Consolidated Financial Statements
June 30, 2024 and 2023

Community Hospital Association and Affiliate

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Independent Auditor's Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Community Hospital Association and Affiliate (Organization), which comprise the consolidated balance sheets as of June 30, 2024 and 2023 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the results of its operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Organization adopted the provisions of FASB Accounting Standards Update 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as of July 1, 2023 using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating balance sheet, consolidating statement of operations, consolidating statement of changes in net assets, and operating highlights are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 GAAS. 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 G*overnment Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Eide Bailly LLP

Omaha, Nebraska
September 13, 2024

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 18,192,926	$ 17,872,228
Receivables		
Patient	8,854,645	7,205,117
Other	755,436	651,205
Inventories	2,165,529	1,922,883
Prepaid expenses	2,895,604	2,638,840
Estimated third-party payor settlements - Medicare and Medicaid	678,000	1,191,041
Total current assets	33,542,140	31,481,314
Assets Limited as to Use	6,446,204	7,841,592
Investments	14,934,094	14,949,237
Property and Equipment, Net	42,438,901	43,188,817
Other Assets	660,411	464,702
Total assets	$ 98,021,750	$ 97,925,662
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt	$ 835,738	$ 802,203
Accounts payable - trade	1,409,788	1,782,797
Accrued salaries, vacation and benefits payable	2,283,379	1,917,428
Other accrued expenses	576,236	650,660
Refundable advances	10,989	16,565
Total current liabilities	5,116,130	5,169,653
Long-Term Debt, Net of Current Portion	26,738,992	27,543,550
Deferred Compensation	671,128	493,584
Total liabilities	32,526,250	33,206,787
Net Assets		
Without donor restrictions	63,546,393	62,716,313
With donor restrictions	1,949,107	2,002,562
Total net assets	65,495,500	64,718,875
Total liabilities and net assets	$ 98,021,750	$ 97,925,662

	2024	2023
Revenue, Gains, and Other Support without Donor Restrictions		
Patient service revenue	$ 62,708,466	$ 55,983,444
Other operating revenue	1,954,545	3,335,849
Total revenue, gains, and other support without donor restrictions	64,663,011	59,319,293
Expenses		
Salaries and wages	24,200,193	23,209,022
Employee health and welfare	8,661,819	7,005,148
Supplies and other	26,466,324	23,368,276
Depreciation	5,465,073	5,442,896
Interest	1,102,586	1,129,157
Insurance	400,830	368,013
Grants to others	34,028	92,762
Total expenses	66,330,853	60,615,274
Operating Loss	(1,667,842)	(1,295,981)
Other Income		
Investment income, net	1,488,289	1,138,254
Change in unrealized gains and losses on investments, net	503,955	228,062
Unrestricted gifts, grants and bequests	505,678	1,500,545
Other income, net	2,497,922	2,866,861
Increase in Net Assets without Donor Restrictions	$ 830,080	$ 1,570,880

	2024	2023
Net Assets Without Donor Restrictions		
Operating loss	$ (1,667,842)	$ (1,295,981)
Other income, net	2,497,922	2,866,861
Increase in net assets without donor restrictions	830,080	1,570,880
Net Assets With Donor Restrictions		
Contributions	114,576	162,882
Net assets released from restrictions	(168,031)	(226,392)
Decrease in net assets with donor restrictions	(53,455)	(63,510)
Change in Net Assets	776,625	1,507,370
Net Assets, Beginning of Year	64,718,875	63,211,505
Net Assets, End of Year	$ 65,495,500	$ 64,718,875

	2024	2023
Operating Activities		
Receipts from patients and third-party payors	$ 61,566,403	$ 50,687,254
Receipts from others	2,427,963	4,283,569
Payments to and on behalf of employees	(32,570,485)	(30,563,142)
Payments to suppliers and contractors	(27,951,044)	(24,281,392)
Interest paid	(1,102,586)	(1,129,157)
Investment income received	1,488,289	1,138,254
Net Cash from Operating Activities	3,858,540	135,386
Investing Activities		
Purchase of investments	(3,354,219)	(9,775,795)
Sales of investments	3,369,362	4,707,919
Purchase of assets limited as to use	(412,116)	(353,562)
Sales of assets limited as to use	2,694,523	234,937
Purchase of other assets	(195,709)	(120,850)
Purchase of property and equipment	(4,777,716)	(3,534,473)
Net Cash used for Investing Activities	(2,675,875)	(8,841,824)
Financing Activities		
Proceeds from issuance of long term debt	-	794,820
Principal payments on long-term debt	(771,023)	(778,289)
Restricted contributions from donors	114,576	162,882
Net Cash from (used for) Financing Activities	(656,447)	179,413
Net Change in Cash, Cash Equivalents, and Restricted Cash	526,218	(8,527,025)
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	17,997,738	26,524,763
Cash, Cash Equivalents, and Restricted Cash - End of Year	$ 18,523,956	$ 17,997,738
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to Balance Sheets		
Cash and cash equivalents	$ 18,192,926	$ 17,872,228
Restricted cash in assets limited as to use	331,030	125,510
	$ 18,523,956	$ 17,997,738

	2024	2023
Reconciliation of Increase in Net Assets to Net Cash from Operating Activities		
Increase in net assets	$ 776,625	$ 1,507,370
Adjustments to reconcile the increase in net assets to net cash from operating activities		
Restricted contributions	(114,576)	(162,882)
Depreciation	5,465,073	5,442,896
Provision for bad debts	1,511,589	2,161,477
Change in unrealized gains and losses on investments, net	(503,955)	(228,062)
(Gain) loss on disposal of property and equipment	62,559	(76,479)
Change in current assets and liabilities		
Receivables		
Patient	(3,161,117)	(1,057,302)
Other	(104,231)	(320,875)
Inventories	(242,646)	96,682
Prepaid expenses	(256,764)	(580,130)
Estimated third-party payor settlements - Medicare and Medicaid	513,041	(180,593)
Accounts payable - trade	(373,009)	102,028
Accrued salaries, vacation, and benefits payable	365,951	(406,391)
Other accrued expenses	(74,424)	57,419
Estimated third-party payor settlements - Medicare	-	(1,320,000)
Refundable advances	(5,576)	(4,899,772)
Net Cash from Operating Activities	$ 3,858,540	$ 135,386

Note 1 - Organization and Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements (financial statements) include the accounts of Community Hospital Association (Hospital) and Community Hospital Health Foundation (Foundation), collectively referred to as the Organization. The Hospital is considered to have both control and an economic interest in the Foundation. All significant intercompany accounts and transactions have been eliminated in consolidation.

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.

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.

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, 2024 and 2023, the Hospital and Foundation had no uncertain tax positions accrued.

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.

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.

Cash, Cash Equivalents, and Restricted Cash

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

Amounts included in restricted cash represent funds required to be set aside by a contractual agreement with an insurer for the payment of specific workers' compensation claims.

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:

	2024	2023
Patient receivables, beginning of year	$ 7,205,117	$ 8,309,292
Patient receivables, end of year	$ 8,854,645	$ 7,205,117

The Organization also maintains a patient financial assistance policy.

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, 2024 and 2023, the uncollected balance was $74,777 and $75,142, respectively. The Organization believes it is not exposed to any significant credit risk on these contracts.

Other Accounts Receivables

The Organization has other accounts receivable. As of June 30, 2024 and 2023, the balances are made up of the following:

	2024	2023
Stop-loss re-insurance receivable on health plan	$ 534,002	$ 472,447
Medical malpractice claims receivable	154,034	89,739
340B receivables	14,803	30,922
Scholarship receivable	23,762	21,102
Other	28,835	36,995
	$ 755,436	$ 651,205

Allowance for Credit Losses

The Organization records credit losses for patient and other accounts receivable based on the current expected credit losses. Credit losses are recorded after consideration of any implicit or explicit prices concessions. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses at June 30, 2024 and 2023 because the composition of the patient and other receivables at those dates are consistent with that used in developing the historical credit loss percentages. Additionally, the Organization has determined that current and reasonable forecasted economic conditions are consistent with the economic conditions included in the historical information. The allowance for credit losses at June 30, 2024 and 2023 was $0 for both periods.

Inventories

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

Investments and Investment Income

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, 2024 and 2023, 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.

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. The Board has designated assets for endowment to be used for various reasons.

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, 2024 and 2023, $1,949,107 and $2,002,562, 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.

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.

Land improvements	15 - 20 years
Buildings	20 - 40 years
Equipment	3 - 7 years

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.

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.

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).

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, outpatient, clinic, and home health services. The Organization measures the inpatient acute care services 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. The Organization measures the home health 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 or at the end of a defined episode. 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.

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 statements 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.

Donor-Restricted Gifts

Unconditional promises to give cash and other assets are reported at fair estimated value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received. The gifts are reported as support with donor restrictions if they are received with donor stipulations 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 reported as contributions without donor restrictions in the accompanying financial statements.

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.

Group Health Insurance

The Organization is self-insured under its employee group health program, up to certain limits. Included in the accompanying consolidated statements 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.

Performance Indicator

The consolidated statements of operations include operating income (loss) 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.

Medical Malpractice Insurance

Medical malpractice insurance is purchased under an occurrence policy. Under this policy, only claims that occurred during the policy year are covered.

The Organization accrues the expense of its share of asserted and unasserted claims occurring during the year by estimating the probably ultimate cost of any such claim. Such estimates are based on the Organizations own claim experience. The Organization's management does not expect any claim to exceed the insurance coverage limits. However, because of the risk involved in providing healthcare services, it is possible an event has occurred that will be the basis of a future material claim.

Adoption of New Accounting Standard

As of July 1, 2023, the Organization adopted Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables, and held to maturity debt securities. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires that credit losses on available-for-sale debt securities be presented as an allowance rather than a write-down of the security. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. The Organization adopted ASU 2016-13 using the modified retrospective review method for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023, are presented under Topic 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The adoption of the new standard did not materially impact the Organization's consolidated statements of operations or cash flows.

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.

Subsequent Events

The Organization considered events occurring through September 13, 2024 for recognition or disclosure in the financial statements as subsequent events. That date is the date the financial statements were available to be issued.

Note 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. 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, certain outpatient services and certain rural health clinic services related to Medicare beneficiaries are 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. The Organization's Medicare cost reports have been audited by the Medicare Administrative Contractor through June 30, 2021.

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, 2024 and 2023 is presented in the following table:

	2024	2023
Medicare	$ 29,332,933	$ 27,344,330
Medicaid	4,148,598	3,707,819
Other commercial payors	28,552,483	24,851,380
Self pay	674,452	79,915
Total patient service revenue	$ 62,708,466	$ 55,983,444

Patient service revenue, by service line of revenue recognition is as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Hospital services	$ 61,718,364	$ 54,943,600
Clinic services	497,535	540,888
Home health and hospice	492,567	498,956
Total patient service revenue	$ 62,708,466	$ 55,983,444

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).

For the years ended June 30, 2024 and 2023, the Organization recognized patient service revenue of $62,708,466 and $55,983,444 for services performed over time.

Revenue from the Medicare and Medicaid programs accounted for approximately 53% and 56%, respectively, of the Organization's patient service revenue for the years ended June 30, 2024 and 2023.

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' 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. Adjustments arising from a change in the transaction price increased approximately $207,000 and $242,000 in 2024 and 2023, respectively, due to final settlements and years that are no longer subject to audits, reviews and investigations. The Organization's estimated third-party payor settlements are as follows:

	2024	2023
July 1st	$ 1,191,041	$ (309,552)
June 30th	$ 678,000	$ 1,191,041

Note 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, 2024 and 2023 was approximately $728,000 and $1,296,000, 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 $427,867 and $494,175, respectively, for the years ended June 30, 2024 and 2023, and the amount of those charges are eliminated from patient service revenue.

Note 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 dates, comprise the following:

	2024	2023
Financial Assets		
Cash and cash equivalents	$ 18,192,926	$ 17,872,228
Receivables		
Patient	8,854,645	7,205,117
Other	755,436	651,205
Estimated third-party payor settlements	678,000	1,191,041
Assets limited as to use	6,446,204	7,841,592
Investments	14,934,094	14,949,237
Total financial assets	49,861,305	49,710,420
Less financial assets limited as to use		
Assets limited as to use		
Under loan guarantee for debt service	1,155,042	1,101,320
By board for employee health insurance claims	331,030	125,510
By board designated endowment	2,339,897	2,059,308
Under deferred compensation plan	671,128	493,584
By donor	1,949,107	2,002,562
Total financial assets limited as to use	6,446,204	5,782,284
Financial assets available for general expenditure	$ 43,415,101	$ 43,928,136

Note 5 - Fair Value Measurement

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 reflet 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:

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

<u>Corporate bonds and notes</u> – 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, 2024 and 2023, 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, 2024 and 2023:

Hospital

		June 30, 2024		
		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
Under loan guarantee for debt service				
Certificates of deposits	$ 1,155,042	$ -	$ -	$ -
By board for employee health insurance claims				
Cash and cash equivalents	331,030	-	-	-
Under deferred compensation plan				
Mutual funds	671,128	671,128	-	-
Investments				
Cash and cash equivalents	116,263	-	-	-
Certificates of deposits	10,153,463	-	-	-
Mutual funds	1,124,792	1,124,792	-	-
Corporate bonds and notes	1,800,808	-	1,800,808	-
	$ 15,352,526	$ 1,795,920	$ 1,800,808	$ -

		June 30, 2023		
		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
Under loan guarantee for debt service				
Certificates of deposits	$ 1,101,320	$ -	$ -	$ -
By board for employee health insurance claims				
Cash and cash equivalents	125,510	-	-	-
Under deferred compensation plan				
Mutual funds	493,584	493,584	-	-
Investments				
Cash and cash equivalents	153,353	-	-	-
Certificates of deposits	12,384,237	-	-	-
Mutual funds	976,250	976,250	-	-
Corporate bonds and notes	2,025,434	-	2,025,434	-
	$ 17,259,688	$ 1,469,834	$ 2,025,434	$ -

Foundation

	June 30, 2024			
		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
By board designated endowment				
Mutual funds	$ 2,339,897	$ 2,339,897	$ -	$ -
By donor restrictions				
Mutual funds	1,337,332	1,337,332	-	-
Corporate bonds and notes	611,775	-	611,775	-
Investments				
Cash and cash equivalents	212,508	-	-	-
Certificates of deposit	305,730	-	-	-
Corporate bonds and notes	1,220,530	-	1,220,530	-
	$ 6,027,772	$ 3,677,229	$ 1,832,305	$ -

	June 30, 2023			
		Fair Value Measurements at Report Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets limited as to use				
By board designated endowment				
Mutual funds	$ 2,059,308	$ 2,059,308	$ -	$ -
By donor restrictions				
Mutual funds	1,265,252	1,265,252	-	-
Corporate bonds and notes	737,310	-	737,310	-
Investments				
Cash and cash equivalents	145,936	-	-	-
Certificates of deposit	295,626	-	-	-
Corporate bonds and notes	1,027,709	-	1,027,709	-
	$ 5,531,141	$ 3,324,560	$ 1,765,019	$ -

Note 6 - Investments and Investment Income

The Hospital's investment return for the years ended June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Interest income	$ 1,410,639	$ 870,069
Gain (loss) on joint ventures	(32,422)	128,012
Total Hospital investment return	$ 1,378,217	$ 998,081

The Foundation's investment return for the years ended June 30, 2024 and 2023 is summarized as follows:

	2024	2023
Interest and dividend income	89,245	112,628
Realized gain on sales of investments, net	20,827	27,545
Changes in unrealized gains and losses on investments, net	503,955	228,062
Total Foundation investment return	$ 614,027	$ 368,235

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, 2024 and 2023 was as follows:

	2024	2023
Certificates of deposit and accrued interest	$ 1,155,042	$ 1,101,320
Funding requirements	874,376	1,070,696
Deposits in excess of requirements	$ 280,666	$ 30,624

Note 7 - Property and Equipment, Net

A summary of property and equipment at June 30, 2024 and 2023 is as follows:

	2024	2023
Land and land improvements	$ 3,857,970	$ 3,789,713
Buildings	39,250,408	38,752,853
Equipment	58,570,863	58,788,973
Construction work-in-progress	4,598,707	1,743,824
	106,277,948	103,075,363
Less accumulated depreciation	63,839,047	59,886,546
Total property and equipment, net	$ 42,438,901	$ 43,188,817

Depreciation expense of $5,465,073 and $5,442,896 in 2024 and 2023, respectively, is included in the accompanying consolidated statements of operations.

Construction in progress at June 30, 2024 and 2023 includes costs associated with a new air handler project. The total cost of the project is approximately $2.7 million and is set to be completed in Fall 2024. This project is planned to be financed through existing reserves and operations.

Note 8 - Long-Term Debt

Long-term debt as of June 30, 2024 and 2023 consists of the following:

	2024	2023
$4,200,000, 4.25% note payable to the United States Department of Agriculture, payable in monthly installments of $18,606, including principal and interest through September 2049. The note is secured by property of the Organization.	$ 3,274,275	$ 3,356,478
$15,000,000, 3.98% promissory note payable to Thayer County Bank, payable in monthly installments of $147,666, beginning in April 2022, including principal and interest through March 2047. The note is guaranteed by the United States Department of Agriculture and is secured by property of the Organization.	14,152,387	14,494,901
$9,900,000, 3.75% note payable to the United States Department of Agriculture, payable in monthly installments of $11,310 including principal and interest through August 2037. The note is secured by property of the Organization.	8,188,258	8,366,989
$2,900,000, 3.375% note payable to the United States Department of Agriculture, payable in monthly installments of $11,310 including principal and interest through August 2037. The note is secured by property of the Organization.	1,434,336	1,520,068
$1,000,000, 2.125% note payable in the United States Department of Agriculture, payable in monthly installments of $9,260 beginning April 2022, including principal and interest through March 2032. Final loan advance in August 2022 in the amount of $794,820. The note is secured by property of the Organization.	786,019	879,356
	27,835,275	28,617,792
Less unamortized debt issuance costs	(260,545)	(272,039)
Total long-term debt	$ 27,574,730	$ 28,345,753

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.

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

Years Ending June 30,	
2025	$ 835,738
2026	878,999
2027	911,988
2028	943,604
2029	981,725
Thereafter	23,283,221
	$ 27,835,275

Note 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, 2024 and 2023:

June 30, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,339,897	$ -	$ 2,339,897
Donor-restricted endowment funds	-	1,605,322	1,605,322
Total endowment funds	$ 2,339,897	$ 1,605,322	$ 3,945,219

June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 2,059,308	$ -	$ 2,059,308
Donor-restricted endowment funds	-	1,601,556	1,601,556
Total endowment funds	$ 2,059,308	$ 1,601,556	$ 3,660,864

Changes in endowment net assets for the years ended June 30, 2024 and 2023 are as follows:

2024	Without Donor Restrictions	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 2,059,308	$ 1,601,556	$ 3,660,864
Investment return			
Investment income	155,049	-	155,049
Net realized gain	34,349	-	34,349
Net unrealized gain	256,632	-	256,632
Total investment return	446,030	-	446,030
Contributions	-	3,766	3,766
Transfers	(165,441)	-	(165,441)
	(165,441)	3,766	(161,675)
Endowment net assets, end of year	$ 2,339,897	$ 1,605,322	$ 3,945,219

2023	Without Donor Restrictions	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 1,885,925	$ 1,596,446	$ 3,482,371
Investment return			
Investment income	23,811	-	23,811
Net realized gain	48,011	-	48,011
Net unrealized gain	142,889	-	142,889
Total investment return	214,711	-	214,711
Contributions	-	5,110	5,110
Transfers	(41,328)	-	(41,328)
	(41,328)	5,110	(36,218)
Endowment net assets, end of year	$ 2,059,308	$ 1,601,556	$ 3,660,864

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.

Note 10 - Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2024 and 2023:

Subject to expenditure for specified purpose:

	2024	2023
Unspecified donor funds	$ 173,079	$ 168,118
Scholarship	65,631	72,701
Cancer care	12,806	57,159
Tenton medical center	30,040	29,812
Cardio-pulmonary campaign	19,620	13,620
Emergency funds	8,700	10,031
Pediatric room	3,188	3,188
Purchase of property and equipment	1,650	874
Other	29,071	45,503
	343,785	401,006
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	1,384,902	1,381,136
Total endowments	1,605,322	1,601,556
Total net assets with donor restrictions	$ 1,949,107	$ 2,002,562

Note 11 - 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:

	2024	2023
Medicare	28%	32%
Medicaid	8%	2%
Commercial and other	35%	36%
Private pay	29%	30%
	100%	100%

The Organization, at times, maintains cash deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes the risk relating to these deposits is minimal. At June 30, 2024 and 2023, the Organization had approximately $2,448,000 and $1,466,000, respectively, in excess of FDIC-insured limits.

Investment securities, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 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 healthcare 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 Organization does evaluate all incidents and claims along with prior claims experienced to determine if a liability is to be recognized. For the years ended June 30, 2024 and 2023, management determined a liability of $154,034 and $89,739, respectively, should be recognized for asserted or unasserted claims. In accordance with FASB ASU No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*, management has included this liability in accounts payable with a corresponding receivable for insurance recoveries which is included with other receivables on the consolidated balance sheets.

Note 13 - Other Operating Revenue

Other revenue for the years ended June 30, 2024 and 2023 is as follows:

	2024	2023
Rental and housekeeping revenue	$ 423,377	$ 360,326
Out-source services	291,779	254,563
Cafeteria revenue	280,812	235,226
Grant revenue	229,362	139,840
340b drug pricing program	187,803	299,511
Net assets released from restrictions	168,031	226,392
Medical records transcript fees	6,664	7,342
CARES Act - Provider Relief Funds	-	1,228,765
Rural Health Clinic COVID-19 Testing and Mitigation Funds	-	200,000
Gain (loss) on disposal of property and equipment	(62,559)	76,479
Miscellaneous	429,276	307,405
	$ 1,954,545	$ 3,335,849

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 $1,228,765 in 2024 and 2023 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 Organization 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.

Rural Health Clinic COVID-19 Testing and Mitigation Funds

In 2020, the Organization received $200,000 in Rural Health Clinic COVID-19 Testing and Mitigation Funds. These funds are to be used to reimburse healthcare providers for COVID-19 testing and COVID-19 related expenses. The Organization recognized $-0- and $200,000, respectively, in other operating income for the years ended June 30, 2024 and 2023.

340B Drug Pricing Program

The Organization participates in the 340B Drug Pricing Program (340B Program) enabling the Organization to receive discounted prices from drug manufacturers on outpatient pharmaceutical purchases and enter into certain contracts with unrelated pharmacies who provide certain prescriptive drugs to the Organization outpatients. This program is overseen by the Health Resources and Services Administration (HRSA) Office of Pharmacy Affairs (OPA). HRSA is currently conducting routine audits of these programs at health care organizations and increasing its compliance monitoring processes. Laws and regulations governing the 340B Program are complex and subject to interpretation and change. As a result, it is reasonably possible that material changes to financial statement amounts related to the 340B Program could occur in the near future.

Note 14 - Lease Revenue

The Organization is the lessor of certain space under an operating lease with a term of five years with fixed lease payments of $25,688 per month. Rental income is recognized monthly as earned.

Leased property subject to operating leases at June 30, 2024 and 2023, includes:

	2024	2023
Building	$ 3,577,235	$ 3,577,235
Less accumulated depreciation	3,222,146	3,172,070
	$ 355,089	$ 405,165

These amounts are included in property and equipment, net in the consolidated balance sheets.

Depreciation expense for leased property subject to operating leases is provided on the straight-line method over the estimated useful life of the property in amounts necessary to reduce the assets to their estimated residual values. Estimated and actual residual values are reviewed on a regular basis to determine that depreciation amounts are appropriate. Depreciation expense relating to leased property subject to operating leases was $50,077 for 2024 and 2023.

Total rent revenue recognized by the Organization was $316,014 and $256,066 in 2024 and 2023, respectively and is included in the consolidated statements of operations for the years ended June 30, 2024 and 2023. The annual cash flows from the operating lease payments to be received are as follows:

Years Ending June 30,	Amounts
2025	309,220
2026	309,220
2027	309,220
2028	309,220
	$ 1,236,880

Note 15 - 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 $1,542,770 and $1,460,013, respectively, for the years ended June 30, 2024 and 2023.

Note 16 - 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.

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.

The deferred compensation assets related to this plan in the amount of $671,128 and $493,584, respectively, as of June 30, 2024 and 2023 are included within the accompanying consolidated balance sheets as assets limited as to use. A liability of $671,128 and $493,584, respectively, as of June 30, 2024 and 2023 based on the fair value of the investments, has also been included within the accompanying consolidated balance sheets as deferred compensation liabilities.

Note 17 - Functional Expenses

The Organization provides health care services to residents within its geographic location. Expenses related to providing these services by functional class for the years ended June 30, 2024 and 2023, are as follows:

2024	Healthcare Services						Support Services		
	Inpatient	Emergency	Operating Room	Oncology	Outpatient Clinics	Other	Management and General	Fundraising	Total
Salaries and wages	$ 4,203,686	$ 1,294,245	$ 3,071,448	$ 1,910,822	$ 3,037,915	$ 5,400,829	$ 4,926,020	$ 355,228	$ 24,200,193
Employee health and welfare	1,503,266	462,831	1,098,370	683,323	1,086,379	1,927,140	1,761,577	138,933	8,661,819
Supplies and other	2,907,859	1,764,070	4,952,948	5,410,672	1,545,362	6,064,985	3,683,626	136,802	26,466,324
Depreciation	1,106,092	188,177	999,588	445,030	557,943	1,767,744	400,499	-	5,465,073
Interest	260,970	54,413	208,941	84,123	168,673	320,400	5,066	-	1,102,586
Insurance	88,588	20,088	76,402	34,906	56,450	122,727	1,669	-	400,830
Grants to others	-	-	-	-	-	-	-	34,028	34,028
	$ 10,070,461	$ 3,783,824	$ 10,407,697	$ 8,568,876	$ 6,452,722	$ 15,603,825	$ 10,778,457	$ 664,991	$ 66,330,853

2023	Healthcare Services						Support Services		
	Inpatient	Emergency	Operating Room	Oncology	Outpatient Clinics	Other	Management and General	Fundraising	Total
Salaries and wages	$ 4,382,135	$ 1,277,871	$ 3,230,101	$ 1,705,133	$ 2,292,867	$ 5,282,094	$ 4,865,632	$ 173,189	$ 23,209,022
Employee health and welfare	1,318,235	384,410	971,680	512,939	689,741	1,588,961	1,460,373	78,809	7,005,148
Supplies and other	2,412,300	2,202,576	3,568,795	3,813,750	1,533,815	5,998,002	3,688,847	150,191	23,368,276
Depreciation	1,072,923	190,981	1,003,299	391,003	555,897	1,830,577	398,216	-	5,442,896
Interest	261,869	55,068	212,175	85,135	174,196	335,587	5,127	-	1,129,157
Insurance	61,590	19,658	74,290	41,923	38,094	131,449	1,009	-	368,013
Grants to others	-	-	-	-	-	-	-	92,762	92,762
	$ 9,509,052	$ 4,130,564	$ 9,060,340	$ 6,549,883	$ 5,284,610	$ 15,166,670	$ 10,419,204	$ 494,951	$ 60,615,274

Note 18 - Contingencies

Employee Health and Workers' Compensation Self-Insured Plans

The Organization is self-insured for health insurance and workers' compensation. The claims under these plans continue to be accrued as the incidents that give rise to them occur. Unpaid claim accruals are based on the estimated ultimate costs of the claims, including claims administration expenses, in accordance with the Organization's past experience. The Organization has entered into reinsurance agreements with insurance companies to limit its losses on claims for health insurance and workers' compensation. Reserves for self-insured plans were $355,558 and $392,761 as of June 30, 2024 and 2023, respectively, and are included in other accrued expenses in the accompanying financial statements.

Litigation, Claims, and Disputes

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. Management assesses the ultimate settlement of any litigations, claims, and disputes in process in determining whether a liability should be recorded, or a disclosure should be presented.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient (and resident) services.

Supplementary Information
June 30, 2024 and 2023

Community Hospital Association and Affiliate

Community Hospital Association and Affiliate
Consolidating Balance Sheet
June 30, 2024

	Hospital	Foundation	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	$ 17,810,400	$ 382,526	$ -	$ 18,192,926
Receivables				
Patients	8,854,645	-	-	8,854,645
Other	731,674	23,762	-	755,436
Inventories	2,165,529	-	-	2,165,529
Prepaid expenses	2,895,604	-	-	2,895,604
Estimated third-party payor settlements - Medicare and Medicaid	678,000	-	-	678,000
Total current assets	33,135,852	406,288	-	33,542,140
Assets Limited as to Use	2,157,200	4,289,004	-	6,446,204
Investments	13,195,326	1,738,768	-	14,934,094
Property and Equipment, Net	42,438,901	-	-	42,438,901
Other Assets	660,411	-	-	660,411
Total assets	$ 91,587,690	$ 6,434,060	$ -	$ 98,021,750
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	$ 835,738	$ -	$ -	$ 835,738
Accounts payable - trade	1,402,886	6,902	-	1,409,788
Accrued salaries, vacation and benefits payable	2,283,379	-	-	2,283,379
Other accrued expenses	576,236	-	-	576,236
Refundable advances	10,989	-	-	10,989
Total current liabilities	5,109,228	6,902	-	5,116,130
Long-Term Debt, Net of Current Portion	26,738,992	-	-	26,738,992
Deferred Compensation	671,128	-	-	671,128
Total liabilities	32,519,348	6,902	-	32,526,250
Net Assets				
Without donor restrictions	59,068,342	4,478,051	-	63,546,393
With donor restrictions	-	1,949,107	-	1,949,107
Total net assets	59,068,342	6,427,158	-	65,495,500
Total liabilities and net assets	$ 91,587,690	$ 6,434,060	$ -	$ 98,021,750

Community Hospital Association and Affiliate
Consolidating Statement of Operations
Year Ended June 30, 2024

	Hospital	Foundation	Eliminations	Consolidated
Revenue, Gains, and Other Support without Donor Restrictions				
Patient service revenue	$ 62,708,466	$ -	$ -	$ 62,708,466
Other operating revenue	1,786,514	168,031	-	1,954,545
Total revenue, gains, and other support without donor restrictions	64,494,980	168,031	-	64,663,011
Expenses				
Salaries and wages	24,026,303	173,890	-	24,200,193
Employee health and welfare	8,587,733	74,086	-	8,661,819
Supplies and other	26,365,529	100,795	-	26,466,324
Depreciation	5,465,073	-	-	5,465,073
Interest	1,102,586	-	-	1,102,586
Insurance	400,830	-	-	400,830
Grants to affiliates and others	-	211,471	(177,443)	34,028
Total expenses	65,948,054	560,242	(177,443)	66,330,853
Operating Loss	(1,453,074)	(392,211)	177,443	(1,667,842)
Other Income				
Investment income, net	1,378,217	110,072	-	1,488,289
Change in unrealized gains and losses on investments, net	-	503,955	-	503,955
Unrestricted gifts, grants and bequests	261,814	421,307	(177,443)	505,678
Other income, net	1,640,031	1,035,334	(177,443)	2,497,922
Increase in Net Assets without Donor Restrictions	$ 186,957	$ 643,123	$ -	$ 830,080

	Hospital	Foundation	Eliminations	Consolidated
Net Assets without Donor Restrictions				
Operating loss	$ (1,453,074)	$ (392,211)	$ 177,443	$ (1,667,842)
Other income, net	1,640,031	1,035,334	(177,443)	2,497,922
Increase in net assets without donor restrictions	186,957	643,123	-	830,080
Net Assets with Donor Restrictions				
Contributions	-	114,576	-	114,576
Net assets released from restrictions	-	(168,031)	-	(168,031)
Decrease in net assets with donor restrictions	-	(53,455)	-	(53,455)
Change in Net Assets	186,957	589,668	-	776,625
Net Assets, Beginning of Year	58,881,385	5,837,490	-	64,718,875
Net Assets, End of Year	$ 59,068,342	$ 6,427,158	$ -	$ 65,495,500

	2024	2023
Patient days		
Adult and pediatric	1,397	1,441
Swing bed	172	205
Nursery	168	205
Discharges - adult, pediatric and swing bed	518	561
Average length of stay - adult, pediatric and swing bed	3.05 days	2.98 days
Percent occupancy - adult, pediatric and swing bed	17.28%	18.04%
Full-time equivalent employees	280.20	276.39
Operations	1,663	1,629
X-ray examinations	6,862	6,698
Ultrasound procedures	1,707	1,843
Nuclear medicine	265	297
CT scans	3,705	3,510
MRI	1,215	1,311
Deliveries	101	134
Physical therapy treatments	32,693	31,739
Occupational therapy treatments	2,416	2,022
Respiratory therapy treatments	4,156	5,463
Emergency room visits	4,546	4,435
Clinic registrations		
Curtis	922	1,018
Trenton	1,094	1,210
Orthopedic	1,957	2,144
Specialty clinic	9,861	9,929
Home health visits	5,074	5,698
Laboratory tests	71,637	68,194

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Direct Award			
Community Facilities Loans and Grants	10.766	N/A	$ 28,617,792
U.S. Department of Health and Human Services			
Direct Award			
Activities to Support State, Tribal, Local And Territorial Health Department Response to Public Health or Healthcare Crises	93.391	N/A	75,442
Passed through the State of Nebraska Department of Health and Human Services			
Small Rural Hospital Improvement	93.301	67229 Y3	13,011
Total U.S. Department of Health and Human Services			88,453
Total Federal Financial Assistance			$ 28,706,245

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Community Hospital Association and Affiliate (Organization) under programs of the federal government for the year ended June 30, 2024. The information 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 Policies

Expenditures reported in the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The Organization has not elected to use the 10% de minimus indirect cost rate.

Note 4 - Community Facilities Loan Program

Expenditures reported in this schedule under the U.S. Department of Agriculture (USDA) Rural Development Program Community Facilities Loans and Grants consist of the beginning of the year outstanding loan balances plus a guaranteed loan balance of $28,617,792. The outstanding balances and guaranteed loan balance at June 30, 2024, was $27,823,780.

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
Community Hospital Association and Affiliate
McCook, Nebraska

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Hospital Association and Affiliate (the Organization), as of and for the year ended June 30, 2024, which comprise the Organization's balance sheet as of June 30, 2024, 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 September 13, 2024.

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 opinion 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 Organization's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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.

Eide Bailly LLP

Omaha, Nebraska
September 13, 2024

Independent Auditor's Report on Compliance for Its Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Report on Compliance for Its Major Federal Program

Opinion on Its Major Federal Program

We have audited Community Hospital Association and Affiliate (Organization)'s 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 the Organization's major federal program for the year ended June 30, 2024. The Organization's major federal program is 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, 2024.

Basis for Opinion on Its 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 its 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 Responsibilities 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 its 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.

Eide Bailly LLP

Omaha, Nebraska
September 13, 2024

Section I – Summary of Auditor's Results

CONSOLIDATED FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a)	No

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing
U.S. Department of Agriculture Community Facilities Loans and Grants	10.766

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

No findings for financial statements were identified.

Section III – Federal Award Findings and Questioned Costs

No findings or questioned costs for federal awards were identified.