Greenwood County Hospital

A Component Unit of Greenwood County, Kansas

Independent Auditor's Report and Financial Statements

September 30, 2022 and 2021



Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
September 30, 2022 and 2021

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Independent Auditor's Report

Board of Trustees
Greenwood County Hospital
Eureka, Kansas

Opinions

We have audited the financial statements of the Greenwood County Hospital (Hospital), a component unit of Greenwood County, Kansas, and its discretely presented component unit, Greenwood County Healthcare Foundation, Inc. (Foundation), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Greenwood County Hospital and of its discretely presented component unit as of September 30, 2022 and 2021, 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) and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Greenwood County 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.

Emphasis of Matter

As discussed in *Note 16* to the financial statements, during the year ended September 30, 2022, Greenwood County Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

FORVIS, LLP

Wichita, Kansas
August 22, 2023

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Balance Sheets
September 30, 2022 and 2021

	2022	2021 (As Restated)
Assets		
Current Assets		
Cash	$ 1,967,814	$ 1,726,739
Patient accounts receivable, net of allowance; 2022 - $4,384,800, 2021 - $4,018,400	2,078,316	1,634,473
Sales taxes receivable	175,098	138,765
Estimated amounts due from third-party payers	486,000	735,000
Supplies	145,561	148,437
Prepaid expenses and other	250,348	193,395
Total current assets	5,103,137	4,576,809
Capital Assets, Net	4,144,818	3,691,509
Lease Assets, Net	167,381	226,083
Total assets	$ 9,415,336	$ 8,494,401
Liabilities and Net Position		
Current Liabilities		
Current maturities of long-term debt	$ 43,629	$ 118,367
Current portion of lease liabilities	55,947	64,000
Accounts payable	386,436	472,642
Accrued expenses	711,788	781,455
Estimated amounts due to third-party payers	92,000	-
Unearned revenue	114,811	213,734
Total current liabilities	1,404,611	1,650,198
Long-term Debt	49,498	106,510
Lease Liabilities	120,689	166,607
Total liabilities	1,574,798	1,923,315
Net Position		
Net investment in capital assets	4,042,436	3,462,108
Unrestricted	3,798,102	3,108,978
Total net position	7,840,538	6,571,086
Total liabilities and net position	$ 9,415,336	$ 8,494,401

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Greenwood County Healthcare Foundation, Inc.
Statements of Financial Position
September 30, 2022 and 2021

	2022	2021
Assets		
Cash	$ 220,439	$ 143,929
Short-term certificates of deposit	78,269	77,960
Total assets	$ 298,708	$ 221,889
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ -	$ 8,901
Total liabilities	-	8,901
Net Assets	298,708	212,988
Total liabilities and net assets	$ 298,708	$ 221,889

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 - $627,001, 2021 - $405,489	$ 11,931,987	$ 10,922,569
340B drug pricing program	1,268,569	1,120,920
Other	320,794	155,544
Total operating revenues	13,521,350	12,199,033
Operating Expenses		
Salaries and wages	6,952,394	6,728,324
Employee benefits	1,401,567	1,676,708
Purchased services	2,094,658	1,459,520
Drugs	966,142	906,751
Medical and surgical supplies	567,206	380,916
Dues and subscriptions	182,968	79,816
Food	63,290	52,339
Insurance	115,948	106,989
Repairs and maintenance	169,232	118,325
Telephone	107,069	59,233
Utilities	159,856	155,774
Supplies and other	950,977	795,824
Depreciation	421,082	309,578
Amortization	71,343	71,854
Total operating expenses	14,223,732	12,901,951
Operating Loss	(702,382)	(702,918)
Nonoperating Revenues (Expenses)		
Sales tax revenue	923,483	1,036,231
Interest income	3,111	2,243
Interest expense	(25,478)	(25,665)
Noncapital grants and gifts	236,459	20,357
Provider Relief Funds (*CARES Act*)	834,259	3,741,581
Paycheck Protection Program (PPP) loan forgiveness	-	1,369,000
Total nonoperating revenues	1,971,834	6,143,747
Increase in Net Position	1,269,452	5,440,829
Net Position, Beginning of Year	6,571,086	1,130,257
Net Position, End of Year	$ 7,840,538	$ 6,571,086

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Greenwood County Healthcare Foundation, Inc.
Statements of Activities
Years Ended September 30, 2022 and 2021

	2022	2021
Revenues, Gains and Other Support		
Contributions	$ 205,752	$ 83,914
Interest income	117	231
Total revenues, gains and other support	205,869	84,145
Expenses		
Support to Greenwood County Hospital	96,837	19,502
Management and general	13,664	22,141
Community support	9,648	-
Total expenses	120,149	41,643
Change in Net Assets	85,720	42,502
Net Assets, Beginning of Year	212,988	170,486
Net Assets, End of Year	$ 298,708	$ 212,988

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Cash Flows From Operating Activities		
Receipts from and on behalf of patients	$ 11,829,144	$ 9,849,880
Payments to suppliers and contractors	(5,517,629)	(3,796,305)
Payments to employees	(8,423,628)	(8,273,820)
Receipts from 340B drug pricing program	1,268,569	1,120,920
Other (payments) receipts, net	221,871	(3,386,037)
Net cash used in operating activities	(621,673)	(4,485,362)
Cash Flows From Noncapital Financing Activities		
Sales tax revenue	887,150	1,088,181
Noncapital gifts	236,459	20,357
Provider Relief Funds (*CARES Act*)	834,259	3,741,581
Net cash provided by noncapital financing activities	1,957,868	4,850,119
Cash Flows From Capital and Related Financing Activities		
Proceeds from financed long-term debt	46,931	193,282
Principal paid on long-term debt	(178,681)	(152,469)
Interest paid on long-term debt	(9,084)	(12,998)
Principal paid on leases payable	(66,612)	(67,330)
Interest paid on leases payable	(16,394)	(12,667)
Purchases of capital assets	(874,391)	(3,026,148)
Net cash used in capital and related financing activities	(1,098,231)	(3,078,330)
Cash Flows From Investing Activities		
Interest income	3,111	2,243
Net cash provided by investing activities	3,111	2,243
Increase (Decrease) in Cash	241,075	(2,711,330)
Cash, Beginning of Year	1,726,739	4,438,069
Cash, End of Year	$ 1,967,814	$ 1,726,739

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Statements of Cash Flows (Continued)
Years Ended September 30, 2022 and 2021

	2022	2021 (As Restated)
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (702,382)	$ (702,918)
Depreciation	421,082	309,578
Amortization	71,343	71,854
Provision for uncollectible accounts	627,001	405,489
Changes in operating assets and liabilities		
Patient accounts receivable, net	(1,070,844)	(613,178)
Estimated amounts due from and to third-party payers	341,000	(865,000)
Supplies	2,876	6,444
Prepaid expenses and other	(56,953)	(14,384)
Accounts payable and accrued expenses	(155,873)	458,334
Unearned revenue	(98,923)	(3,541,581)
Net cash used in operating activities	$ (621,673)	$ (4,485,362)
Noncash Investing, Capital and Financing Activities		
Lease obligations incurred for lease assets	$ 12,641	$ 200,078
PPP loan forgiveness	$ -	$ 1,369,000

Greenwood County Hospital
A Component Unit of Greenwood County, Kansas
Notes to Financial Statements
September 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Greenwood County Hospital (Hospital) is an acute care hospital located in Eureka, Kansas. The Hospital is a component unit of Greenwood County, Kansas (County) and the Board of County Commissioners appoints members to the Board of Trustees of the Hospital. The Hospital primarily earns revenues by providing inpatient, outpatient and emergency care services to patients in the Greenwood County area. It also operates a home health agency in the same geographic area.

Foundation

Greenwood County Healthcare Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the Hospital. The Foundation's primary function is to raise and hold funds to support the Hospital and its programs. The board of the Foundation is self-perpetuating.

Although the Hospital does not control the timing or amount of receipts from the Foundation, the Foundation's by-laws restrict its resources and related income to be used for the benefit of the Hospital. Because these resources held by the Foundation can only be used by, or for the benefit of, the Hospital, the Foundation is considered a component unit of the Hospital and is discretely presented in the Hospital's financial statements.

During the fiscal years ended September 30, 2022 and 2021, the Foundation provided $96,837 and $19,502 of support to the Hospital, respectively.

The Foundation is a private nonprofit organization that 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. No modifications have been made to the Foundation's statements in the Hospital's financial reporting entity for these differences.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

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

Patient Accounts Receivable

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

Supplies

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

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. The Hospital's capitalization policy is to capitalize assets acquired with a cost in excess of $5,000. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	8 – 15 years
Buildings and building improvements	5 – 40 years
Fixed equipment	5 – 25 years
Major moveable equipment	3 – 20 years

Lease Assets

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Capital and Lease Asset Impairment

The Hospital evaluates capital and lease 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 or lease 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, 2022 and 2021.

Compensated Absences

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities included in accrued expenses on the accompanying balance sheets are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. Effective May 1, 2019, vacation benefits to be paid to employees who resign or are terminated are capped at $5,000.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT (CARES Act)* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on November 3, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue on the accompanying statements of revenues, expenses and changes in net position.

Risk Management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from employee health claims. Annual estimated provisions are accrued for the self-insured portion of employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Net Position

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

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

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

Charity Care

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

Noncapital Appropriations –Sales Tax Revenue

The Hospital received approximately 6% of its financial support from the proceeds of noncapital appropriations from sales taxes in both 2022 and 2021. One hundred percent of these funds were used to support operations in both years.

Sales tax revenue is recognized based on sales taxes collected by the County's retailers in the Hospital's accounting period. The Hospital sales tax is 1% and is in place in perpetuity. In addition to the 1% sales tax the Hospital passed an additional ½% sales tax that went into effect January 1, 2019, and was in effect until December 31, 2021.

Provider Relief Funds (CARES Act)

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

Income Taxes

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

Note 2: Deposits

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

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

At September 30, 2022 and 2021, $1,477,059 and $1,239,642 of the Hospital's bank balances of $1,980,207 and $1,741,144, respectively, were exposed to custodial credit risk as follows:

	2022	2021
Uninsured and collateral held by pledging financial institution's agent in other than the Hospital's name	$ 1,477,059	$ 1,239,642
	$ 1,477,059	$ 1,239,642

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	$ 1,967,814	$ 1,726,739
Included in the following balance sheet captions		
Cash	$ 1,967,814	$ 1,726,739

Note 3: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2022	2021
Medicare	$ 897,596	$ 622,168
Medicaid	132,065	153,526
Blue Cross	169,586	186,208
Other third-party payers	1,057,611	786,150
Patients	4,206,258	3,904,821
	6,463,116	5,652,873
Less allowance for uncollectible accounts	4,384,800	4,018,400
	$ 2,078,316	$ 1,634,473

Note 4: Capital and Lease Assets

Capital assets activity for the years ended September 30 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 26,835	$ -	$ -	$ -	$ 26,835
Land improvements	258,393	-	-	-	258,393
Buildings and building improvements	4,826,756	75,164	-	1,222,586	6,124,506
Fixed equipment	1,623,565	-	-	-	1,623,565
Major moveable equipment	5,545,925	244,912	-	-	5,790,837
Construction in progress	854,322	554,315	-	(1,222,586)	186,051
	13,135,796	874,391	-	-	14,010,187
Less accumulated depreciation					
Land improvements	137,026	3,665	-	-	140,691
Buildings and building improvements	3,349,254	132,965	-	-	3,482,219
Fixed equipment	1,240,391	52,018	-	-	1,292,409
Major moveable equipment	4,717,616	232,434	-	-	4,950,050
	9,444,287	421,082	-	-	9,865,369
Capital assets, net	$ 3,691,509	$ 453,309	$ -	$ -	$ 4,144,818

	2021 - (As Restated)				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 26,835	$ -	$ -	$ -	$ 26,835
Land improvements	139,597	118,796	-	-	258,393
Buildings and building improvements	3,713,174	1,105,561	-	8,021	4,826,756
Fixed equipment	1,364,642	258,923	-	-	1,623,565
Major moveable equipment	4,857,379	688,546		-	5,545,925
Construction in progress	8,021	854,322	-	(8,021)	854,322
	10,109,648	3,026,148	-	-	13,135,796
Less accumulated depreciation					
Land improvements	133,268	3,758	-	-	137,026
Buildings and building improvements	3,257,585	91,669	-	-	3,349,254
Fixed equipment	1,207,311	33,080	-	-	1,240,391
Major moveable equipment	4,536,545	181,071	-	-	4,717,616
	9,134,709	309,578	-	-	9,444,287
Capital assets, net	$ 974,939	$ 2,716,570	$ -	$ -	$ 3,691,509

Lease assets activity for the years ended September 30 was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 297,937	$ 12,641	$ (39,425)	$ -	$ 271,153
Less accumulated amortization					
Moveable equipment	71,854	71,343	(39,425)	-	103,772
Lease assets, net	$ 226,083	$ (58,702)	$ -	$ -	$ 167,381

	2021 - (As Restated)				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Moveable equipment	$ 97,859	$ 200,078	$ -	$ -	$ 297,937
Less accumulated amortization					
Moveable equipment	-	71,854	-	-	71,854
Lease assets, net	$ 97,859	$ 128,224	$ -	$ -	$ 226,083

Note 5: Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2022	2021
Payable to suppliers and contractors	$ 386,436	$ 472,642
Payable to employees (including payroll taxes and benefits)	711,788	781,455
	$ 1,098,224	$ 1,254,097

Note 6: Professional Liability Coverage and Claims

The Hospital purchases professional liability insurance which provides $500,000 and $200,000 of coverage for each medical incident and $1,500,000 and $600,000 of aggregate coverage for the policy years ending September 30, 2022 and 2021, respectively. The policy only covers claims made and reported to the insurer during the policy term, regardless of when the incident giving rise to the claim occurred. The Kansas Health Care Stabilization Fund provides an additional $500,000 and $800,000 of claims made coverage for each medical incident and $1,500,000 and $2,400,000 of aggregate coverage for the policy years ending September 30, 2022 and 2021, respectively.

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

Note 7: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of $1,061,157 for the covered group or $50,000 per covered member. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Activity in the Hospital's accrued employee health claims liability during 2022 and 2021 is summarized as follows:

	2022	2021
Balance, beginning of year	$ 150,000	$ 67,940
Current year claims incurred and changes in estimates for claims incurred in prior years	759,014	1,162,986
Claims and expenses paid	(783,707)	(1,080,926)
Balance, end of year	$ 125,307	$ 150,000

Note 8: Long-term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended September 30:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Notes payable to banks	$ 98,166	$ 46,931	$ 141,230	$ 3,867	$ 3,867
Financed capital purchases	126,711	-	37,451	89,260	39,762
Total long-term obligations	224,877	46,931	178,681	93,127	43,629
Lease liabilities	230,607	12,641	66,612	176,636	55,947
Total long-term obligations	$ 455,484	$ 59,572	$ 245,293	$ 269,763	$ 99,576

	2021 - (As Restated)				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Notes payable to banks	$ 4,010	$ 193,282	$ 99,126	$ 98,166	$ 80,915
PPP loan payable to bank	1,369,000	-	1,369,000	-	-
Financed capital purchases	180,054	-	53,343	126,711	37,452
Total long-term debt	1,553,064	193,282	1,521,469	224,877	118,367
Lease liabilities	97,859	200,078	67,330	230,607	64,000
Total long-term obligations	$ 1,650,923	$ 393,360	$ 1,588,799	$ 455,484	$ 182,367

Notes Payable to Banks

A note payable was entered into in January 2020 and was due October 1, 2020, with principal payable and interest payable monthly. The note was paid in full in October 2020.

A new note was entered into in January 2021 and is due November 2021, with principal and interest payable monthly. The final payment of $4,141, was made in November 2021.

A new note was entered into in February 2021 and is due May 2023 with principal and interest payable monthly. Total monthly payments are $1,655, including interest.

A new note was entered into in August 2021 and is due October 2022 with principal and interest payable monthly. Total monthly payments are $4,907, including interest.

A new note was entered into in October 2021 and is due October 2022 with principal and interest payable monthly. Total monthly payments are $3,894, including interest.

Paycheck Protection Program (PPP) Loan Payable

The *CARES Act* and other subsequent legislation also provides a SBA loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. The PPP loan will be forgiven if all employee retention criteria are met and the funds are used for eligible expenses. The Hospital received a PPP loan of $1,369,000 in 2020. The loan had an interest rate of 1%, with monthly payments due monthly starting 10 months after the 24-week covered period. The PPP loan was forgiven in its entirety on November 3, 2020.

Financed Capital Purchases

Financed capital purchases are in the form of a note payable to vendor, with a maturity date of November 2024. Principal and interest is payable monthly. The interest rate is 6.00%. The note is secured by certain capital assets.

The debt service requirements on financed capital purchases as of September 30, 2022, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2023	$ 44,035	$ 39,761	$ 4,274
2024	44,035	42,213	1,822
2025	7,339	7,286	53
	$ 95,409	$ 89,260	$ 6,149

Lease Liabilities

The Hospital leases equipment, the terms of which expire in various years through 2026. Payments are based on the lease agreements in each specific lease. The Hospital has no variable payments on lease agreements at September 30, 2022.

The following is a schedule by year of payments under the leases as of September 30, 2022:

Year Ending September 30,	Total to be Paid	Principal	Interest
2023	$ 68,040	$ 55,947	$ 12,093
2024	58,165	50,492	7,673
2025	51,416	47,517	3,899
2026	23,205	22,680	525
	$ 200,826	$ 176,636	$ 24,190

Note 9: Net Patient Service Revenue

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

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

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

Approximately 61% and 69% of net patient service revenue are from participation in the Medicare and state-sponsored Medicaid programs for the years ended September 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

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

Note 10: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately $3,000 and $51,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges.

Note 11: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $1,268,569 and $1,120,920 for the years ending September 30, 2022 and 2021, respectively, which is included as its own line in operating revenues in the accompanying statements of revenues and expenses and changes in net position. The Hospital recorded expenses of $645,002 and $573,565 for the years ending September 30, 2022 and 2021,

respectively, which is included in drugs within operating expenses in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 12: Pension Plans

The Hospital contributes to a mandatory 401(a) defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Hospital's Board of Trustees. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's governing body. Contribution rates for plan members expressed as a percentage of covered payroll was 3% until December 31, 2018. Effective January 1, 2019, the Hospital changed their contribution rate for plan members to 0%, which remained effective through September 30, 2022. Contributions actually made by plan members aggregated $192,036 in 2022 and $191,126 in 2021, respectively.

The Hospital also offers a 457(b) deferred compensation plan which plan members may contribute voluntarily. The Hospital does not incur any expense into this plan, and the Hospital does not make contributions to this plan.

Note 13: Management Agreement

The Board of Trustees has entered into a management agreement with Great Plains Health Alliance, Inc. The agreement can be cancelled with 60 days' notice. Fees incurred under this agreement were $157,908 and $137,579 in 2022 and 2021, respectively. There are $0 and $21,970 included in accounts payable related to these services at September 30, 2022 and 2021, respectively.

Note 14: COVID-19 Pandemic & *CARES Act* Funding

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, 2022 and 2021, the Hospital received $735,336 and $200,000, respectively 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 (HHS).

The Hospital accounts for such payments as voluntary nonexchange transactions. As such, payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenues and expenses through September 30, 2022 and 2021, the Hospital recognized $834,259 and $3,741,581, respectively, related to the distributions from the Provider Relief Fund, and these payments are recorded as nonoperating revenues – Provider Relief Funds (*CARES Act*) in the statements of revenues, expenses and changes in net position. The unrecognized amount of Provider Relief Fund distributions of $114,811 and $213,734, at September 30, 2022 and 2021, respectively, is recorded as a component of unearned revenue in the accompanying balance sheets.

The Hospital will continue to monitor compliance with the terms and conditions of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses. The terms and conditions governing the Provider Relief 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 2020, the Hospital received a PPP loan of $1,369,000 established by the *CARES Act* and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. The Hospital received legal notice on November 3, 2020, that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as other nonoperating revenue in the fiscal year 2021 statements of revenues, expenses and changes in net position.

Other COVID-19 Funding

During the years ended September 30, 2022 and 2021, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program (SHIP) to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $134,379 and $0 during years ended September 30, 2022 and 2021, respectively. The Hospital recognized $134,379 and $0 related to the SHIP grant during the years ended September 30, 2022 and 2021, respectively. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the year ended September 30, 2022, the Hospital received and recognized $99,493 related to the Strengthening People and Revitalizing Kansas (SPARK) program and is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

Note 15: Future Change in Accounting Principle

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Note 16: Adoption of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*

Effective October 1, 2021, the Hospital adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement required a retrospective transition method using the facts and circumstances that existed at the beginning of the earliest year presented. As a result, the Hospital was required to retroactively restate September 30, 2021, amounts as follows:

	As Restated	Previously Reported	Effect of Adoption
Balance Sheet			
Capital assets, net	$ 3,691,509	$ 3,709,557	$ (18,048)
Lease assets, net	226,083	-	226,083
Current maturities of long-term debt	118,367	131,302	(12,935)
Current portion of lease liabilities	64,000	-	64,000
Lease liabilities	166,607	-	166,607
Net position - net investment in capital assets	3,462,108	3,471,745	(9,637)
Statements of Revenues, Expenses and Changes in Net Position			
Supplies and other	795,824	846,802	(50,978)
Depreciation	309,578	331,883	(22,305)
Amortization	71,854	-	71,854
Interest expense	25,665	14,599	11,066
Increase in net position	5,440,829	5,450,466	(9,637)
Net position, end of year	6,571,086	6,580,723	(9,637)
Statements of Cash Flows			
Payments to suppliers and contractors	(3,796,305)	(3,847,283)	50,978
Principal paid on long-term debt	(152,469)	(179,887)	27,418
Interest paid on long-term debt	(12,998)	(14,599)	1,601
Principal paid on leases payable	(67,330)	-	(67,330)
Interest paid on leases payable	(12,667)	-	(12,667)
Operating loss	(702,918)	(704,347)	1,429
Depreciation	309,578	331,883	(22,305)
Amortization	71,854	-	71,854

Note 17: Greenwood County Healthcare Foundation, Inc.

Summary of Significant Accounting Policies

Organization

The Foundation is a not-for-profit organization whose purpose is to raise funds for the support of health and health care programs for the Hospital.

Related Entity

The Foundation works closely with the Hospital. As discussed above, much of the funds raised by the Foundation are distributed to the Hospital. The entities share one common member of their Boards of Trustees.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents

The Foundation considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2022 and 2021, the Foundation had no cash equivalents.

Certificate of Deposit

The Foundation reports certificates of deposits at amortized cost.

Net Assets With Donor Restrictions

Net assets with donor restrictions are those whose use by the Foundation has been limited by donors to a specific time period or purpose or have been restricted by donors to be maintained by the Foundation in perpetuity. At September 30, 2022 and 2021, there were no net assets with donor restrictions.

Income Taxes

The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code classified by the Internal Revenue Service as other than a private foundation.

Functional Allocation of Expenses

The costs of providing the Foundation's programs and administration have been summarized on a functional basis in the statements of activities. Accordingly, expenses that benefit both programs and supporting services have been allocated using management's estimates.

Donated Services

The Foundation receives donated services from unpaid volunteers who assist in fund raising and special projects. No amounts have been recognized in the statements of activities because the criteria for recognition under accounting principles generally accepted in the United States of America have not been satisfied.

Contributions

Contributions are provided to the Foundation 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 Foundation 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.

Liquidity and Availability

The Foundation's financial assets available within one year of the balance sheet date for general expenditures encompass all assets of the Foundation at both September 30, 2022 and 2021.