>41,870,447</u>	<u>-</u>	<u>-</u>	<u>41,870,447</u>
Operating loss	(1,766,225)	-	-	(1,766,225)
Nonoperating revenues (expenses)	45,851	(554,583)	917,521	408,789
Excess of revenues over (under) expenses	(1,720,374)	(554,583)	917,521	(1,357,436)
Capital grants and contributions	1,233,516	499,005	(917,521)	815,000
Change in net position	(486,858)	(55,578)	-	(542,436)
Net position at beginning of year	10,587,048	3,237,310		13,824,358
Ending net position	<u>\$ 10,100,190</u>	<u>\$ 3,181,732</u>	<u>\$ -</u>	<u>\$ 13,281,922</u>

	Statement of Cash Flow - 2019			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by				
Operating activities	\$ (1,253,860)	\$ -	\$ 83,662	\$ (1,170,198)
Noncapital financing activities	71,472	(816,022)	833,859	89,309
Capital and related financing activities	97,151		(404,136)	(306,985)
Investing activities	61,894	993,548	(513,385)	542,057
Net change in cash and cash equivalents	(1,023,343)	177,526		(845,817)
Cash and cash equivalents at beginning of year	6,930,672	273,994		7,204,666
Cash and cash equivalents at end of year	<u>\$ 5,907,329</u>	<u>\$ 451,520</u>	<u>\$ -</u>	<u>\$ 6,358,849</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note S - Condensed Combining Information - Continued

Condensed financial data for the Hospital and its blended component unit as of and for the year ended December 31, 2018, are presented in the following tables:

	Statement of Net Position - 2018			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Assets				
Cash and cash equivalents	\$ 6,693,472	\$ 273,994	\$ -	\$ 6,967,466
Other current assets	7,069,353		(14,944)	7,054,409
Contributions receivable, net		1,244,614		1,244,614
Investments held by Foundation		1,733,646		1,733,646
Capital assets, net	14,446,445			14,446,445
Other assets	1,532,828			1,532,828
Total assets	<u>29,742,098</u>	<u>3,252,254</u>	<u>(14,944)</u>	<u>32,979,408</u>
Deferred outflows of resources	1,971,705	-	-	1,971,705
Total assets and deferred outflows of resources	<u>\$ 31,713,803</u>	<u>\$ 3,252,254</u>	<u>\$ (14,944)</u>	<u>\$ 34,951,113</u>
Liabilities				
Current liabilities	\$ 6,289,109	\$ 14,944	\$ (14,944)	\$ 6,289,109
Noncurrent liabilities	14,221,604			14,221,604
Total liabilities	<u>20,510,713</u>	<u>14,944</u>	<u>(14,944)</u>	<u>20,510,713</u>
Deferred inflows of resources	616,042	-	-	616,042
Net position				
Invested in capital assets - net of related debt	10,906,281			10,906,281
Restricted				
For lease or operating activities	237,200	10,608		247,808
For capital acquisition		1,866,988		1,866,988
Nonexpendable permanent endowments		465,257		465,257
Unrestricted	(556,433)	894,457		338,024
Total net position	<u>10,587,048</u>	<u>3,237,310</u>	<u>-</u>	<u>13,824,358</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 31,713,803</u>	<u>\$ 3,252,254</u>	<u>\$ (14,944)</u>	<u>\$ 34,951,113</u>

William Newton Memorial Hospital
Notes to Financial Statements - Continued
December 31, 2019 and 2018

Note S - Condensed Combining Information - Continued

	Statement of Revenues, Expenses, and Changes in Net Position - 2018			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Operating revenue				
Net patient service revenue	\$ 37,075,426	\$ -	\$ -	\$ 37,075,426
Other revenues	1,576,888			1,576,888
Total operating revenues	<u>38,652,314</u>	<u>-</u>	<u>-</u>	<u>38,652,314</u>
Operating expenses				
Salaries and wages, employee benefits, and actuarial adjustments to pension and OPEB expenses	19,391,527			19,391,527
Supplies and other	16,124,375			16,124,375
Depreciation and amortization	2,341,166			2,341,166
Total operating expenses	<u>37,857,068</u>	<u>-</u>	<u>-</u>	<u>37,857,068</u>
Operating income	795,246	-	-	795,246
Nonoperating revenues (expenses)	<u>(82,356)</u>	<u>(286,433)</u>	<u>239,337</u>	<u>(129,452)</u>
Excess of revenues over (under) expenses	712,890	(286,433)	239,337	665,794
Capital grants and contributions	<u>239,337</u>	<u>1,466,706</u>	<u>(239,337)</u>	<u>1,466,706</u>
Change in net position	952,227	1,180,273	-	2,132,500
Net position at beginning of year	<u>9,634,821</u>	<u>2,057,037</u>	<u>-</u>	<u>11,691,858</u>
Ending net position	<u>\$ 10,587,048</u>	<u>\$ 3,237,310</u>	<u>\$ -</u>	<u>\$ 13,824,358</u>

	Statement of Cash Flow - 2018			
	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Combined</u>
Net cash provided (used) by				
Operating activities	\$ 4,199,810	\$ -	\$ 14,944	\$ 4,214,754
Noncapital financing activities	74,815	(200,716)	224,393	98,492
Capital and related financing activities	(1,679,013)		327,755	(1,351,258)
Investing activities	<u>34,893</u>	<u>187,042</u>	<u>(567,092)</u>	<u>(345,157)</u>
Net change in cash and cash equivalents	2,630,505	(13,674)	-	2,616,831
Cash and cash equivalents at beginning of year	<u>4,300,167</u>	<u>287,668</u>	<u>-</u>	<u>4,587,835</u>
Cash and cash equivalents at end of year	<u>\$ 6,930,672</u>	<u>\$ 273,994</u>	<u>\$ -</u>	<u>\$ 7,204,666</u>

Required Supplementary Information

**William Newton Memorial Hospital
Schedule of Hospital's Proportionate Share of
the Net Defined Pension Plan Liability
December 31,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Hospital's proportion of the net pension liability	0.8365%	0.7903%	0.8109%	0.7873%	0.7764%	0.7474%
Hospital's proportionate share of the net pension liability	\$11,688,628	\$11,015,025	\$11,746,106	\$12,179,176	\$10,193,989	\$ 9,198,875
Hospital's covered employee payroll	16,494,646	14,754,723	13,778,222	13,896,008	13,351,842	12,609,706
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.86%	74.65%	85.25%	87.65%	76.35%	72.95%
Plan fiduciary net position as a percentage of the total pension liability	75.02%	74.22%	72.15%	68.55%	71.98%	72.56%

**William Newton Memorial Hospital
Schedule of Hospital Contributions to
Defined Pension Plan
December 31,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 1,466,374	\$ 1,237,921	\$ 1,165,638	\$ 1,275,654	\$ 1,265,755	\$ 1,114,698	\$ 940,601	\$ 796,346	\$ 714,137	\$ 625,395
Contributions in relation to the contractually required contribution	<u>(1,466,374)</u>	<u>(1,237,921)</u>	<u>(1,165,638)</u>	<u>(1,275,654)</u>	<u>(1,265,755)</u>	<u>(1,114,698)</u>	<u>(940,601)</u>	<u>(796,346)</u>	<u>(714,137)</u>	<u>(625,395)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's covered-employee payroll	\$ 16,494,646	\$ 14,754,723	\$ 13,778,222	\$ 13,896,008	\$ 13,351,842	\$ 12,609,706	\$ 11,846,360	\$ 10,849,401	\$ 10,595,504	\$ 10,185,586
Contributions as a percentage of covered-employee payroll	8.89%	8.39%	8.46%	9.18%	9.48%	8.84%	7.94%	7.34%	6.74%	6.14%

William Newton Memorial Hospital
Schedule of Changes in
Total OPEB Liability and Related Ratios
December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 48,553	\$ 48,120	\$ 58,290
Interest on total OPEB liability	18,405	18,989	16,461
Changes in benefit terms	(4,434)	(5,282)	
Effect of assumption changes or inputs	6,322	(5,155)	(14,231)
Benefit payments	<u>(89,792)</u>	<u>(133,750)</u>	<u>(62,032)</u>
Net change in total OPEB liability	<u>(20,946)</u>	<u>(77,078)</u>	<u>(1,512)</u>
Total OPEB liability, beginning	<u>471,496</u>	<u>548,574</u>	<u>550,086</u>
Total OPEB liability, ending	<u>\$ 450,550</u>	<u>\$ 471,496</u>	<u>\$ 548,574</u>
Covered payroll	\$14,161,000	\$13,254,000	\$13,973,000
Total OPEB liability as a percent of covered payroll	3.18%	3.56%	3.93%