The Community Hospital Association and Affiliate

McCook, Nebraska

Consolidated Financial Statements
and Supplementary Information
June 30, 2022 and 2021

Together with Independent Auditor's Report

The Community Hospital Association and Affiliate

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EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of The Community Hospital Association and Affiliate (the Organization), which comprise the consolidated balance sheet as of June 30, 2022, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Organization as of and for the year ended June 30, 2021 were audited by Seim Johnson, LLP, who joined Eide Bailly LLP on July 25, 2022, and whose report dated July 11, 2022, contained an unmodified opinion on those statements and contained an opinion that the accompanying supplementary information as of and for the year ending June 30, 2021 was fairly stated in all material respects in relation to the 2021 financial statements as a whole.

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 Organization's ability to continue as a going concern for one year after the date that the 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 the Organization'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 Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included 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), as of and for the year ended June 30, 2022 is presented for the purposes of additional analysis and is 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 March 29, 2023 on our consideration of the HHCS's internal control over financial reporting and 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 HHCS'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 HHCS's internal control over financial reporting and compliance.

Eide Bailly LLP

Omaha, Nebraska,
March 29, 2023.

The Community Hospital Association and Affiliate

Consolidated Balance Sheets
June 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,353,240	25,942,237
Receivables -		
Patients	8,309,292	7,208,698
Other	244,633	654,326
Inventories	2,019,565	2,065,795
Prepaid expenses	2,058,710	1,834,922
Estimated third-party payor settlements	--	2,958,293
Total current assets	38,985,440	40,664,271
Assets limited as to use	8,521,072	7,305,182
Investments	8,785,632	9,691,408
Property and equipment, net	45,175,307	43,773,034
Other assets	343,852	338,207
Total assets	$ 101,811,303	101,772,102
LIABILITIES AND NET ASSETS		
Current liabilities:		
Current portion of long-term debt	$ 777,112	321,434
Accounts payable -		
Trade	1,595,072	1,384,806
Construction and equipment	154,546	785,455
Accrued salaries, vacation and benefits payable	2,323,819	2,816,666
Other accrued expenses	593,241	560,126
Estimated third-party payor settlements	309,552	--
Refundable advances	4,916,337	10,790,818
Total current liabilities	10,669,679	16,659,305
Long-term debt, net of current portion	27,552,110	25,187,107
Deferred compensation	378,009	429,393
Total liabilities	38,599,798	42,275,805
Net assets:		
Without donor restrictions	61,145,433	57,160,615
With donor restrictions	2,066,072	2,335,682
Total net assets	63,211,505	59,496,297
Total liabilities and net assets	$ 101,811,303	101,772,102

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statements of Operations
For the Years Ended June 30, 2022 and 2021

	2022	2021
REVENUE WITHOUT DONOR RESTRICTIONS:		
Patient service revenue	$ 57,692,981	50,993,927
Other operating revenue	2,149,587	8,136,050
Total revenue without donor restrictions	59,842,568	59,129,977
EXPENSES:		
Salaries and wages	21,188,932	19,977,493
Employee health and welfare	7,821,046	7,365,428
Supplies and other	20,275,171	20,353,690
Depreciation	5,311,254	4,719,379
Interest	1,036,983	907,089
Insurance	308,837	231,319
Grants to others	168,030	2,782
Total expenses	56,110,253	53,557,180
OPERATING INCOME	3,732,315	5,572,797
NONOPERATING GAINS (LOSSES), NET:		
Investment income, net	303,773	780,377
Change in unrealized gains and losses on investments, net	(472,025)	502,368
Unrestricted gifts, grants and bequests	420,755	207,289
Nonoperating gains, net	252,503	1,490,034
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 3,984,818	7,062,831

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

		2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:			
Operating income	$	3,732,315	5,449,888
Nonoperating gains, net		252,503	1,612,943
Increase in net assets without donor restrictions		3,984,818	7,062,831
NET ASSETS WITH DONOR RESTRICTIONS:			
Contributions		168,408	96,153
Net assets released from restrictions		(438,018)	(58,412)
Increase (decrease) in net assets with donor restrictions		(269,610)	37,741
INCREASE IN NET ASSETS		3,715,208	7,100,572
NET ASSETS, beginning of year		59,496,297	52,395,725
NET ASSETS, end of year	$	63,211,505	59,496,297

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from patients and third-party payors	$	53,985,751	48,412,842
Cash received from others		2,381,919	3,752,345
Cash paid for employee salaries and related benefits		(29,469,710)	(26,790,624)
Cash paid to suppliers		(20,551,300)	(20,787,641)
Interest paid		(1,036,983)	(907,089)
Investment income received		303,773	903,286
Net cash provided by operating activities		5,613,450	4,583,119
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposits to investments		(2,197,305)	(4,618,428)
Withdrawals from investments		3,103,081	3,498,625
Deposits to assets limited as to use		(701,122)	(274,686)
Withdrawals from assets limited as to use		(1,038,177)	499,654
Additions to other assets		(5,645)	(123,538)
Purchase of property and equipment		(7,352,368)	(8,747,511)
Net cash used in investing activities		(8,191,536)	(9,765,884)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long term debt and interim construction loan		3,484,587	5,448,808
Payments on long-term debt		(663,906)	(309,550)
Proceeds from restricted contributions		168,408	96,153
Net cash provided by financing activities		2,989,089	5,235,411
INCREASE IN CASH AND CASH EQUIVALENTS		411,003	52,646
CASH AND CASH EQUIVALENTS, beginning of year		25,942,237	25,889,591
CASH AND CASH EQUIVALENTS, end of year	$	26,353,240	25,942,237
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:			
Paycheck Protection Program loan forgiveness	$	--	4,350,000

See notes to consolidated financial statements

The Community Hospital Association and Affiliate

Consolidated Statements of Cash Flows (Continued)
For the Years Ended June 30, 2022 and 2021

		2022	2021
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Increase in net assets	$	3,715,208	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		(168,408)	(96,153)
Depreciation		5,311,254	4,719,379
Net change in unrealized gains and losses on investments, net		472,025	(502,368)
(Gain) loss on disposal of property and equipment		7,932	(5,033)
(Increase) decrease in current assets -			
Receivables -			
Patient		(1,100,594)	515,019
Other		409,693	(174,767)
Inventories		46,230	(142,790)
Prepaid expenses		(223,788)	(628,758)
Estimated third-party payor settlements		2,958,293	(375,293)
Increase (decrease) in current liabilities -			
Accounts payable - trade		210,266	568,916
Accrued salaries, vacation, and benefits payable		(492,847)	729,702
Other accrued expenses		33,115	(54,496)
Estimated third-party payor settlements		309,552	--
Refundable advances		(5,874,481)	(2,720,811)
Net cash provided by operating activities	$	5,613,450	4,583,119

See notes to consolidated financial statements

(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 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 fluctuations due to the pandemic. See Note 11 regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

C. 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 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 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:

		2022	2021
Patient receivables, beginning of year	$	7,208,698	7,723,717
Patient receivables, end of year	$	8,309,292	7,208,698

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

F. 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, 2022 and 2021, the uncollected balance was $67,535 and $59,205, respectively. The Organization believes it is not exposed to any significant credit risk on these contracts.

G. Inventories

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

H. 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 years ended June 30, 2022 and 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.

I. 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, 2022 and 2021, $2,066,072 and $2,335,682, respectively, 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.

J. 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.

K. 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, 2022 and 2021 the Organization reported refundable advances of $1,228,765 and $-0-, respectively, 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.

The Organization has also received $200,000 under the American Rescue Plan 2021 to be used for the Rural Health Clinic COVID-19 Testing and Mitigation Program. These funds are to be used to support costs of the program through December 31, 2022. When terms and conditions are met, the Organization will recognize amounts as revenue. As of June 30, 2022 and 2021, no funds have been expended for their intended use.

Accelerated and Advance Payment Program

At June 30, 2022 and 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 advances are being recouped through processed Medicare claims or repayment by the Organization. The advance payments are noninterest bearing through the repayment period (29 months after issuance of the advance). During 2021, CMS began recouping the AAPP amounts. As of June 30, 2022 and 2021, the Organization reported refundable advances of $3,474,397 and $10,481,086, respectively.

L. 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.

M. 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).

N. 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. 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.

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.

O. 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.

P. 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.

Q. 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.

R. 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, 2022 and 2021, the Hospital and Foundation had no uncertain tax positions accrued.

S. 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.

T. 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.

U. 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.

V. 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 consolidated statement of operations. On June 30, 2020, the FASB issued ASU 2020-05 which granted a one year effective date delay applying this guidance. The new standard is now effective for the fiscal year ending June 30, 2023. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

W. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between the periods presented. The reclassifications had no effect on previously reported operating results or changes in net position.

X. Subsequent Events

The Organization considered events occurring through March 29, 2023 for recognition or disclosure in the financial statements as subsequent events. That date is the date the 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.

Patient service revenue by major payor class for the years ended June 30, 2022 and 2021 is presented in the following table:

		2022	2021
Medicare	$	27,899,878	25,770,537
Medicaid		3,443,968	2,728,203
Other commercial payors		25,532,508	22,187,161
Self pay		816,627	308,026
Total patient service revenue	$	57,692,981	50,993,927

Patient service revenue, by service line of revenue recognition is as follows, for the years ended June 30, 2022 and 2021:

		2022	2021
Hospital services	$	56,311,956	49,482,965
Clinic services		641,898	545,361
Home Health and Hospice		739,127	965,601
Total patient service revenue	$	57,692,981	50,993,927

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 54% and 56%, respectively, for June 30, 2022 and 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 lease 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.

(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 years ended June 30, 2022 and 2021 was approximately $977,000 and $1,026,000, respectively.

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 $330,267 and $443,893, respectively, for the years ended June 30, 2022 and 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:

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	2022	2021
Financial assets:		
Cash and cash equivalents	$ 26,353,240	25,942,237
Receivables -		
Patients	8,309,292	7,208,698
Other	244,633	654,326
Estimated third-party payor settlements	--	2,958,293
Assets limited as to use	8,521,072	7,305,182
Investments	8,785,632	9,691,408
Total financial assets	52,213,869	53,760,144
Less financial assets limited as to use:		
Assets limited as to use -		
Under loan guarantee for debt service	1,121,737	1,191,552
By board for employee health insurance claims	171,523	325,823
By board for capital improvements	2,897,806	3,022,732
By board designated endowment	1,885,925	2,221,328
Under deferred compensation plan	378,009	429,393
By donor	2,066,072	2,335,682
Total financial assets limited as to use	8,521,072	9,526,510
Financial assets available for general expenditure	$ 43,692,797	44,233,634

For 2022 and 2021, the Board of Directors of the Organization has designated $2,897,806 and $3,022,732, respectively, to be used for future capital improvements, designated $171,523 and $325,823, respectively, to be used for employee health insurance claims and designated $1,885,925 and $2,221,328, respectively, 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 applies 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 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:

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 years ended June 30, 2022 and 2021, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following tables present the balances of investment securities measured at fair value on a recurring basis at June 30, 2022 and 2021:

Hospital

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Assets limited as to use:				
By board for employee health insurance claims -				
Cash and cash equivalents	$ 171,523	--	--	--
By board for capital improvements -				
Cash and cash equivalents	20,937	--	--	--
Mutual funds	832,032	832,032	--	--
Corporate bonds and notes	2,044,837	--	2,044,837	--
Under deferred compensation plan -				
Mutual funds	378,009	378,009	--	--
	3,447,338	1,210,041	2,044,837	--
Assets limited as to use, not subject to fair value measurement,				
Under loan guarantee for debt service -				
Certificates of deposit	1,121,737			
Investments not subject to fair value measurement,				
Certificates of deposit	8,653,357			
	$ 13,222,432			

	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	--	--	--
By board for capital improvements -				
Cash and cash equivalents	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	1,355,517	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, 2022			
	Total	Level 1	Level 2	Level 3
Investments, including assets limited as to use by donor:				
Cash and cash equivalents	$ 75,178	--	--	--
Mutual funds	2,494,104	2,494,104	--	--
Corporate bonds and notes	1,189,788	--	1,189,788	--
	3,759,070	2,494,104	1,189,788	--
Investments not subject to fair value measurement,				
Certificates of deposit	325,202			
	$ 4,084,272			

	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	--	--	--
Mutual funds	2,754,180	2,754,180	--	--
Corporate bonds and notes	1,293,874	--	1,293,874	--
	4,100,722	2,754,180	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 years ended June 30, 2022 and 2021 is summarized as follows:

		2022	2021
Interest income	$	89,630	486,734
Gain on joint ventures		9,447	124,971
Total Hospital investment return	$	99,077	611,705

The Foundation's investment return for the years ended June 30, 2022 and 2021 is summarized as follows:

		2022	2021
Interest and dividend income	$	41,612	43,694
Realized loss on sales of investments, net		163,084	124,978
Changes in unrealized gains and losses on investments, net		(472,025)	502,368
Total Foundation investment return (loss)	$	(267,329)	671,040

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, 2022 and 2021 was as follows:

		2022	2021
Certificates of deposit and accrued interest	$	1,121,737	1,191,552
Funding requirements		851,250	1,042,308
Deposits in excess of requirements	$	270,487	149,244

(7) Property and Equipment, Net

The following is a summary of the cost of property and equipment at June 30, 2022 and 2021:

		2022	2021
Land and land improvements	$	3,700,313	3,597,578
Buildings		38,547,552	37,137,055
Equipment		56,987,007	54,577,286
Construction work-in-progress		845,407	1,848,461
		100,080,279	97,160,380
Less accumulated depreciation		(54,904,972)	(53,387,346)
Property and equipment, net	$	45,175,307	43,773,034

Depreciation expense of $5,311,254 and $4,719,379 in 2022 and 2021, respectively, is included in the accompanying consolidated statements of operations.

(8) Long-Term Debt

Long-term debt as of June 30, 2022 and 2021 consists of the following:

	2022	2021
$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.	$ 3,435,267	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.	14,856,927	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.	8,539,152	8,705,947
$2,900,000, 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.	1,602,959	1,683,275
$205,180, 2.125% note payable to the United States Department of Agriculture, payable in monthly installments of $9,260 beginning April 2022, including principal and interest through March 2032. The note is secured by property of the Organization.	178,451	--
	28,612,756	25,621,041
Less unamortized debt issuance costs	(283,534)	(112,500)
Total long-term debt	$ 28,329,222	25,508,541

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 2022 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 years ended June 30, 2022 and 2021, the Organization has $-0- drawn on the line of credit.

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

Year Ending June 30,		
2023	$	777,112
2024		813,672
2025		847,151
2026		878,915
2027		911,902
Thereafter		24,384,004
	$	28,612,756

(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.

Endowment composition consists of the following as of June 30, 2022 and 2021:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 1,885,925	--	1,885,925
Donor-restricted endowment funds	--	1,596,446	1,596,446
Total endowment funds	$ 1,885,925	1,596,446	3,482,371

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 years ended June 30, 2022 and 2021 are as follows:

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,221,328	1,590,620	3,811,948
Investment return:			
Investment income	10,434	--	10,434
Net realized gain	80,398	--	80,398
Net unrealized loss	(351,339)	--	(351,339)
Total investment return	(260,507)	--	(260,507)
Contributions	--	5,826	5,826
Transfers	(74,896)	--	(74,896)
	(74,896)	5,826	(69,070)
Endowment net assets, end of year	$ 1,885,925	1,596,446	3,482,371

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.

(10) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022 and 2021:

Subject to expenditure for specified purpose:		2022	2021
Unspecified donor funds	$	239,717	276,493
Cancer care		59,789	55,698
Scholarship		59,524	55,576
Cardio-pulmonary campaign		54,367	301,963
Trenton medical center		29,572	29,410
Emergency funds		9,196	9,260
Pediatric room		3,188	3,188
Purchase of property and equipment		176	549
Curtis medical center		--	6,400
Other		14,097	6,525
		469,626	745,062
Endowments:			
Subject to the Foundation's endowment spending policy and appropriation:			
Hospice		5,420	5,420
Edwards scholarship		165,000	165,000
Boehm scholarship		50,000	50,000
Other		1,376,026	1,370,200
Total endowments		1,596,446	1,590,620
Total net assets with donor restrictions	$	2,066,072	2,335,682

(11) Other Operating Revenue

Other revenue for the years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Net assets released from restrictions	$	438,018	58,412
Grant revenue		332,950	301,544
Rental and housekeeping revenue		328,419	322,556
340b drug program		291,624	222,972
Cafeteria revenue		189,591	193,473
Out-source services		82,012	113,830
Medical records transcript fees		7,263	6,805
Paycheck Protection Plan loan forgiveness, including interest		--	4,401,233
CARES Act Provider Relief Funds		--	2,110,631
Gain (loss) on disposal of property and equipment		(7,932)	5,033
Miscellaneous		487,642	399,561
	$	2,149,587	8,136,050

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. The Organization recognized $-0- and $2,110,631 in 2022 and 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). The Hospital has submitted to HHS documentation on how the Provider Relief Funds 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 $-0- and $4,401,233, respectively, of loan and interest forgiveness income for the years ended June 30, 2022 and 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, 2022 and 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 financial statements.

(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, 2022 and 2021, that have initial or remaining lease terms in excess of one year:

Year		Amount
2023	$	250,172
2024		310,120
2025		310,120
2026		310,120
2027		310,120
	$	1,490,652

(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 $1,199,287 and $1,411,632, respectively, for the years ended June 30, 2022 and 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 $378,009 and $429,393, respectively, as of June 30, 2022 and 2021 are included within the accompanying consolidated balance sheets as assets limited as to use. A liability of $378,009 and $429,393, respectively, as of June 30, 2022 and 2021 based on the fair value of the investments, has also been included within the accompanying consolidated balance sheet as deferred compensation liabilities.

(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:

	2022	2021
Medicare	30%	22%
Medicaid	1	6
Commercial and other	41	53
Private pay	28	19
	100%	100%

(17) Functional Expenses

The table presented below illustrates the Organization's expenses by both their nature and their function for the years ended June 30, 2022 and 2021:

	2022								
	Program Services						Support Services		
	Inpatient	Emergency	Operating Room	Oncology	Outpatient Clinics	Other	Management and General	Fundraising	Total
Salaries and wages	$ 4,167,868	1,143,391	2,813,275	1,528,944	2,158,314	4,682,395	4,389,517	305,228	21,188,932
Employee health and welfare	1,542,466	423,152	1,041,151	565,839	798,760	1,732,885	1,584,736	132,057	7,821,046
Supplies and other	2,520,634	1,667,094	2,999,039	3,268,550	1,001,261	5,513,915	3,116,625	188,054	20,275,171
Depreciation	1,060,213	204,509	937,617	415,832	532,127	1,859,063	301,105	788	5,311,254
Interest	245,338	53,967	202,464	83,065	150,353	296,837	4,959	--	1,036,983
Insurance	57,440	17,180	68,442	30,316	32,073	102,409	977	--	308,837
Grants to others	--	--	--	--	--	2,782	--	165,248	168,030
	$ 9,593,959	3,509,293	8,061,987	5,892,546	4,672,888	14,190,285	9,397,920	791,375	56,110,253

	2021								
	Program Services						Support Services		
	Inpatient	Emergency	Operating Room	Oncology	Outpatient Clinics	Other	Management and General	Fundraising	Total
Salaries and wages	$ 4,088,623	922,624	2,775,428	1,641,606	1,418,019	4,795,351	4,185,349	150,493	19,977,493
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
	$ 9,084,615	3,168,554	7,877,116	7,310,119	3,749,195	13,554,718	8,582,863	230,000	53,557,180

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.

The Community Hospital Association and Affiliate

Exhibit 1

Consolidating Balance Sheet
June 30, 2022

	Hospital	Foundation	Eliminations	Consolidated
ASSETS				
Current assets:				
Cash and cash equivalents	$ 25,989,027	364,213	--	26,353,240
Receivables:				
Patients	8,309,292	--	--	8,309,292
Other	309,828	20,502	(85,697)	244,633
Inventories	2,019,565	--	--	2,019,565
Prepaid expenses	2,058,710	--	--	2,058,710
Total current assets	38,686,422	384,715	(85,697)	38,985,440
Assets limited as to use	6,455,000	2,066,072	--	8,521,072
Investments	6,767,432	2,018,200	--	8,785,632
Property and equipment, net	45,175,307	--	--	45,175,307
Other assets	343,852	--	--	343,852
Total assets	$ 97,428,013	4,468,987	(85,697)	101,811,303
LIABILITIES AND NET ASSETS				
Current liabilities:				
Current portion of long-term debt	$ 777,112	--	--	777,112
Accounts payable -				
Trade	1,583,482	97,287	(85,697)	1,595,072
Construction and equipment	154,546	--	--	154,546
Accrued salaries, vacation and benefits payable	2,323,819	--	--	2,323,819
Other accrued expenses	593,241	--	--	593,241
Estimated third-party payor settlements	309,552	--	--	309,552
Refundable advances	4,916,337	--	--	4,916,337
Total current liabilities	10,658,089	97,287	(85,697)	10,669,679
Long-term debt, net of current portion	27,552,110	--	--	27,552,110
Deferred compensation	378,009	--	--	378,009
Total liabilities	38,588,208	97,287	(85,697)	38,599,798
Net assets:				
Without donor restrictions	58,839,805	2,305,628	--	61,145,433
With donor restrictions	--	2,066,072	--	2,066,072
Total net assets	58,839,805	4,371,700	--	63,211,505
Total liabilities and net assets	$ 97,428,013	4,468,987	(85,697)	101,811,303

The Community Hospital Association and Affiliate

Exhibit 2

Consolidating Statement of Operations
For the Year Ended June 30, 2022

	Hospital	Foundation	Eliminations	Consolidated
REVENUE WITHOUT DONOR RESTRICTIONS:				
Patient service revenue	$ 57,692,981	--	--	57,692,981
Other operating revenue	1,711,569	438,018	--	2,149,587
Total revenue without donor restrictions	59,404,550	438,018	--	59,842,568
EXPENSES:				
Salaries and wages	21,036,477	152,455	--	21,188,932
Employee health and welfare	7,745,529	75,517	--	7,821,046
Supplies and other	20,127,115	148,056	--	20,275,171
Depreciation	5,311,254	--	--	5,311,254
Interest	1,036,983	--	--	1,036,983
Insurance	308,837	--	--	308,837
Grants to affiliates and others	--	268,296	(100,266)	168,030
Total expenses	55,566,195	644,324	(100,266)	56,110,253
OPERATING INCOME (LOSS)	3,838,355	(206,306)	100,266	3,732,315
NONOPERATING GAINS (LOSSES), NET:				
Investment income, net	99,077	204,696	--	303,773
Change in unrealized gains and losses on investments, net	--	(472,025)	--	(472,025)
Unrestricted gifts, grants and bequests	100,266	420,755	(100,266)	420,755
Nonoperating gains, net	199,343	153,426	(100,266)	252,503
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	$ 4,037,698	(52,880)	--	3,984,818

The Community Hospital Association and Affiliate

Exhibit 3

Consolidating Statement of Changes in Net Assets
For the Year Ended June 30, 2022

	Hospital	Foundation	Eliminations	Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS:				
Operating income (loss)	$ 3,838,355	(206,306)	100,266	3,732,315
Nonoperating gains, net	199,343	153,426	(100,266)	252,503
Increase (decrease) in net assets without donor restrictions	4,037,698	(52,880)	--	3,984,818
NET ASSETS WITH DONOR RESTRICTIONS				
Contributions	--	168,408	--	168,408
Net assets released from restrictions	--	(438,018)	--	(438,018)
Decrease in net assets with donor restrictions	--	(269,610)	--	(269,610)
INCREASE (DECREASE) IN NET ASSETS	4,037,698	(322,490)	--	3,715,208
NET ASSETS, beginning of year	54,802,107	4,694,190	--	59,496,297
NET ASSETS, end of year	$ 58,839,805	4,371,700	--	63,211,505

Operating Highlights
For the Years Ended June 30, 2022 and 2021

	2022	2021
Patient days -		
Adult and pediatric	2,535	2,246
Swing bed	289	423
Nursery	216	196
Discharges - Adult, pediatric and swing bed	803	778
Average length of stay - Adult, pediatric and swing bed	3.48 days	3.43 days
Percent occupancy - Adult, pediatric and swing bed	30.9%	29.2%
Full-time equivalent employees	275.44	268.91
Operations	1,715	1,561
X-Ray examinations	7,315	7,043
Ultrasound procedures	1,619	1,615
Nuclear medicine	293	277
CT scans	3,405	2,930
MRI	1,258	915
Deliveries	139	126
Physical therapy treatments	32,054	29,695
Occupational therapy treatments	1,372	1,268
Respiratory therapy treatments	7,100	5,753
Emergency room visits	4,490	3,913
Clinic registrations -		
Curtis	1,181	887
Trenton	1,445	1,420
Orthopedic	2,146	787
Specialty clinic	9,165	8,534
Home Health visits	6,432	6,045
Laboratory tests	76,089	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, 2022

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	$ 29,105,274
Total Community Facilities Loans and Grants cluster / U.S. Department of Agriculture			29,105,274
U.S. Department of Health and Human Services			
Passed through the State of Nebraska Department of Health and Human Services			
Small Rural Hospital Improvement Grant Program Covid Testing and Mitigation	93.155	62587 Y3	258,376
Total U.S. Department of Health and Human Services			258,376
Total expenditures of federal awards			$ 29,363,650

The accompanying notes are an integral part of this schedule.

Notes to the 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, 2022. 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. Pass-through entity identifying numbers are presented where available. No federal assistance has been provided to a subrecipient.

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: Loans

The balance of the loan outstanding at June 30, 2022 consists of:

Federal Financial Assistance Listing/Federal CFDA Number	Program Name	Outstanding Balance
10.766	Community Facilities Loans and Grants	$28,612,756

Note 5: Provider Relief Funds

The Organization 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, 2022. The Hospital incurred eligible expenditures and, therefore, recognized revenue totaling $-0- and $2,110,631 for the years ended June 30, 2022 and 2021, respectively in the financial statements. In accordance with the compliance supplement addendum, the PRF expenditures recognized on the schedule are based on the reporting to HHS for the period ending June 30, 2022, as required under the PRF program.

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. Actual results could differ from those estimates.

EideBailly

CPAs & BUSINESS ADVISORS

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 balance sheet as of June 30, 2022, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinions on the 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 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 preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies that we consider to be significant deficiencies. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questions costs as Item No. 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 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*.

Organization's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Organization's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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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 result 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.

Omaha, Nebraska,
March 29, 2023.

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Community Hospital Association's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Ende Bailly LLP

Omaha, Nebraska,
March 29, 2023.

The Community Hospital Association and Affiliate

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

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?	x Yes	No
• Significant deficiency(ies) identified?	Yes	x None Reported

Noncompliance material to 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:

CFDA Number(s)	Name of Federal Program or Cluster
10.766	U.S. Department of Agriculture – Community Facilities Loans and Grants Cluster Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee?	Yes	x No

II. Findings Related to the Financial Statements

Internal Control Deficiencies:

Material Weakness – Item No. 2022-001

Criteria:	A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).
Condition:	The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited which include the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, we made an audit entry to adjust the balance of the estimated third-party payer settlement account after preparation of the Medicare cost report.
Cause:	This deficiency is partially due to the limited resources in the financial reporting process, as well as the audit entry described above. The outsourcing of these services is not unusual in an organization of your size. We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with GAAP, can be considered costly and ineffective.
Effect:	The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Organization. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. This control deficiency could result in misstatements to the financial statements as well as required information being omitted from the financial statements. Furthermore, it is possible that new standards may not be adopted and applied timely to the interim financial statements.
Recommendation:	It is the responsibility of the Organization management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recommend that management continue reviewing operating procedures in order to obtain the maximum internal control over financial reporting possible under the circumstances to enable staff to draft the financial statements internally.
Views of Responsible Officials:	Management agrees with the finding. However, management feels that committing the resources necessary to remain current on GAAP reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate on a regular basis.

Instances of Non-Compliance:

No matters were noted.

III. Findings and Questioned Costs of Federal Awards

No matters were noted.

The Community Hospital Association and Affiliate

Corrective Action Plan
For the Year Ended June 30, 2022

Material Weakness – Item No. 2022-001

Criteria:	A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. Management is responsible for establishing and maintaining internal control over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP).
Condition:	The Organization does not have an internal control system designed to provide for the preparation of the financial statements being audited which include the accompanying footnotes and statement of cash flows, as required by GAAP. In conjunction with completion of our audit, we were requested to draft the financial statements and accompanying notes to the financial statements. In addition, we made an audit entry to adjust the balance of the estimated third-party payer settlement account after preparation of the Medicare cost report.
Planned Corrective Action:	Management agrees with the finding. However, management feels that committing the resources necessary to remain current on GAAP reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue to evaluate on a regular basis. Management will correct its estimation process regarding estimated third-party payer settlement accounts.
Planned Completion Date:	Ongoing
Person Responsible:	Sean Wolfe, Chief Financial Officer