Medicine Lodge Memorial Hospital A Component Unit of Medicine Lodge Township, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

Medicine Lodge Memorial Hospital
A Component Unit of Medicine Lodge Township, Kansas
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December 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Medicine Lodge Memorial Hospital
Medicine Lodge, Kansas

Opinion

We have audited the financial statements of Medicine Lodge Memorial Hospital, a component unit of Medicine Lodge Township, Kansas, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise Medicine Lodge Memorial Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Medicine Lodge Memorial Hospital as of December 31, 2024 and 2023, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Medicine Lodge Memorial Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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.

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 Medicine Lodge Memorial Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Medicine Lodge Memorial Hospital's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Medicine Lodge Memorial Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Forvis Mazars, LLP

Wichita, Kansas
May 29, 2025

Medicine Lodge Memorial Hospital
A Component Unit of Medicine Lodge Township, Kansas
Balance Sheets
December 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 2,663,660	$ 2,116,761
Patient accounts receivable, net of allowance; 2024 – $661,793; 2023 – $702,515	1,580,181	1,140,871
Property and sales tax receivable	55,062	57,950
Estimated amounts due from third-party payers	-	389,000
Supplies	200,847	249,058
Prepaid expenses and other	69,189	86,451
Other receivables	101,529	35,607
Total Current Assets	4,670,468	4,075,698
Noncurrent Cash and Investments		
Designated by Board of Trustees	3,684,367	3,729,334
Restricted by donors for specific operating activities	14,913	24,441
Ranch land and mineral interests, at cost	89,078	89,078
	3,788,358	3,842,853
Capital Assets, Net	4,961,977	5,577,116
Subscription Asset, Net	245,990	597,816
Total Assets	$ 13,666,793	$ 14,093,483

See Notes to Financial Statements

	2024	2023
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 187,709	$ 181,614
Current maturities of subscription liability	260,893	378,591
Accounts payable	172,392	157,754
Accrued salaries and wages	230,266	193,413
Accrued vacation	424,885	407,386
Other accrued expenses	125,502	151,285
Accrued bond interest	31,295	33,086
Estimated amounts due to third-party payers	87,000	-
Total Current Liabilities	1,519,942	1,503,129
Long-term Debt	2,990,674	3,178,382
Subscription Liability	-	260,893
Total Liabilities	4,510,616	4,942,404
Net Position		
Net investment in capital assets	1,768,691	2,175,452
Restricted - expendable for specific operating activities	14,913	24,441
Unrestricted	7,372,573	6,951,186
Total Net Position	9,156,177	9,151,079
Total Liabilities and Net Position	$ 13,666,793	$ 14,093,483

Medicine Lodge Memorial Hospital
A Component Unit of Medicine Lodge Township, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts, 2024 – $195,581; 2023 – $408,756	$ 11,814,886	$ 10,066,953
340B Drug Program	1,014,645	830,928
Other	138,951	98,107
Total Operating Revenues	12,968,482	10,995,988
Operating Expenses		
Salaries and wages	6,663,894	5,939,577
Employee benefits	1,346,229	1,234,416
Purchased services and professional fees	1,584,170	1,274,049
Supplies and other	3,057,961	2,597,811
Depreciation	845,683	988,032
Amortization	351,826	377,567
Total Operating Expenses	13,849,763	12,411,452
Operating Loss	(881,281)	(1,415,464)
Nonoperating Revenues (Expenses)		
Noncapital appropriations - County and City	720,585	708,854
Interest income	115,322	77,757
Loss on disposal of capital assets	(1,863)	-
Interest expense	(128,477)	(149,149)
Noncapital grants and gifts	143,858	46,855
Ranch income, net of expense	36,954	24,646
Total Nonoperating Revenues	886,379	708,963
Increase (Decrease) in Net Position	5,098	(706,501)
Net Position, Beginning of Year	9,151,079	9,857,580
Net Position, End of Year	$ 9,156,177	$ 9,151,079

Medicine Lodge Memorial Hospital
A Component Unit of Medicine Lodge Township, Kansas
Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$ 11,851,576	$ 9,944,670
Payments to suppliers and contractors	(5,908,249)	(5,137,401)
Payments to employees	(6,637,116)	(5,855,486)
Other receipts, net	1,087,674	956,596
Net Cash Provided by (Used in) Operating Activities	393,885	(91,621)
Cash Flows from Noncapital Financing Activities		
Noncapital appropriations supporting operations	723,473	711,348
Noncapital grants and gifts	143,858	46,855
Net Cash Provided by Noncapital Financing Activities	867,331	758,203
Cash Flows from Capital and Related Financing Activities		
Principal paid on long-term debt	(181,613)	(175,943)
Interest paid on long-term debt	(111,069)	(116,976)
Purchases of capital assets	(234,308)	(95,915)
Proceeds from disposal of capital assets	1,901	-
Principal paid on subscription liability	(378,591)	(363,827)
Interest paid on subscription liability	(17,408)	(32,173)
Net Cash Used in Capital and Related Financing Activities	(921,088)	(784,834)
Cash Flows from Investing Activities		
Ranch operations	36,954	24,646
Interest income received	115,322	77,757
Net Cash Provided by Investing Activities	152,276	102,403
Increase (Decrease) in Cash	492,404	(15,849)
Cash, Beginning of Year	5,870,536	5,886,385
Cash, End of Year	$ 6,362,940	$ 5,870,536
Reconciliation of Cash to the Balance Sheets		
Cash	$ 2,663,660	$ 2,116,761
Noncurrent cash designated by Board of Trustees	3,684,367	3,729,334
Noncurrent cash restricted by donors	14,913	24,441
Total Cash	$ 6,362,940	$ 5,870,536

Medicine Lodge Memorial Hospital
A Component Unit of Medicine Lodge Township, Kansas
Statements of Cash Flows – Continued
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities		
Operating loss	$ (881,281)	$ (1,415,464)
Depreciation	845,683	988,032
Amortization	351,826	377,567
Provision for uncollectible accounts	195,581	408,756
Changes in operating assets and liabilities		
Patient accounts receivable, net	(634,891)	3,961
Estimated amounts due from and to third-party payers	476,000	(535,000)
Supplies	48,211	(24,992)
Prepaid expenses and other	17,262	(18,476)
Other receivables	(65,922)	27,561
Accounts payable and accrued expenses	41,416	96,434
Net Cash Provided by (Used in) Operating Activities	$ 393,885	$ (91,621)

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

Nature of Operations and Reporting Entity

Medicine Lodge Memorial Hospital (Hospital) is owned by Medicine Lodge Township (Township) and governed by a Board of Trustees who are appointed by the Medicine Lodge City Council and the Board of Medicine Lodge Township and is a component unit of the Township. The Hospital provides short-term acute care services and outpatient services and operates a medical clinic.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents for the years ended December 31, 2024 and 2023.

Patient Accounts Receivable

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

Supplies

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

Noncurrent Cash and Investments

As of December 31, 2024 and 2023, noncurrent cash and investments included assets held by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion use for other purposes. Noncurrent cash and investments also include assets restricted by donors and grantors.

Capital Assets

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

Land improvements	20 years
Buildings	10-50 years
Fixed equipment	10-20 years
Moveable equipment	5-20 years

Subscription Assets

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

Capital and Subscription Asset Impairment

The Hospital evaluates capital and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital or subscription asset has occurred. If a capital or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation or amortization is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Compensated Absences

Hospital policies permit most employees to accumulate vacation 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. 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.

Risk Management

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

Workers' compensation coverage is provided through a fund managed by the Kansas Hospital Association. The workers' compensation premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place within the plan to cover claims incurred but not reported and no additional amounts have been accrued related to claims for this plan.

Net Position

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

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

Net Patient Service Revenue

The Hospital has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. Patient service revenue is recorded at established rates with contractual adjustments, charity care and other adjustments deducted to arrive at net patient service revenue before the provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Noncapital Appropriations – County and City

The Hospital received approximately 5% and 6% of its financial support from noncapital appropriations derived from property and sales taxes in 2024 and 2023, respectively. One hundred percent of these funds were used to support operations of the Hospital in both years.

Property taxes are assessed on a calendar basis and are received beginning January 1 of each year. Revenue from noncapital appropriations from the county derived from property taxes is recognized in the year for which the taxes are levied.

Appropriations derived from sales tax revenue are recognized based on sales tax collected by the Township's retailers in the Hospital's accounting period.

Income Taxes

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

Note 2. Deposits

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

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

At December 31, 2024 and 2023, respectively, $6,109,118 and $5,360,888 of the Hospital's bank balances of $6,404,251 and $5,925,731 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 4,950,875	$ 5,360,888
Uninsured and uncollateralized	1,158,243	
	$ 6,109,118	$ 5,360,888

Summary of Carrying Values

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

	2024	2023
Carrying value		
Deposits	$ 6,362,080	$ 5,869,676
Petty cash	860	860
	$ 6,362,940	$ 5,870,536
Included in the following balance sheet captions		
Cash in current assets	$ 2,663,660	$ 2,116,761
Designated by Board of Trustees	3,684,367	3,729,334
Restricted by donors	14,913	24,441
	$ 6,362,940	$ 5,870,536

Note 3. Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at December 31 consisted of:

	2024	2023
Medicare	$ 975,133	$ 647,535
Medicaid	44,922	31,938
Blue Cross	186,400	128,223
Other third-party payers	320,355	351,198
Self-pay	715,164	684,492
	2,241,974	1,843,386
Less allowance for uncollectible accounts	(661,793)	(702,515)
	$ 1,580,181	$ 1,140,871

Note 4. Capital and Subscription Assets

Capital assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 11,129	$ -	$ -	$ -	$ 11,129
Land improvements	277,904	-	-	-	277,904
Buildings	10,929,225	112,058	-	-	11,041,283
Fixed equipment	1,659,871	-	-	-	1,659,871
Major moveable equipment	3,285,117	122,250	414,185	-	2,993,182
	16,163,246	234,308	414,185	-	15,983,369
Less accumulated depreciation					
Land improvements	181,664	9,679	-	-	191,343
Buildings	6,461,981	490,783	-	-	6,952,764
Fixed equipment	1,259,641	56,572	-	-	1,316,213
Major moveable equipment	2,682,844	288,649	410,421	-	2,561,072
	10,586,130	845,683	410,421	-	11,021,392
Capital assets, net	$ 5,577,116	$ (611,375)	$ 3,764	$ -	$ 4,961,977

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 11,129	$ -	$ -	$ -	$ 11,129
Land improvements	277,904	-	-	-	277,904
Buildings	10,872,864	56,361	-	-	10,929,225
Fixed equipment	1,659,871	-	-	-	1,659,871
Major moveable equipment	3,196,831	39,554	-	48,732	3,285,117
Construction in progress	48,732	-	-	(48,732)	-
	16,067,331	95,915	-	-	16,163,246
Less accumulated depreciation					
Land improvements	171,187	10,477	-	-	181,664
Buildings	5,901,513	560,468	-	-	6,461,981
Fixed equipment	1,181,816	77,825	-	-	1,259,641
Major moveable equipment	2,343,582	339,262	-	-	2,682,844
	9,598,098	988,032	-	-	10,586,130
Capital assets, net	$ 6,469,233	$ (892,117)	$ -	$ -	$ 5,577,116

Subscription assets activity for the years ended December 31 was:

	2024				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,352,950	$ -	$ -	$ -	$ 1,352,950
Less accumulated amortization					
Subscription IT assets	755,134	351,826	-	-	1,106,960
Subscription assets, net	$ 597,816	$ (351,826)	$ -	$ -	$ 245,990

	2023				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Subscription IT assets	$ 1,352,950	$ -	$ -	$ -	$ 1,352,950
Less accumulated amortization					
Subscription IT assets	377,567	377,567	-	-	755,134
Subscription assets, net	$ 975,383	$ (377,567)	$ -	$ -	$ 597,816

Note 5. Professional Liability Coverage and Claims

The Hospital purchases professional liability 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 the policy years ending December 31, 2024 and 2023. 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 the policy years ending December 31, 2024 and 2023.

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

Note 6. Long-term Obligations

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

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Public Building Commission bonds payable - 2021	$ 71,750	$ -	$ 23,250	$ 48,500	$ 24,000
USDA Hospital Refunding Revenue Bond Series 2014	3,288,246	-	158,363	3,129,883	163,709
Subscription liabilities	639,484	-	378,591	260,893	260,893
	$ 3,999,480	$ -	$ 560,204	$ 3,439,276	$ 448,602

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Public Building Commission bonds payable - 2021	$ 94,500	$ -	$ 22,750	$ 71,750	$ 23,250
USDA Hospital Refunding Revenue Bond Series 2014	3,441,439	-	153,193	3,288,246	158,364
Subscription liabilities	1,003,311	-	363,827	639,484	378,591
	$ 4,539,250	$ -	$ 539,770	$ 3,999,480	$ 560,205

Public Building Commission Bonds Payable – 2021

The Public Building Commission bonds payable - 2021 consist of Barber County, Kansas Public Building Commission Refunding Revenue Bonds Series 2021 in the original amount of $2,325,000 dated June 10, 2021, which bear interest at 3.0%. The bonds are payable in annual installments beginning September 1, 2022 through September 1, 2026. Semiannual interest only payments are due beginning September 1, 2021 through September 1, 2026. In connection with the issuance of the bonds, the Hospital has entered into a sublease with Barber County. Under the sublease, the Hospital is responsible for 5% of the total debt service on the bonds. The Hospital's portion of the bonds are secured by a pledge of the gross revenues of the Hospital.

The Hospital's debt service requirements as of December 31, 2024, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 25,456	$ 24,000	$ 1,456
2026	25,236	24,500	736
	$ 50,692	$ 48,500	$ 2,192

USDA Hospital Refunding Revenue Bond Series 2014

The USDA Hospital Refunding Revenue Bond Series 2014 bond payable was issued September 15, 2014, in the amount of $4,500,000 and bears interest at 3.375%. Principal and interest payments began September 15, 2015, and extend through September 15, 2039.

The Hospital's debt service requirements for the USDA bond as of December 31, 2024, are as follows:

Year Ending December 31,	Total to be Paid	Principal	Interest
2025	$ 269,342	$ 163,709	$ 105,633
2026	269,342	169,234	100,108
2027	269,342	174,945	94,397
2028	269,342	180,850	88,492
2029	269,342	186,953	82,389
2030-2034	1,346,711	1,033,781	312,930
2035-2039	1,346,711	1,220,411	126,300
	$ 4,040,132	$ 3,129,883	$ 910,249

Subscription Liabilities

The Hospital has one subscription-based information technology arrangement (SBITAs), the term of which expires in 2025. The subscription requires monthly payments of approximately $33,000.

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

	Total to be Paid	Principal	Interest
Year Ending December 31, 2025	$ 264,000	$ 260,893	$ 3,107

Note 7. Net Patient Service Revenue

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

Medicare. The Hospital is licensed as a critical access hospital (CAH), and is paid for inpatient acute care, skilled swing-bed and outpatient services rendered to Medicare program beneficiaries at one hundred one percent (101%) of actual cost subject to certain limitations. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare Administrative Contractor.

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

Approximately 82% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ending December 31, 2024 and 2023. 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.

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

Note 8. Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $0 and $72,000 for 2024 and 2023, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 9. 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,014,645 and $830,928 for the years ending December 31, 2024 and 2023, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $967,652 and $789,420 for the years ending December 31, 2024 and 2023, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its 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.

Note 10. Pension Plans

The Hospital maintains a defined contribution pension plan (401(a) plan) for all eligible employees. Eligibility is established by all employees who have completed one year of service and are at least 21 years of age and have been paid for 1,000 hours of service for the year. Employer contributions are computed at the rate of 4.5% of annual compensation for eligible employees. The employer also makes supplemental contributions up to an additional 3% of the annual compensation of eligible employees based upon the number of years of continuous service. Benefits are funded by a money purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the remaining duration of employment from the effective date of the plan to the employee's normal retirement date. Contributions actually made by plan members and the Hospital aggregated $181,364 and $290,897 during 2024 and $171,624 and $276,074 during 2023, respectively. Benefits start vesting immediately with 100% vesting after six years of service. In case of death or disability, all funds contributed by the Hospital are 100% vested. In the case of termination of an employee prior to retirement, all funds contributed by the Hospital which are not vested will be returned to the Hospital. The Hospital does not control the plan assets.

The Hospital provides one additional defined contribution plan (457 plan). The Hospital does not make contributions to the 457 plan. Employee contributions to the plan are computed at the rate of 3.5% of the annual compensation of the eligible employees. Contributions made by plan members totaled $82,611 and $90,064 during 2024 and 2023, respectively. The plan year begins on January 1 and ends December 31. The Hospital does not control the plan assets.

Note 11. Management Agreement

The Board of Trustees of the Hospital has a management agreement with Great Plains Health Alliance, Inc. (GPHA), whereby GPHA agreed to administer operations of the Hospital. The terms of the agreements vary from one to seven years and can be cancelled with 60 days' notice. The agreements can be renewed after the initial term has expired on a year-to-year basis. Fees incurred for the various services provided by GPHA to the Hospital for the years ended December 31, 2024 and 2023, were $897,194 and $816,089, respectively. Amounts due to GPHA at December 31, 2024 and 2023, were $0 and $52,969, respectively.