Board of Trustees of Smith County Memorial Hospital - A Component Unit of Smith County, Kansas

Independent Auditor's Report and Financial Statements

March 31, 2024 and 2023

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Forvis Mazars, LLP
1551 N. Waterfront Parkway, Suite 300
Wichita, KS 67206
P 316.265.2811 | F 316.265.9405
forvismazars.us

Independent Auditor's Report

Board of Trustees of Smith County Memorial Hospital
Smith Center, Kansas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Board of Trustees of Smith County Memorial Hospital, a component unit of Smith County, Kansas, and Great Plains of Smith County, Inc. as of and for the years ended March 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Board of Trustees of Smith County 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 respective financial position of the Board of Trustees of Smith County Memorial Hospital and of its discretely presented component unit as of March 31, 2024 and 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Board of Trustees of Smith County 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 opinions.

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 Board of Trustees of Smith County 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 opinions. 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 Board of Trustees of Smith County 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 Board of Trustees of Smith County 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 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 opinions on the basic financial statements are not affected by this missing information.

Forvis Mazars, LLP

Wichita, Kansas
August 30, 2024

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Balance Sheets
March 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 1,872,142	$ 818,994
Cash held by QALICB	286,596	457,623
Certificates of deposit	140,630	140,630
Sales tax receivable	176,358	169,963
Due from Hospital	2,158	2,158
Total current assets	2,477,884	1,589,368
Noncurrent Cash Restricted by Donors for Capital	22,963	9,566
Noncurrent Certificates of Deposit	6,036,804	5,336,804
Certificates of Deposit Restricted by Donors for Capital Acquisitions	1,573,148	1,673,128
Interest in Assets at Greater Salina Community Foundation	153,055	127,834
Beneficial Interest in Trust	456,261	446,180
Leverage Loan Receivable	11,800,052	11,800,052
Total assets	$ 22,520,167	$ 20,982,932

	2024	2023
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Due to Hospital	$ 6,224	$ 6,224
Total current liabilities	6,224	6,224
Long-term Debt	17,025,000	17,025,000
Total liabilities	17,031,224	17,031,224
Deferred Inflows of Resources		
Beneficial interest in trust	456,261	446,180
Net Position		
Restricted - expendable for capital acquisitions	1,596,111	1,682,694
Unrestricted	3,436,571	1,822,834
Total net position	5,032,682	3,505,528
Total liabilities, deferred inflows of resources and net position	$ 22,520,167	$ 20,982,932

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Balance Sheets
March 31, 2024 and 2023

	2024	2023
Assets		
Current Assets		
Cash	$ 7,816,199	$ 7,251,864
Patient accounts receivable	2,970,841	2,567,448
Due from BOT	6,224	6,224
Supplies	259,103	329,031
Prepaid expenses and other	228,108	179,609
Other receivables	183,413	566,386
Total current assets	11,463,888	10,900,562
Assets Limited As To Use		
Internally designated for future capital improvements	29,613	30,667
Internally designated for debt service	1,677,731	1,533,414
Externally restricted by donors	109,109	85,191
	1,816,453	1,649,272
Property and Equipment, At Cost		
Land and land improvements	4,725,302	4,725,302
Buildings	19,602,101	19,602,101
Equipment	6,943,803	6,774,684
Construction in progress	21,806	10,000
	31,293,012	31,112,087
Less accumulated depreciation	13,071,210	11,021,383
	18,221,802	20,090,704
Beneficial Interest in Perpetual Trusts	1,028,613	870,910
Total assets	$ 32,530,756	$ 33,511,448

See Notes to Financial Statements

	2024	2023
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 545,716	$ 532,799
Accounts payable	959,084	861,350
Accrued salaries and wages	553,206	512,805
Accrued benefits payable	718,713	679,524
Accrued payroll taxes and other	613,582	539,480
Obligation under secured borrowing arrangement	365,483	360,004
Estimated amounts due to third-party payers	723,681	35,300
Total current liabilities	4,479,465	3,521,262
Long-term Debt	24,579,610	25,125,318
Total liabilities	29,059,075	28,646,580
Net Assets		
Without donor restrictions	2,333,958	3,908,767
With donor restrictions		
Perpetual in nature	1,028,613	870,910
Purpose restriction	109,110	85,191
Total net assets	3,471,681	4,864,868
Total liabilities and net assets	$ 32,530,756	$ 33,511,448

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2024 and 2023

	2024	2023
Operating Revenues		
Noncapital appropriations - Smith County property tax levy	$ 444,914	$ 456,622
Noncapital appropriations - sales tax	902,893	944,828
Total operating revenues	1,347,807	1,401,450
Operating Expenses	83,784	83,784
Operating Income	1,264,023	1,317,666
Nonoperating Revenues (Expenses)		
Interest income	530,507	182,495
Interest expense	(211,915)	(232,031)
Change in interest in assets at Greater Salina Community Foundation	25,221	(13,662)
Noncapital grants and gifts	11,641	11,782
Contributions to Hospital for operations	(8,219)	(300,000)
Total nonoperating expenses	347,235	(351,416)
Excess of Revenues Over Expenses Before Capital Grants and Gifts and Contributions to Hospital for Capital Assets	1,611,258	966,250
Capital Grants and Gifts	25,160	56,407
Contributions to Hospital for Capital Assets	(109,264)	(19,978)
Increase in Net Position	1,527,154	1,002,679
Net Position, Beginning of Year	3,505,528	2,502,849
Net Position, End of Year	$ 5,032,682	$ 3,505,528

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Operations and Changes in Net Assets
Years Ended March 31, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Patient service revenue	$ 20,939,663	$ -	$ 20,939,663
Provider Relief Funds (*CARES Act*)	-	-	-
Other	3,368,683	-	3,368,683
Net assets released from restrictions used for operations	69,660	(69,660)	-
Total revenues, gains and other support	24,378,006	(69,660)	24,308,346
Expenses			
Salaries and wages	9,551,393	-	9,551,393
Supplies and other	14,093,083	-	14,093,083
Depreciation	2,097,828	-	2,097,828
Interest	730,038	-	730,038
Total expenses	26,472,342	-	26,472,342
Operating Loss	(2,094,336)	(69,660)	(2,163,996)
Other Income			
Contributions received	15,871	106,971	122,842
Investment return	348,741	21,040	369,781
Gain on disposal of property and equipment	3,000	-	3,000
Excess (Deficiency) of Revenues Over Expenses	(1,726,724)	58,351	(1,668,373)
Contributions received from BOT for operations	8,219	-	8,219
Contributions received from BOT for property and equipment	109,264	-	109,264
Change in beneficial interest in perpetual trusts	-	157,703	157,703
Net assets released from restrictions used for property and equipment	34,432	(34,432)	-
Increase (Decrease) in Net Assets	(1,574,809)	181,622	(1,393,187)
Net Assets, Beginning of Year	3,908,767	956,101	4,864,868
Net Assets, End of Year	$ 2,333,958	$ 1,137,723	$ 3,471,681

See Notes to Financial Statements

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Operations and Changes in Net Assets (Continued)
Years Ended March 31, 2024 and 2023

2023		
Without Donor Restrictions	With Donor Restrictions	Total
$ 19,791,679	$ -	$ 19,791,679
598,459	-	598,459
3,307,242	-	3,307,242
12,105	(12,105)	-
23,709,485	(12,105)	23,697,380
8,696,875	-	8,696,875
13,705,756	-	13,705,756
2,325,291	-	2,325,291
723,461	-	723,461
25,451,383	-	25,451,383
(1,741,898)	(12,105)	(1,754,003)
47,025	46,808	93,833
84,757	8,167	92,924
-	-	-
(1,610,116)	42,870	(1,567,246)
300,000	-	300,000
19,978	-	19,978
-	(72,315)	(72,315)
-	-	-
(1,290,138)	(29,445)	(1,319,583)
5,198,905	985,546	6,184,451
$ 3,908,767	$ 956,101	$ 4,864,868

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Receipts from Smith County	$ 1,341,412	$ 1,401,169
Other payments, net	(83,784)	(83,784)
Net cash provided by operating activities	1,257,628	1,317,385
Cash Flows From Noncapital Financing Activities		
Noncapital grants and gifts	11,641	11,782
Contributions to Hospital for operations	(8,219)	(300,000)
Net cash provided by (used in) investing activities	3,422	(288,218)
Cash Flows From Capital and Related Financing Activities		
Capital grants and gifts	25,160	56,407
Contributions to Hospital for capital assets	(109,264)	(19,978)
Interest paid on note payable to bank	(211,915)	(232,031)
Net cash used in capital and related financing activities	(296,019)	(195,602)
Cash Flows From Investing Activities		
Interest received	530,507	182,495
Purchase of certificates of deposit	(600,020)	(1,236,887)
Net cash used in investing activities	(69,513)	(1,054,392)
Increase (Decrease) in Cash and Cash Equivalents	895,518	(220,827)
Cash and Cash Equivalents, Beginning of Year	1,286,183	1,507,010
Cash and Cash Equivalents, End of Year	$ 2,181,701	$ 1,286,183

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Cash Flows (Continued)
Years Ended March 31, 2024 and 2023

	2024	2023
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 2,158,738	$ 1,276,617
Cash in noncurrent cash	22,963	9,566
Total cash and cash equivalents	$ 2,181,701	$ 1,286,183
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,264,023	$ 1,317,666
Changes in operating assets and liabilities		
Sales tax receivable	(6,395)	(281)
Net cash provided by operating activities	$ 1,257,628	$ 1,317,385

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Cash Flows
Years Ended March 31, 2024 and 2023

	2024	2023
Operating Activities		
Change in net assets	$ (1,393,187)	$ (1,319,583)
Items not requiring (providing) operating cash flow		
Contributions received from Board of Trustees for property and equipment	(109,264)	(19,978)
Change in beneficial interest in perpetual trusts	(157,703)	72,315
Depreciation	2,097,828	2,325,291
Amortization of debt issuance costs	3,513	3,584
Change in assets limited as to use	13,853	(37,772)
Investment return and contributions received (with donor restrictions)	(128,011)	(54,975)
Changes in		
Patient accounts receivable	(403,393)	(162,509)
Estimated amounts due from and to third-party payers	688,381	490,300
Supplies and other current assets	404,402	(8,116)
Accounts payable and accrued expenses	251,426	301,219
Deferred revenue	-	(598,459)
Net cash provided by operating activities	1,267,845	991,317
Investing Activity		
Purchase of property and equipment	(231,926)	(100,635)
Proceeds from sale of property and equipment	3,000	-
Net cash used in investing activities	(228,926)	(100,635)

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Cash Flows (Continued)
Years Ended March 31, 2024 and 2023

	2024	2023
Financing Activities		
Principal payments on long-term debt	$ (536,304)	$ (521,951)
Proceeds from issuance of recourse loan secured borrowings	5,479	80,009
Investment return and contributions received (with donor restrictions)	128,011	54,975
Contributions received from Board of Trustees for property and equipment	109,264	19,978
Net cash used in financing activities	(293,550)	(366,989)
Increase in Cash	745,369	523,693
Cash, Beginning of Year	8,863,364	8,339,671
Cash, End of Year	$ 9,608,733	$ 8,863,364
Reconciliation of Cash to the Balance Sheets		
Cash	$ 7,816,199	$ 7,251,864
Designated cash included in assets limited to use	1,792,534	1,611,500
	$ 9,608,733	$ 8,863,364
Supplemental Cash Flows Information		
Interest paid	$ 707,341	$ 721,694

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

Nature of Operations

The Board of Trustees of Smith County Memorial Hospital (BOT) was organized by the County Commissioners of Smith County to operate a governmental hospital and to control the use of tax appropriations. The BOT is appointed by the County Commissioners of Smith County. The BOT is considered to be a component unit of Smith County, Kansas.

Smith County Memorial Hospital QALICB, Inc. (QALICB) is a 501(c)(3) nonprofit corporation. QALICB was established to facilitate the construction of a replacement hospital facility. Great Plains of Smith County, Inc. (GPSC or Hospital) management performs the day-to-day management of QALICB's operations and the debt of QALICB is expected to be repaid entirely with the resources of the BOT. QALICB is a separate legal entity but is financially integrated with the BOT and is reported as a blended component unit of the BOT and does not issue separate financial statements. The sole corporate member of QALICB is the BOT. QALICB has the same fiscal year as the BOT.

Great Plains of Smith County, Inc. (GPSC or Hospital) is a 501(c)(3) nonprofit corporation. GPSC is located in Smith Center, Kansas and provides acute, swing-bed, and clinic services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*). Based on the financial relationships and transactions with GPSC, the BOT believes as a matter of professional judgment that it would be misleading to exclude the financial statements of GPSC. As a result, GPSC is considered to be a component unit of the BOT and is discretely presented in the BOT's financial statements. GPSC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Basis of Accounting and Presentation

The financial statements of the BOT have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Interest income, noncapital gifts and contributions to the Hospital for operations are included in nonoperating revenues (expenses). The BOT first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available. The BOT prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

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, liabilities, deferred inflows and outflows of resources, 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 BOT considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2024 and 2023, cash equivalents consisted entirely of money market accounts.

Deferred Inflows of Resources

The BOT reports an acquisition of net position that is applicable to a future reporting period as deferred inflows of resources in a separate section of its balance sheets.

Net Position

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

- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the BOT.

- Unrestricted net position is the remaining net position that does not meet the definition of restricted net position.

Noncapital Appropriations – Smith County

The BOT receives noncapital appropriations from Smith County, Kansas in the form of property tax levy and sales tax revenue. Property taxes are assessed in November and are received beginning in January of the following year. Sales tax revenue is recognized based on sales tax collected by the County's retailers in the Hospital's accounting period. Noncapital appropriations revenue for both property and sales taxes are recognized in full in the year in which use is first permitted.

Income Taxes

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

Contributions

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as noncapital and capital grants and gifts.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Note 2. Lease and Management Agreement – BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Smith County, Kansas, and leased to GPSC by the BOT. The lease agreement provides that GPSC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The current lease term is through November 30, 2025. The BOT leases the hospital facilities to GPSC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPSC, has a management agreement with GPSC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPSC upon commencement of the original lease agreement. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

Note 3. Deposits – BOT

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 BOT'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 acceptable collateral having an aggregate value at least equal to the amount of the deposits.

The BOT maintains its bank deposits (checking and savings accounts and certificates of deposit) with financial institutions which, at times, exceed federally insured limits. For purposes of evaluating credit risk, the stability of financial institutions conducting business with the BOT is periodically reviewed and the BOT believes it is not exposed to any significant credit risk on these balances.

At March 31, 2024 and 2023, respectively, $8,546,973 and $7,912,481 of the BOT's bank balances of $9,932,283 and $8,436,745 were exposed to custodial credit risk as follows:

	2024	2023
Uninsured and uncollateralized	$ 1,155,427	$ 518,253
Uninsured and collateral held on behalf of the pledging financial institution in the Board of Trustees' name	7,391,546	7,394,228
	$ 8,546,973	$ 7,912,481

Included in the above table is cash held by QALICB at March 31, 2024 and 2023, of $286,596 and $457,623, respectively. At March 31, 2024 and 2023, QALICB's cash accounts exceeded federally insured limits by approximately $37,000 and $207,000, respectively.

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets at March 31, 2024 and 2023, as follows:

	2024	2023
Carrying Value		
Cash and cash equivalents	$ 1,872,142	$ 818,994
Cash held by QALICB	286,596	457,623
Certificates of deposit - current	140,630	140,630
Noncurrent cash restricted by donors for capital acquisitions	22,963	9,566
Noncurrent certificates of deposit	6,036,804	5,336,804
Certificates of deposit restricted by donors for capital acquisitions	1,573,148	1,673,128
	$ 9,932,283	$ 8,436,745

Note 4. Cash Held by QALICB – BOT

Reserve Funds

As a requirement of loan closing for the Bridge Loan and Notes A, B, C and D (discussed in *Note 8*), reserve funds were created to pay the annual compliance, audit and tax fees as well as fund the BOT's Bridge Loan principal and interest payments. The funds are pledged to the lender as additional security for the loans. At March 31, 2024 and 2023, the balance of the reserve funds was $286,596 and $457,623, respectively.

Note 5. Interest in Assets at Greater Salina Community Foundation – BOT

The BOT has entered into an Organization Fund Agreement (Agreement) with the Smith County Community Foundation, an affiliate of the Greater Salina Community Foundation (Foundation). In connection with the contribution and Agreement, the Foundation established the Smith County Memorial Hospital Fund (Fund). The Fund is comprised of two separately maintained funds within the Foundation. All donations contributed by the BOT are placed in the BOT's named fund. All donations made to the fund by third-party donors are placed in the BOT's endowed fund to be held in perpetuity. The total of both funds is combined to achieve the minimum balance of $10,000. As long as the minimum fund balance is maintained, the BOT can request grants that invade the principal of the BOT's named fund, but not the endowed fund. The BOT can only request grants of up to 5% of the endowed fund balance without invading the principal gift, unless specified differently in writing by the donor. All such requests are advisory only, and the Foundation retains the ultimate authority to determine grant amounts. Changes in the interest are included in nonoperating revenue. The BOT contributed $0 to the Foundation in 2024 and 2023.

Note 6. Trusts – BOT

The BOT is a beneficiary under a remainder trust and a perpetual trust administered by outside parties. The BOT received the remainder trust of $501,200 in June 2017, which approximated fair value at March 31, 2017. The fair value of the perpetual trust was $456,261 and $446,180 at March 31, 2024 and 2023, respectively. Under the terms of the perpetual trust, the BOT has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the principal held in the trust. The estimated value of the expected future cash flows is $456,261, which represents the fair value of the trust assets at March 31, 2024. The income (loss) from the perpetual trust was $10,081 and ($43,395) for 2024 and 2023, respectively.

Note 7. Leverage Loan Receivable – BOT

The BOT entered into an agreement on February 15, 2018, to lend $11,800,052 to USBCDC Investment Fund 203, LLC (Leveraged Lender). Interest of 1% accrues on the loan receivable balance from the date of the issuance through maturity, with interest only payments beginning March 14, 2018, and paid quarterly through March 10, 2025. Beginning on April 1, 2025, and continuing until the maturity date of December 31, 2052, USBCDC Investment Fund 203, LLC will make quarterly payments sufficient to amortize the notes by the maturity date. The note is secured by equity interests of 99.99% of both CHHS Subsidiary CDE 37, LLC and CBKC CDC Sub-CDE 46, LLC.

Note 8. Long-term Debt – BOT

The following is a summary of long-term debt transactions for the BOT for the years ended March 31:

	2024				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
QALICB					
Note payable A	$ 8,321,466	$ -	$ -	$ 8,321,466	$ -
Note payable B	3,803,534	-	-	3,803,534	-
Note payable C	3,478,586	-	-	3,478,586	-
Note payable D	1,421,414	-	-	1,421,414	-
	$ 17,025,000	$ -	$ -	$ 17,025,000	$ -

	2023				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
QALICB					
Note payable A	$ 8,321,466	$ -	$ -	$ 8,321,466	$ -
Note payable B	3,803,534	-	-	3,803,534	-
Note payable C	3,478,586	-	-	3,478,586	-
Note payable D	1,421,414	-	-	1,421,414	-
	$ 17,025,000	$ -	$ -	$ 17,025,000	$ -

QALICB Notes Payable A, B, C and D

QALICB (a qualified active low-income community business) executed loan agreements on February 15, 2018, that provide for borrowing of $8,321,466 (Note A) and $3,803,534 (Note B) from CHHS Subsidiary CDE 37, LLC as well as provide for a borrowing of $3,478,586 (Note C) and $1,421,414 (Note D) from CBKC CDC Sub-CDE 46, LLC. The loans financed the construction of a new replacement hospital facility. The notes are secured by a leasehold mortgage on the property.

Under the terms of the loan agreements, the loans have an interest rate of 1.43%, payable quarterly. QALICB is not permitted to prepay any portion of the principal of the loans until the seventh anniversary date. For Notes A, B, C and D, interest only is payable quarterly in arrears beginning March 31, 2018 through March 31, 2025. For the period April 1, 2025 through December 1, 2052, principal and interest of $44,184 is due for Notes A and B and $17,856 for Notes C and D, respectively.

Under the terms of the loan agreements, QALICB has certain compliance requirements, including compliance reporting and maintaining its status as a qualified active low-income community business as defined by the Internal Revenue Code.

At the end of the seven-year term, a put/call agreement may be exercised, whereby U.S. Bancorp Community Development Corporation's interest in the USBCDC Investment Fund 203, LLC (member of both CHHS Subsidiary CDE 37, LLC and CBKC CDC Sub-CDE 46, LLC) is sold to QALICB and the related debt will be forgiven.

The debt service requirements for Notes A, B, C and D as of March 31 are as follows:

Year Ending March 31	Total to be Paid	Principal	Interest
2025	$ 246,288	$ -	$ 246,288
2026	744,474	521,984	222,490
2027	744,474	509,073	235,401
2028	744,474	515,871	228,603
2029	744,474	523,999	220,475
2030-2034	3,722,370	2,736,155	986,215
2035-2039	3,722,370	2,941,356	781,014
2040-2044	3,722,370	3,161,704	560,666
2045-2049	3,722,370	3,399,190	323,180
2050-2053	2,791,769	2,715,668	76,101
	$ 20,905,433	$ 17,025,000	$ 3,880,433

Note 9. Fair Value Measurement of Assets – BOT

The BOT categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The beneficial interest in trust is considered a Level 2 measurement as its fair value is based on the fair values of the underlying assets, which include cash, money markets, municipal bonds, corporate bonds and equities.

Note 10. New Market Tax Credits – BOT

On February 15, 2018, the BOT and its newly formed subsidiary company, QALICB, Inc., entered into transactions which generated "New Markets Tax Credits" (NMTCs) under Section 45D of the *Internal Revenue Service Code of 1986*, as amended (Section 45D). The transaction was initiated by the commercial loan to the BOT from a financial institution for $8,888,000. These funds were combined with internal funds of the BOT for a total of $11,800,052 which was loaned to the Leverage Lender. The Leverage Lender used this loan to contribute to a third party (Sub-CDE) as the Qualified Equity Investment (QEI) under Section 45D. The Sub-CDE then funded loans totaling $17,025,000 to QALICB, the Qualified Low-Income Business under Section 45D. The transaction was structured as a 30-year debt financing with a 7-year NMTC compliance period, after which the BOT will have the option to acquire all membership rights of the investment fund and forgive the related debt. QALICB used the proceeds to facilitate the construction of a replacement hospital facility. The debt is guaranteed by the BOT. The replacement hospital facility qualifies as low-income property under Section 45D.

Note 11. Condensed Combining Information – BOT

The following tables include condensed combining balance sheet information for the BOT and its blended component unit, QALICB, as of March 31, 2024 and 2023:

	March 31, 2024		
	BOT	QALICB	Total
Assets			
Current assets	$ 2,191,288	$ 286,596	$ 2,477,884
Noncurrent cash restricted by donors for capital acquisitions	22,963	-	22,963
Noncurrent certificates of deposit	6,036,804	-	6,036,804
Certificates of deposit restricted by donors for capital acquisitions	1,573,148	-	1,573,148
Interest in assets at Greater Salina Community Foundation	153,055	-	153,055
Beneficial interest in trust	456,261	-	456,261
Leverage loan receivable	11,800,052	-	11,800,052
Total assets	$ 22,233,571	$ 286,596	$ 22,520,167
Liabilities			
Current liabilities	$ 6,224	$ -	$ 6,224
Long-term debt	-	17,025,000	17,025,000
Total liabilities	6,224	17,025,000	17,031,224
Deferred Inflows of Resources	456,261	-	456,261
Net Position (Deficit)	21,771,086	(16,738,404)	5,032,682
Total liabilities, deferred inflows of resources and net position	$ 22,233,571	$ 286,596	$ 22,520,167

	March 31, 2023		
	BOT	QALICB	Total
Assets			
Current assets	$ 1,131,745	$ 457,623	$ 1,589,368
Noncurrent cash restricted by donors for capital acquisitions	9,566	-	9,566
Noncurrent certificates of deposit	5,336,804	-	5,336,804
Certificates of deposit restricted by donors for capital acquisitions	1,673,128	-	1,673,128
Interest in assets at Greater Salina Community Foundation	127,834	-	127,834
Beneficial interest in trust	446,180	-	446,180
Leverage loan receivable	11,800,052	-	11,800,052
Total assets	$ 20,525,309	$ 457,623	$ 20,982,932
Liabilities			
Current liabilities	$ 6,224	$ -	$ 6,224
Long-term debt	-	17,025,000	17,025,000
Total liabilities	6,224	17,025,000	17,031,224
Deferred Inflows of Resources	446,180	-	446,180
Net Position (Deficit)	20,072,905	(16,567,377)	3,505,528
Total liabilities, deferred inflows of resources and net position	$ 20,525,309	$ 457,623	$ 20,982,932

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the BOT and its blended component unit, SCMH QALICB, for the years ended March 31, 2024 and 2023:

	March 31, 2024		
	BOT	QALICB	Total
Operating Revenues	$ 1,347,807	$ -	$ 1,347,807
Operating Expenses	-	(83,784)	(83,784)
Nonoperating Revenues (Expenses)	559,150	(211,915)	347,235
Capital Grants and Gifts	25,160	-	25,160
Contributions to Hospital for Capital Assets	(109,264)	-	(109,264)
Intercompany Grants and Rents	(124,672)	124,672	-
Increase (Decrease) in Net Position	1,698,181	(171,027)	1,527,154
Net Position (Deficit), Beginning of Year	20,072,905	(16,567,377)	3,505,528
Net Position (Deficit), End of Year	$ 21,771,086	$ (16,738,404)	$ 5,032,682

	March 31, 2023		
	BOT	QALICB	Total
Operating Revenues	$ 1,401,450	$ -	$ 1,401,450
Operating Expenses	-	(83,784)	(83,784)
Nonoperating Revenues (Expenses)	(139,501)	(211,915)	(351,416)
Capital Grants and Gifts, Net	56,407	-	56,407
Contributions to Hospital for Capital Assets	(19,978)	-	(19,978)
Intercompany Grants and Rents	(123,996)	123,996	-
Increase (Decrease) in Net Position	1,174,382	(171,703)	1,002,679
Net Position (Deficit), Beginning of Year	18,898,523	(16,395,674)	2,502,849
Net Position (Deficit), End of Year	$ 20,072,905	$ (16,567,377)	$ 3,505,528

The following tables include condensed combining statements of cash flows information for the BOT and its blended component unit, QALICB, as of March 31, 2024 and 2023:

	March 31, 2024		
	BOT	QALICB	Total
Net cash Provided by (Used in):			
Operating Activities	$ 1,341,412	$ (83,784)	$ 1,257,628
Noncapital Financing Activities	(121,250)	124,672	3,422
Capital and Related Financing Activities	(84,104)	(211,915)	(296,019)
Investing Activities	(69,513)	-	(69,513)
Increase in Cash and Cash Equivalents	1,066,545	(171,027)	895,518
Cash and Cash Equivalents, Beginning of Year	828,560	457,623	1,286,183
Cash and Cash Equivalents, End of Year	$ 1,895,105	$ 286,596	$ 2,181,701

	March 31, 2023		
	BOT	QALICB	Total
Net Cash Provided by (Used in):			
Operating Activities	$ 1,401,169	$ (83,784)	$ 1,317,385
Noncapital Financing Activities	(412,214)	123,996	(288,218)
Capital and Related Financing Activities	16,313	(211,915)	(195,602)
Investing Activities	(1,054,392)	-	(1,054,392)
Decrease in Cash and Cash Equivalents	(49,124)	(171,703)	(220,827)
Cash and Cash Equivalents, Beginning of Year	877,684	629,326	1,507,010
Cash and Cash Equivalents, End of Year	$ 828,560	$ 457,623	$ 1,286,183

Note 12. Nature of Operations and Summary of Significant Accounting Policies – GPSC

Nature of Operations

Great Plains of Smith County, Inc. (GPSC or Hospital) is a 501(c)(3) nonprofit corporation. GPSC is located in Smith Center, Kansas and provides acute, swing-bed, and clinic services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*).

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. Assets limited as to use are not considered cash equivalents. There were no cash equivalents at March 31, 2024 and 2023.

At March 31, 2024, the Hospital's cash accounts exceeded federally insured limits by approximately $7,023,000 but were entirely covered by pledged securities.

Assets Limited As To Use

Assets limited as to use include (1) assets restricted by donors, (2) assets set aside by the governing board for future capital improvements over which the governing board retains control and may at its discretion subsequently use for other purposes, and (3) assets set aside by the governing board for debt service.

Patient Accounts Receivable

Patient accounts receivable reflects the outstanding amount of consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others. As a service to the patient, the Hospital bills third-party payers directly and bills the patient when the patient's responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivable is due in full when billed.

Credit loss expense of $521,360 and $356,553 was recognized for the years ended December 31, 2023 and 2022, respectively.

Supplies

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

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated 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 estimated useful lives for each major depreciable classification of property and equipment are as follows:

Land improvements	20 years
Buildings	40 years
Fixed equipment	20 years
Moveable equipment	4-20 years

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended March 31, 2024 and 2023.

Refund Liabilities

The consideration the Hospital has received from patients for which it does not expect to be entitled to is recorded as a refund liability and included as a component of accounts payable in the accompanying balance sheets.

Professional Liability Claims

The Hospital purchases medical malpractice insurance under a claims-made policy. Under such a policy, only claims made and reported to the insurer during the policy term, regardless of when the incidents giving rise to the claims occurred, are covered. The Hospital also purchases excess umbrella liability coverage, which provides additional coverage above the basic policy limits up to the amount specified in the umbrella policy.

Based upon the Hospital's claims experience, no receivable or liability has been recorded in the accompanying financial statements related to its malpractice insurance policy. It is reasonably possible that this estimate could change materially in the near term.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The BOT has designated, from net assets without donor restrictions, net assets for future capital improvements.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Patient Service Revenue

Patient service revenue is recognized as the Hospital satisfies performance obligations under its contracts with patients. Patient service revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Hospital's policies and implicit price concessions provided to uninsured patients.

The Hospital determines its estimates of explicit price concessions which represent adjustments and discounts based on contractual agreements, its discount policies and historical experience by payer groups. The Hospital determines its estimate of implicit price concessions based on its historical collection experience by classes of patients. The estimated amounts also include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations by third-party payers.

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.

Charges excluded from revenue under the Hospital's charity care policy were $40,648 and $61,448 for March 31, 2024 and 2023, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $34,000 and $58,000 in 2024 and 2023, respectively. Costs were calculated using the overall cost-to-charge ratio from the March 31, 2024 and 2023, as-filed Medicare cost reports.

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the Hospital overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of operations as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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 has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are reported as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets.

Accrued Benefits Payable

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned. 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. Accrued benefits payable is computed using the regular pay rates in effect at the balance sheet date.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. Such costs are being amortized over the term of the respective debt using the straight-line method.

Investment Return

Investment return includes interest on cash accounts and distribution from funds held in trusts. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statement of operations and changes in net assets without donor restrictions and net assets with donor restrictions based on the existence and nature of any donor or legally imposed restrictions.

Income Taxes

The Hospital has been recognized as exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Hospital is subject to federal income tax on any unrelated business taxable income. The Hospital files tax returns in the U.S. federal jurisdiction.

Excess (Deficiency) of Revenues Over Expenses

The statements of operations and changes in net assets include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions which are excluded from excess (deficiency) of revenues over expenses, consistent with industry practice, include contributions received from the BOT and others for property and equipment and change in beneficial interest in perpetual trusts.

Revisions

Certain immaterial revisions have been made to the 2023 for consistent presentation with the 2024 financial statements. These revisions had no impact to the change in net assets.

Note 13. Concentration of Credit Risk – GPSC

The Hospital grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of net accounts receivables from patients and third-party payers at March 31, 2024 and 2023, is:

	2024	2023
Medicare	43%	41%
Medicaid	6%	6%
Blue Cross	13%	17%
Other third-party payers	35%	31%
Self pay	3%	5%
	100%	100%

Note 14. Assets Limited As To Use – GPSC

Assets limited as to use at March 31, 2024 and 2023, include:

	2024	2023
Cash internally designated for future capital improvements	$ 29,613	$ 30,667
Cash internally designated for debt service	1,677,731	1,533,414
Cash externally restricted by donors	109,109	85,191
	$ 1,816,453	$ 1,649,272

Note 15. Beneficial Interest in Perpetual Trusts – GPSC

The Hospital is an income beneficiary of several perpetual trusts controlled by an unrelated third-party trustee. The beneficial interests in the assets of these trusts are included in the Hospital's financial statements as net assets with donor restrictions perpetual in nature. Income is distributed in accordance with the individual trust documents and is included in investment return. The estimated value of the expected future cash flows is $1,028,613 and $870,910, which represents the fair value of the trust assets at March 31, 2024 and 2023, respectively. Trust income distributed to the Hospital for the years ended March 31, 2024 and 2023, was $34,700 and $44,060, respectively, which is included in investment return in the accompanying statements of operations and changes in net assets.

Note 16. Physician Receivable – GPSC

The Hospital has entered into contracts with physicians to relocate to Smith Center, Kansas to establish a medical practice. The Hospital offered a signing bonus to the physicians following the commencement date of their contracts. The physicians are required to diligently and fully devote their efforts and time to the operation of their practice in Smith Center, Kansas. In the event the physician ceases to practice medicine in the service area on a full-time basis within 36 months following their employment date, the physician is required to reimburse the Hospital for the signing bonus. The physician receivable is $16,889 and $63,959 at March 31, 2024 and 2023, respectively, and is included as a component of other receivables in the accompanying balance sheets.

Note 17. Obligation Under Secured Borrowing Arrangement

In fiscal year 2022, the Hospital entered into a Patient Bank Loan Agreement with Guaranty State Bank and Trust Company (the Bank). According to the terms of the agreement, the Bank will offer a financing product (the Program) to financially responsible parties with the ability to obtain financing from the Bank as a third-party lender. The Program includes issuance of a line of credit to be used solely for certain indebtedness of the patients owing to the Hospital. The Hospital will receive cash for the fair value of these services. The Bank's maximum aggregate available balance is $1,000,000. The purpose of the program is to provide liquidity to the Hospital. The Hospital accounts for this agreement as secured borrowings, due to 100% recourse options to the Bank, under the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 860, *Transfers and Servicing*. The Hospital unconditionally guarantees that each obligation will be paid according to the terms of the applicable obligation. The Bank shall have full recourse against the Hospital to require the Hospital to pay the Bank a specified amount. The specified amounts are payments that are: 1) delinquent for a period of greater than 60 days, 2) related to bankruptcy, or 3) did not qualify for funding. Obligations under secured borrowing arrangement was $365,483 and $360,004 at March 31, 2024 and 2023, respectively.

Note 18. Long-term Debt – GPSC

At March 31, 2024 and 2024, long-term debt consisted of the following:

	2024	2023
Taxable Refunding Revenue Bonds Series 2019	$ 25,185,170	$ 25,721,474
Less unamortized debt issuance costs	59,844	63,357
Less current maturities	545,716	532,799
	$ 24,579,610	$ 25,125,318

The Taxable Refunding Revenue Bonds Series 2019 (2019 Bonds) were issued in an aggregate amount not to exceed $27,725,000. The 2019 Bonds are due February 14, 2054, and bear interest on the principal amount as advanced from time to time at 2.875% per annum. The 2019 Bonds are payable in annual installments through February 14, 2054.

The Smith County, Kansas Public Building Commission issued the 2019 Bonds on behalf of the Hospital, which were purchased by the USDA. The 2019 Bonds are secured by the net revenues of the Hospital.

The indenture agreement requires the Hospital to comply with certain restrictive covenants including maintaining a historical debt service coverage ratio of at least 1.00.

Aggregate annual maturities of long-term debt at March 31, 2024, are:

2025	$ 549,155
2026	566,154
2027	581,723
2028	597,721
2029	612,433
Thereafter	22,277,984
	$ 25,185,170

Note 19. Net Assets – GPSC

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2024	2023
Subject to expenditure for specified purpose		
Various operational purposes	$ 109,110	$ 85,191
Beneficial interest in perpetual trusts		
Investments to be held in perpetuity, the income is expendable	1,028,613	870,910
	$ 1,137,723	$ 956,101

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors.

	2024	2023
Purpose restrictions accomplished		
Various operational purposes	$ 69,660	$ 12,105
Purchase of property and equipment	34,432	-
	$ 104,092	$ 12,105

Net Assets Without Donor Restrictions

The Hospital's governing board has designated, from net assets without donor restrictions, for the following purposes as of March 31:

	2024	2023
Future capital improvements	$ 29,613	$ 30,667
Debt service	1,677,731	1,533,414
	$ 1,707,344	$ 1,564,081

Note 20. Liquidity and Availability – GPSC

The Hospital's financial assets available within one year of the balance sheet date for general expenditure are:

	2024	2023
Financial assets at year end		
Cash	$ 7,816,199	$ 7,251,864
Patient accounts receivable	2,970,841	2,567,448
Due from BOT	6,224	6,224
Other receivables	183,413	566,386
Assets limited as to use	1,816,453	1,649,272
Beneficial interest in perpetual trusts	1,028,613	870,910
Total financial assets	13,821,743	12,912,104
Less amounts not available to be used within one year		
Board-designated assets with liquidity horizons greater than one year	1,707,344	1,564,081
Beneficial interest in perpetual trusts	1,028,613	870,910
Financial assets not available to be used within one year	2,735,957	2,434,991
Financial assets available to meet general expenditures within one year	$ 11,085,786	$ 10,477,113

The Hospital has donor-restricted assets limited as to use which are available for expenditure within one year in the normal course of operations in accordance with donors' purpose restriction. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Hospital also has board-designated assets designated for future capital expenditures and debt service. These assets limited as to use, which are more fully described in *Notes 14* and *15*, are not available for general expenditure within the next year. However, these board-designated amounts could be made available, if necessary.

Note 21. Patient Service Revenue – GPSC

Patient service revenue is reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs) and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Hospital bills the patients and third-party payers several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance Obligations

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The Hospital believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Hospital receiving inpatient acute care services or patients receiving services in its outpatient centers. The Hospital measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when goods are provided to its patients and customers in a retail setting (for example, pharmaceuticals and medical equipment) and the Hospital does not believe it is required to provide additional goods related to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Hospital has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

Transaction Price

The Hospital determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Hospital's policy and implicit price concessions provided to uninsured patients. The Hospital determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The Hospital determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Third-party Payers

Agreements with third-party payers typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payers follows:

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most 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.

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Hospital's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Hospital. In addition, the contracts the Hospital has with commercial payers also provide for retroactive audit and review of claims.

Settlements with third-party payers for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and the Hospital's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known based on newly available information or as years are settled or are no longer subject to such audits, reviews and investigations.

Patient and Uninsured Payers

Consistent with the Hospital's mission, care is provided to patients regardless of their ability to pay. Therefore, the Hospital has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts the Hospital expects to collect based on its collection history with those patients.

Patients who meet the Hospital's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

Generally, patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The Hospital also provides services to uninsured patients and offers those uninsured patients a discount, either by policy or law, from standard charges. The Hospital estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions based on historical collection experience. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. For the years ended March 31, 2024 and 2023, additional revenue of approximately $0 was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of March 31, 2024 and 2023, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $26,000 and $137,000, respectively. The liability is included as a component of accounts payable in the accompanying balance sheets.

Revenue Composition

The Hospital has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, Medicare, Medicaid, managed care or other insurance, patient) have different reimbursement and payment methodologies
- Length of the patient's service or episode of care
- Hospital's line of business that provided the service (for example, hospital inpatient, hospital outpatient, clinic, etc.)

For the years ended March 31, 2024 and 2023, the Hospital recognized revenue of $21,082,201 and $19,791,679, respectively, from goods and services that transfer to the customer over time and $3,489,166 and $3,307,242, respectively, from goods and services that transfer to the customer at a point in time.

Contract Assets and Liabilities

Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Hospital's obligation to provide services to patients when consideration has already been received from the patient or a third-party payer. There are no contract assets and liabilities recognized for the years ended March 31, 2024 and 2023.

The following table provides information about the Hospital's receivables from contracts with customers:

	2024	2023
Patient accounts receivable, beginning of year	$ 2,567,448	$ 2,404,939
Patient accounts receivable, end of year	2,970,841	2,567,448

Note 22. 340B Drug Pricing Program – GPSC

The Hospital began participating in the 340B Drug Pricing Program (340B Program) during 2015, enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $3,157,899 and $3,107,643 for the years ending March 31, 2024 and 2023, respectively, which are included in other operating revenue in the accompanying statements of operations and changes in net assets. The Hospital recorded expenses of $2,173,272 and $2,670,033 for the years ending March 31, 2024 and 2023, respectively, which are included in supplies and other in the accompanying statements of operations and changes in net assets. The Hospital recorded receivables from contract pharmacies of $140,559 and $502,427 for years ending March 31, 2024 and 2023, respectively, which are included as a component of other receivables in the accompanying balance sheets. 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 23. COVID-19 Pandemic and *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 Hospital's pandemic response plan has multiple facets and continues to evolve as the lasting impact of the pandemic unfolds. The Hospital has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

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 results 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 March 31, 2024 and 2023, the Hospital received $0 of distributions from the *CARES Act* Provider Relief Fund (collectively the 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 the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. 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 revenues and expenses through March 31, 2024 and 2023, the Hospital recognized $0 and $598,459, respectively, related to the distributions from the Provider Relief Fund.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the lasting effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief Fund 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, our ability to retain some or all of the distributions received may be affected. Provider Relief Fund payments are subject to government oversight, including potential audits.

Other COVID-19 Funding

During the years ended March 31, 2024 and 2023, 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 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 received $0 and $153,679 during 2024 and 2023, respectively, related to this grant. The Hospital recognized $0 and $70,290 for the years ended March 31, 2024 and 2023, respectively. The revenue recognized is recorded as a component of contributions received in the accompanying statements of operations and changes in net assets.

Note 24. Functional Expenses – GPSC

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedule presents the natural classification of expenses by function for the year ended March 31, 2024 and 2023, as follows:

	2024		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 6,977,223	$ 2,574,170	$ 9,551,393
Supplies and other	10,747,463	3,345,620	14,093,083
Depreciation	1,572,602	525,226	2,097,828
Interest	547,261	182,777	730,038
	$ 19,844,549	$ 6,627,793	$ 26,472,342

	2023		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 6,505,854	$ 2,191,021	$ 8,696,875
Supplies and other	10,568,754	3,137,002	13,705,756
Depreciation	1,772,266	553,025	2,325,291
Interest	551,400	172,061	723,461
	$ 19,398,274	$ 6,053,109	$ 25,451,383

Note 25. Pension Plan – GPSC

The Hospital maintains a contributory pension plan for all eligible employees. Eligibility is established by all employees 18 years of age or older upon active employment. Employer contributions begin after 12 months of continuous employment at a rate of 5% of annual compensation plus 5% of the excess over $16,000. Employee contributions are computed at the rate of 2.5% of annual compensation plus 2.5% of the excess over $16,000. 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 estimated remaining duration of employment from the effective date of the plan (April 1, 1970), to the employee's normal retirement date. The Hospital's cost of the plan for the years ended March 31, 2024 and 2023, was $768,714 and $655,116, respectively. Benefits vest at 20% per year of service with 100% vesting after five years of service.

Note 26. Lease and Management Agreement – GPSC

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Smith County, Kansas, and leased to GPSC by the BOT. The lease agreement provides that GPSC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The current lease term is through November 30, 2025. The BOT leases the hospital facilities to GPSC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPSC, has a management agreement with GPSC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPSC upon commencement of the original lease agreement. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

In addition, GPSC has entered into agreements with GPHA for other services, including data processing and billing services, which are yearly contracts that automatically renew unless cancelled by either party at least 60 days before the end of the term. Fees incurred for these services totaled $1,518,777 and $1,382,263 in 2024 and 2023, respectively, and are included in the supplies and other expense grouping on the statements of operations and change in net assets. Amounts included in accounts payable, related to these services, totaled $168,919 and $1,352 as of March 31, 2024 and 2023, respectively.

Note 27. Disclosures About Fair Value of Assets – GPSC

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2024 and 2023:

		2024 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trusts	$ 1,028,613	$ -	$ 1,028,613	$ -

		2023 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trusts	$ 870,910	$ -	$ 870,910	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended March 31, 2024.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy as of March 31, 2024 and 2023.

Note 28. Great Plains Employee Benefits Trust – GPSC

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its BOT. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No insurance assessments were necessary in 2024 and 2023.

Note 29. Significant Estimates and Concentrations – GPSC

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 12* and *21*.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Note 12*.

Note 30. Subsequent Events – GPSC

Subsequent events have been evaluated through August 30, 2024, which is the date the financial statements were available to be issued.