Independent Auditor's Report and Financial Statements

Sedan City Hospital

June 30, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Sedan City Hospital

Opinion

We have audited the accompanying financial statements of the business-type activity of Sedan City Hospital (Hospital), a component unit of Sedan, Kansas, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Sedan City Hospital as of June 30, 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 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 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 these 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 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 and Accounting 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.

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In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

The Hospital has omitted a 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sedan City Hospital's basic financial statements as a whole. The accompanying supplementary information beginning on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
December 12, 2024

Financial Statements

Sedan City Hospital
Statements of Net Position
June 30, 2024 and 2023

Assets

	2024	2023
Current assets		
Cash and cash equivalents	$ 187,874	$ 69,040
Patient accounts receivable, net of allowance for doubtful accounts of $396,412 in 2024 and $462,647 in 2023	666,213	869,638
Sales tax and other receivables	58,100	40,773
Inventories	165,174	182,892
Prepaid expenses	25,574	19,750
Estimated third-party payor settlements	23,723	251,660
Total current assets	1,126,658	1,433,753
Assets limited as to use		
Internally designated by the Board	35,256	7,525
Capital assets		
Capital assets not being depreciated	32,562	41,243
Depreciable capital assets, net	678,751	556,026
Lease assets, net	82,008	191,351
Capital assets, net	793,321	788,620
Other assets	9,500	9,500
Total assets	$1,964,735	$2,239,398

The accompanying notes are an integral part of these statements.

Liabilities and Net Position

	2024	2023
Current liabilities		
Accounts payable	$ 536,898	$ 454,982
Accrued expenses		
Salaries and related benefits	77,582	82,409
Vacation	84,905	91,976
Other	23,528	11,657
Estimated third-party payor settlements	100,000	100,000
Current maturities of note payable to bank	120,705	145,705
Current maturities of lease liabilities	99,297	93,529
Total current liabilities	1,042,915	980,258
Noncurrent lease liabilities, less current maturities	25,767	125,064
Total liabilities	1,068,682	1,105,322
Net position		
Invested in capital assets, net of related debt	668,257	570,027
Unrestricted	227,796	564,049
Total net position	896,053	1,134,076
Total liabilities and net position	$1,964,735	$2,239,398

Sedan City Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2024 and 2023

	2024	2023
Operating revenues		
Net patient service revenue	$4,954,007	$5,028,892
Other	47,129	29,287
Total operating revenues	5,001,136	5,058,179
Operating expenses		
Salaries and wages	1,980,996	2,092,198
Employee benefits	418,164	430,973
Supplies and other	2,976,086	2,774,756
Depreciation and amortization	204,660	188,203
Total operating expenses	5,579,906	5,486,130
Operating loss	(578,770)	(427,951)
Nonoperating revenues (expenses)		
Sales tax revenue	200,279	181,791
Noncapital grants and contributions	10,574	10,383
Noncapital COVID-19 grants		7,879
Investment income	14,152	14,631
Interest expense	(19,978)	(23,969)
Total nonoperating revenues (expenses)	205,027	190,715
Excess of expenses over revenues before capital grants and contributions	(373,743)	(237,236)
Capital grants and contributions	135,720	
Capital COVID-19 grants		103,358
Change in net position	(238,023)	(133,878)
Net position at beginning of year	1,134,076	1,267,954
Net position at end of year	$ 896,053	$1,134,076

The accompanying notes are an integral part of these statements.

Sedan City Hospital
Statements of Cash Flows
Years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Receipts from and on behalf of patients	$5,385,369	$ 4,789,287
Payments to or on behalf of employees	(2,399,187)	(2,584,627)
Payments to suppliers	(2,882,687)	(2,800,927)
Other receipts and payments	29,802	167,793
Net cash provided (used) by operating activities	133,297	(428,474)
Cash flows from noncapital financing activities		
Noncapital grants and contributions	10,574	10,383
Noncapital COVID-19 grants		7,879
Proceeds from sales tax	200,279	181,791
Proceeds from notes payable		220,705
Principal payments on notes payable to bank	(25,000)	(75,000)
Interest paid on notes payable to bank	(8,996)	(1,148)
Net cash provided by noncapital financing activities	176,857	344,610
Cash flows from capital and related financing activities		
Purchase of capital assets	(209,361)	(112,943)
Capital grants and contributions	135,720	
Capital COVID-19 grants		103,358
Principal payments on lease liabilities	(93,529)	(88,095)
Interest paid on lease liabilities	(10,571)	(16,005)
Net cash used by capital and related financing activities	(177,741)	(113,685)
Cash flows from investing activities		
Investment income received	14,152	14,631
Net cash provided by investing activities	14,152	14,631
Change in cash and cash equivalents	146,565	(182,918)
Cash and cash equivalents at beginning of year	76,565	259,483
Cash and cash equivalents at end of year	$ 223,130	$ 76,565
Reconciliation of cash and cash equivalents to statements of net position		
Cash and cash equivalents in current assets	$ 187,874	$ 69,040
Cash internally designated by Board	35,256	7,525
	$ 223,130	$ 76,565

The accompanying notes are an integral part of these statements.

Sedan City Hospital
Statements of Cash Flows - Continued
Years ended June 30, 2024 and 2023

	2024	2023
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	$ (578,770)	$ (427,951)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization	204,660	188,203
Provision for bad debts	351,249	229,444
Changes in		
Patient accounts receivable	(147,824)	(599,848)
Grants receivable		139,152
Inventory and prepaid expenses	11,894	30,174
Other assets	(17,327)	(646)
Accounts payable and accrued expenses	81,478	(117,801)
Estimated third-party payor settlements	227,937	130,799
Net cash provided (used) by operating activities	$ 133,297	$ (428,474)

The accompanying notes are an integral part of these statements.

Sedan City Hospital
Notes to Financial Statements
June 30, 2024 and 2023

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

Sedan City Hospital (Hospital) is a not-for-profit critical access hospital located in Sedan, Kansas. The Hospital was organized to provide acute care services for the benefit of the community and is owned by Sedan, Kansas, and is governed by a Board of Trustees appointed by the governing body of the City of Sedan, Kansas. The Hospital primarily earns revenue by providing inpatient acute and outpatient services to patients in Southeast Kansas.

The Hospital has an agreement where the management and operating responsibilities of the Hospital are provided by Jane Phillips Medical Center, Inc., a charitable hospital located in Oklahoma, see Note J.

A summary of the significant accounting policies of Sedan City Hospital consistently applied in the preparation of the accompanying financial statements follows.

1. Basis of accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis using the economic resources measurement focus. The Hospital is accounted for similar to an enterprise fund in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB). The intent of an enterprise fund is to finance or recover, primarily through user charges, the costs (expenses, including depreciation) of providing goods and services to its users. An enterprise fund prepares operating statements using as its measurement focus the flow of economic resources. Such operating statements are designed to report events and transactions that increase or decrease an entity's economic resources (i.e., all assets and liabilities). Enterprise fund transactions are accounted for using the accrual basis, under which revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

2. Use of estimates

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

3. Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents include highly-liquid investments with an original maturity of three months or less.

4. Patient receivables

Patient receivables are uncollateralized customer and third-party payor obligations. Unpaid patient receivables, excluding amounts due from third-party payors, are turned over to a collection agency. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying value of patient receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

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

5. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or net realizable value.

6. Assets limited as to use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and medical scholarships over which the Board retains control and may, at its discretion, subsequently use for other purposes.

7. Capital assets

Capital asset acquisitions in excess of $5,000 are stated at cost. Depreciation of capital assets excluding lease assets are provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

Lease assets are recognized at the lease commencement date and represent the Hospital's right-to-use an underlying asset for the lease term. Lease assets are measured at the initial value of the lease liability at the commencement date of the lease, plus any indirect costs necessary to place the lease asset into service. Lease assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

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

8. Lease liabilities

Lease liabilities represent obligations to make payments arising from lease agreements. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the rate implicit in the lease or the Hospital's incremental borrowing rate.

9. Grants and contributions

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

10. Restricted resources

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

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

11. Net position

Net position of the Hospital is presented in the following two components.

Net position invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and amortization and reduced by the current balances of any outstanding balances used to finance the purchase or construction of those assets.

Unrestricted net position - Unrestricted net position is the remaining net position that does not meet the definition of "invested in capital assets net of related debt" or "restricted."

12. Operating revenues and expenses

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

13. Net patient service revenue

Net patient service revenue is reported at established charges with deductions for discounts, charity care, contractual adjustments, and provision for bad debts, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

14. Charity care

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

15. Income taxes

The Hospital is classified as a political subdivision and is exempt under Section 115 of the Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 115 of the Code and is not required to file federal income tax returns.

16. Subsequent events

The Hospital has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued. See Note L for subsequent events reported.

Note B - Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established charge rates. The amounts reported on the statements of net position as estimated third-party payor settlements consist of management's best estimate of the differences between the contractual amounts for providing covered services and the interim payments received for those services. A summary of the payment arrangements with major third-party payors follows:

Medicare - Services rendered to Medicare program beneficiaries are paid under the provisions applicable to critical access hospitals. Payments to the Hospital under the critical access provisions for inpatient, outpatient, and swing-bed patient services are determined on the basis of allowable costs. The Hospital is paid for cost reimbursable and other services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare contractor through June 30, 2022.

Medicaid - Impatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment.

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

A summary of Hospital gross and net patient service revenue is as follows:

	2024	2023
Gross patient service revenue	$6,058,131	$6,195,773
Deductions from patient service revenue		
Medicare and Medicaid contractual adjustments	(876)	(23,670)
Other contractuals	(722,207)	(860,665)
Provision for bad debts	(351,249)	(229,444)
Charity care	(29,792)	(53,102)
Net patient service revenue	$4,954,007	$5,028,892

Revenue from the Medicare and Medicaid programs accounted for approximately 74 and 3 percent, respectively, of the Hospital's net patient service revenue during 2024, and 73 and 2 percent, respectively, of the Hospital's net patient service revenue during 2023. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change in the near term.

Note C - Capital Assets

	Balance June 30, 2023	Transfers and additions	Retirements	Balance June 30, 2024
Capital assets not being depreciated				
Land	$ 12,137	$ -	$ -	$ 12,137
Projects in progress	29,106	(8,681)		20,425
Total capital assets not being depreciated	41,243	(8,681)	-	32,562
Capital assets being depreciated				
Land improvements	26,537	15,000		41,537
Buildings and fixed equipment	1,088,025			1,088,025
Movable equipment	1,385,147	203,042		1,588,189
Total capital assets being depreciated	2,499,709	218,042	-	2,717,751
Less accumulated depreciation				
Land improvements	22,210	1,678		23,888
Buildings and fixed equipment	747,299	42,000		789,299
Movable equipment	1,174,174	51,639		1,225,813
Total accumulated depreciated	1,943,683	95,317	-	2,039,000
Total capital assets being depreciated, net	556,026	122,725	-	678,751
Leased assets being amortized				
Equipment	328,030	-	-	328,030
Less accumulated amortization				
Equipment	136,679	109,343	-	246,022
Total lease assets being amortized, net	191,351	(109,343)	-	82,008
Capital assets, net	$ 788,620	$ 4,701	$ -	$ 793,321

Note C - Capital Assets - Continued

	Balance June 30, 2022	Transfers and additions	Retirements	Balance June 30, 2023
Capital assets not being depreciated				
Land	$ 12,137	$ -	$ -	$ 12,137
Projects in progress	38,342	(9,236)		29,106
Total capital assets not being depreciated	50,479	(9,236)	-	41,243
Capital assets being depreciated				
Land improvements	26,537			26,537
Buildings and fixed equipment	1,040,098	47,927		1,088,025
Movable equipment	1,310,895	74,252		1,385,147
Total capital assets being depreciated	2,377,530	122,179	-	2,499,709
Less accumulated depreciation				
Land improvements	21,939	271		22,210
Buildings and fixed equipment	703,120	44,179		747,299
Movable equipment	1,139,764	34,410		1,174,174
Total accumulated depreciated	1,864,823	78,860	-	1,943,683
Total capital assets being depreciated, net	512,707	43,319	-	556,026
Leased assets being amortized				
Equipment	328,030	-	-	328,030
Less accumulated amortization				
Equipment	27,336	109,343	-	136,679
Total lease assets being amortized, net	300,694	(109,343)	-	191,351
Capital assets, net	$ 863,880	$ (75,260)	$ -	$ 788,620

Note D - Cash and Deposits

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

At June 30, 2024, the carrying amount and book value of the Hospital's deposits with financial institutions was $222,830 and the bank balances were $261,670. All of the bank balances were covered by FDIC insurance.

Note E - Notes Payable to Bank

The note payable to bank consists of a line-of-credit with a $150,000 credit limit. Interest accrues at the rate of 7.75 percent on the unpaid principal balance and is due, together with the unpaid principal balance, on September 22, 2024. The note is secured by a mortgage on the Hospital facility. See Note L for extension of the line-of-credit.

The following is a summary of changes in notes payable to bank:

Outstanding at July 1, 2022	$ -
Advances on line-of-credit	220,705
Principal payments on line-of credit	(75,000)
Outstanding at June 30, 2023	145,705
Principal payments on line-of credit	(25,000)
Outstanding at June 30, 2024	$ 120,705

Note F - Leases

The Hospital leases equipment under a lease agreement. Lease liabilities are summarized as follows:

	2024	2023
Equipment lease liability; implied interest rate of 6.00%; payable in monthly installments of $8,675 through September 2025	$ 125,064	$ 218,593
Less current maturities of lease liabilities	99,297	93,529
Lease liabilities, net of current maturities	$ 25,767	$ 125,064

Note F - Leases - Continued

The following is a summary of changes in lease liabilities:

Outstanding at July 1, 2022	$ 306,688
Principal payments	(88,095)
Outstanding at June 30, 2023	218,593
Principal payments	(93,529)
Outstanding at June 30, 2024	$ 125,064

Scheduled lease payments for the Hospital's lease liabilities are as follows:

	Principal	Interest	Total
2025	$ 99,297	$ 4,803	$ 104,100
2026	25,767	258	26,025
	$ 125,064	$ 5,061	$ 130,125

Rental expense for all leases consisted of the following:

	2024	2023
Amortization of leased assets	$ 109,343	$ 109,343
Interest on lease liabilities	10,571	16,005
Short-term leases	21,971	21,755
	$ 141,885	$ 147,103

Note G - Interest Expense

Total interest costs of the Hospital are as follows:

	2024	2023
Total interest incurred	$ 19,978	$ 23,969

Note H - Retirement Plan

The Hospital offers a 403(b) tax sheltered annuity plan to employees. Currently, the Hospital does not make contributions on behalf of the employees. Employees are allowed to make elective or after-tax contributions to the plan. There are certain limitations imposed by the IRS for the total amount of annual contributions that may be made to an employee's 403(b) account and limits on the amount of elective deferrals that employees may make to a 403(b) plan. Distributions may generally be made because of the employee's death, disability, severance from employment, attainment of age 59-1/2 or, in the case of salary reduction contributions, financial hardship.

Note I - Concentration of Credit Risk

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

	2024	2023
Medicare and Medicaid	40 %	39 %
Other third-party payors	23	24
Patients	37	37
	100 %	100 %

Note J - Other Related Party Transactions

The Hospital has entered into a management and operating agreement with Jane Phillips Medical Center. The Hospital incurred expenses of $78,296 and $56,825 for these services for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and June 30, 2023, the Hospital owed $66,328 and $72,270, respectively, to Jane Phillips Medical Center. The amounts owed are included in accounts payable on the statements of net position.

Note K - Risk Management

For the years ended June 30, 2024 and 2023, the Hospital was insured for hospital professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Hospital is further covered by the Kansas Health Care Stabilization Fund for claims in excess of its comprehensive hospital liability policy up to $500,000 pursuant to any one judgment or settlement against the Hospital for any one party, subject to an aggregate limitation for all judgments or settlements arising from all claims made in the policy year in the amount of $1,500,000. All coverage is on a claims-made basis.

The above policies were renewed on January 1, 2024, for the policy period from January 1, 2024 to January 1, 2025.

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

Note L - Subsequent Events

Subsequent to year-end, the Hospital extended the $150,000 line-of-credit with a local bank through September 27, 2025, and made a $25,000 principal payment towards the outstanding balance plus an interest payment. Interest accrues on the line-of-credit at 7.75 percent per annum.

The SCH Foundation, Inc. (Foundation), a 501(c)(3) not-for-profit organization, was created in September 2024 to raise funds to support the healthcare community of Sedan, Kansas, with a particular focus on Sedan City Hospital.

Supplementary Information

Sedan City Hospital
Patient Service Revenue
Years ended June 30, 2024 and 2023

	2024			2023		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
Gross patient service revenue						
Emergency room	$ 33,553	$1,275,274	$1,308,827	$ 39,366	$1,384,864	$1,424,230
Routine care	515,318	117,930	633,248	470,880	118,650	589,530
Central supply	30,110	29,916	60,026	18,400	25,997	44,397
Laboratory	186,380	776,034	962,414	132,582	822,771	955,353
Pharmacy	191,048	321,036	512,084	143,100	248,943	392,043
Therapy services	132,818	825,126	957,944	144,994	906,653	1,051,647
Radiology	89,639	1,131,767	1,221,406	91,984	1,230,313	1,322,297
Respiratory therapy	65,497	7,798	73,295	29,130	4,354	33,484
Wound care	14,079	314,808	328,887	5,118	377,674	382,792
Gross patient service revenue	$1,258,442	$4,799,689	6,058,131	$1,075,554	$5,120,219	6,195,773
Less adjustments						
Third-party contractual allowances			723,083			884,335
Charity care			29,792			53,102
Provision for bad debts			351,249			229,444
Total adjustments			1,104,124			1,166,881
Net patient service revenue			$4,954,007			$5,028,892

Sedan City Hospital
Other Revenue
Years ended June 30, 2024 and 2023

	2024	2023
Other revenue		
Cafeteria	$ 7,012	$ 4,402
Pharmacy rebates	2,360	1,600
Medical records	120	300
Administration	19,637	4,985
Rental income	18,000	18,000
Total other revenue	$ 47,129	$ 29,287

Sedan City Hospital
Operating Expenses by Functional Division
Years ended June 30, 2024 and 2023

	2024			2023		
	Salaries	Supplies and expenses	Total	Salaries	Supplies and expenses	Total
Revenue producing departments						
Emergency room	$ 145,288	$ 813,264	$ 958,552	$ 349,570	$ 521,554	$ 871,124
Routine care	810,146	366,822	1,176,968	726,342	373,867	1,100,209
Central supply	18,087	63,473	81,560	18,211	40,525	58,736
Laboratory	218,945	272,448	491,393	222,191	251,410	473,601
Pharmacy	9,110	143,952	153,062	10,423	118,372	128,795
Therapies		248,049	248,049		276,641	276,641
Radiology	155,054	72,632	227,686	160,553	71,581	232,134
Wound care	1,960	98,998	100,958	3,026	122,400	125,426
	1,358,590	2,079,638	3,438,228	1,490,316	1,776,350	3,266,666
Overhead departments						
Dietary	106,635	30,098	136,733	101,904	33,122	135,026
Housekeeping	60,489	12,347	72,836	54,420	13,005	67,425
Laundry and linen		22,174	22,174		21,972	21,972
Medical records	103,537	2,770	106,307	100,859	2,563	103,422
Operation of plant	53,457	252,413	305,870	52,032	269,077	321,109
Administrative	298,288	576,646	874,934	292,667	658,667	951,334
Employee benefits		418,164	418,164		430,973	430,973
	622,406	1,314,612	1,937,018	601,882	1,429,379	2,031,261
Depreciation		204,660	204,660		188,203	188,203
Total expenses	$1,980,996	$3,598,910	$5,579,906	$2,092,198	$3,393,932	$5,486,130