

The Community Hospital Association and Affiliate
McCook, Nebraska

**Consolidated Financial Statements
and Supplementary Information
June 30, 2021**

Together with Independent Auditor's Report

The Community Hospital Association and Affiliate

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Independent Auditor's Report

To the Board of Directors of
The Community Hospital Association and Affiliate
McCook, Nebraska:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Community Hospital Association and Affiliate (together the Organization), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. The financial statements of the Community Hospital Health Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2021 and the changes in its operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021, the Organization adopted new accounting guidance related to Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606): Revenue Recognition*. Our opinion is not modified with respect to this matter.

Other Matters*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information in Exhibits 1-4 and in the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

SEIM JOHNSON, LLP

Omaha, Nebraska,
July 11, 2022.

The Community Hospital Association and Affiliate

Consolidated Balance Sheet June 30, 2021

	<u>2021</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 25,942,237
Receivables -	
Patients	5,934,426
Other	654,326
Patient customer contracts	1,274,272
Inventories	2,065,795
Prepaid expenses	1,834,922
Estimated third-party payor settlements	<u>2,958,293</u>
Total current assets	40,664,271
Assets limited as to use	7,305,182
Investments	9,691,408
Property and equipment, net	43,773,034
Other assets	<u>338,207</u>
Total assets	<u>\$ 101,772,102</u>
LIABILITIES AND NET ASSETS	
Current liabilities:	
Current portion of long-term debt	\$ 321,434
Accounts payable -	
Trade	1,384,806
Construction and equipment	785,455
Accrued salaries, vacation and benefits payable	2,816,666
Other accrued expenses	560,126
Refundable advances	<u>10,790,818</u>
Total current liabilities	16,659,305
Long-term debt, net of current portion	25,187,107
Deferred compensation	<u>429,393</u>
Total liabilities	<u>42,275,805</u>
Net assets:	
Without donor restrictions	57,160,615
With donor restrictions	<u>2,335,682</u>
Total net assets	<u>59,496,297</u>
Total liabilities and net assets	<u>\$ 101,772,102</u>

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statement of Operations For the Year Ended June 30, 2021

	<u>2021</u>
REVENUE WITHOUT DONOR RESTRICTIONS:	
Patient service revenue	\$ 50,993,927
Other operating revenue	<u>8,136,050</u>
Total revenue without donor restrictions	<u>59,129,977</u>
EXPENSES:	
Salaries and wages	20,100,402
Employee health and welfare	7,365,428
Supplies and other	20,353,690
Depreciation	4,719,379
Interest	907,089
Insurance	231,319
Grants to others	<u>2,782</u>
Total expenses	<u>53,680,089</u>
OPERATING INCOME	<u>5,449,888</u>
NONOPERATING GAINS, NET:	
Investment income, net	903,286
Change in unrealized gains and losses on other than trading securities	502,368
Unrestricted gifts, grants and bequests	<u>207,289</u>
Nonoperating gains, net	<u>1,612,943</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 7,062,831</u>

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statement of Changes in Net Assets For the Year Ended June 30, 2021

	<u>2021</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Operating income	\$ 5,449,888
Nonoperating gains, net	<u>1,612,943</u>
Increase in net assets without donor restrictions	<u>7,062,831</u>
NET ASSETS WITH DONOR RESTRICTIONS:	
Contributions	96,153
Net assets released from restrictions	<u>(58,412)</u>
Increase in net assets with donor restrictions	<u>37,741</u>
INCREASE IN NET ASSETS	7,100,572
NET ASSETS, beginning of year	<u>52,395,725</u>
NET ASSETS, end of year	<u>\$ 59,496,297</u>

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statement of Cash Flows For the Year Ended June 30, 2021

	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from patients and third-party payors	\$ 48,412,842
Cash received from others	3,752,345
Cash paid for employee salaries and related benefits	(26,790,624)
Cash paid to suppliers	(20,787,641)
Interest paid	(907,089)
Investment income received	903,286
	<u>4,583,119</u>
Net cash provided by operating activities	<u>4,583,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Deposits to investments	(1,119,803)
Withdrawals from assets limited as to use, net	224,968
Additions to other assets	(123,538)
Purchase of property and equipment, net	(8,747,511)
	<u>(9,765,884)</u>
Net cash used in investing activities	<u>(9,765,884)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from long term debt and interim construction loan	5,448,808
Payments on long-term debt	(309,550)
Proceeds from restricted contributions	96,153
	<u>5,235,411</u>
Net cash provided by financing activities	<u>5,235,411</u>
INCREASE IN CASH AND CASH EQUIVALENTS	52,646
CASH AND CASH EQUIVALENTS, beginning of year	<u>25,889,591</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u><u>25,942,237</u></u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:	
Paycheck Protection Program loan forgiveness	\$ <u><u>4,350,000</u></u>

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statements of Cash Flows (Continued) For the Year Ended June 30, 2021

	<u>2021</u>
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Increase in net assets	\$ 7,100,572
Adjustments to reconcile the increase in net assets to net cash provided by operating activities -	
Paycheck protection program loan forgiveness	(4,350,000)
Restricted contributions	(96,153)
Depreciation	4,719,379
Net change in unrealized gains and losses on other than trading securities	(502,368)
Gain on disposal of property and equipment	(5,033)
(Increase) decrease in current assets -	
Receivables -	
Patient	356,239
Other	(174,767)
Patient customer contracts	158,780
Inventories	(142,790)
Prepaid expenses	(628,758)
Estimated third-party payor settlements	(375,293)
Increase (decrease) in current liabilities -	
Accounts payable	568,916
Accrued salaries, vacation, and benefits payable	729,702
Other accrued expenses	(54,496)
Refundable advances	(2,720,811)
Net cash provided by operating activities	\$ <u>4,583,119</u>

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(1) Organization and Summary of Significant Accounting Policies

The following is a summary of the organization and significant accounting policies of The Community Hospital Association and Affiliate (Organization). These policies are in accordance with accounting principles generally accepted in the United States of America.

A. Organization

The Community Hospital Association (a Nebraska corporation, not-for-profit) operates a 25-bed Critical Access Hospital (the Hospital). The Hospital also operates rural health clinics, home health, hospice and an orthopedic clinic. In addition, the Hospital is the sole corporate member of Community Hospital Health Foundation (Foundation). The accompanying consolidated financial statements include the accounts of both organizations. All intercompany transactions have been eliminated in the consolidation.

The Budget Reconciliation Act of 1997 (Act) contained many provisions impacting Medicare reimbursement for Health Services. The Act established the Medicare Rural Hospital Flexibility Program to assist states and rural communities to improve access to essential health care services through critical access hospitals and rural health networks.

During fiscal year 2006, the Hospital's Board of Directors approved the Hospital's plan to obtain Critical Access Hospital (CAH) designation. CAH's are acute care facilities that provide emergency, outpatient and short-term inpatient services. Medicare reimburses CAH's on a reasonable cost basis. The Hospital's application to become certified as a CAH was approved by Nebraska Health and Human Services and the certification was effective December 1, 2005.

The Foundation was established primarily for the benefit of the Hospital. All funds raised in excess of operating expenses will be disbursed to or be held for the benefit of the Hospital as required to comply with donor imposed restrictions.

B. Industry Environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursements for patient services, and Medicare and Medicaid fraud and abuse. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed.

Management believes that the Hospital is in compliance with applicable government laws and regulations as they apply to the areas of fraud and abuse. While no regulatory inquiries have been made which are expected to have a material effect on the Hospital's consolidated financial statements, compliance with laws and regulations is subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

On March 10, 2020, the World Health Organization declared the Coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies of many countries. The healthcare industry has experienced volume declines due to the pandemic. See Note 11 regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

C. *Use of Estimates*

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

D. *Cash and Cash Equivalents*

Cash and cash equivalents for purposes of the consolidated statements of cash flows include certain investments in highly liquid debt instruments with original maturities of three months or less, excluding investments and assets limited as to use.

E. *Patient Receivables*

The Organization reports patient receivables for services rendered at amounts reflecting consideration to which the Organization expects to be entitled to from third-party payors, patients and others.

Payment for services is expected within thirty days of receipt of the billing. Accounts considered past due are sent to collection agencies when internal collection efforts have been unsuccessful. The Organization does not charge interest on outstanding balances owed.

Beginning and end of year patient receivables were as follows:

	<u>2021</u>
Patient receivables, beginning of year	\$ 6,290,665
Patient receivables, end of year	\$ 5,934,426

The Organization also maintains a patient financial assistance policy as described in Note 1(P).

F. *Patient Customer Contracts*

Patient customer contracts represent the Organization's right to consideration for goods or services transferred to patient, before payment is due for those goods or services, in accordance with the terms of the contract between the Organization, the patient, and any third-party payors.

Beginning and end of year patient customer contracts were as follows:

	<u>2021</u>
Patient customer contracts, beginning of year	\$ 1,433,052
Patient customer contracts, end of year	\$ 1,274,272

G. *Patient Account Financing Program (with full recourse)*

The Organization has entered into a patient account financing program with a bank. Under this agreement, the Organization can sell patient accounts receivable contracts with recourse to the bank. As of June 30, 2021, the uncollected balance was \$59,205. The Organization believes it is not exposed to any significant credit risk on these contracts.

H. *Inventories*

Inventories are stated at the lower of cost (cost is determined using the first-in, first-out method) or net realizable value.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

I. *Investments*

Investments in equity securities, debt securities and mutual funds/exchange-traded funds (ETF's) with readily determinable fair values are measured at fair value based on published or quoted market prices.

For the year ended June 30, 2021, investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the increase in net assets without donor restrictions.

J. *Assets Limited as to Use*

Under loan guarantee – These deposits are required by the Organization's Farmers Home Administration, United States Department of Agriculture loan agreements. Proceeds from the sale of capital assets are restricted for loan repayments or future capital additions.

By board of directors – Periodically, the Board of Directors (Board) has set aside assets for future capital improvements and employee health insurance claims over which the Board retains control and may, at its discretion, subsequently use for other purposes.

Under deferred compensation plan – These assets have been purchased to assist the Organization in meeting its obligations under the 457(b) deferred compensation agreement.

By donor – These funds have been restricted by donors for specific capital and operating items and endowment funds. As of June 30, 2021, \$2,335,682 was limited as to use by donors. See Note 9 for additional information about endowments and Note 10 for additional information about net assets with donor restrictions.

K. *Property and Equipment, Net*

Property and equipment acquisitions are recorded at cost. All acquisitions over \$5,000 are capitalized. Depreciation is provided over the estimated life of each class of depreciable asset and is computed using the straight-line method based upon useful lives set forth using the general guidelines from the American Hospital Association Guide for Estimated Useful Lives of Depreciable Hospital Assets.

Equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings or equipment are reported as support without donor restrictions, and are excluded from the increase in net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the sum of expected cash flows is less than the carrying amount of the asset, a loss is recognized.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

L. *Refundable Advances*

Provider Relief Funds

The Organization has received CARES Act Provider Relief payments which have certain terms and conditions. The Organization classifies the receipts as a refundable advance until the terms and conditions are met to recognize the receipts as revenue. At June 30, 2021 the Organization reported a refundable advances of \$298,923 related to a portion of the receipts for which the terms and conditions had not yet been met. See Note 11 for a description of the funding recognized as revenue.

Accelerated and Advance Payment Program

At June 30, 2021 the Organization also had refundable advances under the Accelerated and Advance Payment Program (AAPP) administered by the Centers for Medicare and Medicaid Services. The AAPP was available for providers to ensure cash flows for providers when there is a disruption in Medicare claims processing. The Organization utilized the AAPP to ensure they had the necessary resources needed to combat potential delays in claims processing during the beginning of coronavirus pandemic. The total amount advanced to the Organization was \$11,323,585. These payments are an advance that providers will repay through Medicare recoupment of claims beginning one year after the Organization's receipt of the AAPP funds. The recoupment period will continue through 29 months after the Organization's receipt of the AAPP funds. Any remaining balance after the recoupment period will be charged a 4% interest rate. During 2021, CMS began recouping the AAPP amounts. As of June 30, 2021 the Organization reported refundable advances of \$10,481,086.

M. *Net Assets*

The financial statements report the changes in and totals of each net asset class based on the existence or absence of donor restrictions, as described below:

Net assets without donor restrictions are those net assets not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. Net assets without donor restrictions include undesignated net assets and net assets subject to designation by the Board of Directors.

Net assets with donor restrictions are net assets subject to restrictions imposed by donors. Some donor-imposed 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 donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

N. *Endowment Funds*

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Subtopic 958-205, for all endowment funds, including any changes required to net asset classification of donor-restricted endowment funds and the incremental disclosure requirements for all endowment funds (including both donor-restricted and board-designated endowment funds).

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

O. *Patient Service Revenue*

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (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 Organization bills the patients and third-party payors several days after the services are performed or the patient is discharged. Revenue is recognized as performance obligations are satisfied. Amounts received before recognition of revenue are reported as a refundable advance.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization 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 receiving inpatient acute care services and Medicare patients receiving home health services. The organization measures the performance obligation from admission to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Organization does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption and 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.

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Organization 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. Subsequent changes to the estimate of the transaction price are recorded as adjustments to patient service revenue. For the year ended June 30, 2021, no significant adjustments to revenue were recognized due to changes in estimates of implicit price concessions 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.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

Consistent with the Organization's mission, care is provided to patients regardless of their ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with uninsured balances (copays and deductibles). The implicit price concessions included in estimating transaction price represent the difference between amounts billed to patients and the amounts the Organization expects to collect based on collection history with those patients.

The Organization has elected the practical expedient and does not adjust the estimated amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time service is provided to the patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Organization does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. In these cases, the financing component is deemed to be insignificant to the contract.

The Organization has applied the practical expedient and all incremental contract acquisition costs are expensed as they are incurred as the amortization period of the asset that the Organization would otherwise have recognized is one year or less in duration.

P. Patient Financial Assistance

The Organization provides patient financial assistance to patients who meet certain criteria under its patient financial assistance policy. Because the Organization does not pursue collection of amounts determined to qualify as patient financial assistance, they are not reported in the consolidated statement of operations and changes in net assets. See Note 3 for disclosures related to patient financial assistance.

The Organization is dedicated to providing comprehensive healthcare service to all segments of society, including the aged and otherwise economically disadvantaged. In addition, the Organization provides a variety of community health services at or below cost.

Q. Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received, which is then treated as cost. The gifts are reported as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying consolidated financial statements.

Resources restricted by donors or grantors for specific operating purposes are reported in other operating revenue to the extent used within the period.

R. Functional Allocation of Expenses

The costs of providing healthcare services and supporting services activities have been summarized on the basis of natural classification in the consolidated statements of operations. Note 17 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

S. *Tax Exempt Status and Income Taxes*

The Hospital and Foundation are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Internal Revenue Service has established standards to be met to maintain tax-exempt status. In general, such standards require the Hospital and Foundation to meet a community benefit standard and comply with various laws and regulations.

The Hospital and Foundation account for uncertainties in accounting for income tax assets and liabilities using guidance included in FASB ASC 740, *Income Taxes*. The Hospital and Foundation recognize the effect of income tax positions only if those positions are more likely than not of being sustained. At June 30, 2021, the Hospital and Foundation had no uncertain tax positions accrued.

T. *Group Health Insurance*

The Organization is self-insured under its employee group health program, up to certain limits. Included in the accompanying consolidated statement of operations is a provision for premiums for excess coverage and payments for claims including estimates of the ultimate costs for both reported claims and claims incurred but not yet reported at year end.

U. *Performance Indicator*

The consolidated statement of operations includes operating income as a performance indicator. Changes in net assets without donor restrictions which are excluded from the performance indicator, consistent with industry practice, include unrestricted contributions, contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), investment income, and gifts, grants and bequests for purchase of property and equipment.

V. *Risk Management*

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

W. *Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The new standard (when considering subsequent ASUs delaying the implementation) is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early application is permitted. The Organization is currently evaluating the impact of the pending adoption of the new standard on the consolidated financial statements.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

X. *Adoption of New Accounting Pronouncements*

Effective July 1, 2020, the Organization adopted the provisions of FASB ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 resulted in changes in the presentation and disclosure of patient service revenue, primarily related to contractual allowances and discounts. Prior to the adoption of ASU 2014-09, the financial statements included a provision for contractual allowances on amounts owed by patients with third-party payor coverage. Under ASU 2014-09, the adjustment amounts due from these patients are considered an implicit price concessions and are a direct reduction from gross patient service revenue.

Y. *Subsequent Events*

The Organization considered events occurring through July 11, 2022 for recognition or disclosure in the consolidated financial statements as subsequent events. That date is the date the consolidated financial statements were available to be issued.

(2) **Patient Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare - All inpatient acute care services rendered to Medicare program beneficiaries in a Critical Access Hospital are paid based on Medicare defined costs of providing the services. Inpatient nonacute services, outpatient services and rural health clinic services related to Medicare beneficiaries are also paid based on a cost reimbursement methodology. The Organization is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Organization and audits thereof by the Medicare Administrative Contractor.

Homecare services are paid at prospectively determined rates per episode of care. Certain professional services provided to Medicare beneficiaries are paid on fee schedule amounts.

The Organization'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 under contract with the Organization. The Organization's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2019.

The "Budget Control Act of 2011" requires, among other things, mandatory across-the-board reductions in Federal spending, also known as sequestration. In general, Medicare claims with dates of service or dates of discharge on or after April 1, 2013, incur a two percent reduction in Medicare payment. Legislation has currently suspended this sequestration effective May 1, 2020 through March 31, 2022. Effective April 1, 2022, through June 30, 2022, claims will incur a one percent reduction; thereafter a two percent reduction will occur.

Medicaid - Inpatient acute services and outpatient services rendered to Medicaid program beneficiaries in a Critical Access Hospital are paid based on Medicaid defined costs of providing the services. The Organization is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Organization.

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

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

Patient service revenue by major payor class for the year ended June 30, 2021 is presented in the following table:

	<u>2021</u>
Medicare	\$ 25,770,537
Medicaid	2,728,203
Other commercial payors	22,187,161
Self pay	<u>308,026</u>
Total patient service revenue	<u>\$ 50,993,927</u>

Patient service revenue, by service line of revenue recognition is as follows, for the year ended June 30, 2021:

	<u>2021</u>
Hospital services	\$ 49,482,965
Clinic services	545,361
Home Health and Hospice	<u>965,601</u>
Total patient service revenue	<u>\$ 50,993,927</u>

Revenue from patient's deductibles and coinsurance are included in the categories presented above based on the primary payor.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors: payors (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, method of reimbursement, and the Organization's line of business that provided the service (for example, hospital inpatient, hospital outpatient, and clinic).

Revenue from the Medicare and Medicaid programs accounted for approximately 51% and 5%, respectively, for June 30, 2021, of the Organization's patient service revenue.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. Because of this, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of investigations by governmental agencies, various healthcare 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 Organization'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 Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors 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 payor, correspondence from the payor and the Organization'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 (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(3) Patient Financial Assistance

The Organization provides patient financial assistance to patients who are financially unable to pay for the healthcare services they receive. It is the policy of the Organization not to pursue collection of amounts determined to qualify as patient financial assistance. Accordingly, the Organization does not report these amounts in patient service revenue. The Organization determines the costs associated with providing charity care by aggregating the direct and indirect costs, including salaries, benefits, supplies, and other operating expenses, based on an overall cost to charge ratio. The costs for caring for these patients for the year ended June 30, 2021 was approximately \$1,026,000.

In addition, the Organization provides services that are related to the Organization's mission providing health care for all individuals in the community regardless of their ability to pay, but do not fall within the patient financial assistance policy. These services include community wellness fairs, Medicare Hardship determinations, discounts for individuals who do not meet the patient financial assistance guidelines for medical indigence, the Every Woman Matters program, and many others. The Organization does receive various funds to help defray portions of the cost of care of these programs. The value at standard charges of these services which were not paid was \$443,893 for the year ended June 30, 2021, and the amount of those charges are eliminated from patient service revenue.

(4) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2021</u>
Financial Assets:	
Cash and cash equivalents	\$ 25,942,237
Receivables -	
Patients	5,934,426
Other	654,326
Patient customer contracts	1,274,272
Estimated third-party payor settlements	2,958,293
Assets limited as to use	7,305,182
Investments	<u>9,691,408</u>
Total financial assets	<u>53,760,144</u>
Less financial assets limited as to use:	
Assets limited as to use -	
Under loan guarantee for debt service	1,191,552
By board for employee health insurance claims	325,823
By board for capital improvements	3,022,732
By board designated endowment	2,221,328
Under deferred compensation plan	429,393
By donor	<u>2,335,682</u>
Total financial assets limited as to use	<u>9,526,510</u>
Financial assets available for general expenditure	<u>\$ 44,233,634</u>

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

For 2021, the Board of Directors of the Organization has designated \$3,022,732 to be used for future capital improvements, designated \$325,823 to be used for employee health insurance claims and designated \$2,221,328 for endowment. These funds are not intended to be spent from, however, these amounts could be made available for expenditure by an action of the Board of Directors, should that be necessary.

As part of the Hospital's liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds.

(5) Fair Value

Fair Value Hierarchy

The Organization adopted FASB ASC 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- | | |
|----------------|--|
| Level 1 | Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. |
| Level 2 | Pricing inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly through either corroboration or observable market data. |
| Level 3 | Pricing inputs are unobservable inputs for the asset or liability. Therefore, unobservable inputs shall reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) developed based on the best information available in the circumstances. |

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash and cash equivalents – Cash and cash equivalents are classified as Level 1 as these funds are valued using quoted market prices.

Mutual funds – Mutual funds are classified as Level 1 as they are traded in an active market for which closing prices are readily available.

Corporate bonds and notes – Corporate bonds and notes are classified as Level 2 based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets

For the fiscal year ended June 30, 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

The following tables present the balances of investment securities measured at fair value on a recurring basis at June 30, 2021:

Hospital

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Assets limited as to use:				
By board for employee health insurance claims -				
Cash and cash equivalents	\$ 325,823	325,823	--	--
By board for capital improvements -				
Cash and cash equivalents	27,205	27,205	--	--
Mutual funds	926,124	926,124	--	--
Corporate bonds and notes	2,069,403	--	2,069,403	--
Under deferred compensation plan -				
Mutual funds	429,393	429,393	--	--
	3,777,948	1,708,545	2,069,403	--
Assets limited as to use, not subject to fair value measurement,				
Under loan guarantee for debt service -				
Certificates of deposit	1,191,552			
Investments not subject to fair value measurement,				
Certificates of deposit	7,603,026			
	\$ 12,572,526			

Foundation

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments, including assets limited as to use by donor:				
Cash and cash equivalents	\$ 52,668	52,668	--	--
Mutual funds	2,754,180	2,754,180	--	--
Corporate bonds and notes	1,293,874	--	1,293,874	--
	4,100,722	2,806,848	1,293,874	--
Investments not subject to fair value measurement,				
Certificates of deposit	323,342			
	\$ 4,424,064			

(6) Investments

The Hospital's investment return for the year ended June 30, 2021 is summarized as follows:

	2021
Interest income	\$ 486,734
Gain on joint ventures	124,971
457 Plan investment income	122,909
Total Hospital investment return	\$ 734,614

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

The Foundation's investment return for the year ended June 30, 2021 is summarized as follows:

	<u>2021</u>
Interest and dividend income	\$ 43,694
Realized loss on sales of investments, net	124,978
Changes in unrealized gains and losses on other than trading securities	<u>502,368</u>
Total Foundation investment return	<u>\$ 671,040</u>

In accordance with the Farmers Home Administration, United States Department of Agriculture loan resolution security agreements, the Hospital must make monthly deposits into reserve accounts up to a defined amount for each note payable. The funding deposits and requirements for June 30, 2021 was as follows:

	<u>2021</u>
Certificates of deposit and accrued interest	\$ 1,191,552
Funding requirements	<u>1,042,308</u>
Deposits in excess of requirements	<u>\$ 149,244</u>

(7) **Property and Equipment, Net**

The following is a summary of the cost of property and equipment at June 30, 2021:

	<u>2021</u>
Land and land improvements	\$ 3,597,578
Buildings	37,137,055
Equipment	54,577,286
Construction work-in-progress	<u>1,848,461</u>
	97,160,380
Less accumulated depreciation	<u>(53,387,346)</u>
Property and equipment, net	<u>\$ 43,773,034</u>

Depreciation expense of \$4,719,379 in 2021 is included in the accompanying consolidated statements of operations.

The composition of construction work-in-process as of June 30, 2021 was largely made up of one major project. The 2020 addition and renovation project includes both an addition and remodel of certain hospital areas, and currently has approximately \$12,200,000 of accumulated costs, in which approximately \$11,000,000 has been capitalized and approximately \$1,200,000 is in construction work-in-progress, as of June 30, 2021. The total cost of the project is estimated to be \$21,600,000 and will be funded through a \$15,000,000 loan through Thayer County Bank backed by United States Department of Agriculture, a \$1,000,000 loan directly from the United States Department of Agriculture, and \$5,600,000 of Hospital funds. Estimated completion date of the project is Fall 2022.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(8) Long-Term Debt

Long-term debt as of June 30, 2021 consists of the following:

	<u>2021</u>
\$4,200,000, 4.25% note payable to the United States Department of Agriculture, payable in monthly installments of \$18,606, beginning in October 2013, including principal and interest through September 2049. The note is secured by property of the Organization.	\$ 3,511,226
\$15,000,000, 4.25% promissory note payable to Thayer County Bank, full principal and interest due upon the completion of the construction project. The note is guaranteed by the United States Department of Agriculture and is secured by property of the Organization.	11,720,593
\$9,900,000, 3.75% note payable to the United States Department of Agriculture, payable in monthly installments of \$40,788, beginning in December 2014, including principal and interest through November 2052. The note is secured by property of the Organization.	8,705,947
\$2,174,067, 3.375% note payable to the United States Department of Agriculture, payable in monthly installments of \$11,310 beginning July 2014, including principal and interest through August 2037. The note is secured by property of the Organization.	1,683,275
Less unamortized debt issuance costs	<u>(112,500)</u>
Total long-term debt	<u>\$ 25,508,541</u>

The Organization has established certain funds in accordance with the terms of the Farmers Home Administration, United States Department of Agriculture loan resolution security agreements.

Unamortized deferred financing costs relate to the Organization's Thayer County Bank loan guaranteed by the United States Department of Agriculture, which is being amortized over the life of the note on a straight-line basis, which approximates the interest rate method. Amortization expense of \$-0- in 2021 is included in interest expense in the consolidated statements of operations.

The Organization has a line of credit through McCook National Bank with a credit limit of \$500,000 at an interest rate of 4.5%. For the year ended June 30, 2021, the Organization has \$-0- drawn on the line of credit, respectively.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

The aggregate maturities of long-term debt during each of the next five years are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 321,434
2023	11,941,871
2024	345,219
2025	359,863
2026	373,693
Thereafter	<u>12,278,961</u>
	<u>\$ 25,621,041</u>

(9) Endowment

The Foundation has adopted the provisions of FASB ASC Topic 958 Subtopic 205 Section 05, *Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. The ASC provides guidance on classifying net assets associated with donor restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of the ASC is a requirement for expanded disclosures about all endowment funds. The State of Nebraska adopted a version of UPMIFA effective September 1, 2007.

The Foundation's endowment consists of approximately six individual funds established for a variety of purposes. Its endowment includes donor restricted endowment funds and also certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law – The Foundation's governing board has interpreted the UPMIFA enacted in the State of Nebraska as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of the gifts donated to the endowment, (b) the original value of the subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence described by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund.
2. The purpose of the Foundation and the donor restricted endowment fund.
3. General economic conditions
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Foundation.
7. The investment policies of the Foundation.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

Endowment composition consists of the following as of June 30, 2021:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 2,221,328	--	2,221,328
Donor-restricted endowment funds	--	1,590,620	1,590,620
Total endowment funds	\$ 2,221,328	1,590,620	3,811,948

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 1,705,565	1,584,833	3,290,398
Investment return:			
Investment income	43,694	--	43,694
Net realized gain	68,147	--	68,147
Net unrealized gain	396,965	--	396,965
Total investment return	508,806	--	508,806
Contributions	--	5,787	5,787
Transfers	6,957	--	6,957
	6,957	5,787	12,744
Endowment net assets, end of year	\$ 2,221,328	1,590,620	3,811,948

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. Under this policy, as approved by the Board, the endowment assets are invested in a manner that maximizes total returns over long periods of time primarily through capital appreciation. Endowment assets are invested in a combination of the following: Equities (50-80%), Fixed Income (15-50%), and Short-Term Investments (5-20%).

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved primarily through the purchase of securities of high quality.

Appropriation Policy and How the Investment Objectives Relate to Appropriation Policy

The Foundation preserves the whole dollar value of the original gift as of the gift date of donor-restricted endowments, absent explicit donor stipulations to the contrary. Interest, dividend and net appreciation of the donor-restricted endowment funds are deemed appropriated for expenditure when earned.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

Subject to expenditure for specified purpose:

	<u>2021</u>
Cardio-pulmonary campaign	\$ 301,963
Unspecified donor funds	276,493
Cancer care	55,698
Scholarship	55,576
Trenton medical center	29,410
Emergency funds	9,260
Curtis medical center	6,400
Pediatric room	3,188
Purchase of property and equipment	549
Other	6,525
	<u>745,062</u>

Endowments:

Subject to the Foundation's endowment spending
policy and appropriation:

Hospice	5,420
Edwards scholarship	165,000
Boehm scholarship	50,000
Other	1,370,200
	<u>1,590,620</u>

Total endowments 1,590,620

Total net assets with donor restrictions \$ 2,335,682

(11) Other Operating Revenue

Other revenue for the year ended June 30, 2021 is as follows:

	<u>2021</u>
Paycheck Protection Plan loan forgiveness, including interest	\$ 4,401,233
CARES Act Provider Relief Funds	2,110,631
Rental and housekeeping revenue	322,556
Grant revenue	301,544
340b drug program	222,972
Cafeteria revenue	193,473
Out-source services	113,830
Net assets released from restrictions	58,412
Medical records transcript fees	6,805
Gain on disposal of property and equipment	5,033
Miscellaneous	399,561
	<u>399,561</u>
	<u>\$ 8,136,050</u>

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

CARES Act Provider Relief Funds

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law that provides \$175 billion in relief funds to hospitals and other healthcare providers on the front line of the coronavirus response. This funding is to be used to support healthcare-related expenses or lost revenue attributable to the coronavirus and to ensure uninsured patients can get testing and treatment for the coronavirus. A portion of the funds was distributed to eligible providers beginning April 10, 2020 and a targeted distribution was made in May 2020. The funds represent a stimulus grant which requires certain terms and conditions. Total CARES Act Provider Relief Funds advanced to the Organization through June 30, 2021 was \$5,462,196. The Organization recognized \$2,110,631 in 2021 of the funds in other operating revenue in satisfaction with terms and conditions agreed to with the Department of Health and Human Services (HHS). In September 2021, the Hospital was required to submit to HHS documentation and how the Provider Relief Funds, received prior to June 30, 2020, were used. HHS has continually made clarifications as to approved uses of the Provider Relief Funds. Management believes it has complied with the terms and conditions agreed to, albeit information and documentation is subject to audit up to three years after it is reported in the Provider Relief Fund portal by the Hospital.

Paycheck Protection Program Loan Forgiveness

The Hospital applied for and was granted a loan in April 2020 for \$4,350,000 under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The Hospital was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital initially recorded a note payable and subsequently recorded a gain on forgiveness when the loan obligation was legally released by the SBA on June 2021. The Hospital recognized \$4,401,233 of loan and interest forgiveness income for the year ended June 30, 2021.

(12) Professional Liability Insurance

The Hospital carries a professional liability policy (including malpractice) which provides \$500,000 of coverage for injuries per occurrence and \$3,000,000 aggregate coverage. In addition, the Hospital carries a general liability policy which also provides \$1,000,000 per occurrence and \$3,000,000 aggregate coverage. The Hospital qualifies under the Nebraska Hospital Medical Liability Act (the Act). The Excess Liability Fund under the Act, on a claims-made basis, pays claims in excess of \$500,000 for losses up to \$2,250,000 per occurrence. The statute limits covered claims above \$2,250,000 and, in connection therewith, the Hospital carries an umbrella policy which also provides an additional \$3,000,000 of professional liability coverage per occurrence and aggregate coverage. These policies provide coverage on a claims-made basis covering only those claims which have occurred and are reported to the insurance company while the coverage is in force.

The Hospital could have exposure on possible incidents that have occurred for which claims will be made in the future, should professional liability insurance not be maintained, should coverage be limited and/or not available, or should the Act change.

Accounting principles generally accepted in the United States of America require a health care provider to recognize the ultimate costs of malpractice claims or similar contingent liabilities, which include costs associated with litigating or settling claims, when the incidents that give rise to the claims occur. The Hospital does evaluate all incidents and claims along with prior claim experience to determine if a liability is to be recognized. For the years ending June 30, 2021, management determined no liability should be recognized for asserted or unasserted claims. Management is not aware of any such claim that would have a material adverse impact on the accompanying consolidated financial statements.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(13) Rental Income

The Hospital is the lessor of certain space under various noncancelable operating leases. Rental income is recorded monthly, as earned, in other revenue.

The following is a schedule by year of future minimum receipts under operating leases as of June 30, 2021, that have initial or remaining lease terms in excess of one year:

<u>Year</u>	<u>Amount</u>
2022	\$ 219,688
2023	219,688
2024	219,688
2025	219,688
2026	<u>219,688</u>
	<u>\$ 1,098,440</u>

(14) Pension Plan

The Hospital has a noncontributory, defined contribution pension plan established under section 401(a) of the internal revenue code for substantially all full-time and eligible part-time employees. After a one year eligibility period, the Hospital contributes 7% of each employee's salary, up to statutory limits, into individual, self-directed accounts. Each employee is fully vested after three years of qualified employment. Employees of the Foundation are also covered under this plan. Contributions totaled \$1,411,632 for the year ended June 30, 2021.

In addition, the Hospital has a contributory, defined contribution tax deferred annuity plan established under section 403(b) of the Internal Revenue Code available to all employees. Contributions are voluntary and are allowed up to the statutory limits. All contributions are accounted for in individual, self-directed accounts which fully vest immediately.

Because of the types of plans, there are no actuarial assumptions used in determining costs nor can there be any actuarial gain or loss. Any gain or loss in pension fund investments is reflected in the participating employee's benefits. The value of the vested earned benefits can never exceed the assets of the fund since the benefits are determined by the value accumulated for each employee.

(15) 457(b) Deferred Compensation Plan

The Hospital also offers additional deferred compensation plans for its executive officers in accordance with Internal Revenue Code 457(b). The plan permits eligible employees to defer a portion of their salaries until future years. Employees may defer up to the maximum amount allowed by Section 457(b) of the Internal Revenue Code into a separate investment account in which the executive has the right to direct the investment of the funds in accordance with investment guidelines established by the Hospital. The deferred compensation is not available to the employees until retirement, separation from employment, death, unforeseeable emergency or attaining age 65. The employer is the beneficial owner of all assets the employee places in the plan.

The deferred compensation assets related to this plan in the amount of \$429,393 as of June 30, 2021 are included within the accompanying consolidated balance sheets as assets limited as to use. A liability of \$429,393 as of June 30, 2021 based on the fair value of the investments, has also been included within the accompanying consolidated balance sheet as deferred compensation liabilities.

The Community Hospital Association and Affiliate

Notes to Consolidated Financial Statements June 30, 2021

(16) Concentrations of Credit Risk

The Hospital is located in McCook, Nebraska. The Hospital grants credits without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors was as follows:

	<u>2021</u>
Medicare	22%
Medicaid	6
Commercial and other	53
Private pay	19
	<u>100%</u>

(17) Functional Expenses

The table presented below illustrates the Organization's expenses by both their nature and their function for the year ended June 30, 2021:

	<u>2021</u>								Total
	<u>Program Services</u>					<u>Support Services</u>		Total	
	Inpatient	Emergency	Operating Room	Oncology	Outpatient Clinics	Other	Management and General		
Salaries and Wages	\$ 4,088,623	922,624	2,775,428	1,641,606	1,418,019	4,795,351	4,308,258	150,493	20,100,402
Employee health and welfare	1,482,646	334,569	1,006,446	595,291	514,212	1,815,399	1,562,292	54,573	7,365,428
Supplies and other	2,301,044	1,642,838	2,921,735	4,640,334	1,325,392	4,901,645	2,596,556	24,146	20,353,690
Depreciation	942,905	204,896	941,779	329,990	380,085	1,685,631	233,305	788	4,719,379
Interest	225,803	50,594	185,216	74,616	94,798	271,413	4,649	--	907,089
Insurance	43,594	13,033	46,512	28,282	16,689	82,497	712	--	231,319
Grants to others	--	--	--	--	--	2,782	--	--	2,782
	<u>\$ 9,084,615</u>	<u>3,168,554</u>	<u>7,877,116</u>	<u>7,310,119</u>	<u>3,749,195</u>	<u>13,554,718</u>	<u>8,705,772</u>	<u>230,000</u>	<u>53,680,089</u>

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the Organization. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, purchased services, utilities, other, and depreciation. Utilities and depreciation are allocated based on square feet. The remaining allocated expenses are allocated on an estimate of time and effort.

Consolidating Balance Sheets
June 30, 2021

	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 25,389,714	552,523	--	25,942,237
Receivables:				
Patients	5,934,426	--	--	5,934,426
Other	925,652	27,767	(299,093)	654,326
Patient customer contracts	1,274,272	--	--	1,274,272
Inventories	2,065,795	--	--	2,065,795
Prepaid expenses	1,834,922	--	--	1,834,922
Estimated third-party payor settlements	2,958,293	--	--	2,958,293
Total current assets	<u>40,383,074</u>	<u>580,290</u>	<u>(299,093)</u>	<u>40,664,271</u>
Assets limited as to use	4,969,500	2,335,682	--	7,305,182
Investments	7,603,026	2,088,382	--	9,691,408
Property and equipment, net	43,773,034	--	--	43,773,034
Other assets	338,207	--	--	338,207
Total assets	<u>\$ 97,066,841</u>	<u>5,004,354</u>	<u>(299,093)</u>	<u>101,772,102</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	\$ 321,434	--	--	321,434
Accounts payable -				
Trade	1,373,735	310,164	(299,093)	1,384,806
Construction and equipment	785,455	--	--	785,455
Accrued salaries, vacation and benefits payable	2,816,666	--	--	2,816,666
Other accrued expenses	560,126	--	--	560,126
Refundable advances	10,790,818	--	--	10,790,818
Total current liabilities	<u>16,648,234</u>	<u>310,164</u>	<u>(299,093)</u>	<u>16,659,305</u>
Long-term debt, net of current portion	25,187,107	--	--	25,187,107
Deferred compensation	429,393	--	--	429,393
Total liabilities	<u>42,264,734</u>	<u>310,164</u>	<u>(299,093)</u>	<u>42,275,805</u>
Net assets:				
Without donor restrictions	54,802,107	2,358,508	--	57,160,615
With donor restrictions	--	2,335,682	--	2,335,682
Total net assets	<u>54,802,107</u>	<u>4,694,190</u>	<u>--</u>	<u>59,496,297</u>
Total liabilities and net assets	<u>\$ 97,066,841</u>	<u>5,004,354</u>	<u>(299,093)</u>	<u>101,772,102</u>

The Community Hospital Association and Affiliate

Exhibit 2

Consolidating Statement of Operations
For the Year Ended June 30, 2021

	Hospital	Foundation	Eliminations	Consolidated
REVENUE WITHOUT DONOR RESTRICTIONS:				
Patient service revenue	\$ 50,993,927	--	--	50,993,927
Other operating revenue	8,077,638	58,412	--	8,136,050
Total revenue without donor restrictions	<u>59,071,565</u>	<u>58,412</u>	<u>--</u>	<u>59,129,977</u>
EXPENSES:				
Salaries and wages	19,934,135	166,267	--	20,100,402
Employee health and welfare	7,285,341	80,087	--	7,365,428
Supplies and other	20,289,837	63,853	--	20,353,690
Depreciation	4,719,379	--	--	4,719,379
Interest	907,089	--	--	907,089
Insurance	231,319	--	--	231,319
Grants to affiliates and others	--	193,704	(190,922)	2,782
Total expenses	<u>53,367,100</u>	<u>503,911</u>	<u>(190,922)</u>	<u>53,680,089</u>
OPERATING INCOME (LOSS)	<u>5,704,465</u>	<u>(445,499)</u>	<u>190,922</u>	<u>5,449,888</u>
NONOPERATING GAINS, NET:				
Investment income, net	734,614	168,672	--	903,286
Change in unrealized gains and losses on other than trading securities	--	502,368	--	502,368
Unrestricted gifts, grants and bequests	190,922	207,289	(190,922)	207,289
Nonoperating gains, net	<u>925,536</u>	<u>878,329</u>	<u>(190,922)</u>	<u>1,612,943</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 6,630,001</u>	<u>432,830</u>	<u>--</u>	<u>7,062,831</u>

Consolidating Statements of Changes in Net Assets
For the Year Ended June 30, 2021

	<u>Hospital</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Consolidated</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Operating income (loss)	\$ 5,704,465	(445,499)	190,922	5,449,888
Nonoperating gains, net	<u>925,536</u>	<u>878,329</u>	<u>(190,922)</u>	<u>1,612,943</u>
Increase in net assets without donor restrictions	<u>6,630,001</u>	<u>432,830</u>	<u>--</u>	<u>7,062,831</u>
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	--	96,153	--	96,153
Net assets released from restrictions	<u>--</u>	<u>(58,412)</u>	<u>--</u>	<u>(58,412)</u>
Increase in net assets with donor restrictions	<u>--</u>	<u>37,741</u>	<u>--</u>	<u>37,741</u>
CHANGE IN NET ASSETS	6,630,001	470,571	--	7,100,572
NET ASSETS, beginning of year	<u>48,172,106</u>	<u>4,223,619</u>	<u>--</u>	<u>52,395,725</u>
NET ASSETS, end of year	<u>\$ 54,802,107</u>	<u>4,694,190</u>	<u>--</u>	<u>59,496,297</u>

**Operating Highlights
For the Year Ended June 30, 2021**

	<u>2021</u>
Patient days -	
Adult and pediatric	2,246
Swing bed	423
Nursery	196
Discharges - Adult, pediatric and swing bed	778
Average length of stay - Adult, pediatric and swing bed	3.43 days
Percent occupancy - Adult, pediatric and swing bed	29.2%
Full-time equivalent employees	268.91
Operations	1,561
X-Ray examinations	7,043
Ultrasound procedures	1,615
Nuclear medicine	277
CT scans	2,930
MRI	915
Deliveries	126
Physical therapy treatments	29,695
Occupational therapy treatments	1,268
Respiratory therapy treatments	5,753
Emergency room visits	3,913
Clinic registrations -	
Curtis	887
Trenton	1,420
Orthopedic	787
Specialty clinic	8,534
Home Health visits	6,045
Laboratory tests	67,113

The Community Hospital Association and Affiliate

Schedule of Expenditures of Federal Awards and Notes to the Schedule For the Year Ended June 30, 2021

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Direct Award			
Community Facilities Loans and Grants Cluster			
Community Facilities Loans and Grants	10.766	N/A	\$ <u>5,448,808</u>
Total Community Facilities Loans and Grants cluster / U.S. Department of Agriculture			<u>5,448,808</u>
U.S. Department of Health and Human Services			
Direct Program			
COVID-19 Provider Relief Fund	93.498	N/A	<u>5,466,011</u>
Passed through the State of Nebraska Department of Health and Human Services			
COVID-19 Small Rural Hospital Improvement Grant Program	93.301	N/A	<u>94,885</u>
Passed through the Nebraska Hospital Association			
COVID-19 Preparedness and Response Activities	93.899	N/A	<u>18,483</u>
Total U.S. Department of Health and Human Services			<u>5,579,379</u>
Total expenditures of federal awards			\$ <u>11,028,187</u>

The accompanying notes are an integral part of this schedule.

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Hospital under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2: Summary of Significant Accounting

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

The Hospital has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Provider Relief Funds

The Hospital received amounts from the U.S. Department of Health and Human Services (HHS) through the Provider Relief Fund (PRF) program (Federal Financial Assistance Listing/CFDA #93.498) during the year ended June 30, 2020. The Hospital incurred eligible expenditures and, therefore, recognized revenue totaling \$2,110,631 and \$3,351,565 for the years ended June 30, 2021 and 2020, respectively in the financial statements. In accordance with the compliance supplement, the PRF expenditures recognized on the schedule are based on the reporting to HHS for the period ending June 30, 2021, as required under the PRF program.

The Community Hospital Association and Affiliate

Schedule of Expenditures of Federal Awards and Notes to the Schedule For the Year Ended June 30, 2021

The amount of PRF expenditures included on the schedule requires management to make estimates and assumptions that affect the reported amounts. Accordingly, such expenditures are considered a significant estimate. Estimates and assumptions may include reducing actual expenses by amounts that have been reimbursed or are obligated to be reimbursed by other sources and the calculation of lost revenue. Actual results could differ from those estimates.

Note 5: Loans

The balance of the loan outstanding at June 30, 2021 consists of:

Federal Financial Assistance Listing/Federal CFDA Number	Program Name	Outstanding Balance
10.766	Community Facilities Loans and Grants	\$25,621,041

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

To the Board of Directors of
The Community Hospital Association and Affiliate
McCook, Nebraska:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Community Hospital Association and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 11, 2022. The financial statements of the Community Hospital Health Foundation were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Community Hospital Health Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SEIM JOHNSON, LLP

Omaha, Nebraska,
July 11, 2022.

Independent Auditor's Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance as Required by the Uniform Guidance

To the Board of Directors of
The Community Hospital Association and Affiliate
McCook, Nebraska:

Report on Compliance for Each Major Federal Program

We have audited The Community Hospital Association's (the Hospital) compliance, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Hospital's major federal programs for the year ended June 30, 2021. The Hospital's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Hospital's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Hospital's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Hospital's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hospital complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

The management of the Hospital is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Hospital's internal control over compliance with the type of requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

SEIM JOHNSON, LLP

Omaha, Nebraska,
July 11, 2022.

The Community Hospital Association and Affiliate

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Consolidated Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None Reported

Noncompliance material to consolidated financial statements noted? Yes x No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes x No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.766	Community Facilities Loans and Grants Cluster
93.498	COVID-19 Provider Relief Fund

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? Yes x No

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs were reported.