HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Financial Statements

Years Ended December 31, 2023 and 2022

(Together With Independent Auditor's Report)

HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Table of Contents

Years Ended December 31, 2023 and 2022

	Page Number
Independent Auditor's Report	1-3
Financial Statements:	
Statements of Financial Position	4
Statements of Revenues, Expenses and Changes in Net Position	5
Statements of Cash Flows	6-7
Notes to Financial Statements	8-22

DA&E DOHMAN, AKERLUND & EDDY, LLC
CERTIFIED PUBLIC ACCOUNTANTS

Kurt J. Moural, CPA
Thomas L. Stevenson, CPA
Daniel E. Vinkenberg, CPA
Troy E. Knust, CPA
Tim J. Coufal, CPA
Casey J. Moscrip, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Hodgeman County Health Center
Jetmore, Kansas:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Hodgeman County Health Center, a component unit of Hodgeman County, Kansas, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements which collectively comprise Hodgeman County Health Center's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hodgeman County Health Center as of December 31, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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*. 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 Hodgeman County Health Center 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 opinion.

Responsibilities of Management for the Financial Statements

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

(Continued)

PO Box 470 / Aurora, NE 68818 / 402.694.6404 T / 402.694.6405 F / www.daecpa.com

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 Hodgeman County Health Center's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and the *Kansas Municipal Audit and Accounting Guide*, 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 Hodgeman County Health Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hodgeman County Health Center's ability to continue as a going concern for a reasonable period of time.

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

(Continued)

Change in Accounting Principle

As discussed in note 1 to the financial statements, Hodgeman County Health Center adopted Governmental Accounting Standards Board (GASB) 96 and accordingly changed its method of accounting for subscription-based technology arrangements for the year ended December 31, 2023.

Required Supplementary Information

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

Dohman, Akerlund & Eddy, LLC

Aurora, Nebraska
September 18, 2024

HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Statements of Financial Position

December 31, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash	$ 3,456,476	3,358,109
Restricted cash - COVID-19 funds	950,000	950,000
Patient accounts receivable, net of allowances for contractual adjustments and estimated uncollectibles of $887,109 in 2023 and $1,052,900 in 2022	1,257,498	424,555
Other receivables	111,873	87,624
Supplies	157,776	172,977
Prepaid expenses	141,153	99,375
Estimated third-party payor settlements	2,025,000	1,896,366
Total current assets	8,099,776	6,989,006
Capital assets	11,244,253	11,010,250
Less accumulated depreciation	6,909,186	6,377,718
Net capital assets	4,335,067	4,632,532
	$ 12,434,843	11,621,538

See accompanying notes to financial statements.

Liabilities and Net Position	2023	2022
Current liabilities:		
Current maturities of lease obligations	$ 76,082	87,848
Accounts payable	317,120	255,992
Accrued expenses	477,079	412,593
Advanced grants - COVID-19 funds	950,000	950,000
Estimated third-party payor settlements	5,000	90,603
Total current liabilities	1,825,281	1,797,036
Lease obligations, excluding current maturities	73,229	149,314
Total liabilities	1,898,510	1,946,350
Net position:		
Net investment in capital assets	4,185,756	4,395,370
Unrestricted	6,350,577	5,279,818
Total net position	10,536,333	9,675,188
	$ 12,434,843	11,621,538

HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2023 and 2022

	2023	2022
Operating revenues:		
Net patient and resident service revenue	$ 10,810,434	9,653,219
Provision for uncollectible accounts	(42,828)	(183,973)
Net patient and resident service revenue, less provision for bad debts	10,767,606	9,469,246
Bramley Place	162,011	149,434
340B Program	414,093	345,733
Other revenue	87,674	87,441
Total operating revenues	11,431,384	10,051,854
Operating expenses:		
Salaries and wages	5,250,059	5,090,328
Employee benefits	1,024,234	1,002,622
Supplies and other	5,671,345	4,410,421
Depreciation and amortization	531,468	517,977
Total operating expenses	12,477,106	11,021,348
Operating loss	(1,045,722)	(969,494)
Nonoperating revenues and expenses:		
Noncapital appropriations - Hodgeman County	280,000	169,350
Noncapital grants and contributions	1,395,819	140,902
Provider Relief Funds	-	455,541
Interest income	239,081	43,819
Interest expense	(8,033)	(11,608)
Total nonoperating revenues and expenses	1,906,867	798,004
Excess of revenues over expenses (expenses over revenues)	861,145	(171,490)
Capital grants and contributions	-	72,969
Increase (decrease) in net position	861,145	(98,521)
Net position, beginning of year	9,675,188	9,773,709
Net position, end of year	$ 10,536,333	9,675,188

See accompanying notes to financial statements.

HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Statements of Cash Flows

Years Ended December 31, 2023 and 2022

Increase or Decrease in Cash	2023	2022
Cash flows from operating activities:		
Receipts from and on behalf of patients	$ 9,696,177	7,935,503
Payments to suppliers and contractors	(5,636,794)	(4,516,414)
Payments to employees	(6,209,807)	(6,110,637)
Other receipts, net	663,778	582,608
Net cash used by operating activities	(1,486,646)	(2,108,940)
Cash flows from noncapital financing activities:		
Noncapital appropriations - Hodgeman County	280,000	169,350
Noncapital grants and contributions received	1,395,819	222,509
Net cash provided by noncapital financing activities	1,675,819	391,859
Cash flows from capital and related financing activities:		
Capital expenditures	(234,003)	(190,969)
Capital grants and contributions	-	189,324
Principal payments on lease obligations	(87,851)	(84,417)
Interest paid	(8,033)	(11,608)
Net cash used by capital and related financing activities	(329,887)	(97,670)
Cash flows from investing activities, interest income received	239,081	43,819
Net increase (decrease) in cash and cash equivalents	98,367	(1,770,932)
Cash, beginning of year	4,308,109	6,079,041
Cash, end of year	$ 4,406,476	4,308,109
Reconciliation of cash to the statements of financial position:		
Cash	$ 3,456,476	3,358,109
Restricted cash - COVID-19 funds	950,000	950,000
	$ 4,406,476	4,308,109

(Continued)

HODGEMAN COUNTY HEALTH CENTER
A Component Unit of Hodgeman County, Kansas

Statements of Cash Flows
(Continued)
Years Ended December 31, 2023 and 2022

Reconciliation of Operating Loss to Net Cash Used by Operating Activities	2023	2022
Operating loss	$ (1,045,722)	(969,494)
Adjustment to reconcile operating loss to net cash used by operating activities:		
Depreciation	531,468	517,977
Provision for uncollectible accounts	42,828	183,973
Changes in operating assets and labilities:		
Patient accounts receivable, net	(875,771)	28,294
Other receivables	(24,249)	(40,247)
Supplies	15,201	16,961
Prepaid expenses	(41,778)	(29,408)
Estimated third-party payor settlements	(214,237)	(1,705,763)
Accounts payable and payroll withholding	61,128	(93,546)
Accrued expenses	64,486	(17,687)
Net cash used by operating activities	$ (1,486,646)	(2,108,940)

See accompanying notes to financial statements.

(1) Nature of Operations and Summary of Significant Accounting Policies

Nature of operations and reporting entity

Hodgeman County Health Center (the Health Center) is located in Jetmore, Kansas. The Health Center is a component unit of Hodgeman County (the County) and governed by a Board of Trustees appointed by the County commissioners. The Health Center consists of a hospital, long-term care unit, clinics and independent living units (Bramley Place). The Health Center provides inpatient, outpatient and emergency care services to patients and residents in the Hodgeman County area.

Basis of accounting and presentation

The financial statements of the Health Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally tax appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific such as County appropriations, interest income and interest on capital assets-related debt are included in nonoperating revenues and expenses.

Use of estimates

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

Cash equivalents

The Health Center considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2023 and 2022.

(Continued)

Patient accounts receivable

The Health Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payors, patients and others. The Health Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions. For receivables associated with services provided to patients who have third-party coverage, the Health Center analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with uninsured/self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Health Center records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Supplies

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

Capital assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of the donation if acquired by gift. Major renewals and improvements are capitalized, while replacements, maintenance, and repairs, which do not improve or extend the useful life of the respective assets are charged to expense as incurred. All capital assets other than land are depreciated or amortized over the estimated useful lives of the respective assets on the straight-line method. Capital assets under lease or subscription obligations are amortized on the straight-line method over the shorter period of the contract term or the estimated useful life of the capital asset. Amortization is included in depreciation and amortization in the financial statements. Useful lives are determined using the general guidelines set forth in the American Hospital Association Guide for Estimated Useful lives of Depreciable Hospital Assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is recognized. The following estimated useful lives are being used by the Health Center:

Land improvements	7 – 25 years
Buildings	5 – 40 years
Fixed equipment	5 – 20 years
Moveable equipment	3 – 20 years

(Continued)

Capital asset impairment

The Health Center evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Compensated absences

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

Net position

Net position of the Health Center is classified in two components on its balance sheets.

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.

- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets.

Restricted resources

When the Health Center has both restricted and unrestricted resources available to finance a particular activity or program, it is the Health Center's policy to use restricted resources before unrestricted resources.

Risk management

The Health Center 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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded commercial coverage in any of the three preceding years.

(Continued)

Net patient service revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center 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 Health Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Health Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue. The costs of charity care provided under the Health Center's charity care policy was approximately $17,000 and $24,500 for 2023 and 2022, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Noncapital appropriations – Hodgeman County

The Health Center received approximately 2% in both 2023 and 2022 of its financial support from the proceeds on noncapital appropriations from the County. One hundred percent of these funds were used to support operations in both years.

Property taxes are levied by the County and shared with the Health Center for operational purposes. Taxes are assessed by the County in November of one year and are received beginning in January of the following year. Noncapital appropriations revenue is recognized in full in the year in which use is first permitted.

Investment income

Investment income is reported as nonoperating income. Investment income on donor-restricted assets which is not donor-restricted is recorded as nonoperating income. Investment income on donor-restricted assets which is donor-restricted is added to restricted net position balances.

(Continued)

Provider Relief Funds (CARES Act)

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

Income taxes

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

New accounting and reporting standard

On January 1, 2023, the Hospital adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements* (SBITA). This new statement establishes that a SBITA results in the recognition of a right-to-use asset and a corresponding subscription liability and provides for capitalization criteria for outlays other than subscription payments, including implementation cost of a SBITA. The subscription liability should be initially measured as the present value of the subscription payments expected to be made during the subscription term. To the extent relevant, the standards for SBITAs are based on the standards established for GASB Statement No. 87, *Leases*, as amended previously adopted. The implementation of GASB No. 96 did not have any impact on the Health Center's financial statements.

(Continued)

(2) Net patient service revenue

The Health Center has agreements with third-party payors that provide for payments to the Health Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** The Health Center is designated as a Critical Access Hospital which generally allows cost-based reimbursement for most Medicare hospital services. Inpatient acute, inpatient nonacute (swing-bed), and outpatient services related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Health Center is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Health Center and audits thereof by the Medicare Administrative Contractor (MAC). Although the majority of the services provided are reimbursed under the previously described methodology, there are services, such as certain laboratory and diagnostic services, reimbursed under a prospectively determined fee-schedule. The Health Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Health Center's Medicare cost reports have been audited by the MAC through December 31, 2021.

  The “Budget Control Act of 2011” requires, among other things, mandatory across-the-board reductions in federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013 incur a 2% reduction in Medicare payments. On March 27, 2020, the CARES Act temporarily exempted Medicare from the effects of sequestration. This exemption was in effect from May 1, 2020 through March 31, 2022. From April 1, 2022 to June 30, 2022, a 1% reduction was in place and after June 30, 2022, the full 2% reduction applied again.

- **Medicaid:** Inpatient and outpatient services provided to Medicaid beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. That add-on percentage may be rebased at some time in the future.

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

Approximately 79% and 78% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2023 and 2022, 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.

(Continued)

A summary of gross and net patient and resident service revenue follows:

	2023	2022
Net patient and resident service revenue:		
Gross patient and resident service revenue:		
Medicare	$ 6,045,713	5,812,372
Medicaid	998,615	948,657
Commercial insurance and other	3,116,393	3,229,529
Uninsured/self-pay	666,948	708,356
Charity care deductions	(14,615)	(23,719)
Gross patient and resident service revenue (after charity care)	10,813,054	10,675,195
Contractual adjustments:		
Medicare	1,482,407	787,476
Medicaid	(13,801)	(51,411)
Commercial insurance and other	(1,471,226)	(1,758,041)
Total contractual adjustments	(2,620)	(1,021,976)
Net patient and resident service revenue	10,810,434	9,653,219
Provision for bad debts	(42,828)	(183,975)
Net patient and resident service revenue, less provision for bad debts	$ 10,767,606	9,469,246

(3) COVID-19 Provider Relief Funds and Other COVID-19 Programs

In December 2019, a novel strain of the coronavirus (COVID-19) originated in Wuhan, China and spread to other countries, including the United States of America (U.S.). On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic and on March 13, 2020 the President of the United States of America declared an emergency under sections 201 and 301 of the National Emergencies Act. Since this declaration, the Health Center has operated within the guidelines provided by both state and federal regulatory agencies. Additionally, many state and local governments instituted emergency restrictions that have substantially limited the operation of non-essential businesses and the activities of individuals. These restrictions have impacted the Heath Center's services. The U.S. Congress passed the Families First Coronavirus Response Act, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARP Act) to both health care providers, such as the Health Center, and the general public to assist during the duration of the pandemic.

(Continued)

Under the authority of the CARES Act, the U.S. Department of Health and Human Services (HHS) has established various Provider Relief Funds to distribute funds to health care providers. The Health Center received Provider Relief Fund distributions of $455,541 and $3,615,510 during the years ended December 31, 2021 and 2020, respectively. The terms and conditions associated with accepting the Provider Relief Funds can vary based on the specific distribution received. The majority of the funds received by the Health Center specifically state they can only be used to prevent, prepare for, and respond to coronavirus health care-related expenses or for lost revenues that are attributable to the coronavirus. Recipients are required to file reports with HHS regarding the use of these funds for eligible purposes. Any unused funds are required to be returned to HHS.

The Health Center considers the receipt of the funds a voluntary nonexchange transaction and recorded the amounts received as Advanced grants – COVID-19 funds (liability). The liability is being derecognized and nonoperating revenue recognized as Provider Relief Funds, or as Provider Relief Funds – Capital, if used to purchase capital assets, as the terms and conditions are determined to be substantially met by the Health Center. The Health Center believes it has met certain terms and conditions during the applicable reporting periods and therefore recognized $455,541, $2,497,309 and $168,201 for the years ended December 31, 2022, 2021 and 2020, respectively. The remaining funds of $950,000 are being reported as a current liability, Advanced grants – COVID-19 funds.

The Health Center also received grant funds from the State of Kansas and other organizations totaling $69,533 for the year ended December 31, 2022 to use for COVID-19 related expenses. The Health Center recognized $69,533 for the year ended December 31, 2022 due to meeting the terms and conditions associated with these portions of the funds. The Health Center has reported these amounts as capital or noncapital grants and contributions within the statements of revenues, expenses and changes in net assets.

The laws and regulations associated with the CARES Act funds are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

(4) 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 Health Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

(Continued)

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

At December 31, 2023 and 2022, $4,012,978 and $3,889,982 of the Health Center's bank balances of $4,492,300 and $4,139,982, respectively, were exposed to custodial credit risk as follows:

	2023	2022
Uninsured and collateral held by pledging financial institution	$ 4,012,978	3,889,982

Summary of Carrying Values

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

	2023	2022
Carrying value:		
Deposits	$ 4,405,776	4,307,409
Petty cash	700	700
	$ 4,406,476	4,308,109
Included in the following balance sheet captions:		
Cash	$ 3,456,476	3,358,109
Restricted cash - COVID-19 funds	950,000	950,000
	$ 4,406,476	4,308,109

(Continued)

(5) Patient and Resident Accounts Receivable

The Health Center grants credit without collateral to its patients and residents, most of whom are local area residents and are insured under third-party payor agreements. Patient and resident accounts receivable at December 31 consisted of:

	2023	2022
Medicare	$ 791,213	494,304
Medicaid	201,542	101,698
Blue Cross	154,919	147,260
Other third-party payors	160,632	142,120
Self-pay	836,301	592,073
	2,144,607	1,477,455
Less allowance for contractual adjustments and uncollectible accounts	(887,109)	(1,052,900)
Net patient and resident accounts receivable	$ 1,257,498	424,555

(6) Loan Contract Guarantees

In conjunction with the Health Center's patient accounts receivable collection program, the Health Center was contingently liable on loan contracts patients had entered into with local financial institutions for payment of patient accounts receivable which the Health Center has guaranteed with full recourse. The loan contracts totaled $89,259 and $131,918 at December 31, 2023 and 2022, respectively. Allowances for estimated losses under such guarantees are included in allowances for doubtful accounts and contractual adjustments.

(Continued)

(7) Capital Assets

The following is a summary of capital assets activity for the years ended December 31:

	2022	Additions	Transfers/ Retirements	2023
Land improvements	$ 225,963	-	-	225,963
Buildings	7,660,149	25,885	-	7,686,034
Fixed equipment	1,104,879	15,015	44,534	1,164,428
Right-to-use assets	504,415	-	-	504,415
Moveable equipment	1,514,844	98,565	8,912	1,622,321
Construction in progress	-	94,538	(53,446)	41,092
	11,010,250	234,003	-	11,244,253
Less accumulated depreciation and amortization				
Land improvements	(102,207)	(14,730)	-	(116,937)
Buildings	(4,316,008)	(236,671)	-	(4,552,679)
Fixed equipment	(626,169)	(98,973)	-	(725,142)
Right-to-use assets	(261,938)	(77,737)	-	(339,675)
Moveable equipment	(1,071,396)	(103,357)	-	(1,174,753)
	(6,377,718)	(531,468)	-	(6,909,186)
Capital assets, net	$ 4,632,532	(297,465)	-	4,335,067

	2021	Additions	Transfers/ Retirements	2022
Land improvements	$ 217,248	-	8,715	225,963
Buildings	7,252,119	40,114	367,916	7,660,149
Fixed equipment	1,041,728	52,821	10,330	1,104,879
Right-to-use assets	504,415	-	-	504,415
Moveable equipment	1,713,952	28,305	(227,413)	1,514,844
Construction in progress	331,352	69,729	(401,081)	-
	11,060,814	190,969	(241,533)	11,010,250
Less accumulated depreciation and amortization				
Land improvements	(86,933)	(15,274)	-	(102,207)
Buildings	(4,086,440)	(229,568)	-	(4,316,008)
Fixed equipment	(546,715)	(93,674)	14,220	(626,169)
Right-to-use assets	(183,032)	(78,906)	-	(261,938)
Moveable equipment	(1,198,154)	(100,555)	227,313	(1,071,396)
	(6,101,274)	(517,977)	241,533	(6,377,718)
Capital assets, net	$ 4,959,540	(327,008)	-	4,632,532

(Continued)

Construction in progress at December 31, 2023 of $41,092 relates to a boiler replacement project with additional cost of $41,093 due at time of completion during 2024.

(8) Lease Obligations

The Health Center leases various pieces of operating equipment generally under fixed payment arrangements over three to five year terms. The leases in place do not contain any variable payment arrangements or residual value guarantees. The following is a summary of lease obligation transactions for the Health Center for the years ended December 31:

	2022	Additions	Reductions	2023	Current Portion
Lease obligations	$ 237,162	-	(87,851)	149,311	76,082

	2021	Additions	Reductions	2022	Current Portion
Lease obligations	$ 321,579	-	(84,417)	237,162	87,848

A schedule of the equipment cost and accumulated amortization under lease obligations at December 31, 2023 and 2022 as follows:

	2023	2022
Right-to-use assets	$ 504,415	504,415
Less accumulated amortization	(339,675)	(261,938)
	$ 164,740	242,477

(Continued)

The following is a schedule by year of future minimum lease payable under the lease obligations including interest at rates ranging from 3.02% to 7.92% together with the present value of the future minimum lease payments as of December 31, 2023:

Year Ending December 31,	
2024	$ 80,905
2025	74,810
Total minimum lease payments	155,715
Less amount representing interest	(6,404)
Present value of future minimum lease payments	$ 149,311

(9) Medical Malpractice Coverage and Claims

The Health Center purchases medical malpractice insurance under a claims-made policy with a fixed premium, which provides $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 of coverage for each medical incident and $1,500,000 of aggregate coverage for each policy year.

Accounting principles general 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 Health Center's claims experience, no such accrual has been made. It is reasonably possible that this estimate could change materially in the future.

(Continued)

(10) Pension Plans

Defined Contribution Plan

The Health Center contributes to a defined contribution plan covering substantially all employees. Pension expense is recorded for the amount of the Health Center's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Trustees. The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Health Center's governing body. If an employee authorizes the Health Center to make a salary reduction contribution on their behalf to the deferred compensation plan noted below, the Health Center will make a contribution to the defined contribution plan equal to 100% of the employee's contribution. Only salary deferral contributions up to 6% of an employee's compensation are eligible to be matched. Contributions actually made by the Health Center were $189,124 for 2023 and $162,055 for 2022. Employees do not contribute to the defined contribution pension plan.

Deferred Compensation Plan

The Health Center provides a deferred compensation plan (457 Plan) to substantially all employees of the Health Center. The employees may contribute up to 100% of their salary to the 457 Plan. The employees' salary deferral is limited by the Internal Revenue Service annually. Employees are 100% vested in the contributions they choose to defer. Contributions from employees to the 457 Plan were $317,178 and $314,058 for the years ended December 31, 2023 and 2022, respectively. The Health Center does not contribute to the 457 Plan.

(11) 340B Drug Pricing Program Insurance

The Health Center participates in the 340B Drug Pricing Program (340B Program) enabling the Health Center to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Health Center recorded revenues related to the 340B Program of $414,093 and $345,733 for the years ended December 31, 2023 and 2022, respectively. The Health Center recorded expenses related to the 340B Program of $428,700 and $276,222 for the years ended December 31, 2023 and 2022, respectively, which is included in supplies and other in the accompanying statements of revenues, expenses and changes in net position. This program is overseen by the Health Resources and Service Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing is compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

(Continued)

(12) Contingencies

Medical Malpractice Claims

Estimates related to the accrual for medical malpractice claims are described in note 9.

Litigation

In the normal course of business, the Health Center is, from time to time, subject to allocations that may or do result in litigation. The Health Center 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.

(13) Reclassification

The Health Center's 2022 financial statements have been reclassified to conform with 2023 presentation.