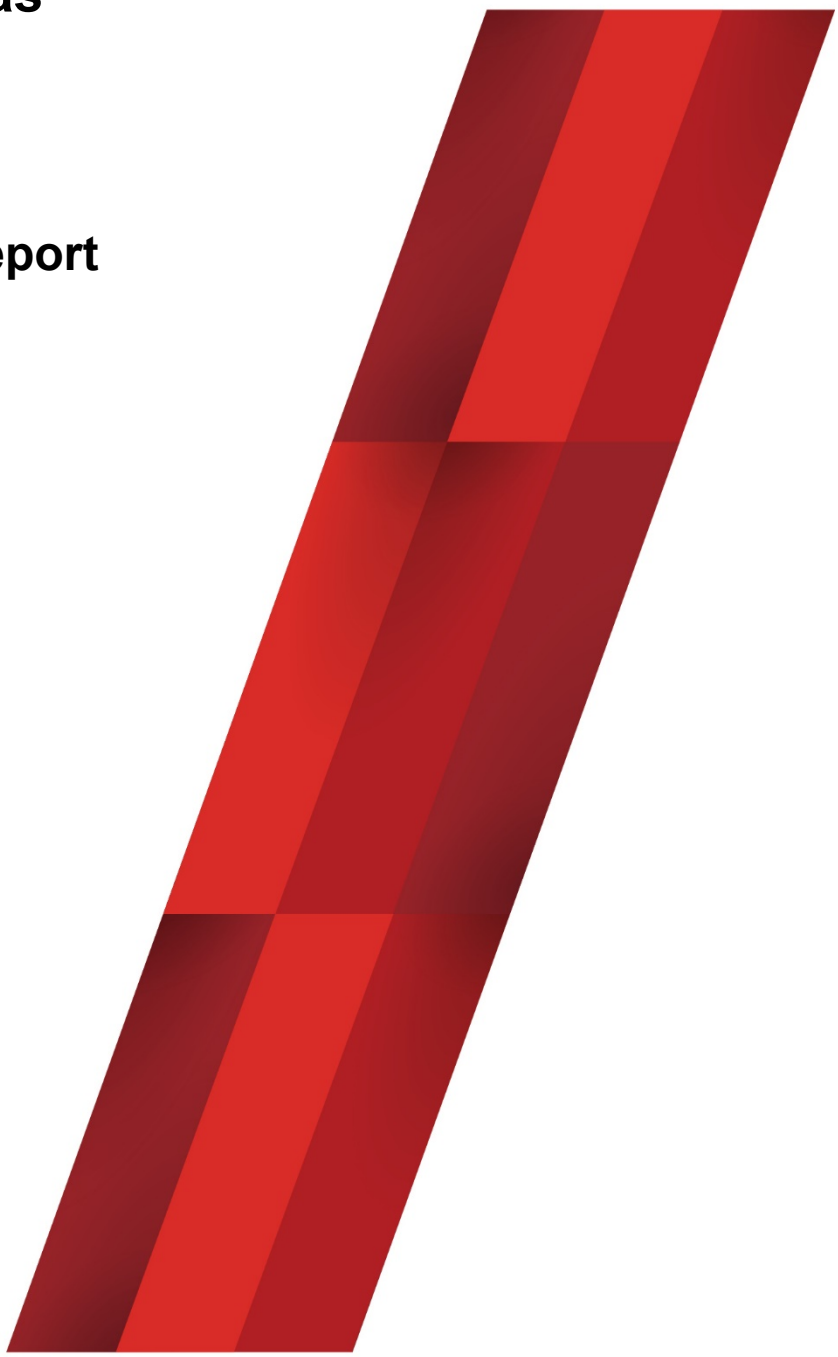
Stevens County Hospital
A Component Unit of
Stevens County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2022 and 2021



Stevens County Hospital
A Component Unit of Stevens County, Kansas
December 31, 2022 and 2021

Contents

Independent Auditor's Report **1**

Financial Statements

Balance Sheets 3

Statements of Revenues, Expenses and Changes in Net Position 4

Statements of Cash Flows 5

Notes to Financial Statements 7

FORVIS®

1551 N. Waterfront Parkway, Suite 300 / Wichita, KS 67206
P 316.265.2811 / **F** 316.265.9405
forvis.com

Independent Auditor's Report

Board of Directors
Stevens County Hospital
Hugoton, Kansas

Opinion

We have audited the financial statements of Stevens County Hospital (Hospital), a component unit of Stevens County, Kansas, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Stevens County Hospital as of December 31, 2022 and 2021, 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 the Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

FORVIS is a trademark of FORVIS, LLP, registered with the U.S. Patent and Trademark Office.

PRAXITY® A member of the Praxity Global Alliance

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

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

Required Supplementary Information

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

FORVIS, LLP

Wichita, Kansas
January 11, 2024

Stevens County Hospital
A Component Unit of Stevens County, Kansas
Balance Sheets
December 31, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 1,618,363	$ 3,949,751
Short-term certificates of deposit	5,261	5,258
Patient accounts receivable, net of allowance; 2022 – $1,825,000, 2021 – $1,074,000	2,811,668	3,440,136
Accounts receivable – retail pharmacy	212,180	136,641
Estimated amounts due from third-party payers	790,000	-
Supplies	269,204	321,932
Prepaid expenses and other	218,326	163,459
Total current assets	5,925,002	8,017,177
Capital Assets, Net	18,002,394	18,959,694
Total assets	$ 23,927,396	$ 26,976,871
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 21,392	$ 31,559
Accounts payable	1,107,029	337,636
Accrued expenses	1,183,642	1,206,100
Estimated amounts due to third-party payers	-	35,000
Unearned revenue	-	100,000
Total current liabilities	2,312,063	1,710,295
Long-term Debt	-	21,392
Total liabilities	2,312,063	1,731,687
Net Position		
Net investment in capital assets	17,981,002	18,906,743
Unrestricted	3,634,331	6,338,441
Total net position	21,615,333	25,245,184
Total liabilities and net position	$ 23,927,396	$ 26,976,871

Stevens County Hospital
A Component Unit of Stevens County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – $1,185,000, 2021 – $836,000	$ 16,883,947	$ 17,143,353
Other	37,137	31,256
Total operating revenues	16,921,084	17,174,609
Operating Expenses		
Salaries and wages	9,693,171	8,890,007
Employee benefits	3,130,133	3,061,254
Purchased services and professional fees	1,993,604	2,157,171
Supplies and other	4,938,069	4,439,998
Retail pharmacy supplies	963,957	906,330
Depreciation	1,057,609	981,420
Total operating expenses	21,776,543	20,436,180
Operating Loss	(4,855,459)	(3,261,571)
Nonoperating Revenues (Expenses)		
Noncapital appropriations – Stevens County	1,000,000	1,096,934
Interest income	26,959	22,836
Interest expense	(771)	(1,395)
Noncapital grants and gifts	61,231	394,493
Provider Relief Funds (*CARES Act*)	138,189	1,683,336
Paycheck Protection Program (PPP) loan forgiveness	-	1,920,300
Total nonoperating revenues	1,225,608	5,116,504
Increase (Decrease) in Net Position	(3,629,851)	1,854,933
Net Position, Beginning of Year	25,245,184	23,390,251
Net Position, End of Year	$ 21,615,333	$ 25,245,184

Stevens County Hospital
A Component Unit of Stevens County, Kansas
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	$ 16,611,876	$ 15,712,936
Payments to suppliers and contractors	(7,128,376)	(7,396,272)
Payments to and on behalf of employees	(12,845,762)	(11,797,495)
Other receipts, net	(61,117)	(1,444,635)
Net cash used in operating activities	(3,423,379)	(4,925,466)
Noncapital Financing Activities		
Noncapital appropriations – Stevens County	1,000,000	1,096,934
Noncapital grants and gifts	61,231	394,493
Provider Relief Funds (*CARES Act*)	138,189	1,683,336
Net cash provided by noncapital financing activities	1,199,420	3,174,763
Capital and Related Financing Activities		
Principal paid on long-term debt	(31,559)	(30,935)
Interest paid on long-term debt	(771)	(1,395)
Purchase of capital assets	(102,055)	(1,032,401)
Net cash used in capital and related financing activities	(134,385)	(1,064,731)
Investing Activities		
Interest income received	26,959	22,836
Change in certificates of deposit	(3)	(1,717)
Net cash provided by investing activities	26,956	21,119
Decrease in Cash and Cash Equivalents	(2,331,388)	(2,794,315)
Cash and Cash Equivalents, Beginning of Year	3,949,751	6,744,066
Cash and Cash Equivalents, End of Year	$ 1,618,363	$ 3,949,751

Stevens County Hospital
A Component Unit of Stevens County, Kansas
Statements of Cash Flows (Continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (4,855,459)	$ (3,261,571)
Depreciation	1,057,609	981,420
Loss on disposal of capital assets	1,746	-
Provision for uncollectible accounts	1,184,914	836,244
Changes in operating assets and liabilities		
Patient accounts receivable, net	(631,985)	(2,551,661)
Estimated amounts due from and to third-party payers	(825,000)	285,000
Accounts payable and accrued expenses	746,935	205,454
Unearned revenue	(100,000)	(1,475,891)
Supplies and prepaid expenses and other	(2,139)	55,539
Net cash used in operating activities	$ (3,423,379)	$ (4,925,466)
Noncash, Investing, Capital and Financing Activities		
PPP loan forgiveness	$ -	$ 1,920,300

Stevens County Hospital
A Component Unit of Stevens County, Kansas
Notes to Financial Statements
December 31, 2022 and 2021

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

Nature of Operations and Reporting Entity

Stevens County Hospital (the Hospital) is an acute care hospital located in Hugoton, Kansas. The Hospital is a component unit of Stevens County (County) and the Board of County Commissioners appoints members to the Board of Directors of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Stevens County area. It also operates a long-term care facility and retail pharmacy in the same geographic area.

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 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. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is 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. At December 31, 2022 and 2021, cash equivalents consisted primarily of certificates of deposit, which are carried at amortized cost.

Noncapital Appropriations – Stevens County

The Hospital received approximately 6% and 5% of its financial support from county appropriations derived from property taxes levied by the County in 2022 and 2021, respectively. One hundred percent of these funds were used to support operations in both years.

Property taxes are assessed by the County in November of one year and are received beginning in January of the following year. Intergovernmental revenue is recognized in full in the year in which use is first permitted.

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; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters, except workers' compensation and property and casualty coverage. Settled claims have not exceeded 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. Property and casualty coverage is provided through a fund managed by the Kansas Counties Association Multi-Line Pool. The property and casualty premiums are subject to retrospective adjustment based upon the overall performance of the fund. Management believes adequate reserves are in place to cover claims incurred but not reported for both workers' compensation and property and casualty risks.

Patient Accounts Receivable

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

Supplies

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

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 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	10 – 40 years
Building	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Capital Asset Impairment

The Hospital 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, 2022 and 2021.

Compensated Absences

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

Paycheck Protection Program (PPP) Loan

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

(SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on February 10, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in fiscal year 2021.

Net Position

Net position of the Hospital is classified in two components. 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 purpose 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.

Net Patient Service Revenue

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

Charity Care

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

Provider Relief Funds (CARES Act)

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

Income Taxes

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

Note 2: 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 recognized as a critical access hospital (CAH) and is paid at one hundred one percent (101%) of allowable costs for certain inpatient and outpatient services. The Hospital is reimbursed for certain services and cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. Rural health clinic services are paid on a cost basis. Home health services are paid on a per-episode basis using clinical diagnostic and other factors.

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.

Services rendered for long-term care facility residents are reimbursed under a prospective rate, with annual cost reports submitted to the Medicaid program. Effective July 1, 2016, rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

Approximately 49% and 44% of net patient service revenues are from participation in the Medicare and state-sponsored Medicaid programs for the years ended December 31, 2022 and 2021, 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.

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 rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: 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, 2022 and 2021, respectively, $1,202,205 and $3,531,045 of the Hospital's bank balances of $1,702,205 and $4,134,003 were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Hospital's name	$ 1,202,205	$ 3,531,042

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 1,623,624	$ 3,955,009
Included in the following balance sheet captions		
Cash and cash equivalents	$ 1,618,363	$ 3,949,751
Short-term certificates of deposit	5,261	5,258
	$ 1,623,624	$ 3,955,009

Note 4: 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, 2022 and 2021, consisted of:

	2022	2021
Medicare	$ 1,990,143	$ 1,935,094
Medicaid	324,671	330,590
Blue Cross	459,502	410,519
Other third-party payers	572,340	666,079
Patients	1,290,012	1,171,854
	4,636,668	4,514,136
Less allowance for uncollectible accounts	1,825,000	1,074,000
	$ 2,811,668	$ 3,440,136

Note 5: Capital Assets

Capital assets activity for the years ended December 31, 2022 and 2021, was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	$ 103,580	$ -	$ -	$ -	$ 103,580
Buildings	24,783,860	-	-	-	24,783,860
Fixed equipment	3,009,403	34,025	-	-	3,043,428
Major moveable equipment	7,103,650	68,030	(196,487)	-	6,975,193
	35,000,493	102,055	(196,487)	-	34,906,061
Less accumulated depreciation					
Land improvements	97,790	3,196	-	-	100,986
Buildings	8,649,723	602,637	-	-	9,252,360
Fixed equipment	1,289,959	187,251	-	-	1,477,210
Major moveable equipment	6,003,327	264,525	(194,741)	-	6,073,111
	16,040,799	1,057,609	(194,741)	-	16,903,667
Capital assets, net	$ 18,959,694	$ (955,554)	$ (1,746)	$ -	$ 18,002,394

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land improvements	$ 103,580	$ -	$ -	$ -	$ 103,580
Buildings	24,764,411	19,449	-	-	24,783,860
Fixed equipment	3,009,403	-	-	-	3,009,403
Major moveable equipment	6,090,698	1,012,952	-	-	7,103,650
	33,968,092	1,032,401	-	-	35,000,493
Less accumulated depreciation					
Land improvements	94,594	3,196	-	-	97,790
Buildings	8,048,498	601,225	-	-	8,649,723
Fixed equipment	1,098,135	191,824	-	-	1,289,959
Major moveable equipment	5,818,152	185,175	-	-	6,003,327
	15,059,379	981,420	-	-	16,040,799
Capital assets, net	$ 18,908,713	$ 50,981	$ -	$ -	$ 18,959,694

Note 6: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy with a fixed premium, which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively. 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 and $800,000 of coverage for each medical incident and $1,500,000 and $2,400,000 of aggregate coverage for the policy years ending December 31, 2022 and 2021, respectively.

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

Note 7: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended December 31, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligations	$ 52,951	$ -	$ 31,559	$ 21,392	$ 21,392
Total long-term debt	$ 52,951	$ -	$ 31,559	$ 21,392	$ 21,392

	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Capital lease obligations	$ 83,886	$ -	$ 30,935	$ 52,951	$ 31,559
PPP loan	1,920,300	-	1,920,300	-	-
Total long-term debt	$ 2,004,186	$ -	$ 1,951,235	$ 52,951	$ 31,559

Capital Lease Obligations

The Hospital is obligated under leases for equipment and software that are accounted for as capital leases. At the end of the lease terms, the leased assets become the assets of the Hospital. Assets under capital leases at December 31, 2022 and 2021, totaled $0, net of accumulated depreciation of $276,306, respectively. The following is a schedule by year of future minimum lease payments under the capital lease, including interest at 2.00% together with the present value of the future minimum lease payments as of December 31, 2022:

Year Ending December 31,	
2023	$ 21,553
Total minimum lease payments	21,553
Less amount representing interest	161
Present value of future minimum lease payments	$ 21,392

Paycheck Protection Program (PPP) Loan

The *CARES Act* and other subsequent legislation provides an SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The Hospital received a PPP loan of $1,920,300 in 2020. The loan has an interest rate of 1%, with monthly payments due starting six months after the receipt of the loan. The Hospital received legal notice on February 10, 2021, that the PPP loan was forgiven in its entirety.

Note 8: Defined Contribution Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by a board of trustees appointed by the Board of County Commissioners. 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 Hospital's governing body. Contribution rates for plan members and the Hospital expressed as a percentage of covered payrolls was 4% for both 2022 and 2021. Contributions actually made by plan members aggregated $139,501 and $156,928 during 2022 and 2021, respectively. Contributions actually made by the Hospital aggregated $185,898 and $209,240 during 2022 and 2021, respectively.

Note 9: Charity Care

The costs of charity care provided under the Hospital's charity care policy were $91,292 and $68,265 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 10: COVID-19 Pandemic & *CARES Act* Funding

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

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

Provider Relief Fund

During the years ended December 31, 2022 and 2021, the Hospital received $38,189 and $207,445, respectively, of distributions from the *CARES Act* Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS.

The Hospital accounts for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through December 31, 2022 and 2021, the Hospital recognized $138,189 and $1,683,336, respectively, related to the Provider Relief Funds (*CARES Act*), classified as nonoperating revenues in the accompanying statements of revenues, expenses and changes in net position. As of December 31, 2022 and 2021, the unrecognized amount of Provider Relief Fund distributions of $0 and $100,000, respectively, is recorded as a component of unearned revenue in the accompanying balance sheets.

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

Paycheck Protection Program (PPP) Loan

During 2020, the Hospital received a PPP loan of $1,920,300 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the SBA, or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on February 10, 2021, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in fiscal year 2021.

Other COVID-19 Funding

In November 2021, the Hospital received and recognized $99,493 from a distribution from the Frontline Hospital Employee Retention Plan program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the years ended 2022 and 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital recognized $0 and $74,492 for the years-ended December 31, 2022 and 2021, respectively, related to SHIP grant. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 11: Contingencies

General Litigation

The Hospital is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the balance sheets, change in net position and cash flows of the Hospital. Events could occur that would change this estimate materially in the near term.

Note 12: Future Change in Accounting Principle

Subscription Liabilities

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.