Board of Trustees of Ellinwood Hospital District

Independent Auditor's Report and Financial Statements

September 30, 2021 and 2020

Board of Trustees of Ellinwood Hospital District

September 30, 2021 and 2020

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Independent Auditor's Report

Board of Trustees
Board of Trustees of Ellinwood Hospital District
Ellinwood, Kansas

We have audited the accompanying financial statements of the Board of Trustees of Ellinwood Hospital District (BOT), and Great Plains of Ellinwood, Inc. (GPE) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the BOT's basic financial statements as listed in the table of contents.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Trustees of Ellinwood Hospital District and of its discretely presented component unit as of September 30, 2021 and 2020, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

BKD, LLP

Wichita, Kansas
May 10, 2022

Board of Trustees of Ellinwood Hospital District
Balance Sheets
September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 1,898,954	$ 1,016,295
Cash Restricted by Donors for Capital Acquisitions	26	26
Capital Assets, Net	257,664	277,940
Total assets	$ 2,156,644	$ 1,294,261
Net Position		
Net investment in capital assets	$ 257,664	$ 277,940
Restricted for capital acquisitions	26	26
Unrestricted	1,898,954	1,016,295
Total net position	$ 2,156,644	$ 1,294,261

Great Plains of Ellinwood, Inc.

A Discretely Presented Component Unit of the Board of Trustees of Ellinwood Hospital District

Balance Sheets

September 30, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 988,893	$ 3,264,243
Patient accounts receivable	1,180,361	714,921
Estimated amounts due from third-party payers	305,000	595,470
Supplies	159,438	146,334
Prepaid expenses and other	71,781	53,205
Total current assets	2,705,473	4,774,173
Property and Equipment, at Cost		
Land and land improvements	109,225	109,225
Buildings	1,593,391	1,587,441
Fixed equipment	440,924	333,900
Moveable equipment	1,734,248	1,324,225
Construction in progress	143,771	56,826
	4,021,559	3,411,617
Less accumulated depreciation	(2,344,764)	(2,073,073)
	1,676,795	1,338,544
Total assets	$ 4,382,268	$ 6,112,717

See Notes to Financial Statements

	2021	2020
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	$ 163,220	$ 262,977
Accounts payable	347,152	356,611
Accrued wages	225,875	201,874
Accrued expenses	397,414	430,229
Deferred revenue	82,389	2,936,312
Total current liabilities	1,216,050	4,188,003
Long-term Debt	499,699	1,353,618
Total liabilities	1,715,749	5,541,621
Net Assets		
Without donor restrictions	2,666,519	571,096
Total net assets	2,666,519	571,096
Total liabilities and net assets	$ 4,382,268	$ 6,112,717

Board of Trustees of Ellinwood Hospital District

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30, 2021 and 2020

	2021	2020
Operating Revenues		
Property taxes	$ 950,904	$ 1,039,079
Rent	8,579	9,961
Total operating revenues	959,483	1,049,040
Operating Expenses		
Utilities	8,246	9,265
Maintenance and supplies	10,246	63,290
Depreciation	20,276	17,372
Other	3,824	3,487
Total operating expenses	42,592	93,414
Operating Income	916,891	955,626
Nonoperating Revenues (Expenses)		
Interest income	1,492	1,735
Contribution to Hospital for operations	(56,000)	(540,000)
Total nonoperating revenues (expenses)	(54,508)	(538,265)
Increase in Net Position	862,383	417,361
Net Position, Beginning of Year	1,294,261	876,900
Net Position, End of Year	$ 2,156,644	$ 1,294,261

Great Plains of Ellinwood, Inc.

A Discretely Presented Component Unit of the Board of Trustees of Ellinwood Hospital District

Statements of Operations and Changes in Net Assets

Years Ended September 30, 2021 and 2020

	2021	2020
Unrestricted Revenues, Gains and Other Support		
Patient service revenue	$ 6,945,820	$ 6,529,307
Provider Relief Funds (*CARES Act*) and other COVID-19 funding	3,017,536	342,598
Other	475,070	369,197
Total unrestricted revenues, gains and other support	10,438,426	7,241,102
Expenses		
Salaries and wages	4,062,277	3,928,604
Supplies and other	4,785,803	3,950,133
Depreciation	299,688	222,401
Interest	45,256	61,844
Total expenses	9,193,024	8,162,982
Operating Income (Loss)	1,245,402	(921,880)
Other Income		
Contributions received	5,006	26,628
Contributions received from the Board of Trustees for operations	56,000	540,000
Interest income	16,080	18,626
Paycheck Protection Program (PPP) loan forgiveness	772,935	-
Total other income	850,021	585,254
Increase (Decrease) in Net Assets	2,095,423	(336,626)
Net Assets, Beginning of Year	571,096	907,722
Net Assets, End of Year	$ 2,666,519	$ 571,096

Board of Trustees of Ellinwood Hospital District

Statements of Cash Flows

Years Ended September 30, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Property taxes supporting operations	$ 950,904	$ 1,039,079
Cash received from others	8,579	9,961
Cash paid to suppliers and others	(22,316)	(76,042)
Net cash provided by operating activities	937,167	972,998
Cash Flows From Noncapital Financing Activities		
Contributions to Hospital for operations	(56,000)	(540,000)
Net cash used in noncapital financing activities	(56,000)	(540,000)
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(63,568)
Interest received	1,492	1,735
Net cash FALSE investing activities	1,492	(61,833)
Increase in Cash	882,659	371,165
Cash, Beginning of Year	1,016,321	645,156
Cash, End of Year	$ 1,898,980	$ 1,016,321
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 916,891	$ 955,626
Depreciation	20,276	17,372
Net cash provided by operating activities	$ 937,167	$ 972,998
Reconciliation of Cash to the Balance Sheets		
Cash - current	$ 1,898,954	$ 1,016,295
Cash restricted by donors for capital acquisitions	26	26
Total cash	$ 1,898,980	$ 1,016,321

Great Plains of Ellinwood, Inc.
A Discretely Presented Component Unit of the
Board of Trustees of Ellinwood Hospital District
Statements of Cash Flows
Years Ended September 30, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	$ 2,095,423	$ (336,626)
Items not requiring (providing) cash		
Depreciation	299,688	222,401
PPP loan forgiveness	(772,935)	-
Changes in		
Patient accounts receivable	(465,440)	519,839
Estimated amounts due from and to third-party payers	290,470	(1,135,968)
Supplies	(13,104)	1,073
Prepaid expenses and other	(18,576)	(1,676)
Accounts payable and accrued expenses	(18,273)	134,728
Deferred revenue	(2,853,923)	2,936,312
Net cash provided by (used in) operating activities	(1,456,670)	2,340,083
Investing Activities		
Purchase of property and equipment	(626,829)	(157,002)
Net cash used in investing activities	(626,829)	(157,002)
Financing Activities		
Principal payments on long-term debt	(191,851)	(163,679)
Proceeds from issuance of long-term debt	-	772,935
Net cash provided by (used in) financing activities	(191,851)	609,256
Increase (Decrease) in Cash	(2,275,350)	2,792,337
Cash, Beginning of Year	3,264,243	471,906
Cash, End of Year	$ 988,893	$ 3,264,243
Supplemental Cash Flows Information		
Capital lease obligations incurred for equipment	$ 11,110	$ 335,905

Board of Trustees of Ellinwood Hospital District

Notes to Financial Statements

September 30, 2021 and 2020

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

Nature of Operations and Reporting Entity

The Board of Trustees of Ellinwood Hospital District (BOT), a political subdivision of the state of Kansas, was organized to operate a governmental hospital district and to control the use of tax appropriations. The Board of Trustees is governed by an elected board.

Great Plains of Ellinwood, Inc. (GPE/Hospital) is located in Ellinwood, Kansas, and provides acute, skilled and intermediate care and clinic services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*). In 2020, the reporting entity changed to include Great Plains of Ellinwood, Inc. as a discretely presented component unit of the BOT. Based on the increasing financial relationships and transactions with GPE, the BOT believes as a matter of professional judgment that it would be misleading to exclude the financial statements of GPE. As a result, GPE is considered to be a component of unit of the BOT and is discretely presented in the BOT's financial statements. GPE 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 and liabilities from exchange and exchange-like transactions are recognized when the exchange transactions take place, while those from government-mandated or voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include noncapital appropriations and exchange transactions. Noncapital grants and gifts, investment income (loss) and contributions to 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 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 BOT considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents at September 30, 2021 and 2020.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

The following estimated useful lives are being used by the BOT:

Buildings	40 years

Capital Asset Impairment

The BOT evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, accumulated depreciation is increased by the amount of the impairment loss. No asset impairment was recognized during the years ended September 30, 2021 and 2020.

Property Taxes

Property taxes are assessed in November of one year and are received beginning in January of the following year. Revenue from property taxes is recognized in full in the year for which use is first permitted.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation.
- Restricted for capital acquisitions is made up of assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Board of Trustees.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

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. However, the BOT is subject to federal income tax on any unrelated business taxable income.

Note 2: Lease and Management Arrangement – BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by the BOT, and leased to GPE by the BOT. The lease agreement provides that GPE will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of 5 years through December 18, 2005, with two renewal option periods of five years each, which ended December 18, 2015. GPE extended the lease agreement through additional renewal options. The BOT leases the hospital facilities to GPE for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPE, has a management agreement with GPE. The management agreement is included within the lease agreement. 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 GPE upon commencement of the original term, December 18, 2000. 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 obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

As of September 30, 2021 and 2020, respectively, $1,649,430 and $766,445 of the BOT's bank balances of $1,899,456 and $1,016,321 were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and collateral held by pledging financial institution	$ 1,649,430	$ 766,445

Summary of Carrying Values

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

	2021	2020
Cash	$ 1,898,954	$ 1,016,295
Cash restricted by donors for capital acquisitions	26	26
Total	$ 1,898,980	$ 1,016,321

Note 4: Restricted Net Position

The BOT was awarded tax credits during 2016 by the Kansas Department of Commerce and Housing in the amount of $200,000 to be used to support the pharmacy and outreach clinic project. Unspent tax credit contributions were $26 and $26 as of September 30, 2021 and 2020, respectively.

Note 5: Capital Assets – BOT

Capital asset activity for the years ended September 30 was:

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings	$ 384,372	$ -	$ -	$ -	$ 384,372
Buildings - Pharmacy	211,637	-	-	-	211,637
Moveable equipment	15,967	-	-	-	15,967
Construction in progress	-	-	-	-	-
	611,976	-	-	-	611,976
Less accumulated depreciation					
Buildings	302,393	5,805	-	-	308,198
Buildings - Pharmacy	15,676	14,471	-	-	30,147
Moveable equipment	15,967	-	-	-	15,967
	334,036	20,276	-	-	354,312
Capital Assets, Net	$ 277,940	$ (20,276)	$ -	$ -	$ 257,664

	2020				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Buildings	$ 299,491	$ 63,568	$ -	$ 21,313	$ 384,372
Buildings - Pharmacy	211,637	-	-	-	211,637
Moveable equipment	15,967	-	-	-	15,967
Construction in progress	21,313	-	-	(21,313)	-
	548,408	63,568	-	-	611,976
Less accumulated depreciation					
Buildings	299,491	2,902	-	-	302,393
Buildings - Pharmacy	1,206	14,470	-	-	15,676
Moveable equipment	15,967	-	-	-	15,967
	316,664	17,372	-	-	334,036
Capital Assets, Net	$ 231,744	$ 46,196	$ -	$ -	$ 277,940

Note 6: Nature of Operations and Summary of Significant Accounting Policies – GPE/Hospital

Nature of Operations

Great Plains of Ellinwood, Inc. (GPE/Hospital) is located in Ellinwood, Kansas and provides acute, skilled and intermediate care 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

GPE considers all liquid investments with original maturities of three months or less to be cash equivalents.

At September 30, 2021, GPE's cash accounts exceeded federally insured limits by approximately $827,000.

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 patients' responsibility for co-pays, coinsurance and deductibles is determined. Patient accounts receivables are due in full when billed.

Supplies

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

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated on a straight-line basis 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	10-15 years
Buildings	10-40 years
Fixed equipment	10-15 years
Moveable equipment	5-20 years

Long-lived Asset Impairment

GPE 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 September 30, 2021 and 2020.

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

GPE recognizes an accrual for claim liabilities based on estimated ultimate losses and costs associated with settling claims and a receivable to reflect the estimated insurance recoveries, if any. Professional liability claims are described more fully in *Note 8*.

Paycheck Protection Program (PPP) Loan

GPE received a PPP loan established by the *Coronavirus Aide, Relief and Economic Security Act* (*CARES Act*). GPE has accounted for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, the U.S. Small Business Administration (SBA), or the lender. The proceeds of the loan will remain recorded as debt until the loan is, in part or wholly, forgiven and the Hospital has been legally released or the Hospital pays off the loan. On December 30, 2020, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment, which is reported as Paycheck Protection Program (PPP) loan forgiveness in the accompanying statements of operations and changes in net assets.

Net Assets

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

Net assets without donor/grantor restrictions are available for use in general operations and not subject to donor/grantor restrictions.

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 patient service revenue.

Charges excluded from revenue under the Hospital's charity care policy were $44,856 and $19,341 for September 30, 2021 and 2020, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $66,000 and $26,000 in 2021 and 2020, respectively. Costs were calculated using the overall cost-to-charge ratio from the September 30, 2021 and 2020, as-filed Medicare cost reports.

Provider Relief Funds (CARES Act)

On March 27, 2020, President Trump signed into law the *CARES Act*, 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 Department of Health and Human Services (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. Any unrecognized amounts of the *CARES Act* funding are recorded as a component of deferred revenue in the accompanying balance sheets.

Contributions

Contributions are provided to the Hospital either with or without restrictions placed on the gift by the donor/grantor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor/grantor 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/grantor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.* the donor/grantor-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/grantor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor/grantor restrictions are reclassified to net assets without donor/grantor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor/grantor 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 having donor/grantor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor/grantor restrictions.

Conditional contributions having donor/grantor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor/grantor 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.

Revisions

Certain immaterial revisions have been made to the 2020 statement of operations and changes in net assets of GPE to include $18,826 of interest income as a part of other income. This revision had no impact on the change in net assets. An immaterial revision was made to the 2020 statement of cash flows of GPE to remove the provision for doubtful accounts line of $416,446 and combine this with the change in patient accounts receivable. This revision had no impact on cash provided by operating activities or the decrease in cash for 2020.

Note 7: Concentration of Credit Risk – GPE/Hospital

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 account receivables from patients and third-party payers at September 30, 2021 and 2020 , for the Hospital is:

	2021	2020
Medicare	62%	47%
Medicaid	2%	4%
Blue Cross	11%	15%
Other third-party payers	19%	25%
Self pay	6%	9%
	100%	100%

Note 8: Professional Liability Claims – GPE/Hospital

GPE purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. 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. GPE 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 on GPE'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.

Note 9: Long-term Debt – GPE/Hospital

At September 30, 2021 and 2020, long-term debt and capital lease obligations consisted of the following:

	2021	2020
Note payable to USDA (A)	$ 183,594	$ 191,258
Note payable to bank (B)	80,386	108,096
SBA PPP loan payable (C)	-	772,935
Capital lease obligations (D)	398,939	544,306
	662,919	1,616,595
Less current maturities	163,220	262,977
	$ 499,699	$ 1,353,618

(A) Due November 2038; payable $1,188 monthly, including interest at 3.51%.

(B) Due May 2024; payable $2,674 monthly, including interest at 4.60%.

(C) Due January 2023; payable $43,498 monthly, including interest at 1.00%, beginning August 2021. On December 30, 2020, the Hospital received legal notice the PPP loan was forgiven in its entirety and recognized the gain from extinguishment of $772,935, which is reported as Paycheck Protection Program (PPP) loan forgiveness in the accompanying statements of operations and changes in net assets.

(D) At varying rates of imputed interest from 5.00% to 10.31%, due through May 2025; collateralized by property and equipment. Property and equipment include the following property under capital leases:

	2021	2020
Moveable equipment	$ 832,279	$ 832,506
Accumulated amortization	(453,094)	(312,265)
	$ 379,185	$ 520,241

Aggregate annual maturities and sinking fund requirements of long-term debt and payments on capital lease obligations at September 30, 2021, are:

	Long-term Debt (Excluding Lease Obligations)	Capital Lease Obligations
2022	$ 36,937	$ 144,318
2023	38,581	147,298
2024	29,533	101,644
2025	8,815	38,667
2026	9,130	1,949
Thereafter	140,984	-
	$ 263,980	433,876
Less amount representing interest		34,937
Present value of net minimum lease payments		398,939
Less current maturities		126,283
Noncurrent portion		$ 272,656

Note 10: Liquidity and Availability – GPE/Hospital

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

	2021	2020
Financial assets at year-end		
Cash	$ 988,893	$ 3,264,243
Patient accounts receivable	1,180,361	714,921
Estimated amounts due from third-party payers	305,000	595,470
Financial assets available to meet general expenditures within one year	$ 2,474,254	$ 4,574,634

Note 11: Patient Service Revenue – GPE/Hospital

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.

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

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

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care, 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. The Hospital has also entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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.

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 September 30, 2021 and 2020, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $22,000 and $38,000, respectively. The liability is included as a component of accounts payable in the accompanying balance sheets.

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 September 30, 2021 and 2020, additional revenue of approximately $73,000 and $0, respectively, 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.

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, long-term care, etc.)

For the years ended September 30, 2021 and 2020, the Hospital recognized revenue of $6,945,820 and $6,529,307, respectively, from goods and services that transfer to the customer over time and $475,070 and $369,197, respectively that transfer to the patient 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 September 30, 2021 and 2020.

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

	2021	2020
Patient accounts receivable, beginning of year	$ 714,921	$ 1,234,760
Patient accounts receivable, end of year	1,180,361	714,921

Note 12: 340B Drug Pricing Program

GPE participates in the 340B Drug Pricing Program (340B Program) enabling GPE to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. GPE recorded revenues of $422,694 and $337,557 for the years ending September 30, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statements of operations and changes in net assets. GPE recorded expenses of $355,823 and $249,939 for the years ending September 30, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of operations and changes in net assets. 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 13: COVID-19 Pandemic and *CARES Act* Funding – GPE/Hospital

On March 11, 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 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 implicit price concessions related to uninsured patient accounts, and potential impairments of long-lived assets.

Provider Relief Fund

During the years ended September 30, 2021 and 2020, the Hospital received $100,000 and $3,155,910 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*) and other COVID-19 funding 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 September 30, 2021 and 2020, the Hospital recognized $2,953,923 and $219,598, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*) and other COVID-19 funding in the accompanying statements of operations and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $82,389 and $2,936,312, at September 30, 2021 and 2020, respectively, is recorded as deferred revenue in the accompanying consolidated balance sheets.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief 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.

Paycheck Protection Program (PPP) Loan

During 2021, the Hospital received a PPP loan of $772,935 established by the *CARES Act*. The Hospital has accounted for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the SBA, or the lender. The proceeds of the loan remained recorded as debt until the loan was wholly forgiven, which occurred on December 30, 2020, and the Hospital was legally released from the loan. The gain from extinguishment of $772,935 is recorded in the statements of operations and changes in net assets for the year ended September 30, 2021.

Other COVID-19 Funding

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received and recognized $100,000 on April 24, 2020, related to this special emergency grant during fiscal year 2020. The revenue is recorded as a component of Provider Relief Funds (*CARES Act*) and other COVID-19 funding in the accompanying statements of operations and changes in net assets.

The Coronavirus Small Rural Hospital Improvement Program (SHIP) 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 and recognized $63,613 and $20,000 during 2021 and 2020, respectively, related to this grant. The revenue is recorded as a component of Provider Relief Funds (*CARES Act*) and other COVID-19 funding in the accompanying statements of operations and changes in net assets.

HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospital Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1, 2020. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Hospital received and recognized $3,000 during fiscal year 2020, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. The revenue is recorded as a component of Provider Relief Funds (*CARES Act*) and other COVID-19 funding in the accompanying statements of operations and changes in net assets.

Note 14: Functional Expenses – GPE/Hospital

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been directly assigned to health care services and general and administrative expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedules present the natural classification of expenses by function for the years ended September 30, 2021 and 2020, as follows:

	September 30, 2021		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 3,514,958	$ 547,319	$ 4,062,277
Supplies and other	3,949,809	835,994	4,785,803
Depreciation	211,510	88,178	299,688
Interest	42,647	2,609	45,256
	$ 7,718,924	$ 1,474,100	$ 9,193,024

	September 30, 2020		
	Health Care Services	General and Administrative	Total
Salaries and wages	$ 3,404,359	$ 524,245	$ 3,928,604
Supplies and other	3,237,180	712,953	3,950,133
Depreciation	140,931	81,470	222,401
Interest	47,418	14,426	61,844
	$ 6,829,888	$ 1,333,094	$ 8,162,982

Note 15: Pension Plans – GPE/Hospital

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 10% of the excess over $16,000. Employee contributions are computed at the rate of 2.5% of annual compensation plus 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 September 30, 2021 and 2020, was $304,833 and $292,639, respectively. Benefits vest at 20% per year of service with 100% vesting after five years of service.

In addition, the Hospital has a defined contribution plan in which highly compensated employees are eligible for participation upon employment. There were no costs related to this plan for the years ended September 30, 2021 and 2020.

Note 16: Great Plains Employee Benefits Trust – GPE/Hospital

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 Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefit Plan (the Plan) for its member organizations and their participating employees. GPE is a member organization in the Trust and substantially all of GPE'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 such insurance assessment was administered to GPE for the years ended September 30, 2021 and 2020.

Note 17: Lease and Management Agreement – GPE/Hospital

The Board of Trustees controls facilities, including buildings, as well as equipment and other assets, which are owned by Ellinwood Hospital District, and leased to GPE by the Board of Trustees. The lease agreement provides that GPE will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of five years through December 18, 2005, with two renewal option periods of five years each, which ended December 18, 2015. GPE extended the lease agreement through additional renewal options. The Board of Trustees leases the hospital facilities to GPE for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPE, has a management agreement with GPE. The management agreement is included within the lease agreement. 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 GPE upon commencement of the original term, December 18, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the Board of Trustees.

In addition, GPE 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 $618,179 and $642,719 in 2021 and 2020, respectively. Amounts included in accounts payable, related to these services, totaled $110,486 and $47,523 as of September 30, 2021 and 2020, respectively.

Note 18: Significant Estimates and Concentrations – GPE/Hospital

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:

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Notes 6* and *8*.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 6* and *11*.

Note 19: Subsequent Events – GPE/Hospital

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Hospital. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On November 23, 2021, the Hospital received $207,402 in a distribution from the American Rescue Plan rural funding program.

On December 16, 2021, the Hospital received $686,787 in a distribution from the Provider Relief Fund related to Phase 4.

Subsequent events have been evaluated through May 10, 2022, which is the date the financial statements were available to be issued.

Note 20: Future Change in Accounting Principle – GPE/Hospital

Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated balance sheets as both a right-of-use asset and a liability. The standard has two types of leases for consolidated statements of operations recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021. The Hospital is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.