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

Independent Auditor's Report and Financial Statements

March 31, 2020 and 2019

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
March 31, 2020 and 2019

Contents

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Board of Trustees of Smith County Memorial Hospital (BOT), a component unit of Smith County, Kansas, and Great Plains of Smith County, Inc., as of March 31, 2020 and 2019, 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 audit. We conducted our audit 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.

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 Smith County Memorial Hospital and of its discretely presented component unit as of March 31, 2020 and 2019, 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.

Emphasis of Matters

As discussed in *Note 1* to the financial statements, in 2020, the reporting entity changed to include Great Plains of Smith County, Inc. as a discretely presented component unit of the Board of Trustees of Smith County Memorial Hospital. Our opinion is not modified with respect to this matter.

As discussed in *Note 29* to the financial statements, in 2020, Great Plains of Smith County, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

As discussed in *Note 29* to the financial statements, in 2020, Great Plains of Smith County, Inc. adopted ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

BKD, LLP

Wichita, Kansas
September 10, 2020

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Balance Sheets
March 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	$ 701,218	$ 1,318,608
Cash held by QALICB	962,057	1,554,479
Certificates of deposit	2,827,646	842,196
Contributions receivable - current	19,266	59,103
Sales tax receivable	141,446	124,147
Due from Hospital	5,503	2,158
Interest receivable	38,268	38,268
Total current assets	4,695,404	3,938,959
Noncurrent Cash Restricted by Donors for Capital Acquisitions	17,056	40,135
Certificates of Deposit Restricted by Donors for Capital Acquisitions	462,028	1,373,758
Contributions Receivable	16,749	29,645
Interest in Assets at Greater Salina Community Foundation	59,056	22,298
Beneficial Interest in Trust	425,754	463,850
Leverage Loan Receivable	11,800,052	11,800,052
Total assets	$ 17,476,099	$ 17,668,697

Liabilities, Deferred Inflows of Resources and Net Position

	2020	2019
Current Liabilities		
Due to Hospital	$ -	$ 19,355
Total current liabilities	-	19,355
Long-term Debt	17,025,000	17,025,000
Total liabilities	17,025,000	17,044,355
Deferred Inflows of Resources		
Beneficial interest in trust	425,754	463,850
Net Position (Deficit)		
Restricted - expendable for capital acquisitions	515,099	1,502,641
Unrestricted	(489,754)	(1,342,149)
Total net position	25,345	160,492
Total liabilities, deferred inflows of resources and net position	$ 17,476,099	$ 17,668,697

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Balance Sheets
March 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash	$ 1,172,371	$ 724,098
Patient accounts receivable, net of allowance; 2019 – $1,092,682	3,157,766	1,747,781
Estimated amounts due from third-party payers	45,000	590,000
Due from Board of Trustees	-	19,355
Supplies	258,902	245,021
Prepaid expenses and other	271,658	278,400
Total current assets	4,905,697	3,604,655
Assets Limited As To Use		
Internally designated for future capital improvements	31,092	26,636
Internally designated for debt service	708,226	983,031
Externally restricted by donors	9,803	14,544
	749,121	1,024,211
Property and Equipment, At Cost		
Land and land improvements	4,715,942	3,995,862
Buildings	19,602,101	19,602,101
Equipment	6,339,906	6,063,809
	30,657,949	29,661,772
Less accumulated depreciation	4,022,771	1,795,839
	26,635,178	27,865,933
Beneficial Interest in Perpetual Trusts	867,656	921,475
Total assets	$ 33,157,652	$ 33,416,274

Liabilities and Net Assets

	2020	2019
Current Liabilities		
Current maturities of long-term debt	$ 488,666	$ 481,207
Accounts payable	413,718	565,063
Accrued salaries and wages	396,338	348,692
Accrued benefits payable	393,506	407,400
Accrued payroll taxes and other	463,235	426,708
Total current liabilities	2,155,463	2,229,070
Long-term Debt	26,680,801	27,165,679
Total liabilities	28,836,264	29,394,749
Net Assets		
Without donor restrictions	3,443,929	3,085,506
With donor restrictions		
Perpetual in nature	867,656	921,475
Purpose restriction	9,803	14,544
Total net assets	4,321,388	4,021,525
Total liabilities and net assets	$ 33,157,652	$ 33,416,274

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended March 31, 2020 and 2019

	2020	2019
Operating Revenues		
Noncapital appropriations - Smith County property tax levy	$ 417,010	$ 378,396
Noncapital appropriations - sales tax	729,408	1,120,504
Total operating revenues	1,146,418	1,498,900
Operating Expenses	72,035	96,257
Operating Income	1,074,383	1,402,643
Nonoperating Revenues (Expenses)		
Interest income	179,373	130,549
Interest expense	(227,412)	(256,632)
Change in interest in assets at Greater Salina Community Foundation	(13,742)	2,776
Noncapital grants and gifts	22,471	22,700
Contributions to Hospital for operations	(257,602)	(450,000)
Total nonoperating expenses	(296,912)	(550,607)
Excess of Revenues Over Expenses Before Capital Grants and Gifts, Net and Contributions to Hospital for Capital Assets	777,471	852,036
Capital Grants and Gifts, Net	74,926	64,534
Contributions to Hospital for Capital Assets	(987,544)	(1,657,075)
Decrease in Net Position	(135,147)	(740,505)
Net Position, Beginning of Year	160,492	900,997
Net Position, End of Year	$ 25,345	$ 160,492

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Operations and Changes in Net Assets
Years Ended March 31, 2020 and 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Patient service revenue (net of contractual discounts and allowances)			
Provision for uncollectible accounts			
Net patient service revenue less provision for uncollectible accounts	$ 14,758,359	-	14,758,359
Other	2,687,968	-	2,687,968
Net assets released from restrictions used for operations	9,375	(9,375)	-
Total revenues, gains and other support	17,455,702	(9,375)	17,446,327
Expenses			
Salaries and wages	6,619,098	-	6,619,098
Supplies and other	8,752,314	-	8,752,314
Depreciation	2,270,932	-	2,270,932
Interest	764,831	-	764,831
Loss on disposal of property and equipment	-	-	-
Total expenses	18,407,175	-	18,407,175
Operating Loss	(951,473)	(9,375)	(960,848)
Other Income			
Contributions received	20,743	13,269	34,012
Investment return	20,315	15,057	35,372
Contributions received from Board of Trustees for operations	257,602	-	257,602
Excess (Deficiency) of Revenues Over Expenses	(652,813)	18,951	(633,862)
Contributions received from Smith County for property and equipment	-	-	-
Contributions received from Board of Trustees for property and equipment	987,544	-	987,544
Change in beneficial interest in perpetual trusts	-	(53,819)	(53,819)
Net assets released from restrictions used for property and equipment	23,692	(23,692)	-
Increase (Decrease) in Net Assets	358,423	(58,560)	299,863
Net Assets, Beginning of Year	3,085,506	936,019	4,021,525
Net Assets, End of Year	$ 3,443,929	$ 877,459	$ 4,321,388

See Notes to Financial Statements

2019		
Without Donor Restrictions	With Donor Restrictions	Total
$ 14,049,145	$ -	$ 14,049,145
649,006	-	649,006
13,400,139	-	13,400,139
2,810,929	-	2,810,929
13,485	(13,485)	-
16,224,553	(13,485)	16,211,068
6,444,527	-	6,444,527
9,279,115	-	9,279,115
1,626,384	-	1,626,384
567,153	-	567,153
1,830,210	-	1,830,210
19,747,389	-	19,747,389
(3,522,836)	(13,485)	(3,536,321)
8,699	13,076	21,775
29,992	12,884	42,876
450,000	-	450,000
(3,034,145)	12,475	(3,021,670)
485,888	-	485,888
1,657,075	-	1,657,075
-	28,934	28,934
16,293	(16,293)	-
(874,889)	25,116	(849,773)
3,960,395	910,903	4,871,298
$ 3,085,506	$ 936,019	$ 4,021,525

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
Operating Activities		
Receipts from Smith County	$ 1,129,119	$ 1,508,821
Other receipts (payments), net	(94,735)	(90,822)
Net cash provided by operating activities	1,034,384	1,417,999
Noncapital Financing Activities		
Noncapital grants and gifts	22,471	22,700
Contributions to Hospital for operations	(257,602)	(450,000)
Net cash used in noncapital financing activities	(235,131)	(427,300)
Capital and Related Financing Activities		
Capital grants and gifts	127,659	111,700
Contributions to Hospital for capital assets	(987,544)	(1,657,075)
Principal paid on note payable to bank	-	(5,386,560)
Interest paid on note payable to bank	(227,412)	(256,632)
Net cash used in capital and related financing activities	(1,087,297)	(7,188,567)
Investing Activities		
Interest received	179,373	130,549
Purchase of certificates of deposit	(1,073,720)	(2,215,954)
Change in interest in assets at GSCF	(50,500)	-
Net cash used in investing activities	(944,847)	(2,085,405)
Decrease in Cash and Cash Equivalents	(1,232,891)	(8,283,273)
Cash and Cash Equivalents, Beginning of Year	2,913,222	11,196,495
Cash and Cash Equivalents, End of Year	$ 1,680,331	$ 2,913,222

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Statements of Cash Flows (Continued)
Years Ended March 31, 2020 and 2019

	2020	2019
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 1,663,275	$ 2,873,087
Cash in noncurrent cash	17,056	40,135
Total cash and cash equivalents	$ 1,680,331	$ 2,913,222
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,074,383	$ 1,402,643
Changes in operating assets and liabilities		
Sales tax receivable	(17,299)	9,921
Due from Hospital	(3,345)	-
Due to Hospital	(19,355)	19,355
Accrued interest payable	-	(13,920)
Net cash provided by operating activities	$ 1,034,384	$ 1,417,999

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Cash Flows
Years Ended March 31, 2020 and 2019

	2020	2019
		(As Adjusted)
Operating Activities		
Change in net assets	$ 299,863	$ (849,773)
Items not requiring (providing) operating cash flow		
Property and equipment additions paid for by Smith County	-	(485,888)
Loss on disposal of property and equipment	-	1,830,210
Contributions received from Board of Trustees for property and equipment	(987,544)	(1,657,075)
Change in beneficial interest in perpetual trusts	53,819	(28,934)
Depreciation	2,270,932	1,626,384
Amortization of debt issuance costs	3,788	473
Provision for uncollectible accounts	-	649,006
Investment return and contributions received (with donor restrictions)	(28,326)	(25,960)
Changes in		
Patient accounts receivable	(1,409,985)	(690,556)
Estimated amounts due from and to third-party payers	545,000	(1,329,000)
Due from Board of Trustees	19,355	(19,355)
Supplies and other current assets	(7,139)	106,639
Accounts payable and accrued expenses	(81,066)	228,958
Net cash provided by (used in) operating activities	678,697	(644,871)
Investing Activity		
Purchase of investments	(340,000)	-
Purchase of property and equipment	(52,633)	(8,125,535)
Net cash used in investing activities	(392,633)	(8,125,535)
Financing Activities		
Principal payments on long-term debt	(481,207)	(27,073,837)
Proceeds from issuance of long-term debt	-	34,596,326
Payment of debt issuance costs	-	(78,587)
Investment return and contributions received (with donor restrictions)	28,326	25,960
Contributions received from Board of Trustees for property and equipment	-	1,630,838
Net cash provided by (used in) financing activities	(452,881)	9,100,700
Increase (Decrease) in Cash	(166,817)	330,294
Cash, Beginning of Year	1,748,309	1,418,015
Cash, End of Year	$ 1,581,492	$ 1,748,309

Board of Trustees of Smith County Memorial Hospital
A Component Unit of Smith County, Kansas
Great Plains of Smith County, Inc.
Statements of Cash Flows (Continued)
Years Ended March 31, 2020 and 2019

	2020	2019 *(As Adjusted)*
Reconciliation of Cash to the Balance Sheets		
Cash	$ 1,172,371	$ 724,098
Designated cash included in assets limited to use	409,121	1,024,211
	$ 1,581,492	$ 1,748,309
Supplemental Cash Flows Information		
Property and equipment additions paid for by Smith County	$ -	$ 485,888
Loan costs capitalized	$ -	$ 58,357
Property and equipment additions paid for by Board of Trustees of Smith County Memorial Hospital	$ 987,544	$ 26,237
Interest paid (net of amount capitalized)	$ 762,438	$ 518,633

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

Nature of Operations

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

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

Great Plains of Smith County, Inc. (GPSC/Hospital) is a 501(c)(3) nonprofit corporation. GPSC is located in Smith Center, Kansas and provides acute, swing-bed, and clinic services under a lease agreement entered into, pursuant to K.S.A. 19-4601 et. seq. with the BOT (*Note 2*). In 2020, the reporting entity changed to include Great Plains of Smith County, Inc. as a discretely presented component unit of the BOT. Based on the increasing financial relationships and transactions with GPSC, the BOT believes as a matter of professional judgment that it would be misleading to exclude the financial statements of GPSC. As a result, GPSC is considered to be a component of unit of the BOT and is discretely presented in the BOT's financial statements. GPSC reports under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Basis of Accounting and Presentation

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

Use of Estimates

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

Cash Equivalents

The BOT considers all liquid investments with original maturities of three months or less to be cash equivalents. At March 31, 2020 and 2019, cash equivalents consisted entirely of money market accounts.

Deferred Inflows of Resources

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

Net Position

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

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

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

Noncapital Appropriations – Smith County

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

Income Taxes

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

Contributions

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

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

Note 2: Lease and Management Agreement - BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Smith County, Kansas, and leased to GPSC by the BOT. The lease agreement provides that GPSC will assume and continue the operations of the hospital and maintain all property and equipment in good operating condition. The original lease term was for a period of five years through December 5, 2005, with two renewal option periods of five years each, which ended December 5, 2015. GPSC extended the lease agreement another five years through December 1, 2020. The BOT leases the hospital facilities to GPSC for $1. In connection with this lease, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPSC, has a management agreement with GPSC. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPSC upon commencement of the original term, December 5, 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 acceptable collateral having an aggregate value at least equal to the amount of the deposits.

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

At March 31, 2020 and 2019, respectively, $4,087,859 and $4,126,175 of the BOT's bank balances of $4,970,005 and $5,129,176 were exposed to custodial credit risk as follows:

	2020	2019
Uninsured and uncollateralized	$ 1,074,515	$ 1,710,134
Uninsured and collateral held on behalf of the pledging financial institution in the Board of Trustees' name	3,013,344	2,416,041
	$ 4,087,859	$ 4,126,175

Included in the above table is cash held by QALICB at March 31, 2020 and 2019, of $962,057 and $1,554,479, respectively. At March 31, 2020 and 2019, QALICB's cash accounts exceeded federally insured limits by approximately $712,000 and $1,304,000, respectively.

Summary of Carrying Values

The carrying values of deposits shown above are included in the balance sheets at March 31, 2020 and 2019, as follows:

	2020	2019
Carrying Value		
Cash and cash equivalents	$ 701,218	$ 1,318,608
Cash held by QALICB	962,057	1,554,479
Certificates of deposit	3,289,674	2,215,954
Noncurrent cash restricted by donors for capital acquisitions	17,056	40,135
	$ 4,970,005	$ 5,129,176

Note 4: Cash Held by QALICB - BOT

Reserve Funds

As a requirement of loan closing for the Bridge Loan and Notes A, B, C and D (discussed in *Note 9*), reserve funds were created to pay the annual compliance, audit and tax fees as well as fund the BOT's Bridge Loan principal and interest payments. The funds are pledged to the lender as additional security for the loans. At March 31, 2020 and 2019, the balance of the reserve funds was $962,057 and $1,554,479, respectively.

Note 5: Interest in Assets at Greater Salina Community Foundation - BOT

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

The BOT contributed $50, 500 and $0 to the Foundation in 2020 and 2019, respectively.

Note 6: Contributions Receivable - BOT

The BOT has entered into a capital campaign that will help cover the costs to construct, furnish and equip a new hospital on a new site and demolish a portion of the existing facility.

Contributions receivable consisted of the following at March 31, 2020 and 2019:

	2020	2019
Due within one year	$ 21,407	$ 65,670
Due in one to five years	20,397	34,656
Due in more than five years	-	1,000
	41,804	101,326
Less		
Allowance for uncollectible contributions	4,181	10,133
Unamortized discount	1,608	2,445
	5,789	12,578
	$ 36,015	$ 88,748

Discount rate was 4% in 2020 and in 2019.

Note 7: Trusts - BOT

The BOT is a beneficiary under a remainder trust and a perpetual trust administered by outside parties. The BOT received the remainder trust of $501,200 in June 2017, which approximated fair value at March 31, 2017. The fair value of the perpetual trust was $425,754 and $463,850 at March 31, 2020 and 2019, respectively. Under the terms of the perpetual trust, the BOT has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the principal held in the trust. The estimated value of the expected future cash flows is $425,754, which represents the fair value of the trust assets at March 31, 2020. The income (loss) from the perpetual trust was $(38,096) and $(9,271) for 2020 and 2019, respectively.

Note 8: Leverage Loan Receivable - BOT

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

The BOT used the proceeds of the Bridge Loan received in 2018 (see *Note 9*) to fund $8,800,052 of this leverage loan receivable.

Note 9: Long-term Debt - BOT

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

	2020				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
QALICB					
Note payable A	$ 8,321,466	$ -	$ -	$ 8,321,466	$ -
Note payable B	3,803,534	-	-	3,803,534	-
Note payable C	3,478,586	-	-	3,478,586	-
Note payable D	1,421,414	-	-	1,421,414	-
	$ 17,025,000	$ -	$ -	$ 17,025,000	$ -

	2019				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Board of Trustees					
Bridge loan payable	$ 5,386,560	$ -	$ (5,386,560)	$ -	$ -
QALICB					
Note payable A	8,321,466	-	-	8,321,466	-
Note payable B	3,803,534	-	-	3,803,534	-
Note payable C	3,478,586	-	-	3,478,586	-
Note payable D	1,421,414	-	-	1,421,414	-
	$ 22,411,560	$ -	$ (5,386,560)	$ 17,025,000	$ -

BOT Bridge Loan Payable

The BOT entered into a note payable to bank (Bridge Loan) on February 15, 2018. The BOT will make monthly payments of interest only on the outstanding principal balance accrued and accruing through the last day of the month at a rate of 5%. The Bridge Loan was paid in full as of March 31, 2019, prior to the scheduled maturity date of August 15, 2019.

QALICB Notes Payable A, B, C and D

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

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

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

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

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

Year Ending March 31,	Total to be Paid	Principal	Interest
2021	$ 246,288	$ -	$ 246,288
2022	246,288	-	246,288
2023	246,288	-	246,288
2024	246,963	-	246,963
2025	246,288	-	246,288
2026-2030	3,722,370	2,602,556	1,119,814
2031-2035	3,722,370	2,776,001	946,369
2036-2040	3,722,370	2,983,844	738,526
2041-2045	3,722,370	3,208,092	514,278
2046-2050	3,722,370	3,448,691	273,679
2051-2053	2,047,295	2,005,816	41,479
	$ 21,891,260	$ 17,025,000	$ 4,866,260

Note 10: Fair Value Measurement of Assets - BOT

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

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

Note 11: New Market Tax Credits - BOT

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

Note 12: Condensed Combining Information - BOT

The following tables include condensed combining balance sheet information for the BOT and its blended component unit, QALICB, as of March 31, 2020 and 2019:

	March 31, 2020		
	BOT	QALICB	Total
Assets			
Current assets	$ 3,733,347	$ 962,057	$ 4,695,404
Noncurrent cash restricted by donors for capital acquisitions	17,056	-	17,056
Certificates of deposit restricted by donors for capital acquisitions	462,028	-	462,028
Contributions receivable	16,749	-	16,749
Interest in assets at Greater Salina Community Foundation	59,056	-	59,056
Beneficial interest in trust	425,754	-	425,754
Leverage loan receivable	11,800,052	-	11,800,052
Total assets	$ 16,514,042	$ 962,057	$ 17,476,099
Liabilities			
Long-term debt	$ -	$ 17,025,000	$ 17,025,000
Total liabilities	-	17,025,000	17,025,000
Deferred Inflows of Resources	425,754	-	425,754
Net Position (Deficit)	16,088,288	(16,062,943)	25,345
Total liabilities, deferred inflows of resources and net position	$ 16,514,042	$ 962,057	$ 17,476,099

	March 31, 2019		
	BOT	QALICB	Total
Assets			
Current assets	$ 2,384,480	$ 1,554,479	$ 3,938,959
Noncurrent cash restricted by donors for capital acquisitions	40,135	-	40,135
Certificates of deposit restricted by donors for capital acquisitions	1,373,758		1,373,758
Contributions receivable	29,645	-	29,645
Interest in assets at Greater Salina Community Foundation	22,298	-	22,298
Beneficial interest in trust	463,850	-	463,850
Leverage loan receivable	11,800,052	-	11,800,052
Total assets	$ 16,114,218	$ 1,554,479	$ 17,668,697
Liabilities			
Current liabilities	$ 19,355	$ -	$ 19,355
Long-term debt	-	17,025,000	17,025,000
Total liabilities	19,355	17,025,000	17,044,355
Deferred Inflows of Resources	463,850	-	463,850
Net Position	15,631,013	(15,470,521)	160,492
Total liabilities, deferred inflows of resources and net position	$ 16,114,218	$ 1,554,479	$ 17,668,697

The following tables include condensed combining statements of revenues, expenses and changes in net position information for the BOT and its blended component unit, SCMH QALICB, for the years ended March 31, 2020 and 2019:

	March 31, 2020		
	BOT	**QALICB**	**Total**
Operating Revenues	$ 1,146,418	$ -	$ 1,146,418
Operating Expenses	(4,458)	(67,577)	(72,035)
Nonoperating Revenues (Expenses)	(69,500)	(227,412)	(296,912)
Capital Grants and Gifts, Net	74,926	-	74,926
Contributions to Hospital for Capital Assets	(987,544)	-	(987,544)
Intercompany Grants and Rents	297,433	(297,433)	-
Increase (Decrease) in Net Position	457,275	(592,422)	(135,147)
Net Position (Deficit), Beginning of Year	15,631,013	(15,470,521)	160,492
Net Position (Deficit), End of Year	$ 16,088,288	$ (16,062,943)	$ 25,345

	March 31, 2019		
	BOT	**QALICB**	**Total**
Operating Revenues	$ 1,498,900	$ -	$ 1,498,900
Operating Expenses	(35,560)	(60,697)	(96,257)
Nonoperating Revenues (Expenses)	(321,614)	(228,993)	(550,607)
Capital Grants and Gifts, Net	64,534	-	64,534
Contributions to Hospital for Capital Assets	(1,657,075)	-	(1,657,075)
Intercompany Grants and Rents	7,594,838	(7,594,838)	-
Increase (Decrease) in Net Position	7,144,023	(7,884,528)	(740,505)
Net Position (Deficit), Beginning of Year	8,486,990	(7,585,993)	900,997
Net Position (Deficit), End of Year	$ 15,631,013	$ (15,470,521)	$ 160,492

The following tables include condensed combining statements of cash flows information for the BOT and its blended component unit, QALICB, as of March 31, 2020 and 2019:

	March 31, 2020		
	BOT	**QALICB**	**Total**
Net cash provided by (used in):			
Operating Activities	$ 1,101,961	$ (67,577)	$ 1,034,384
Noncapital Financing Activities	62,302	(297,433)	(235,131)
Capital and Related Financing Activities	(859,885)	(227,412)	(1,087,297)
Investing Activities	(944,847)	-	(944,847)
Decrease in Cash and Cash Equivalents	(640,469)	(592,422)	(1,232,891)
Cash and Cash Equivalents, Beginning of Year	1,358,743	1,554,479	2,913,222
Cash and Cash Equivalents, End of Year	$ 718,274	$ 962,057	$ 1,680,331

	March 31, 2019		
	BOT	**QALICB**	**Total**
Net cash provided by (used in):			
Operating Activities	$ 1,492,616	$ (74,617)	$ 1,417,999
Noncapital Financing Activities	7,167,538	(7,594,838)	(427,300)
Capital and Related Financing Activities	(6,959,574)	(228,993)	(7,188,567)
Investing Activities	(2,085,405)	-	(2,085,405)
Decrease in Cash and Cash Equivalents	(384,825)	(7,898,448)	(8,283,273)
Cash and Cash Equivalents, Beginning of Year	1,743,568	9,452,927	11,196,495
Cash and Cash Equivalents, End of Year	$ 1,358,743	$ 1,554,479	$ 2,913,222

Note 13: Nature of Operations and Summary of Significant Accounting Policies – GPSC/Hospital

Nature of Operations

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

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. Assets limited as to use are not considered cash equivalents. There were no cash equivalents at March 31, 2020 and 2019.

At March 31, 2020, the Hospital's cash accounts did not exceed federal insured limits.

Assets Limited As To Use

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

Patient Accounts Receivable

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

Supplies

The Hospital states supply inventories at the lower of cost, determined using the first-in, first-out method, or net realizable value.

Property and Equipment

Property and equipment acquisitions are recorded at cost and are depreciated using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

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

The Hospital capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project. Since the borrowing is a draw down type of borrowing, there are no investments acquired with the proceeds of the borrowing and thus no interest earned to net with interest expense incurred on the borrowing. Total interest capitalized and incurred was:

	2020	2019
Total interest expense incurred on borrowings for project	$ -	$ 213,673
Amortization of debt issuance costs charged to interest expense	-	58,357
Net interest cost capitalized	$ -	$ 272,030
Interest capitalized	$ -	$ 272,030
Interest charged to expense	764,831	567,153
Total interest incurred	$ 764,831	$ 839,183

Long-lived Asset Impairment

The Hospital evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended March 31, 2020 and 2019.

Refund Liabilities

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

Professional Liability Claims

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

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

Net Assets

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

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

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

Patient Service Revenue

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

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

Charity Care

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

Charges excluded from revenue under the Hospital's charity care policy were $39,259 and $115,265 for March 31, 2020 and 2019, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $35,000 and $108,000 in 2020 and 2019, respectively. Costs were calculated using the overall cost-to-charge ratio from the March 31, 2020 and 2019, as-filed Medicare cost reports.

Contributions

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

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

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

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

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

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

Accrued Benefits Payable

Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off. Expense and the related liability are recognized as vacation benefits are earned. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Accrued benefits payable are computed using the regular pay rates in effect at the balance sheet date.

Debt Issuance Costs

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

Investment Return

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

Income Taxes

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

Excess (Deficiency) of Revenues Over Expenses

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

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Note 14: Concentration of Credit Risk – GPSC/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 accounts receivables from patients and third-party payers at March 31, 2020 and 2019, is:

	2020	2019
Medicare	40%	43%
Medicaid	9	7
Blue Cross	20	9
Other third-party payers	21	34
Self pay	10	7
	100%	100%

Note 15: Assets Limited As To Use – GPSC/Hospital

Assets limited as to use at March 31, 2020 and 2019, include:

	2020	2019
Cash internally designated for future capital improvements	$ 31,092	$ 26,636
Cash internally designated for debt service	368,226	983,031
Certificate of deposit internally designated for debt service	340,000	-
Cash externally restricted by donors	9,803	14,544
	$ 749,121	$ 1,024,211

Note 16: Beneficial Interest in Perpetual Trusts – GPSC/Hospital

The Hospital is an income beneficiary of several perpetual trusts controlled by an unrelated third-party trustee. The beneficial interests in the assets of these trusts are included in the Hospital's financial statements as net assets with donor restrictions perpetual in nature. Income is distributed in accordance with the individual trust documents and is included in investment return. The estimated value of the expected future cash flows is $867,656 and $921,475, which represents the fair value of the trust assets at March 31, 2020 and 2019, respectively. Trust income distributed to the Hospital for the years ended March 31, 2020 and 2019, was $30,350 and $28,371, respectively, which is included in investment return in the accompanying statements of operations and changes in net assets.

Note 17: Long-term Debt – GPSC/Hospital

At March 31, 2020 and 2019, long-term debt consisted of the following:

	2020	2019
Taxable Refunding Revenue Bonds Series 2019	$ 27,243,793	$ 27,725,000
Less unamortized debt issuance costs	74,326	78,114
Less current maturities	488,666	481,207
	$ 26,680,801	$ 27,165,679

The Taxable Refunding Revenue Bonds Series 2019 (2019 Bonds) were issued in an aggregate amount not to exceed $27,725,000. The 2019 Bonds are due February 14, 2054, and bear interest on the principal amount as advanced from time to time at 2.75% per annum. The 2019 Bonds are payable in annual installments through February 14, 2054.

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

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

Aggregate annual maturities of long-term debt at March 31, 2020 are:

2021	$ 492,387
2022	507,981
2023	521,951
2024	536,304
2025	549,155
Thereafter	24,636,015
	$ 27,243,793

Note 18: Net Assets With Donor Restrictions – GPSC/Hospital

Net Assets With Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose		
Various operational purposes	$ 9,803	$ 14,544
	9,803	14,544
Beneficial interest in perpetual trusts		
Investments to be held in perpetuity, the income is expendable	867,656	921,475
	$ 877,459	$ 936,019

Net Assets Released from Restrictions

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

	2020	2019
Purpose restrictions accomplished		
Various operational purposes	$ 9,375	$ 13,485
Purchase of property and equipment	23,692	16,293
	$ 33,067	$ 29,778

Note 19: Net Assets Without Donor Restrictions – GPSC/Hospital

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

	2020	2019
Future capital improvements	$ 31,092	$ 26,636
Debt service	368,226	983,031
	$ 399,318	$ 1,009,667

Note 20: Liquidity and Availability – GPSC/Hospital

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

	2020	2019
Financial assets at year end		
Cash	$ 1,172,371	$ 724,098
Patient accounts receivable, net	3,157,766	1,747,781
Estimated amounts due from third-party payers	45,000	590,000
Due from Board of Trustees	-	19,355
Assets limited as to use	749,121	1,024,211
Beneficial interest in perpetual trusts	867,656	921,475
Total financial assets	5,991,914	5,026,920
Less amounts not available to be used within one year		
Board-designated assets with liquidity horizons greater than one year	739,318	1,009,667
Beneficial interest in perpetual trusts	867,656	921,475
Financial assets not available to be used within one year	1,606,974	1,931,142
Financial assets available to meet general expenditures within one year	$ 4,384,940	$ 3,095,778

The Hospital has donor-restricted assets limited to use which are available for general expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets to meet general expenditures within one year. The Hospital has other assets limited to use for debt service as well as board-designated assets designated for future capital expenditures and debt service. These assets limited to use, which are more fully described in *Notes 13* and *15*, are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

Note 21: Patient Service Revenue – GPSC/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

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

Medicare. The Hospital is recognized as a CAH. Under CAH rules, inpatient acute care and skilled swing-bed and certain outpatient services rendered to Medicare program beneficiaries are paid at one hundred one percent (101%) of allowable cost subject to certain limitations. Other outpatient services related to Medicare beneficiaries are paid based on fee schedules and cost reimbursement methodologies, subject to certain limitations. The Hospital is reimbursed for most services at tentative rates with final settlement determined after submission of an annual cost report by the Hospital and audit thereof by the Medicare administrative contractor.

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

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

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

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

Refund Liabilities

From time to time the Hospital will receive overpayments of patient balances from third-party payers or patients resulting in amounts owed back to either the patients or third-party payers. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of March 31, 2020 and 2019, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $103,000 and $45,000, respectively. The liability is included in 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 March 31, 2020 and 2019, additional revenue of approximately $115,000 and $141,000, 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, clinic, etc.)

For the years ended March 31, 2020 and 2019, the Hospital recognized revenue of $14,758,359 and $13,400,139, respectively, from goods and services that transfer to the customer over time and $2,687,968 and $2,810,929, respectively, from goods and services that transfer to the customer at a point in time.

Contract Assets and Liabilities

Contract assets consist primarily of health care services provided to patients who are still receiving inpatient care in the Hospital at the end of the year. Contract assets are transferred to receivables when the rights become unconditional. Contract liabilities represent the Hospital's obligation to provide services to patients when consideration has already been received from the patient or a third-party payer. There are no contract assets and liabilities recognized for the years ended March 31, 2020 and 2019.

Note 22: 340B Drug Pricing Program – GPSC/Hospital

The Hospital began participating in the 340B Drug Pricing Program (340B Program) during 2015, enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $2,549,637 and $2,501,522 for the years ending March 31, 2020 and 2019, respectively, which are included in other operating revenue in the accompanying statements of operations and changes in net assets. The Hospital recorded expenses of $1,482,532 and $1,424,597 for the years ending March 31, 2020 and 2019, respectively, which are 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 23: Functional Expenses – GPSC/Hospital

The Hospital provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been allocated among the health care services and general and administrative functional expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedule presents the natural classification of expenses by function for the year ended March 31, 2020 and 2019, as follows:

	2020		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 5,005,969	$ 1,613,129	$ 6,619,098
Supplies and other	6,159,421	2,592,893	8,752,314
Depreciation	1,649,545	621,387	2,270,932
Interest	555,553	209,278	764,831
	$ 13,370,488	$ 5,036,687	$ 18,407,175

	2019		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 4,830,348	$ 1,614,179	$ 6,444,527
Supplies and other	6,438,160	2,840,955	9,279,115
Depreciation	1,165,565	460,819	1,626,384
Interest	406,456	160,697	567,153
	$ 12,840,529	$ 5,076,650	17,917,179
Loss on disposal of property and equipment			1,830,210
Total expenses			$ 19,747,389

Note 24: Pension Plan – GPSC/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 5% of the excess over $16,000. Employee contributions are computed at the rate of 2.5% of annual compensation plus 2.5% of the excess over $16,000. Benefits are funded by a money-purchase annuity with an insurance company. The plan is funded for past service on an installment basis over the estimated remaining duration of employment from the effective date of the plan (April 1, 1970) to the employee's normal retirement date. The Hospital's cost of the plan for the years ended March 31, 2020 and 2019, was $493,320 and $466,051, respectively. Benefits vest at 20% per year of service with 100% vesting after five years of service.

Note 25: Lease and Management Agreement – GPSC/Hospital

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

In addition, GPSC has entered into agreements with GPHA for other services, including data processing and billing services, which are yearly contracts that automatically renew unless cancelled by either party at least 60 days before the end of the term. Fees incurred for these services totaled $962,985 and $804,880 in 2020 and 2019, respectively, and are included in the supplies and other expense grouping on the statements of operations and change in net assets. Amounts included in accounts payable, related to these services, totaled $72,022 and $138,407 as of March 31, 2020 and 2019, respectively.

Note 26: Disclosures About Fair Value of Assets – GPSC/Hospital

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

Level 1 Quoted prices in active markets for identical assets

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

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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying balance sheets measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at March 31, 2020 and 2019:

		2020 Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Beneficial interest in perpetual trusts	$ 867,656	$ -	$ 867,656	$ -

		2019 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in perpetual trusts	$ 921,475	$ -	$ 921,475	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended March 31, 2020.

Beneficial Interest in Perpetual Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy as of March 31, 2020 and 2019.

Note 27: Great Plains Employee Benefits Trust – GPSC/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 Benefits Plan (the Plan) for its member organizations and their participating employees. The Hospital is a member organization in the Trust and substantially all of the Hospital’s employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant’s monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No insurance assessments were necessary in 2020 and 2019.

Note 28: Significant Estimates and Concentrations – GPSC/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:

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 13* and *21*.

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Note 13*.

Note 29: Changes in Accounting Principles – GPSC/Hospital

Topic 606 Revenue from Contracts with Customers

On April 1, 2019, the Hospital adopted Topic 606 *Revenue from Contracts with Customers (Topic 606)*, using a modified retrospective method of adoption to all contracts with customers (patients) at April 1, 2019.

The core guidance in Topic 606 is to recognize revenue to depict the transfer of promised goods or services to patients in amounts that reflect the consideration to which the Hospital expects to be entitled in exchange for those goods or services.

The amount to which the Hospital expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing patient services to its patients.

Adoption of Topic 606 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

Prior to the adoption of Topic 606, the majority of the provision for uncollectible accounts related to patients without insurance, as well as patient responsibility balances for co-pays, co-insurance and deductibles for patients with insurance. Under Topic 606, the estimated amounts due from patients for which the Hospital does not expect to be entitled or collect from the patients are considered implicit price concessions and excluded from the Hospital’s estimation of the transaction price or revenue recorded.

The adoption had no impact on net income or net cash provided by operating activities.

Restricted Cash

In 2019, the Hospital changed its method of accounting for board-designated cash and restricted cash included in assets limited as to use by adopting the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash.* The new accounting guidance in ASU 2016-18 requires balances generally described as board-designated cash and restricted cash included in assets limited as to use to be included with cash when reconciling beginning and end of the period balances on the statement of cash flows. This change was applied retrospectively to all periods presented which resulted in the following changes within the statement of cash flows:

	March 31, 2019		
	As Previously Reported	As Adjusted	Adoption Impact
Operating activities			
Change in assets limited as to use	$ (887,905)	$ -	$ 887,905
Net cash used in operating activities	(1,532,776)	(644,871)	887,905
Increase (decrease) in cash	(557,611)	330,294	887,905
Cash, beginning of year	1,281,709	1,418,015	136,306
Cash, end of year	724,098	1,748,309	1,024,211

Note 30: Subsequent Events – GPSC/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 March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act* (*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* contains provisions expanding the Medicare Accelerated and Advanced Payment Program. This is a short-term advance payment that will have to be paid back on terms that are set by the regulations. The Hospital was able to request up to 125% of the Medicare payment amount for a six-month period. On April 14, 2020, the Hospital received approximately $4,365,000 as part of this program. The Hospital will continue to submit claims as usual after receiving the advanced payment; however, 120 calendar days after the lump-sum accelerated payment is received, the Medicare Administrative Contractor will recoup 100% of any future Medicare remittance payments to satisfy the accelerated payment received by the Hospital. The Hospital's Medicare payments will be reduced until the accelerated payment amount is paid off in full. This could lead to periods where Medicare payments are zero dependent on the amount of advanced payment received by the Hospital and current billings to Medicare.

After a defined period of time, as set by the regulations, if the entire advanced amount is not paid in full, the Centers for Medicare and Medicaid Services will expect the Hospital to submit payment of any unpaid balance. Critical access hospitals have one year from the date the accelerated payment is received to repay any unpaid balance in full. At the end of the repayment period, the Hospital may request an extended repayment plan for unpaid amounts, which will accrue interest at the prevailing interest rate (currently 10.25%).

On April 17, 2020, the Hospital received approximately $481,000 of stimulus funds from the Department of Health and Human Services (HHS). Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain the stimulus payments.

On April 17, 2020, the Hospital obtained a loan through a local bank that is fully guaranteed by the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP). The amount borrowed is approximately $1,486,000 at 1.00% interest with a 2-year maturity. With the passing of the *Paycheck Protection Program Flexibility Act of 2020*, PPP loans entered into before June 5, 2020 could be modified to reflect a 5-year maturity by agreement with the lender and borrow. Under the PPP, if certain conditions are met, up to 100% of the principal amount may be forgiven. Management believes all, or nearly all, of the amount borrowed will meet the conditions for loan forgiveness.

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 the 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 $100,000 on April 24, 2020, related to this special emergency grant.

On May 6, 2020, the Hospital received approximately $3,462,000 of additional stimulus funds from HHS. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain a portion, if not all, of the stimulus payments.

On May 20, 2020, the Hospital received approximately $49,000 of additional stimulus funds from HHS. Certain conditions are required to be met to retain these funds. If the conditions are met, the funds will be retained by the Hospital with no repayment obligations. Management has attested to the requirements and believes the Hospital will retain a portion, if not all, of the stimulus payments.

Subsequent events have been evaluated through September 10, 2020, which is the date the financial statements were available to be issued.

Note 31: Future Change in Accounting Principle – GPSC/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.