Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
December 31, 2021 and 2020

Contents

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Independent Auditor's Report

Board of Trustees of Cheyenne County Hospital
St. Francis, Kansas

Opinions

We have audited the financial statements of the Board of Trustees of Cheyenne County Hospital, a component unit of Cheyenne County, Kansas, and Great Plains of Cheyenne County, Inc. as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Board of Trustees of Cheyenne County Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Board of Trustees of Cheyenne County Hospital and of its discretely presented component unit as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Board of Trustees of Cheyenne County Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board of Trustees of Cheyenne County Hospital's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

BKD, LLP

Wichita, Kansas
May 16, 2022

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Balance Sheets
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 756,554	$ 562,513
Intergovernmental receivable	82,048	71,876
Total current assets	838,602	634,389
Capital Assets - Land	13,000	13,000
Beneficial Interest in Trusts	2,477,399	2,360,516
Total assets	$ 3,329,001	$ 3,007,905
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities		
Due to hospital	$ 25,099	$ 22,476
Deferred Inflows of Resources		
Beneficial interests in trusts	2,477,399	2,360,516
Net Position		
Net investment in capital assets	13,000	13,000
Unrestricted	813,503	611,913
Total net position	826,503	624,913
Total liabilities deferred inflows of resources and net position	$ 3,329,001	$ 3,007,905

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Balance Sheets
December 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash	$ 1,983,282	$ 9,580,253
Patient accounts receivable	2,022,834	1,491,316
Estimated amounts due from third-party payers	281,539	258,000
Other receivables	25,099	22,476
Supplies	208,452	185,078
Prepaid expenses and other	239,000	188,470
Total current assets	4,760,206	11,725,593
Assets Limited As To Use		
Internally designated for capital acquisitions	1,068,521	856,292
Externally restricted by donors	188,313	166,975
	1,256,834	1,023,267
Property and Equipment, at Cost		
Land	9,040	9,040
Land improvements	194,413	194,413
Buildings	3,231,702	3,194,996
Fixed equipment	1,629,224	1,629,224
Moveable equipment	2,385,862	2,039,777
	7,450,241	7,067,450
Less accumulated depreciation	5,684,747	5,812,707
	1,765,494	1,254,743
Other Assets		
Physician and mid-level provider advances	6,413	8,410
	6,413	8,410
Total assets	$ 7,788,947	$ 14,012,013

See Notes to Financial Statements

Liabilities and Net Assets

	2021	2020
Current Liabilities		
Current maturities of capital lease obligations	$ 49,614	$ 29,531
Accounts payable	536,393	618,602
Accrued wages	329,864	328,609
Accrued payroll taxes	145,285	148,300
Accrued benefits payable	481,150	442,064
Advance from Medicare	-	1,377,916
Deferred revenue	317,157	3,602,833
Total current liabilities	1,859,463	6,547,855
Advance from Medicare	-	3,485,317
Capital Lease Obligations	117,162	70,369
Total liabilities	1,976,625	10,103,541
Net Assets		
Without donor restrictions	5,624,009	3,741,497
With donor restrictions	188,313	166,975
Total net assets	5,812,322	3,908,472
Total liabilities and net assets	$ 7,788,947	$ 14,012,013

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
Noncapital appropriations - Cheyenne County	$ 787,644	$ 860,581
Operating Expenses	17	-
Operating Income	787,627	860,581
Nonoperating Revenues (Expenses)		
Interest income	480	986
Noncapital grants and gifts	2,860	1,590
Contributions to Hospital for operations	(570,929)	(602,525)
Total nonoperating revenues (expenses)	(567,589)	(599,949)
Excess of Revenues Over Expenses	220,038	260,632
Contributions to Hospital for Capital Assets	(18,448)	(10,170)
Increase in Net Position	201,590	250,462
Net Position, Beginning of Year	624,913	374,451
Net Position, End of Year	$ 826,503	$ 624,913

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Operations and Changes in Net Assets
Years Ended December 31, 2021 and 2020

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Patient service revenue	$ 11,604,462	$ -	$ 11,604,462
Provider Relief Funds (*CARES Act*)	1,457,147	-	1,457,147
Contributions and grants	46,974	471,491	518,465
Other	3,330,905	-	3,330,905
Net assets released from restrictions used for operations	365,870	(365,870)	-
Total revenues, gains and other support	16,805,358	105,621	16,910,979
Expenses			
Salaries and wages	6,202,634	-	6,202,634
Supplies and other	9,068,884	-	9,068,884
Depreciation	308,434	-	308,434
Interest	16,554	-	16,554
Total expenses	15,596,506	-	15,596,506
Operating Income (Loss)	1,208,852	105,621	1,314,473
Other Income			
PPP loan forgiveness	-	-	-
Contributions received from Board of Trustees for operations	570,929	-	570,929
Excess (Deficiency) of Revenues Over Expenses	1,779,781	105,621	1,885,402
Contributions received from Board of Trustees for property and equipment	18,448	-	18,448
Net assets released from restrictions used for purchase of property and equipment	84,283	(84,283)	-
Change in Net Assets	1,882,512	21,338	1,903,850
Net Assets, Beginning of Year	3,741,497	166,975	3,908,472
Net Assets, End of Year	$ 5,624,009	$ 188,313	$ 5,812,322

See Notes to Financial Statements

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
	$ 10,469,863	$ -	$ 10,469,863
	311,132	-	311,132
	327,033	154,589	481,622
	2,349,196	-	2,349,196
	60,752	(60,752)	-
	13,517,976	93,837	13,611,813
	5,533,789	-	5,533,789
	8,375,631	-	8,375,631
	233,874	-	233,874
	13,332	-	13,332
	14,156,626	-	14,156,626
	(638,650)	93,837	(544,813)
	1,316,000	-	1,316,000
	602,525	-	602,525
	1,279,875	93,837	1,373,712
	10,170	-	10,170
	-	-	-
	1,290,045	93,837	1,383,882
	2,451,452	73,138	2,524,590
	$ 3,741,497	$ 166,975	$ 3,908,472

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities		
Noncapital appropriations - Cheyenne County	$ 780,078	$ 867,399
Net cash provided by operating activities	780,078	867,399
Cash Flows From Noncapital Financing Activities		
Contributions to Hospital for operations	(570,929)	(602,525)
Noncapital grants and gifts	2,860	1,590
Net cash used in noncapital financing activities	(568,069)	(600,935)
Cash Flows From Capital and Related Financing Activities		
Contributions to Hospital for capital assets	(18,448)	(10,170)
Net cash used in investing activities	(18,448)	(10,170)
Cash Flows From Investing Activities		
Interest received	480	986
Net cash provided by investing activities	480	986
Increase in Cash	194,041	257,280
Cash, Beginning of Year	562,513	305,233
Cash, End of Year	$ 756,554	$ 562,513
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 787,627	$ 860,581
Changes in operating assets and liabilities		
Intergovernmental receivable	(10,172)	3,840
Due to hospital	2,623	2,978
Net cash provided by operating activities	$ 780,078	$ 867,399

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Change in net assets	$ 1,903,850	$ 1,383,882
Items not requiring (providing) operating cash flow		
Contributions received from Board of Trustees and others for purchase of property and equipment	(18,448)	(10,170)
Restricted contributions received	(471,491)	(154,589)
Depreciation	308,434	233,874
Gain on sale of property and equipment	(257)	(75)
Changes in assets and liabilities		
Patient accounts receivable	(531,518)	503,774
Estimated amounts due from and to third-party payers	(4,886,772)	3,230,233
Other receivables	(2,623)	(2,978)
Supplies	(23,374)	(9,796)
Prepaid expenses and other	(50,530)	(158,688)
Accounts payable	(82,209)	239,533
Accrued wages	1,255	8,465
Accrued payroll taxes	(3,015)	8,457
Accrued benefits payable	39,086	17,020
Deferred revenue	(3,285,676)	3,602,833
Net cash provided by (used in) operating activities	(7,103,288)	8,891,775
Investing Activities		
Change in internally designated assets limited as to use	(190)	(19,692)
Purchase of property and equipment	(709,783)	(328,468)
Advances to physicians or employees	-	(1,179)
Repayment of advances to physicians or employees	1,997	3,056
Proceeds from sale of property and equipment	601	75
Net cash used in investing activities	(707,375)	(346,208)
Financing Activities		
Contributions received from Board of Trustees' Fund and others for purchase of property and equipment	18,448	10,170
Restricted contributions received	471,491	154,589
Payments on capital lease obligations	(42,870)	(26,960)
Net cash provided by financing activities	447,069	137,799
Increase (Decrease) in Cash and Cash Held in Assets Limited as to Use	(7,363,594)	8,683,366
Cash and Cash Held in Assets Limited as to Use, Beginning of Year	10,273,016	1,589,650
Cash and Cash Held in Assets Limited as to Use, End of Year	$ 2,909,422	$ 10,273,016

Board of Trustees of Cheyenne County Hospital
A component Unit of Cheyenne County, Kansas
Great Plains of Cheyenne County, Inc.
Statements of Cash Flows - Continued
Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Cash and Cash Held in Assets Limited as to Use to the Balance Sheets		
Cash	$ 1,983,282	$ 9,580,253
Board-designated cash included in assets limited as to use	737,827	525,788
Restricted cash included in assets limited as to use	188,313	166,975
Total Cash and Cash Held in Assets Limited as to Use	$ 2,909,422	$ 10,273,016
Supplemental Cash Flows Information		
Interest paid	$ 16,554	$ 13,332
Capital lease obligation incurred for equipment	$ 109,746	$ -

Board of Trustees of Cheyenne County Hospital
A Component Unit of Cheyenne County, Kansas
Notes to Financial Statements
December 31, 2021 and 2020

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

Nature of Operations and Reporting Entity

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

Great Plains of Cheyenne County, Inc. (GPCC or Hospital) is located in St. Francis, 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 Cheyenne County, Inc. as a discretely presented component unit of the BOT. Based on the increasing financial relationships and transactions with GPCC, the BOT believes as a matter of professional judgment that it would be misleading to exclude the financial statements of GPCC. As a result, GPCC is considered to be a component of unit of the BOT and is discretely presented in the BOT's financial statements. GPCC 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 of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include tax appropriations and exchange transactions. Interest income, noncapital gifts, other income and contributions to the Hospital for operations are included in nonoperating revenues (expenses).

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 and deferred inflows 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. There were no cash equivalents at December 31, 2021 and 2020.

Noncapital Appropriations – Cheyenne County – Property and Sales Tax Revenues

The BOT receives tax appropriations (property and sales) from Cheyenne County, Kansas. 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 BOT'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.

Deferred Inflows of Resources

The BOT reports an acquisition of net position that relate to future periods 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.

- Net investment in capital assets consists of capital assets net of accumulated depreciation.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes

As an essential government function, the BOT is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the BOT is subject to federal income tax on any unrelated business taxable income.

Note 2: Lease and Management Agreement - BOT

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Cheyenne County, Kansas, and leased to GPCC by the BOT. The lease agreement provides that GPCC 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 21, 2005, with two renewal option periods of five years each, which ended December 21, 2015. GPCC extended the lease agreement another three years through December 21, 2018, with two renewal option periods of three years each, which ends December 21, 2024. The BOT leases the hospital facilities to GPCC for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPE, has a management agreement with GPE. The management agreement is included within the lease agreement. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPCC upon commencement of the original term, December 21, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

Note 3: Deposits - BOT

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

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

As of December 31, 2021 and 2020, respectively, $439,378 and $212,658 of the BOT's bank balances of $756,554 and $562,513 were exposed to custodial credit risk as follows:

	2021	2020
Uninsured and collateral held by pledging financial institution's trust department in other than the BOT's name	$ 439,378	$ 212,658

Summary of Carrying Values

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

	2021	2020
Carrying value		
Deposits	$ 756,554	$ 562,513
Included in the following balance sheet captions		
Cash	$ 756,554	$ 562,513

Note 4: Beneficial Interest in Trusts

During 2016, the BOT was informed it is the beneficiary of two irrevocable split-interest trust agreements. Under the terms of the agreements, the assets of the trusts are held and administered by an intermediary for the benefit of the BOT and other beneficiaries. The trust agreements specify the net income of the trusts are to be distributed to two individuals to provide for their health, maintenance, support and comfort. In addition, the trustee may invade the principle if the trustee determines income of the trusts is inadequate to meet their needs. Upon the death of both individuals, one-half of the assets remaining in the trusts are to be transferred to the BOT. Accordingly, the BOT has recorded a beneficial interest in trusts asset and a deferred inflow of resources to recognize the estimate fair value of the assets to be received upon termination of the trusts.

Note 5: Fair Value Measurement of Assets

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 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 trusts 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, government and agency securities, corporate bonds, equities, and mutual funds.

Note 6: Nature of Operations and Summary of Significant Accounting Policies – GPCC

Nature of Operations

Great Plains of Cheyenne County, Inc. (GPCC or Hospital) is located in St. Francis, 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

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

At December 31, 2021, GPCC's cash accounts exceeded federally insured limits by approximately $280,000.

Patient Accounts Receivable

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

Supplies

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

Assets Limited As To Use

Assets limited as to use include (1) assets set aside by the GPCC Board of Directors for future capital improvements over which the GPCC Board of Directors retains control and may at its discretion subsequently use for other purposes and (2) assets restricted by donors.

Property and Equipment

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

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

Land improvements	10-15 years
Buildings	10-40 years
Fixed equipment	10-25 years
Moveable equipment	5-20 years

Long-lived Asset Impairment

GPCC 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 December 31, 2021 and 2020.

Refund Liabilities

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

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.

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.

Paycheck Protection Program (PPP) Loan

GPCC received a PPP loan established by the *Coronavirus Aide, Relief and Economic Security Act* (*CARES Act*). GPCC has accounted for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, the U.S. Small Business Administration (SBA), or the lender. The proceeds of the loan will remain recorded as debt until the loan is, in part or wholly, forgiven and the Hospital has been legally released or the Hospital pays off the loan. On November 12, 2020, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment, which is included in other income in the statement of operations and changes in net assets.

Net Assets

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

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The GPCC Board of Directors have 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 $169,887 and for $252,721 for December 31, 2021 and 2020, respectively. The Hospital's direct and indirect costs for services and supplies furnished under the Hospital's charity care policy totaled approximately $161,000 and $249,000 in 2021 and 2020, respectively. Costs were calculated using the overall cost-to-charge ratio from the December 31, 2021 and 2020, based upon the as-filed Medicare cost reports.

Provider Relief Funds (CARES Act)

On March 27, 2020, the *CARES Act* was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The *CARES Act* contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Hospital has elected to account for such payments as conditional contributions in accordance with ASC Topic 958-605, *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are reported as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. The unrecognized amount of the Provider Relief Funds (*CARES Act*) is recorded as a component of deferred revenue in the accompanying balance sheets.

Contributions and Grants

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.

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 of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Income Taxes

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

Note 7: Concentration of Risk – GPCC

GPCC grants credit without collateral to its patients, most of whom are area residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers at December 31, 2021 and 2020, for GPCC is as follows:

	2021	2020
Medicare	43%	38%
Medicaid	6%	12%
Blue Cross	18%	16%
Other third-party payers	22%	26%
Self-pay	11%	8%
	100%	100%

Note 8: Assets Limited As To Use – GPCC

Assets limited as to use, at December 31, 2021 and 2020, include:

	2021	2020
Internally designated for capital improvements		
Cash	$ 737,827	$ 525,788
Certificates of deposits	330,694	330,504
	1,068,521	856,292
Externally restricted by donors		
Cash	188,313	166,975
	$ 1,256,834	$ 1,023,267

Note 9: Capital Lease Obligations – GPCC

The Hospital has entered into capital lease agreements for moveable equipment at interest rates ranging from 5.99% to 8% that mature through September 2024; collateralized by property and equipment. The following is a schedule by years of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2021:

Year Ending December 31,	
2022	$ 58,847
2023	54,713
2024	38,905
2025	24,372
2026	8,124
Total minimum lease payments	184,961
Less amount representing interest	18,185
Present value of net minimum lease payments	$ 166,776

Property and equipment include the following property under capital leases at December 31, 2021 and 2020:

	2021	2020
Moveable equipment	$ 248,058	$ 138,313
Accumulated depreciation	(72,562)	(36,021)
	$ 175,496	$ 102,292

Note 10: Net Assets With Donor Restrictions – GPCC

Net Assets With Donor Restrictions

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

	2021	2020
Subject to expenditure for specified purpose		
Various operating purposes	$ 188,313	$ 166,975
	$ 188,313	$ 166,975

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by donors.

	2021	2020
Purpose restrictions accomplished		
Purchase of equipment	$ 84,283	$ -
Various operating purposes	365,870	60,752
	$ 450,153	$ 60,752

Note 11: Liquidity and Availability – GPCC

GPCC's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2021 and 2020, comprise the following:

	2021	2020
Total financial assets		
Cash	$ 1,983,282	$ 9,580,253
Patient accounts receivable	2,022,834	1,491,316
Estimated amounts due from third-party payers	281,539	258,000
Other receivables	25,099	22,476
Assets limited as to use	1,256,834	1,023,267
Physician and mid-level provider advances	6,413	8,410
Total financial assets	5,576,001	12,383,722
Less amounts not available to be used within one year		
Physician and mid-level provider advances	(6,413)	(8,410)
Financial assets not available to be used within one year	(6,413)	(8,410)
Financial assets available to meet general expenditures within one year	$ 5,569,588	$ 12,375,312

The Hospital has certain board-designated and donor-restricted assets limited as 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 available for general expenditure within one year.

Note 12: Patient Service Revenue – GPCC

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

Performance Obligations

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

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

Transaction Price

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

Third-Party Payers

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

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

Medicaid. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a prospective payment methodology, which includes a hospital specific add-on percentage based on prior filed cost reports. The add-on percentage may be rebased at some time in the future. Services rendered for long-term care facility residents are reimbursed at a prospective rate, with annual cost reports submitted to the Medicaid program. Rates are computed using an average of the three most recent filed calendar cost reports and changes in the Medicaid resident case mix. The Medicaid cost reports are subject to audit by the State and adjustments to rates can be made retroactively.

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

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

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

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 December 31, 2021 and 2020, additional revenue of approximately $71,000 and $0, respectively, was recognized due to changes in its estimates of implicit price concessions, discounts and contractual adjustments for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

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 December 31, 2021 and 2020, the Hospital has a liability for refunds to third-party payers and patients recorded of approximately $38,000 and $32,000, respectively. The liability is included as a component of accounts payable in the accompanying balance sheets.

Revenue Composition

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

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

For the years ended December 31, 2021 and 2020, the Hospital recognized revenue of $11,604,462 and $10,469,863, respectively, from goods and services that transfer to the customer over time and $3,330,905 and $2,349,196, 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 December 31, 2021 and 2020.

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

	2021	2020
Patient accounts receivable, beginning of year	$ 1,491,316	$ 1,995,090
Patient accounts receivable, end of year	$ 2,022,834	$ 1,491,316

Note 13: 340B Drug Pricing Program

The Hospital participates in the 340B Drug Pricing Program (340B Program) enabling the Hospital to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases. The Hospital recorded revenues of $3,051,536 and $2,183,009 for the years ending December 31, 2021 and 2020, respectively, which is included in other operating revenue in the accompanying statement of revenues and expenses and changes in net position. The Hospital recorded expenses of $1,944,080 and 1,623,158 for the years ending December 31, 2021 and 2020, respectively, which is included in supplies and other in the accompanying statements of revenues and expenses and changes in net position. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near term.

Note 14: COVID-19 Pandemic and *CARES Act* Funding – GPCC

On March 22, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While some of these policies have eased and states have lifted moratoriums on non-emergent procedures, some restrictions remain in place, and some state and local governments are re-imposing certain restrictions due to increasing rates of COVID-19 cases.

The Hospital's pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. The Hospital has taken steps to enhance its operational and financial flexibility and react to the risks the COVID-19 pandemic presents to its business.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast.

Because of these and other uncertainties, the Hospital cannot estimate the length or severity of the effect of the pandemic on the Hospital's business. Decreases in cash flows and results of operations may have an effect on the inputs and assumptions used in significant accounting estimates, including estimated bad debts and contractual adjustments related to uninsured and other patient accounts.

Provider Relief Fund

During the years ended December 31, 2021 and 2020, the Hospital received $704,731 and $3,893,965 of distributions from the *CARES Act* Provider Relief Fund (collectively the Provider Relief Fund). These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital accounts for such payments as conditional contributions in accordance with ASC Topic 958-605 – *Revenue Recognition*. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been substantially met and are recorded as Provider Relief Funds (*CARES Act*) in the accompanying statements of operations and changes in net assets. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's revenues and expenses through December 31, 2021 and 2020, the Hospital recognized $1,457,147 and $311,132, related to the distributions from the Provider Relief Fund, and these payments are recorded as Provider Relief Funds (*CARES Act*), classified as revenues, gains and other support in the accompanying statements of operations and changes in net assets. The unrecognized amount of Provider Relief Fund distributions of $317,157 and $3,582,833 is recorded as a component of deferred revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively.

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

Medicare Accelerated & Advanced Payment Program

During 2020, the Hospital requested accelerated Medicare payments as provided for in the *CARES Act*, which allowed critical access hospital facilities to request up to 125% of Medicare payments for a six-month period. These amounts are expected to be recaptured by CMS according to the payback provisions.

Effective September 30, 2020, the payback provisions were revised and extended the payback period to begin one year after the issuance of the advance payment through a phased payback period approach. The first 11 months of the payback period will be at 25% of the remittance advice payment followed by a six-month payback period at 50% of the remittance advice payment. After 29 months, CMS expects any amount not paid back through the withhold amounts to be paid back in a lump sum or interest will begin to accrue subsequent to the 29 months at a rate of 4%.

During the year ended December 31, 2020, the Hospital received $4,863,233 from these accelerated Medicare payment requests. On March 24, 2021, the Hospital paid back the advances from Medicare in full. For the year ended December 31, 2020, the unapplied amount of accelerated Medicare payment requests is recorded under the caption advance from Medicare in the accompanying balance sheets and classified as a current and a long-term liability based upon payback provisions in effect at December 31, 2020.

Paycheck Protection Program (PPP) Loan

During year ended December 31, 2020, the Hospital received a PPP loan of $1,316,000 established by the *CARES Act*. The Hospital has accounted for the funding as a loan in accordance with ASC Topic 470, *Debt*. Interest is accrued in accordance with the loan agreement. PPP loans are subject to audit and acceptance by the SBA, or the lender. The proceeds of the loan remained recorded as debt until the loan was wholly forgiven, which occurred on November 12, 2020, and the Hospital was legally released from the loan. The gain from extinguishment of $1,316,000 was recorded as PPP loan forgiveness in the accompanying statements of operations and changes in net assets.

Other COVID-19 Funding

During the years ended December 31, 2021 and 2020, the Coronavirus Small Rural Hospital Improvement Program provided support to small rural and Critical Access Hospitals (CAHs) which were seeing increased demands for clinical services and equipment, as well as experiencing short-term financial and workforce challenges related to responding to meeting the needs of patients with COVID-19 seeking care at their facilities. These funds were administered through the Small Rural Hospital Improvement Program to provide emergency funding support to CAHs and non-CAH rural hospitals with less than 50 beds. This approach provided funding directly to the states to target those rural hospitals and the communities they serve who are facing the greatest strain from this crisis. The Hospital received $63,613 and $20,000 during 2021 and 2020, respectively, related to this grant. The Hospital recognized $83,613 and $0 for the years ended December 31, 2021 and 2020, respectively. The unrecognized amount of the SHIP grant of $0 and $20,000 is recorded as a component of deferred revenue in the accompanying balance sheets for the years ended December 31, 2021 and 2020, respectively..

In October 2021, the Hospital received and recognized $63,676 from a distribution from the Frontline Hospital Employee Retention Plan through the Strengthening People and Revitalizing Kansas (SPARK) program. Funding under this program was utilized by the Hospital to retain existing clinical staff and re-hire retirees who have retired since March 1, 2020. The revenue recognized is recorded as a component of noncapital grants and gifts in the accompanying statements of revenues, expenses and changes in net position.

During the year ended December 31, 2020, the Hospital received $111,283 of funding through the Strengthening People and Revitalizing Kansas (SPARK) program. The Hospital recognized $111,283, related to this funding at December 31, 2020. The payment is recorded as a component of contributions and grants with donor restrictions in the accompanying statements of operations and changes in net assets.

On April 16, 2020, Kansas Governor Laura Kelly announced a special emergency grant funding program for Kansas hospitals. This emergency funding was requested by the Kansas Hospital Association (KHA) on behalf of Kansas hospitals and was distributed to help offset current financial strains caused by the COVID-19 pandemic. To facilitate the timely release of funds, hospitals were not required to complete an application. There are no specific requirements tied to utilization of the funds. The intent is for the grant payments to serve as a bridge to aid hospitals in meeting their basic operational expenditures. The Hospital received and recognized $100,000 on April 24, 2020, related to this special emergency grant. The payment is recorded as a component of contributions and grants without donor restrictions in the accompanying statements of operations and changes in net assets.

During the year ended December 31, 2020, HHS provided $100 million in aid to hospitals and health care systems in preparing for a surge in COVID-19 patients. Of that funding, $50 million was allotted to State Hospitals Associations for distribution through competitive grant applications. KHA received $784,542 in funds, which were distributed on May 1. In addition, KHA was awarded an additional $1.95 million to be distributed in the future. The Hospital received and recognized $3,000 during 2020, related to this Assistant Secretary for Preparedness and Response (ASPR) grant. The payment is recorded as a component of contributions and grants with donor restrictions in the accompanying statements of operations and changes in net assets.

Note 15: Functional Expenses – GPCC

GPCC provides health care services primarily to residents within its geographic area. Certain costs attributable to more than one function have been directly assigned to health care services and general and administrative expense classifications based on the actual department in which the expense was incurred and is consistently applied. The following schedules present the natural classification of expenses by function for the years ended December 31, 2021 and 2020, as follows:

	2021		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 5,776,856	$ 425,778	$ 6,202,634
Supplies and other	8,041,040	1,027,844	9,068,884
Depreciation	306,499	1,935	308,434
Interest	-	16,554	16,554
	$ 14,124,395	$ 1,472,111	$ 15,596,506

	2020		
	Healthcare Services	General and Administrative	Total
Salaries and wages	$ 5,108,011	$ 425,778	$ 5,533,789
Supplies and other	7,334,417	1,041,214	8,375,631
Depreciation	229,570	4,304	233,874
Interest	-	13,332	13,332
	$ 12,671,998	$ 1,484,628	$ 14,156,626

Note 16: Pension Plan – GPCC

Hospital employees are eligible to participate in the GPHA defined contribution pension and tax deferred annuity plans. All employees, to be eligible for employer contributions, must have completed one year of service, with a minimum of 1,000 paid hours of service and must be at least 18 years of age. Benefits are funded by an annuity contract with an insurance company. Employer contributions are computed at a rate of 5% of annual compensation plus 10% of the excess over $16,000. Employee contributions are computed at the rate of 2.5% of annual compensation plus 5.0% of the excess over $16,000. 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 to the employee's normal retirement date. Employer contributions vest at 20% per year of service with 100% vesting after five years of service. The total cost of the plan for the years ended December 31, 2021 and 2020, was $428,490 and $391,625, respectively.

Note 17: Great Plains Employee Benefits Trust – GPCC

In response to amendments to Kansas Insurance Code related to multi-employer welfare arrangements, GPHA restated its existing voluntary employees' beneficiary association (VEBA) trust as described in Section 501(c)(9) of the Internal Revenue Code, which is named the Great Plains Employee Benefits Trust (the Trust). The Trust is governed by its Board of Trustees. One of the purposes of the Trust is to provide the self-funded GPHA Employee Benefit Plan (the Plan) for its member organizations and their participating employees. GPCC is a member organization in the Trust and substantially all of GPCC's employees and their dependents are eligible to participate in the Plan. The Plan provides medical benefits, prescription drug benefits and dental benefits for a benefit period that runs each year from July 1 through June 30. The participant's monthly premiums are determined by the Trust. The Trust may change the premiums from time to time. The Plan agreement specifies that the Trust will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The Trust accrues a provision for self-insured employee benefit claims including both claims reported and claims incurred but not yet reported. If a net deficit position is anticipated by the Trust after consideration of the accrued provision, the Trust will administer insurance assessments to its member organizations based on a systematic allocation method. No such insurance assessment was administered to GPCC for the years ended December 31, 2021 and 2020.

Note 18: Lease and Management Agreement – GPCC

The BOT controls facilities, including buildings, as well as equipment and other assets, which are owned by Cheyenne County, Kansas, and leased to GPCC by the BOT. The lease agreement provides that GPCC 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 21, 2005, with two renewal option periods of five years each, which ended December 21, 2015. GPCC extended the lease agreement another three years through December 21, 2018, with two renewal option periods of three years each, which ends December 21, 2024. The BOT leases the hospital facilities to GPCC for $1. As stated within the lease agreement, Great Plains Health Alliance, Inc. (GPHA), the sole member of GPE, has a management agreement with GPE. The management agreement is included within the lease agreement. Either party has the option to terminate the lease at any time for a material breach of terms or provisions of the agreement with a 60-day notice. All assets and liabilities were transferred to GPCC upon commencement of the original term, December 21, 2000. At the end of the lease term, all assets, including working capital and liabilities, shall transfer back to the BOT.

In addition, GPCC has entered into agreements with GPHA for other services, including data processing and management 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 services provided by GPHA totaled $814,120 and $824,990 in 2021 and 2020, respectively, and are included in supplies and other expense in the statements of operations and changes in net assets. There are no amounts included in accounts payable related to these services as of December 31, 2021 and 2020.

Note 19: Significant Estimates and Concentrations – GPCC

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

Professional Liability Claims

Estimates related to the accrual for professional liability claims are described in *Note 6*.

Variable Consideration

Estimates of variable consideration in determining the transaction price for patient service revenue are described in *Notes 6* and *12*.

Note 20: Subsequent Events – GPCC

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.

Subsequent events have been evaluated through May 16, 2022, which is the date the financial statements were available to be issued.

Note 21: Future Change in Accounting Principle – GPCC

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.