Independent Auditor's Report and Financial Statements

Memorial Hospital of Hospital District #1
of Dickinson County, Kansas
d/b/a Memorial Health System

September 30, 2022 and December 31, 2021

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Wendling Noe Nelson & Johnson LLC
Certified Public Accountants and Business Advisors

Ashley R. Davis, CPA
Heather R. Eichem, CPA
Brian J. Florea, CPA
Eric L. Otting, CPA
Cameron L. Werth, CPA

Adam C. Crouch, CPA · Tyler R. Crow, CPA
Stephanie D. Kennedy, CPA

Independent Auditor's Report

The Board of Directors
Memorial Hospital of Hospital District #1
of Dickinson County, Kansas
d/b/a Memorial Health System

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System (the Hospital), as of and for the nine-month period ended September 30, 2022, and for the twelve-month period ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System as of September 30, 2022 and December 31, 2021, and the respective changes in financial position, and its cash flows for the nine-month period ended September 30, 2022, and the twelve-month period ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

623 SW 10th Avenue, Suite 300, Topeka, Kansas 66612-1679 · (785)233-4226 · (888)272-9665 · FAX: (785)233-6830
www.wnnjcpa.com · EMAIL: wnnj@wnnjcpa.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Kansas Municipal Auditing Standards 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 generally accepted auditing standards and Kansas Municipal Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Hospital's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Wendling Noe Nelson & Johnson LLC

Topeka, Kansas
March 13, 2023

Financial Statements

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas
d/b/a Memorial Health System
Statements of Net Position
As of September 30, 2022 and December 31, 2021

Assets and Deferred Outflows of Resources

	September 30, 2022	December 31, 2021
Current assets		
Cash and invested cash	$ 7,357,102	$ 11,219,021
Investments	4,086,077	4,072,338
Assets whose use is limited by indenture agreement - required for current liabilities	1,125,748	219,602
Patient accounts receivable, net of allowance for doubtful accounts of $1,190,648 in 2022 and $2,274,440 in 2021	3,963,355	3,237,860
Accounts receivable - other	746,869	525,879
Estimated third-party payor settlements	750,289	1,184,312
Inventories	393,996	311,645
Prepaid expenses	293,970	201,980
Ad valorem taxes receivable	6,050	360,000
Total current assets	18,723,456	21,332,637
Assets whose use is limited		
By indenture agreement	2,482,822	1,571,360
Less amounts required for current liabilities	(1,125,748)	(219,602)
Noncurrent assets whose use is limited	1,357,074	1,351,758
Other investments	116,908	100,318
Capital assets - net	19,988,907	19,907,070
Other assets	52,036	61,648
Total assets	40,238,381	42,753,431
Deferred outflows of resources - loss on bond refunding	917,995	1,014,316
Total assets and deferred outflows of resources	$ 41,156,376	$ 43,767,747

The accompanying notes are an integral part of these statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	September 30, 2022	December 31, 2021
Current liabilities		
Current maturities of long-term debt	$ 980,000	$ 980,000
Accounts payable	613,995	1,192,180
Due to Salina Regional Health Affiliations	3,144,471	1,386,977
Accrued salaries, wages, and related withholding taxes payable		723,422
Accrued vacation pay		839,977
Accrued interest payable	227,803	59,067
Estimated third-party payor settlements	259,000	234,000
Unearned CARES Act revenue		459,426
Other current liabilities	10,595	154,261
Total current liabilities	5,235,864	6,029,310
Noncurrent liabilities		
Long-term debt, excluding current maturities	16,790,227	16,877,213
Due to Salina Regional Health Affiliations, excluding current portion	1,969,686	2,116,449
Agency funds	52,036	61,648
Total noncurrent liabilities	18,811,949	19,055,310
Total liabilities	24,047,813	25,084,620
Deferred inflows of resources - deferred ad valorem tax revenue		360,000
Net position		
Net investment in capital assets	3,136,674	3,064,172
Restricted		
For debt service	2,482,822	1,571,360
Expendable for capital acquisitions	9,151	115,458
For specific operating activities	102,428	88,235
Unrestricted	11,377,488	13,483,902
Total net position	17,108,563	18,323,127
Total liabilities, deferred inflows of resources, and net position	$ 41,156,376	$ 43,767,747

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas
d/b/a Memorial Health System
Statements of Revenues, Expenses, and Changes in Net Position
For the nine-month period ended September 30, 2022 and
twelve-month period ended December 31, 2021

	Nine-month period ended September 30, 2022	Twelve-month period ended December 31, 2021
Operating revenues		
Net patient service revenue	$ 29,075,682	$ 32,946,294
Other	1,704,388	2,770,249
Total operating revenues	30,780,070	35,716,543
Operating expenses		
Salaries and wages	14,975,596	17,985,859
Employee benefits	2,807,656	4,377,730
Actuarial adjustments to pension and OPEB expenses		(536,585)
Purchased administrative services	3,252,137	
Supplies and other	12,984,280	13,922,396
Depreciation and amortization	2,511,388	2,248,683
Total operating expenses	36,531,057	37,998,083
Operating loss	(5,750,987)	(2,281,540)
Nonoperating revenues (expenses)		
Investment income	51,336	37,892
Ad valorem taxes	351,781	340,717
Noncapital contributions	285,623	347,121
Noncapital contributions related party	3,252,137	
Interest expense	(515,543)	(724,154)
COVID-19 noncapital contributions	626,047	3,493,429
SBA loan forgiveness		3,506,853
Insurance recoveries		401,099
Other	2,571	180,642
Nonoperating revenues (expenses), net	4,053,952	7,583,599
Excess of revenues over (under) expenses before capital contributions and gain on settlement of employee post-employment benefit obligations	(1,697,035)	5,302,059
Capital contributions	482,471	676,200
Gain on settlement of employee post-employment benefit obligations		8,346,114
Change in net position	(1,214,564)	14,324,373
Net position at beginning of period	18,323,127	3,998,754
Net position at end of period	$ 17,108,563	$ 18,323,127

The accompanying notes are an integral part of these statements.

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas
d/b/a Memorial Health System
Statements of Cash Flows
For the nine-month period ended September 30, 2022 and
twelve-month period ended December 31, 2021

	Nine-month period ended September 30, 2022	Twelve-month period ended December 31, 2021
Cash flows from operating activities		
Receipts from and on behalf of patients	$ 28,809,210	$ 26,829,041
Payments to or on behalf of employees and contracted employees	(17,704,959)	(23,916,033)
Payments to suppliers	(11,144,402)	(13,802,507)
Other receipts and payments	1,691,752	2,380,190
Net cash provided (used) by operating activities	1,651,601	(8,509,309)
Cash flows from noncapital financing activities		
Ad valorem taxes	351,781	340,717
Noncapital contributions	105,550	553,962
CARES Act grants received	23,089	2,110,872
Other nonoperating receipts and payments	(9,003)	19,204
Net cash provided by noncapital financing activities	471,417	3,024,755
Cash flows from capital and related financing activities		
Purchase of capital assets	(5,231,229)	(1,368,503)
Proceeds from sale of assets	1,450	533,653
Contributions for capital assets	463,157	25,592
Repayment of long-term debt		(945,000)
Interest paid	(337,472)	(713,936)
Net cash used by capital and related financing activities	(5,104,094)	(2,468,194)
Cash flows from investing activities		
Decrease in investments	337,442	201,778
Investment income	77,117	64,430
Net cash provided by investing activities	414,559	266,208
Net change in cash and cash equivalents and restricted cash	(2,566,517)	(7,686,540)
Cash and cash equivalents and restricted cash at beginning of period	16,042,516	23,729,056
Cash and cash equivalents and restricted cash at end of period	$ 13,475,999	$ 16,042,516

The accompanying notes are an integral part of these statements.

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas
d/b/a Memorial Health System
Statements of Cash Flows - Continued
For the nine-month period ended September 30, 2022 and
twelve-month period ended December 31, 2021

	Nine-month period ended September 30, 2022	Twelve-month period ended December 31, 2021
Reconciliation of cash and cash equivalents and restricted cash		
Cash and cash equivalents reported as current assets	$ 7,357,102	$ 11,219,021
Cash and cash equivalents reported in assets limited as to use by indenture agreement	2,482,822	1,571,360
Cash and cash equivalents reported in investments	3,584,039	3,190,487
Cash and cash equivalents reported in other assets	52,036	61,648
	$ 13,475,999	$ 16,042,516
Reconciliation of operating loss to net cash provided (used) by operating activities		
Operating loss	$ (5,750,987)	$ (2,281,540)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation and amortization	2,511,388	2,248,683
Provision for bad debts	1,226,436	2,037,233
Noncapital contribution related party not reimbursed	3,252,137	
Payment to settle employee post-employment benefit obligations		(1,682,314)
Changes in		
Patient and other accounts receivable	(1,940,146)	(1,515,490)
Estimated third-party payor settlements	459,023	289,740
Inventories and prepaid expenses	(174,341)	281,435
Accounts payable and accrued expenses	2,068,091	(105,566)
Medicare accelerated payments		(7,244,904)
Net pension liability, deferred inflows, and deferred outflows related to defined benefit pension and OPEB plans		(536,586)
Net cash provided (used) by operating activities	$ 1,651,601	$ (8,509,309)
Supplemental schedule of noncash investing and financing activities		
Net change in unrealized losses on investments	$ (25,781)	$ (24,937)

The accompanying notes are an integral part of these statements.

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas
d/b/a Memorial Health System
Notes to Financial Statements
September 30, 2022 and December 31, 2021

Note A - Summary of Accounting Policies

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

1. Financial reporting entity

Memorial Hospital of Hospital District #1 of Dickinson County, Kansas d/b/a Memorial Health System (Hospital), is a municipal corporation operating an acute-care hospital located in Abilene, Kansas, with a licensed bed capacity of 25 acute care beds and 10 psychiatric beds and a long-term care facility with a licensed bed capacity of 75 beds. The Hospital also operates a physician clinic located in Abilene, Kansas. The Hospital is governed by an elected five-member Board of Directors.

Effective January 1, 2022, the Hospital entered into a Management and Operating Agreement (Agreement) with Salina Regional Health Affiliations, LLC (SRHA). The Agreement provides for SRHA to manage and operate the Hospital for an initial period of five years with automatic renewals of five-year terms unless either the Hospital or SRHA provides written notice to terminate at least one year prior to the expiration of any such term. In connection with the management and operation of the Hospital, SRHA became the employer of all of the Hospital's employees on January 1, 2022. The Hospital reimburses all costs incurred by SRHA with any outstanding balances recorded in a due to/due from account that is required to be resolved upon termination of the Agreement. The Hospital's Board of Directors retains the authority to participate in making significant decisions, as defined in the Agreement.

The Hospital approved changing its year-end to September 30 beginning in 2022. The comparative financial statements include the activity for the twelve-month period ended December 31, 2021.

2. Component units

The Memorial Health Foundation (Foundation) was formed and organized as a Kansas not-for-profit corporation on August 6, 2013. The Foundation is organized for specific health care purposes and is intended to be an auxiliary association and supporting organization for the financial aid and assistance of the Hospital and all of its component or affiliated organizations and other causes and institutions. The Foundation is organized exclusively for charitable, educational, and scientific purposes, including, but not limited to, the sponsorship of specific projects and programs to improve health care services in the geographic area served by the Hospital.

Since the bylaws of the Foundation provide that the Hospital's board will always make up the majority of the Foundation's board and a financial benefit/burden relationship exists between the Hospital and the Foundation, the Hospital includes the Foundation as a component unit in the Hospital's financial statements using the blended method. All significant intercompany accounts and transactions have been eliminated in the accompanying financial statements.

Abilene Housing, Inc. (AHI), was formed and organized as a Kansas not-for-profit corporation. AHI provides housing for elderly and handicapped persons in a 60-unit apartment project located in Abilene, Kansas, and provides services specifically designed to meet the physical, social, and psychological needs of those individuals. Membership of AHI's Board consists of three members designated by the Hospital Board, one member is a member of the Board of Directors of the Hospital, the Chief Executive Officer of the Hospital, and either the Chief Financial Officer, Chief Operating Officer, or Chief Nursing Officer of the Hospital.

The Hospital is financially accountable for AHI since the Hospital Board appoints AHI's Board. The Hospital does not have access to AHI's resources and is not legally obligated for AHI's long-term debt. Management has chosen to not blend the financial activity of AHI due to immateriality. Condensed financial statements of AHI are presented in Note S.

Note A - Summary of Accounting Policies - Continued

3. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses and liabilities are recorded when incurred.

4. Use of estimates

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

5. Cash equivalents

All cash and invested cash include highly-liquid investments with an original maturity of three months or less, are to be considered cash equivalents for purposes of the cash flow statement.

6. Patient accounts receivable

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

7. Inventories

Inventories are stated at the lower of cost or net realizable value.

8. Investments in debt and equity securities

Investments in debt and equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in nonoperating investment income.

9. Capital assets

Capital assets are stated at cost. Depreciation and amortization of capital assets is provided on the straight-line method over the estimated useful lives of the assets. The estimated lives used are generally in accordance with the guidelines established by the American Hospital Association.

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

10. Costs of borrowing

Interest costs incurred on borrowed funds during the period of construction of capital assets are expensed in the period incurred. Costs incurred in connection with the issuance of long-term debt are expensed in the period incurred.

Note A - Summary of Accounting Policies - Continued

11. Deferred outflows and inflows of resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as revenue until then.

12. Pension and Other Post-Employment Benefit (OPEB) plans

The Hospital participated in the Kansas Public Employees Retirement System Plan (KPERS), a cost sharing multiple employer defined benefit pension plan and provided long-term disability benefits to its employees through KPERS through December 27, 2021.

On December 27, 2021, the Hospital entered into a settlement agreement and made a payment to KPERS to fully discharge its KPERS defined benefit pension plan and long-term disability benefits plan obligations (Note P).

13. Net position

Net position is classified in three components. "Net investment in capital assets" consists of capital assets net of accumulated depreciation and reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. "Restricted net position" is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital including amounts deposited with trustees as required by indenture agreements. "Unrestricted net position" is the remaining net position that does not meet the definition of "net investment in capital assets" or "restricted."

14. Net patient service revenue

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

15. Operating revenues and expenses

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

16. Charity care

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

Note A - Summary of Accounting Policies - Continued

17. Ad valorem taxes

The Hospital receives financial support from ad valorem taxes. Ad valorem taxes are assessed in November of each year and are available for use by the Hospital in the following year.

18. Income taxes

The Hospital is exempt from federal income taxes pursuant to Sections 115 and 501(a) of the Internal Revenue Code. The Foundation is exempt from federal income taxes pursuant to section 501(c)(3).

19. Subsequent events

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

20. Adoption of accounting pronouncements

Effective December 31, 2021, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which revised existing standards on lease accounting and financial reporting. The adoption of this standard did not result in changes to previously reported amounts and no leases material to the financial statement were recorded.

21. Reclassifications and restatement

Certain reclassifications were made to the 2021 financial statements to match the 2022 classifications. These reclassifications did not impact on previously reported net position and change in net position.

Note B - Reimbursement Programs

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

Medicare - The Hospital is a critical access hospital for purposes of the Medicare program. Inpatient and outpatient acute care services, swing-bed services, and rural health clinic (RHC) services rendered to Medicare beneficiaries are paid under cost reimbursement methodologies with RHC services subject to a per-visit cap effective for visits occurring after March 31, 2021.

Inpatient geriatric psychology services and skilled nursing services, provided at the Hospital's long-term care facility, are paid based on prospectively determined per diem rates. Physician services, other than RHC services, rendered to Medicare beneficiaries are paid based on a prospectively determined fee schedule.

The Hospital is paid for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits or reviews thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization. The Hospital's Medicare cost reports have been audited or reviewed by the Medicare administrative contractor through December 31, 2018.

Note B - Reimbursement Programs - Continued

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The Hospital receives a hospital-specific add-on percentage to each claim based on previously filed cost reports. Nursing facility services are paid at prospectively determined per diem rates set annually on the basis of cost information from preceding calendar years. RHC services rendered to Medicaid beneficiaries are paid at a prospectively determined rate per occasion of service. All other services rendered to Medicaid beneficiaries are paid at prospective rates determined on either a per diem or a fee-for-service basis and are not subject to retroactive adjustment.

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

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

A summary of gross and net patient service revenue follows:

	Nine-month period ended September 30, 2022	Twelve-month period ended December 31, 2021
Gross patient service revenue	$ 52,161,297	$ 58,606,350
Adjustments to patient service revenue		
Third-party contractual adjustments, discounts, and allowances	(21,487,436)	(23,242,883)
Provision for bad debts	(1,226,436)	(2,037,233)
Charity care	(371,743)	(379,940)
Net patient service revenue	$ 29,075,682	$ 32,946,294

Revenue from the Medicare and Medicaid programs accounted for approximately 56 percent and 11 percent, respectively, of the Hospital's net patient service revenue during 2022, and 56 percent and 12 percent, respectively, of the Hospital's net patient service revenue during 2021. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term.

Note C - Assets Whose Use is Limited by Indenture Agreement

Assets whose use is limited by indenture agreement consist of money market mutual funds that are held by a trustee under bond indenture agreements. Amounts that are required for obligations classified as current liabilities are reported in current assets.

Note D - Investments and Other Investments

Investments are summarized as follows:

	September 30, 2022	December 31, 2021
Invested cash consisting of bank certificates of deposit, bank savings accounts, and money market mutual funds	$ 3,584,039	$ 3,190,487
Common stock at fair value	51,404	40,466
Corporate bonds at fair value	430,240	819,134
Abilene Community Foundation Endowment fund	12,015	13,162
Accrued interest	8,379	9,089
	$ 4,086,077	$ 4,072,338

The Hospital received contributions from an outside trust consisting of common stocks and corporate bonds. The outside trustee stipulated that the Hospital board administer the resources created by the contributions separate from public monies held by the Hospital and that the assets be invested with the goal of maximizing the benefit to the Hospital by retaining the securities in their existing form through their maturities and placing the assets in similar high-grade securities in the future. Restrictions on the use of the contributions have been met and the investments are now unrestricted as to their use by the Hospital.

Other investments consist of the Hospital's 25-percent ownership interest in Mobile Clinical Services, Inc. (MCSI). The Hospital's equity in undistributed net earnings of MCSI since acquisition is $116,908. Nuclear medicine and ultrasound services are provided to the Hospital through arrangements with MCSI. Total fees charged to operating expense for these services were approximately $25,040 in the nine-month period ended September 30, 2022, and $46,100 in the twelve-month period ended December 31, 2021. Amounts payable to MCSI for these services were insignificant at September 30, 2022 and December 31, 2021.

Note E - Capital Assets

Capital asset additions, retirements, and balances are as follows:

	Balance December 31, 2021	Additions/ transfers	Retirements	Balance September 30, 2022
Land improvements	$ 1,466,892	$ -	$ -	$ 1,466,892
Buildings	30,412,589	763,089		31,175,678
Major movable equipment	9,912,170	4,856,581	24,105	14,744,646
Total capital assets being depreciated	41,791,651	5,619,670	24,105	47,387,216
Less accumulated depreciation				
Land improvements	975,195	59,055		1,034,250
Buildings	17,787,934	1,115,839		18,903,773
Major movable equipment	7,418,966	1,336,494	19,078	8,736,382
Total accumulated depreciation	26,182,095	2,511,388	19,078	28,674,405
Total capital assets being depreciated, net	15,609,556	3,108,282	5,027	18,712,811
Land	491,001			491,001
Construction in process	3,806,513	(3,021,418)		785,095
Total capital assets not being depreciated	4,297,514	(3,021,418)	-	1,276,096
Capital assets, net	$19,907,070	$ 86,864	$ 5,027	$19,988,907

Note E - Capital Assets - Continued

	Balance December 31, 2020	Additions/ transfers	Retirements	Balance December 31, 2021
Land improvements	$ 1,480,214	$ -	$ 13,322	$ 1,466,892
Buildings	30,199,318	672,090	458,819	30,412,589
Major movable equipment	10,171,986	1,110,332	1,370,148	9,912,170
Total capital assets being depreciated	41,851,518	1,782,422	1,842,289	41,791,651
Less accumulated depreciation				
Land improvements	909,817	78,700	13,322	975,195
Buildings	16,699,126	1,517,148	428,340	17,787,934
Major movable equipment	8,124,881	652,835	1,358,750	7,418,966
Total accumulated depreciation	25,733,824	2,248,683	1,800,412	26,182,095
Total capital assets being depreciated, net	16,117,694	(466,261)	41,877	15,609,556
Land	821,026		330,025	491,001
Construction in process	290,200	3,516,313		3,806,513
Total capital assets not being depreciated	1,111,226	3,516,313	330,025	4,297,514
Capital assets, net	$17,228,920	$ 3,050,052	$ 371,902	$19,907,070

Construction in progress at September 30, 2022, consists of various building improvements. As of September 30, 2022, the Hospital had signed a commitment of $2,520,000 to renovate clinic space.

Note F - Deferred Ad Valorem Tax Revenue

Deferred ad valorem tax revenue is levied in November but not available for expenditure in the current period.

Note G - Long-Term Debt

Long-term debt consists of the following:

	September 30, 2022	December 31, 2021
3.00% - 5.00% Abilene, Kansas Public Building Commission Refunding Revenue bonds, Series 2017; issued on December 14, 2017, in the original amount of $17,405,000; due serially through December 1, 2035	$ 16,885,000	$ 16,885,000
Add net unamortized premium on bonds	885,227	972,213
	17,770,227	17,857,213
Less current maturities	(980,000)	(980,000)
Long-term debt, excluding current maturities	$ 16,790,227	$ 16,877,213

The following is a summary of changes in long-term debt:

Outstanding at January 1, 2021	$ 18,927,724
Principal payments	(945,000)
Amortization of premium on bonds issued	(125,511)
Outstanding at December 31, 2021	17,857,213
Amortization of premium on bonds issued	(86,986)
Outstanding at September 30, 2022	$ 17,770,227

On December 14, 2017, the Abilene, Kansas Public Building Commission issued $17,405,000, in Refunding Revenue Bonds, Series 2017 (the 2017 PBC bonds), for the benefit of the Hospital pursuant to a Trust Indenture. The proceeds of these bonds were used to (1) pay the costs related to the issuance of the 2017 bonds, and (2) advance refund $6,985,000 of the 2011 PBC bonds and $10,000,000 of the 2012 PBC bonds by making an irrevocable deposit with a trustee. The trustee used that deposit to purchase direct obligations of the United States of America that will mature and pay interest in amounts and at times that will provide for payment of interest on the refunded (1) 2011 bonds through December 1, 2019, and on that date redeem and pay $6,985,000 of the refunded debt, and (2) 2012 bonds through December 1, 2022, and on that date redeem and pay the $10,000,000 of refunded debt, at 100 percent on those dates. As a result of this transaction, a deferred refunding loss was recognized for the difference between the book value of the refunded debt and the amount required to extinguish the debt. This deferred loss is reported as a deferred outflow of resources on the statement of net position and is being amortized into expense over the term of the bonds.

The Pledge of Revenues and Intercreditor Agreement between the Hospital and the City of Abilene, Kansas, and Abilene, Kansas Public Building Commission, requires the Hospital to transfer to a trustee, on a monthly basis, specified amounts which, when combined with interest earned on the respective funds held by the trustee, will provide sufficient funds to pay the principal and interest on the appropriate due dates. Such transfers were made and are included in assets whose use is limited. The obligations of the Hospital under

Note G - Long-Term Debt - Continued

the agreement are secured by a pledge of its unrestricted revenues, subject to the right of the Hospital to dispose of or encumber property as defined and permitted in the agreement. The agreement also includes certain restrictive covenants relating to the disposition of property, adequacy of insurance coverage, incurrence of additional indebtedness, the level of days cash on hand, and the level of fees and rates charged. The covenant in the agreement requires that fees and rates for services be set at levels sufficient for the Hospital to produce income available for debt service in each fiscal year equal to 125 percent of the debt service requirements during that fiscal year for outstanding debt.

Scheduled annual debt service requirements on long-term debt are as follows:

	Principal	Interest	Total
2023	$ 980,000	$ 655,344	$ 1,635,344
2024	1,020,000	615,344	1,635,344
2025	965,000	570,819	1,535,819
2026	1,010,000	521,444	1,531,444
2027	1,060,000	469,694	1,529,694
2028-2032	6,110,000	1,534,069	7,644,069
2033-2037	6,625,227	361,959	6,987,186
	$ 17,770,227	$ 4,728,673	$ 22,498,900

Total interest costs incurred are as follows:

	Nine-month period ended September 30, 2022	Twelve-month period ended December 31, 2021
Total interest incurred	$ 506,208	$ 710,684
Amortization of bond premium	(86,986)	(125,511)
Amortization of deferred loss on advance refunding	96,321	138,981
Interest expense	$ 515,543	$ 724,154

Note H - SBA PPP Loan Payable

On April 13, 2020, the Hospital was granted a $3,520,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and is fully guaranteed by the Federal government. The Hospital received loan forgiveness of the entire loan amount plus accrued loan interest of $41,164 on June 8, 2021, and has recognized this forgiveness as nonoperating revenues.

Note I - Unearned Revenue (CARES) and COVID-19 Grants

Unearned revenue consists of federal assistance through the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, and subsequent legislation. The Hospital received from the United States Department of Health and Human Services (HHS) provider relief funds to be used to prevent, prepare for, and respond to coronavirus and to reimburse the Hospital for health care related expenses and lost revenues as defined by HHS, that are attributable to coronavirus (COVID-19). The Hospital also received HHS rural health clinic testing funds to be used to support coronavirus testing and related expenses in rural health clinics, HHS nursing home testing funds to be used to support coronavirus testing, and SPARK (Strengthening People and Revitalizing Kansas) grants from the state of Kansas to respond to coronavirus. As a condition to receiving these distributions, the Hospital must agree to the terms and conditions of the funds. These funds are considered voluntary nonexchange transactions subject to eligibility requirements and are recognized as unearned revenues until such time the eligibility requirements are met.

The Hospital has determined that the conditions for lost revenues and allowable expenditures have been met for $796,065 and $3,923,942 of HHS provider relief funds, rural health clinic testing, nursing home testing, and SPARK funds for the nine-month period ended September 30, 2022, and the twelve-month period ended December 31, 2021, respectively. These amounts have, therefore, been recognized and are classified in the financial statements as COVID-19 grant revenue and capital grants and contributions along with the forgiveness of the PPP loan and several other COVID-19 grants received during the nine-month period ended September 30, 2022, and the twelve-month period ended December 31, 2021. The terms and conditions of these programs are complex and subject to interpretation and evolving guidance. As a result, there is a reasonable possibility that recorded amounts could change by a material amount in the near term.

Note J - Leases

The Hospital leases property and equipment under operating lease arrangements. Total lease expense under all operating leases was approximately $11,400 for the nine-month period ended September 30, 2022, and $43,600 for the twelve-month period ended December 31, 2021.

Note K - Risk Management

The Hospital is insured for professional liability under a comprehensive hospital liability policy provided by an independent insurance carrier with limits of $500,000 per occurrence and up to an annual aggregate of $1,500,000 for all claims made during the policy year. The Hospital also has general liability coverage with limits of $1,000,000 per occurrence and up to an annual aggregate of $3,000,000 for all claims made during the year. All coverage is on a claims-made basis. The above policies have been renewed through January 1, 2023. The Hospital intends to renew this coverage on that date and is aware of no reason why such coverage would be denied at that time.

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

The Hospital is involved in litigation and other disputes arising in the normal course of business. After consultation with legal counsel, management believes that these matters will be resolved without material adverse effect on the Hospital's future financial position or results from operations.

Note L - Deposits with Financial Institutions

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

The carrying amount of the Hospital's deposits with financial institutions was $7,722,796 and the bank balances were $7,794,243 at September 30, 2022. The bank balances are categorized as follows at September 30, 2022:

Amount insured by the F.D.I.C., or collateralized with securities held by the Hospital or by its agent in the Hospital's name	$ 996,216
Uncollateralized (amount collateralized with securities held in safekeeping by an authorized depository other than the pledging financial institution's trust department, but not in the Hospital's name)	6,798,027
	$ 7,794,243

The carrying amount of the Foundation's deposits with financial institutions was $229,344 and the bank balances were $230,632. The bank balances were fully covered by federal depository insurance.

Note M - Concentration of Credit Risk

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

	September 30, 2022	December 31, 2021
Medicare	35 %	35 %
Medicaid	20	6
Blue Cross	10	14
Other third-party payors	19	19
Patients	16	26
	100 %	100 %

Note N - Budgetary Comparison

Kansas statutes require that a fixed annual operating budget be legally adopted for the Hospital. All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the Hospital for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at year-end. The comparison of the actual expenditures and the budgetary expenditures is as follows.

	Nine months ended September 30, 2022	Twelve months ended December 31, 2021
Actual expenditures	$ 39,749,219	$ 39,125,561
2021 budgeted expenditures	$ -	$ 43,544,518
2022 budgeted expenditures	40,417,962	
Total budgeted expenditures	$ 40,417,962	$ 43,544,518

The budgeted expenditures for the nine-month period ended September 30, 2022, was computed by taking nine months of the statutory budget for the calendar ending December 31, 2022, assuming equal expenditures in each month.

Note O - Defined Benefit Pension Plan and Other Post-Employment Benefit Plan

Defined benefit pension plan description

The Hospital participated in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. through the date of separation, which was December 27, 2021. Substantially all employees of the Hospital were eligible to participate in KPERS through the date of separation. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits.

Defined benefit pension contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of an annual actuarial valuation for each of the three statewide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

Note O - Defined Benefit Pension Plan and Other Post-Employment Benefit Plan - Continued

KPERS has three benefit structures and funding depending on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members were hired before July 1, 2009, Tier 2 members were first employed on or after July 1, 2009, and Tier 3 members were first employed on or after January 1, 2015. Kansas law establishes the KPERS member-employee contribution rate of 6 percent of covered salary for all members for 2021. The employer rate established by statute at December 31, 2021, was 8.87 percent. The Hospital employer contributions to KPERS for the year ended December 31, 2021, were $1,449,296 equaled the statutory required contributions for each year.

Defined benefit pension expense

For the period ended December 31, 2021, the Hospital recognized pension expense of $874,689 which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

Other post-employment benefit plan description and benefits provided

KPERS also sponsors a long-term disability program for participating employers (the Plan). Participating employers pay the cost of the long-term disability and life insurance coverage for their members as provided by K.S.A. 74-04927. The Hospital was previously considered to be participating in a single employer long-term disability plan. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than post-employment benefits (OPEB), the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

Changes in total OPEB liability

	June 30, 2021
Balance at beginning of period	$ 269,795
Changes for the year	
Service cost	61,292
Interest	7,121
Changes of economic/demographic gains or losses	(28,786)
Changes in assumptions or other inputs	577
Benefit payments	(18,061)
Liability settlement payment	(291,938)
	(269,795)
Balance at end of period	$ -

Note O - Defined Benefit Pension Plan and Other Post-Employment Benefit Plan - Continued

Other post-employment benefit plan expense

For the period ended December 31, 2021, the Hospital recognized OPEB expense of $59,706, which includes the changes in the total OPEB liability and the amortization of deferred outflows of resources and deferred inflows of resources for the period.

On December 27, 2021, the Hospital made a $1,682,314 payment to KPERS to fully discharge the Hospital's total unfunded employee defined benefit pension plan and other post-employment benefit plan actuarial liabilities owed to KPERS on behalf of the Hospital's workforce. This payment became due on the event of the Hospital becoming a part of SRHA. Even though the Hospital will no longer be a KPERS-affiliated employer, KPERS will continue to pay benefits for the Hospital's retired employees and the Hospital's current and former employees who are eligible to retire from KPERS in the future. The Hospital recognized a $8,346,114 gain on the settlement of these employee post-employment benefit obligations, which is recognized in the Statement of Revenues, Expenses, and Changes in Net Position after the excess of revenues over expenses (expenses over revenues). This gain was calculated as follows:

Deferred outflows of resources - Pension	$ (3,820,509)
Deferred inflows of resources - Pension	4,073,700
Net pension liability	9,442,755
Deferred outflows of resources - OPEB	(57,341)
Deferred inflows of resources - OPEB	97,785
Net other postemployment benefits liability	292,038
Settlement payment	(1,682,314)
Gain on settlement of employee postemployment benefit obligations	$ 8,346,114

Note P - Retirement Plan

As of January 1, 2022, the Hospital's workforce became employees of SRHA. SRHA sponsors a defined contribution pension plan (Plan) as authorized by Kansas statues. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investment of those contributions.

The Plan covers substantially all employees of the Hospital. Employees are eligible to participate in the Plan after completing 60 days of service. To become eligible for contributions made by Salina Regional Health, the employee must have completed twelve months of service. Employee contributions vest immediately and contributions made by SRHA vest after three years of service. SRHA matches 50 percent of employee deferrals up to the first 6 percent of included compensation pay. For employees who have completed one year of service and 1,000 hours during the Plan year, SRHA will contribute an annual nonelective contribution of 2 percent of included compensation for employees with less than 10 years of service and 2.5 percent for employees with ten or more years of credited service.

The Hospital recognized pension expense of $723,112 for the nine-month period ended September 30, 2022. Employee contributions to the plan were $518,435 for the nine-month period ended September 30, 2022.

Note Q - Employee Health Insurance Claims

The Hospital was partially self-insured for health insurance claims of its employees through December 31, 2021. The Hospital reinsured a portion of its risk for such claims. The reinsurance arrangement covered annual claims in excess of $65,000 for each covered individual. Covered employees also provide part of the funds to pay claims through monthly contributions at predetermined rates. The Hospital retained an insurance company as its agent to process and settle claims. The Hospital reimbursed the agent for the amount of claims paid by the agent net of any amounts covered by reinsurance. The Hospital met its aggregate stop-loss under its policy resulting in no self-insurance liability being required as of December 31, 2021. This self-insured arrangement terminated when the Hospital affiliated with SRHA on January 1, 2022.

The following is a summary of the activity under this arrangement:

	Twelve-month period ended December 31, 2021
Estimated employee health insurance claims payable at beginning of period	$ 143,290
Provision for employer's share of incurred claims expenses for the period	997,201
Employee contributions	777,264
Payments made for claims, expenses, and reinsurance	(1,917,755)
Estimated employee health insurance claims payable at end of period	$ -

Note R - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is determined according to a hierarchy that gives highest priority to use of observable inputs and lowest priority to use of unobservable inputs. These inputs are described as follows:

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable, supported by little or no market activity, and are significant to the fair value measurement.

Note R - Fair Value Measurements - Continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used by the Hospital for assets measured at fair value on a recurring basis:

Certificates of deposit, money market mutual funds, and common stocks are valued at unadjusted quoted prices for identical securities in active markets.

Corporate bonds are valued at prices provided by an independent pricing service.

The following tables set forth, by level, the Hospital's assets measured at fair value on a recurring basis:

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Cash and certificates of deposit and money market mutual funds	$5,570,396	$ -	$ -	$5,570,396
Common stocks	51,404			51,404
Corporate bonds		430,240		430,240
	$5,621,800	$ 430,240	$ -	$6,052,040

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and certificates of deposit and money market mutual funds	$4,266,162	$ -	$ -	$4,266,162
Common stocks	40,466			40,466
Corporate bonds		819,134		819,134
	$4,306,628	$ 819,134	$ -	$5,125,762

Note S - Related Parties

Abilene Housing, Inc.

As discussed in Note A2, the Hospital is responsible for appointing members of AHI's Board of Directors. The Hospital does not make any appropriations to AHI or receive any distributions. The following is a summary of the assets, liabilities, net position, revenues and expenses, and changes in net position of AHI as of and for the periods ended:

	Twelve-month period ended September 30, 2022	Twelve-month period ended September 30, 2021
Cash and cash equivalents	$ 483,254	$ 531,345
Investments	258,804	316,382
Total current assets	742,058	847,727
Capital assets - net	974,284	1,001,512
Other assets	20,742	23,835
Total assets	$ 1,737,084	$ 1,873,074
Accounts payable	$ 55,041	$ 26,508
Current portion of mortgage payable	99,226	99,898
Other current liabilities	1,004	7,610
Total current liabilities	155,271	134,016
Mortgage payable, excluding current portion	465,483	564,692
Other liabilities	20,424	23,433
Total liabilities	641,178	722,141
Net assets	1,095,906	1,150,933
Total liabilities and net assets	$ 1,737,084	$ 1,873,074
Revenues	$ 469,265	$ 582,622
Management fee paid to Hospital	186,473	89,491
Depreciation and amortization	124,548	121,265
Other expenses	213,271	282,886
Total expenses	524,292	493,642
Change in net assets	$ (55,027)	$ 88,980

Note S - Related Parties - Continued

Salina Regional Health Affiliations, LLC

In connection with the Agreement with SRHA, SRHA processes all disbursements and payroll for the Hospital. The Hospital is charged the actual costs of its employees and the related benefits that are legally employed by SRHA. Due to this, the expenses have continued to be reported as salaries and employee benefits as this is considered a more accurate representation of the true cost of operations. The Hospital has also incurred $4,727,246 of information technology software and equipment costs to facilitate the affiliation. As of September 30, 2022, the Hospital has a balance due to SRHA totaling $5,114,157, of which $3,545,435 is related to IT software and equipment. The repayment schedule related to the IT software and equipment loan at September 30, 2022, is as follows:

2023	$ 1,575,749
2024	1,575,749
2025	393,937
	$ 3,545,435

In addition to the actual costs of employees noted above, SRHA provides additional services to the Hospital related to management and administrative services, nursing administration, medical records, information technology, support and supervision of billing activities, etc. These expenses are allocated to SRHA and its related entities based on allocation methodologies intended to estimate the actual expenses incurred. As these are considered services received by the Hospital, they have been reflected in the financial statements as operating expenses. SRHA does not intend to be reimbursed for these services, therefore, the amounts are also reflected as noncapital contributions. Operating expenses incurred and noncapital contributions recognized for the year ended September 30, 2022, totaled $3,252,137. Since SRHA employs the Hospital's employees, all employee benefits, including health insurance, dental insurance, worker's compensation and pension plan, are the responsibility of SRHA and the Hospital has agreed to reimburse these costs.

Note T - Condensed Combining Information

Condensed financial data for the Hospital and its blended component unit as of and for the period ended September 30, 2022, are presented in the following tables:

	Statement of Net Postion September 30, 2022			
	Hospital	Foundation	Eliminations	Consolidated
Assets				
Cash and invested cash	$ 7,127,758	$ 229,344	$ -	$ 7,357,102
Other current assets	11,451,860		(85,506)	11,366,354
Capital assets	19,988,907			19,988,907
Other assets	1,526,018			1,526,018
Total assets	40,094,543	229,344	(85,506)	40,238,381
Deferred outflows of resources	917,995	-	-	917,995
Total assets and deferred outflows of resources	$41,012,538	$ 229,344	$ (85,506)	$41,156,376
Liabilities				
Accounts payable	$ 611,158	$ 5,988	$ (3,151)	$ 613,995
Other current liabilities	4,621,869			4,621,869
Other noncurrent liabilities	18,811,949			18,811,949
Total liabilities	24,044,976	5,988	(3,151)	24,047,813
Deferred inflows of resources	-	-	-	-
Net position				
Net investment in capital assets	3,136,674			3,136,674
Restricted				
For debt service	2,482,822			2,482,822
Expendable for capital acquisitions		9,151		9,151
For specific operating activities		184,783	(82,355)	102,428
Unrestricted	11,348,066	29,422		11,377,488
Total net position	16,967,562	223,356	(82,355)	17,108,563
Total liabilities, deferred inflows of resources, and net position	$41,012,538	$ 229,344	$ (85,506)	$41,156,376

Note T - Condensed Combining Information - Continued

	Statement of Revenues, Expenses, and Changes in Net Position Nine-month period ended September 30, 2022			
	Hospital	Foundation	Eliminations	Consolidated
Operating revenue				
Net patient service revenue	$29,075,682	$ -	$ -	$29,075,682
Other revenues	1,734,554		(30,166)	1,704,388
Total operating revenues	30,810,236	-	(30,166)	30,780,070
Operating expenses				
Salaries and wages, employee benefits, and actuarial adjustments to pension and OPEB expenses	17,783,252			17,783,252
Supplies and other	16,234,648		1,769	16,236,417
Depreciation and amortization	2,511,388			2,511,388
Total operating expenses	36,529,288	-	1,769	36,531,057
Operating income (loss)	(5,719,052)		(31,935)	(5,750,987)
Nonoperating revenues (expenses)	4,000,401	(103,026)	156,577	4,053,952
Excess of revenues over (under) expenses before capital contributions and gain on settlement of employee postemployment obligations	(1,718,651)	(103,026)	124,642	(1,697,035)
Capital grants and contributions	595,391		(112,920)	482,471
Change in net position	(1,123,260)	(103,026)	11,722	(1,214,564)
Beginning net position	18,090,822	326,382	(94,077)	18,323,127
Ending net position	$16,967,562	$ 223,356	$ (82,355)	$17,108,563

	Statement of Cash Flows Nine-month period ended September 30, 2022			
	Hospital	Foundation	Eliminations	Consolidated
Net cash provided (used) by				
Operating activities	$ (1,562,929)	$ -	$ 3,214,530	$ 1,651,601
Noncapital financing activities	3,785,281	(99,334)	(3,214,530)	471,417
Capital and related financing activities	(5,104,094)			(5,104,094)
Investing activities	414,559			414,559
Net change in cash and cash equivalents	(2,467,183)	(99,334)		(2,566,517)
Cash and cash equivalents at beginning of period	15,713,838	328,678		16,042,516
Cash and cash equivalents at end of period	$13,246,655	$ 229,344	$ -	$13,475,999

Note T - Condensed Combining Information - Continued

Condensed financial data for the Hospital and its blended component unit as of and for the period ended December 31, 2021, are presented in the following tables:

	Statement of Net Postion December 31, 2021			
	Hospital	Foundation	Eliminations	Consolidated
Assets				
Cash and invested cash	$10,890,343	$ 328,678	$ -	$11,219,021
Other current assets	10,209,989		(96,373)	10,113,616
Capital assets	19,907,070			19,907,070
Other assets	1,513,724			1,513,724
Total assets	42,521,126	328,678	(96,373)	42,753,431
Deferred outflows of resources	1,014,316	-	-	1,014,316
Total assets and deferred outflows of resources	$43,535,442	$ 328,678	$ (96,373)	$43,767,747
Liabilities				
Accounts payable	$ 1,192,180	$ 2,296	$ (2,296)	$ 1,192,180
Unearned CARES Act revenue	459,426			459,426
Other current liabilities	4,377,704			4,377,704
Noncurrent liabilities	19,055,310			19,055,310
Total liabilities	25,084,620	2,296	(2,296)	25,084,620
Deferred inflows of resources	360,000	-	-	360,000
Net position				
Net investment in capital assets	3,064,172			3,064,172
Restricted				
For debt service	1,571,360			1,571,360
Expendable for capital acquisitions		115,458		115,458
For specific operating activities		182,312	(94,077)	88,235
Unrestricted	13,455,290	28,612		13,483,902
Total net position	18,090,822	326,382	(94,077)	18,323,127
Total liabilities, deferred inflows of resources, and net position	$43,535,442	$ 328,678	$ (96,373)	$43,767,747

Note T - Condensed Combining Information - Continued

	Statement of Revenues, Expenses, and Changes in Net Position Twelve-month period ended December 31, 2021			
	Hospital	Foundation	Eliminations	Consolidated
Operating revenue				
Net patient service revenue	$32,946,294	$ -	$ -	$32,946,294
Other revenues	2,775,237		(4,988)	2,770,249
Total operating revenues	35,721,531	-	(4,988)	35,716,543
Operating expenses				
Salaries and wages, employee benefits, and actuarial adjustments to pension and OPEB expenses	21,827,004			21,827,004
Supplies and other	13,921,889		507	13,922,396
Depreciation and amortization	2,248,683			2,248,683
Total operating expenses	37,997,576	-	507	37,998,083
Operating income (loss)	(2,276,045)		(5,495)	(2,281,540)
Nonoperating revenues (expenses)	7,485,587	186,594	(88,582)	7,583,599
Excess of revenues over (under) expenses before capital contributions	5,209,542	186,594	(94,077)	5,302,059
Capital grants and contributions	676,200			676,200
Gain on settlement of employee postemployment obligations	8,346,114			8,346,114
Change in net position	14,231,856	186,594	(94,077)	14,324,373
Net position at beginning of year	3,858,966	139,788		3,998,754
Ending net position	$18,090,822	$ 326,382	$ (94,077)	$18,323,127

	Statement of Cash Flows Twelve-month period ended December 31, 2021			
	Hospital	Foundation	Eliminations	Consolidated
Net cash provided (used) by				
Operating activities	$ (8,597,891)	$ -	88,582	$ (8,509,309)
Noncapital financing activities	2,926,430	186,907	(88,582)	3,024,755
Capital and related financing activities	(2,468,194)			(2,468,194)
Investing activities	266,208			266,208
Net change in cash and cash equivalents	(7,873,447)	186,907		(7,686,540)
Cash and cash equivalents at beginning of year	23,587,285	141,771		23,729,056
Cash and cash equivalents at end of year	$15,713,838	$ 328,678	$ -	$16,042,516