

Ste. Genevieve County Memorial Hospital

Independent Auditor's Report and Financial Statements

April 30, 2022 and 2021

Ste. Genevieve County Memorial Hospital
April 30, 2022 and 2021

Contents

Independent Auditor’s Report..... 1

Management’s Discussion and Analysis 3

Financial Statements

 Balance Sheets..... 8

 Statements of Revenues, Expenses, and Changes in Net Position 9

 Statements of Cash Flows 10

 Notes to Financial Statements 12



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Independent Auditor's Report

Board of Trustees
Ste. Genevieve County Memorial Hospital
Ste. Genevieve, Missouri

Opinion

We have audited the accompanying financial statements of the Ste. Genevieve County Memorial Hospital, as of and for the years ended April 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Ste. Genevieve County Memorial Hospital's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Ste. Genevieve County Memorial Hospital as of April 30, 2022 and 2021, and the changes in financial position and its 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). 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 Ste. Genevieve County Memorial Hospital and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Ste. Genevieve County Memorial Hospital's ability to continue as a going concern for 12 months beyond the financial statement July 26, 2022, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

FORVIS,LLP

Springfield, Missouri
July 26, 2022

Ste. Genevieve County Memorial Hospital

Management's Discussion and Analysis

Years Ended April 30, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Ste. Genevieve County Memorial Hospital (the "Hospital") provides an overview of the Hospital's financial activities for the years ended April 30, 2022 and 2021. It should be read in conjunction with the accompanying financial statements of the Hospital.

COVID-19

During 2022, Hospital operations were significantly impacted by the COVID-19 pandemic. See *Note 2* in the accompanying financial statements for further details on the impact from the pandemic and related legislation.

Financial Highlights

- Cash and investments, decreased in 2022 and by \$2,651,955 or 7 percent, and in 2021, increased by \$4,014,556, or 11 percent, respectively.
- The Hospital's net position increased in each of the past two years with a \$5,038,170, or 12 percent, and \$5,900,249, or 17 percent increase in 2022 and 2021, respectively.
- The Hospital reported an operating loss of \$3,018,907 and operating income of \$1,944,972 in 2022 and 2021, respectively. The operating results in 2022 decreased by \$4,963,879, or 255 percent, over the operating income reported in 2021. The operating results in 2021 increased by \$118,465, or 7 percent, compared to the operating income reported in 2020.
- Net nonoperating revenues increased by \$411,018, or 10 percent, in 2022 compared to 2021, and increased by \$1,909,444, or 95 percent, in 2021 compared to 2020.

Using This Annual Report

The Hospital's financial statements consist of three statements—a balance sheet; a statement of revenues, expenses, and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by creditors, contributors, grantors, or enabling legislation. The Hospital is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Position

One of the most important questions asked about any Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets, all liabilities, and all deferred inflows and outflows of resources using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. The Hospital's total net position—the difference between assets, liabilities, and deferred inflows and outflows of resources—is one measure of the Hospital's financial health or financial position. Over time, increases or decreases in the Hospital's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Hospital's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Hospital.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments, and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Hospital's Net Position

The Hospital's net position is the difference between its assets and liabilities reported in the balance sheet. The Hospital's net position increased by \$5,038,170, or 12 percent, in 2022 over 2021, and increased by \$5,900,249, or 17 percent, in 2021 over 2020, as shown in Table 1.

Table 1: Assets, Liabilities, and Net Position

	2022	2021	2020
Assets			
Cash and cash equivalents	\$ 23,515,256	\$ 26,298,689	\$ 27,438,832
Patient accounts receivable, net	7,451,167	7,305,674	5,195,858
Other current assets	3,495,730	3,893,558	5,771,770
Capital assets, net	23,680,358	25,275,246	24,395,997
Other noncurrent assets	14,881,047	14,095,547	7,465,017
Total assets	<u>\$ 73,023,558</u>	<u>\$ 76,868,714</u>	<u>\$ 70,267,474</u>
Liabilities			
Other current and noncurrent liabilities	\$ 8,649,420	\$ 14,873,487	\$ 12,333,395
Long-term debt	18,740,939	21,400,198	23,239,299
Total liabilities	<u>27,390,359</u>	<u>36,273,685</u>	<u>35,572,694</u>
Net Position			
Net investment in capital assets	3,863,441	4,595,978	4,946,451
Unrestricted	41,055,180	35,264,246	27,731,308
Restricted-expendable for			
Debt service	148,363	150,690	1,732,069
Specific operating activities	339,834	312,842	-
Capital acquisitions	226,381	271,273	284,952
Total net position	<u>45,633,199</u>	<u>40,595,029</u>	<u>34,694,780</u>
Total liabilities and net position	<u>\$ 73,023,558</u>	<u>\$ 76,868,714</u>	<u>\$ 70,267,474</u>

Significant changes in the Hospital's balance sheet in 2022 include the decrease in cash and cash equivalents as well as the decrease in capital assets, net. Other significant changes in the Hospital's balance sheet in 2022 includes the decrease of other current and noncurrent liabilities and decrease in long-term debt. The decrease in other cash and cash equivalents relates to the Medicare Accelerated payments being recouped at a 50 percent rate for six months. The decrease in capital assets is due to depreciation expense outpacing capital expenditures for the year. The decrease in current and noncurrent liabilities is due and long-term debt is due to the Payroll Protection Program Loan being forgiven during

the fiscal year as well as debt payments being paid on bonds with no new debt being issued during the year. Another decrease in current liabilities is the decrease in the Medicare Accelerated Payment amounts being decreased due to them being paid off at a faster rate during 2022 compared to 2021.

Significant changes in the Hospital's balance sheet in 2021 include the increase in other noncurrent assets and the increase in patient accounts receivable, net, as well as the increase in other current and noncurrent liabilities. The increase in other noncurrent assets relates to investing cash proceeds received during 2021, funding from the CARES Act program as well as proceeds from positive operating results, and nonoperating income including county tax revenues. The increase in other current and noncurrent liabilities in 2021 is the result of the additional funding received under the CARES Act program that remains as deferred revenue at April 30, 2021. The increase in patient accounts receivable, net, relates to increased volumes near the end of 2021 compared to 2020. Due to the effects of the COVID-19 public health emergency, patient volumes were negatively affected in the final quarter of 2020 due to a reduction in noncritical procedures and stay-at-home orders in the State of Missouri.

Operating Results and Changes in the Hospital's Net Position

In 2022, the Hospital's net position increased by \$5,038,170, or 12 percent, as shown in Table 2. This increase is made up of several different components and represents a decrease of \$862,079 compared to the increase in net position of \$5,900,249 for 2021. The Hospital's change in net position increased by \$1,916,824 in 2021 compared to the increase in net position of \$3,983,425 for 2020.

Table 2: Operating Results and Changes in Net Position

	2022	2021	2020
Operating Revenues			
Net patient service revenue	\$ 55,754,792	\$ 55,254,056	\$ 48,923,133
Other	1,871,520	2,526,546	2,651,523
Total operating revenues	<u>57,626,312</u>	<u>57,780,602</u>	<u>51,574,656</u>
Operating Expenses			
Salaries and wages	26,398,071	23,947,412	22,153,714
Employee benefits	5,936,126	5,728,321	4,989,635
Physicians' services	4,037,617	3,438,534	3,102,563
Other professional services	4,812,656	4,864,887	3,424,919
Supplies and other	16,117,677	14,970,589	13,736,842
Depreciation and amortization	3,343,072	2,885,887	2,340,476
Total operating expenses	<u>60,645,219</u>	<u>55,835,630</u>	<u>49,748,149</u>
Operating Income (Loss)	<u>(3,018,907)</u>	<u>1,944,972</u>	<u>1,826,507</u>
Nonoperating Revenues (Expenses)			
Noncapital gifts	307,666	605,570	360,927
County tax revenue	1,018,477	944,240	901,370
Interest	(460,574)	(1,152,636)	(446,774)
Investment income	155,688	466,416	269,365
CARES Act Funding	3,318,722	3,065,371	934,629
Total nonoperating revenues	<u>4,339,979</u>	<u>3,928,961</u>	<u>2,019,517</u>
Excess of Revenues Over Expenses Before Capital Grants and Gifts	<u>1,321,072</u>	<u>5,873,933</u>	<u>3,846,024</u>
Capital Grants and Gifts and Special Item	<u>3,717,098</u>	<u>26,316</u>	<u>137,401</u>
Increase in Net Position	<u>\$ 5,038,170</u>	<u>\$ 5,900,249</u>	<u>\$ 3,983,425</u>

Operating Income (Loss)

The first component of the overall change in the Hospital's net position is its operating income or loss—generally, the difference between net patient service and other operating revenues and the expenses incurred to perform those services. During the past three years, the Hospital has reported operating income, however, for fiscal year 2022, the Hospital recorded an operating loss.

The operating results for 2022 decreased by \$4,963,879, or 255 percent, as compared to 2021. The primary components of the decrease in operating income is:

- Net patient service revenue increased \$500,736, or 1 percent, from the prior year, while operating expenses increased \$4,809,589, or 9 percent. The increase in operating expenses is primarily the result of increased salary costs, supplies, contracted physicians, and other contracted staffing due to labor shortages, and increased health self-insurance costs due to the increased economic pressures of 2022 compared to 2021, as well as increased costs from the COVID-19 pandemic. This coupled with a decrease in patient volumes resulted in less favorable operations for 2022 compared to 2021.

The operating income for 2021 of \$1,944,972 increased by \$118,465 compared to operating income in 2020 of \$1,826,507. During 2021, net patient service revenue increased by approximately \$6,330,923, or 13 percent, from 2020. Other operating revenue decreased by approximately \$124,977, or 5 percent, from 2020. Employee benefits increased by \$738,686, or 15 percent, from 2020. The increase in employee benefits primarily relates to a hazard pay being paid out due to COVID-19 related concerns as well as the cap for PTO being removed to assist with staffing during the pandemic. In addition, other professional services increased by \$1,439,968, or 42 percent, from 2020. The increase in other professional services primarily relates to an increase in fees paid to an outside party for COVID-19 testing that started during the year.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses consist primarily of property taxes levied by the Hospital, proceeds received from the CARES Act, investment income, and interest expense. The Hospital levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents. Supplemental funds were also provided to the Hospital to help the Hospital continue operations during the decline in volume related to COVID-19, of which the Hospital recognized \$3,318,722 and \$3,065,371 of additional revenue related to CARES Act funding for the fiscal years ended April 30, 2022 and 2021, respectively. Additionally, the Hospital also obtained forgiveness of their Payroll Protection Loan which increased nonoperating revenues by \$3,700,000 during 2022.

Interest expense decreased in 2022 due to no new bond issuances issued in the current year and interest payments made on the Series 2020 Revenue bonds. The Hospital recognized a decrease in its investment return in 2022 compared to 2021, resulting primarily from decreased market returns during the year.

Noncapital Gifts

The Hospital received noncapital gifts of \$307,666 and \$605,570 in 2022 and 2021, respectively, compared to \$360,927 in 2020. These contributions are primarily from the Ste. Genevieve County Memorial Hospital Foundation and Auxiliary. Substantially all of these contributions have been expended and are reflected in unrestricted net position as of April 30, 2022 and 2021.

The Hospital's Cash Flows

Changes in the Hospital's cash flows are consistent with changes in operating gains and nonoperating revenues and expenses for 2022, 2021, and 2020, discussed earlier.

Capital Assets and Debt Administration

Capital Assets

At the end of 2022, the Hospital had \$23,680,358 invested in capital assets, net of accumulated depreciation, as detailed in *Note 6* to the financial statements. In 2022, the Hospital completed improvements to the Hospital, adding \$1,751,757 to capital assets (net) during the year. In 2021, the Hospital completed improvements to the Hospital, adding \$3,766,935 to capital assets during the year.

Debt

At April 30, 2022 and 2021, the Hospital had long-term debt of \$20,134,539 and \$25,199,197, respectively, primarily in revenue bonds outstanding. During 2021, the Hospital issued \$21,795,670 related to the Series 2020 Revenue Bonds, which refunded the Series 2019, Series 2016, and Series 2011 bond issues. During 2020, the Hospital received proceeds of \$3,700,000 of funds from a loan received as part of the *Paycheck Protection Program and Health Care Enhancement Act*, of which this loan was forgiven during 2022. See *Note 9* for more information regarding the bonds.

COVID-19

During the last two months of fiscal 2020 through fiscal 2022, the Hospital's operations have been impacted by the COVID-19 outbreak and as a result the Hospital began seeing significant fluctuations in inpatient and outpatient volume. Management is working diligently to ensure the safety of patients and employees, in addition to evaluating the ongoing impact from the pandemic on operations. At this time management is unable to evaluate what the long-term impact from the COVID-19 pandemic will be to ongoing operations and overall profitability.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Hospital administration by telephoning 573.883.7714.

Ste. Genevieve County Memorial Hospital

Balance Sheets

April 30, 2022 and 2021

Assets

	2022	2021
Current Assets		
Cash and cash equivalents	\$ 23,515,256	\$ 26,298,689
Restricted cash and investments - current	148,363	150,690
Patient accounts receivable, net of allowance; 2022 - \$3,110,000, 2021 - \$3,046,000	7,451,167	7,305,674
Other receivables	371,185	716,005
Estimated amounts due from third-party payors - current	399,690	728,375
Supplies	1,432,292	1,455,914
Prepaid expenses	1,144,200	842,574
Total current assets	34,462,153	37,497,921
Noncurrent Cash and Investments		
Internally designated		
For capital expenditures	1,788,431	1,780,004
For employee benefits and hospital operations	1,517,565	1,454,234
Held by trustee for debt service	148,363	150,690
Certificates of deposit	9,676,009	9,613,962
	13,130,368	12,998,890
Less amount required to meet current obligations	148,363	150,690
	12,982,005	12,848,200
Capital Assets, Net	23,680,358	25,275,246
Other Assets		
Estimated amounts due from third-party payors	1,845,310	1,151,625
Notes receivable and related party note receivable	37,744	57,744
Other	15,988	37,978
	1,899,042	1,247,347
Total assets	\$ 73,023,558	\$ 76,868,714

Liabilities and Net Position

	2022	2021
Current Liabilities		
Current maturities of long-term debt	\$ 1,393,600	\$ 3,798,999
Accounts payable	2,362,124	2,569,553
Accrued payroll	672,490	635,866
Accrued vacation pay	1,301,260	1,092,395
Unearned revenue	185,000	1,502,129
Payroll taxes payable and other accrued expenses	702,031	902,930
Advance from Medicare - current	2,032,915	2,619,759
	<u>8,649,420</u>	<u>13,121,631</u>
Advance from Medicare	<u>-</u>	<u>1,751,856</u>
Long-Term Debt	<u>18,740,939</u>	<u>21,400,198</u>
Total liabilities	<u>27,390,359</u>	<u>36,273,685</u>
Net Position		
Net investment in capital assets	3,863,441	4,595,978
Unrestricted	41,055,180	35,264,246
Restricted-expendable for		
Debt service	148,363	150,690
Specific operating activities	339,834	312,842
Capital acquisitions	226,381	271,273
	<u>45,633,199</u>	<u>40,595,029</u>
Total net position	<u>45,633,199</u>	<u>40,595,029</u>
Total liabilities and net position	<u>\$ 73,023,558</u>	<u>\$ 76,868,714</u>

Ste. Genevieve County Memorial Hospital
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended April 30, 2022 and 2021

	2022	2021
Operating Revenues		
Net patient service revenue, net of provision for uncollectible accounts; 2022 – \$3,247,000, 2021 – \$2,918,000	\$ 55,754,792	\$ 55,254,056
Other	1,871,520	2,526,546
Total operating revenues	57,626,312	57,780,602
Operating Expenses		
Salaries and wages	26,398,071	23,947,412
Employee benefits	5,936,126	5,728,321
Physicians' services	4,037,617	3,438,534
Other professional services	4,812,656	4,864,887
Supplies and other	16,117,677	14,970,589
Depreciation and amortization	3,343,072	2,885,887
Total operating expenses	60,645,219	55,835,630
Operating Income (Loss)	(3,018,907)	1,944,972
Nonoperating Revenues (Expenses)		
Noncapital gifts	307,666	605,570
County tax revenue	1,018,477	944,240
Interest expense	(460,574)	(1,152,636)
Investment income	155,688	466,416
CARES Act Funding	3,318,722	3,065,371
Total nonoperating revenues	4,339,979	3,928,961
Excess of Revenues Over Expenses Before Capital and Grants and Gifts and Special Item	1,321,072	5,873,933
Capital Grants and Gifts and Special Item		
Capital grants and gifts	17,098	26,316
Special item – forgiveness of debt	3,700,000	-
Total capital grants and gifts and special item	3,717,098	26,316
Increase in Net Position	5,038,170	5,900,249
Net Position, Beginning of Year	40,595,029	34,694,780
Net Position, End of Year	\$ 45,633,199	\$ 40,595,029

Ste. Genevieve County Memorial Hospital
Statements of Cash Flows
Years Ended April 30, 2022 and 2021

	2022	2021
Operating Activities		
Receipts from and on behalf of patients	\$ 55,815,624	\$ 56,561,551
Payments to suppliers and contractors	(31,090,428)	(28,754,168)
Payments to employees	(26,152,582)	(24,397,528)
Other receipts and payments, net	(651,695)	1,364,891
Net cash provided by (used in) operating activities	<u>(2,079,081)</u>	<u>4,774,746</u>
Noncapital Financing Activities		
County tax revenue	1,018,477	944,240
Noncapital grants and gifts	307,666	605,570
CARES Act funding	2,001,593	3,065,371
Net cash provided by noncapital financing activities	<u>3,327,736</u>	<u>4,615,181</u>
Capital and Related Financing Activities		
Proceeds from issuance of long-term debt	-	21,795,670
Principal paid on long-term debt	(1,363,114)	(22,445,044)
Interest paid on long-term debt	(460,574)	(1,152,636)
Purchase of capital assets	(2,249,708)	(4,066,093)
Capital grants and gifts received	17,098	26,316
Net cash used in capital and related financing activities	<u>(4,056,298)</u>	<u>(5,841,787)</u>
Investing Activities		
Purchase of noncurrent cash and investments	(271,052)	(6,319,866)
Proceeds from disposition of noncurrent cash and investments	255,020	1,230,217
Net cash used in investing activities	<u>(16,032)</u>	<u>(5,089,649)</u>
Decrease in Cash and Cash Equivalents	(2,823,675)	(1,541,509)
Cash and Cash Equivalents, Beginning of Year	<u>27,781,754</u>	<u>29,323,263</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 24,958,079</u></u>	<u><u>\$ 27,781,754</u></u>

Ste. Genevieve County Memorial Hospital
Statements of Cash Flows
Years Ended April 30, 2022 and 2021

	2022	2021
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents	\$ 23,515,256	\$ 26,298,689
Restricted cash	<u>1,442,823</u>	<u>1,483,065</u>
	<u><u>\$ 24,958,079</u></u>	<u><u>\$ 27,781,754</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (3,018,907)	\$ 1,944,972
Depreciation and amortization	3,343,072	2,885,887
Related party note receivable forgiveness	20,000	20,000
Changes in operating assets and liabilities		
Patient accounts receivable, net	(145,493)	(2,109,816)
Supplies and other	23,622	(357,967)
Prepaid expenses and other assets	(628,501)	35,321
Estimated third-party payor settlements and Medicare advance payments	(2,010,015)	585,627
Unearned revenue	-	1,502,129
Accounts payable and accrued expenses	<u>337,141</u>	<u>268,593</u>
Net cash provided by (used in) operating activities	<u><u>\$ (2,079,081)</u></u>	<u><u>\$ 4,774,746</u></u>
Noncash Investing, Capital, and Financing Activities		
Capital assets in accounts payable	\$ 169,259	\$ 968,576
PPP loan forgiveness	\$ 3,700,000	\$ -

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

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

Nature of Operations and Reporting Entity

Ste. Genevieve County Memorial Hospital (the “Hospital”) is a 25-bed acute care hospital located in Ste. Genevieve, Missouri. The Hospital is a political subdivision of the state of Missouri. The Hospital primarily earns revenues by providing inpatient, outpatient, emergency care, and physician clinical services to patients in Ste. Genevieve, Missouri, and the surrounding area. The Hospital also operates a home health agency in the same geographic area.

The financial statements include Ste. Genevieve County Memorial Hospital’s Foundation (the “Foundation”) which is a legally separate, tax-exempt blended component unit of the Hospital. The Foundation is governed by a separate board of trustees approved by the board of trustees of the Hospital. The Foundation’s primary function is to raise and hold funds to support the Hospital and its programs. Although the Hospital does not control the timing or amount of receipts from the Foundation, the majority of the Foundation’s resources and related income are restricted by donors for the benefit of the Hospital.

Basis of Accounting and Presentation

The financial statements of the Hospital have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated or voluntary nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated, or voluntary nonexchange transactions. Government-mandated or voluntary nonexchange transactions that are not program specific, property taxes, investment income, and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Hospital first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates

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

Cash Equivalents

The Hospital considers all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2022 and 2021, cash equivalents consisted primarily of money market accounts and certificates of deposit.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

County Appropriations

The Hospital received approximately 2 percent in 2022 and 2021 of its financial support from property tax appropriations from Ste. Genevieve County, Missouri. These funds were used to support operations and capital asset additions. Taxes are assessed in January, due on November 1, and delinquent after December 31 of each calendar year. Revenue from property taxes is recognized in the year for which the taxes are levied.

Risk Management

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

The Hospital is self-insured for a portion of its exposure to risk of loss from medical malpractice and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency, and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value, and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

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

Supplies

Supply inventories are stated at the lower of cost or market. Costs are determined using the average cost method.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The following estimated useful lives are being used by the Hospital:

Land improvements	5 – 25 years
Buildings and leasehold improvements	5 – 40 years
Equipment	3 – 25 years

Capital Asset Impairment

The Hospital evaluates capital assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of a capital asset has occurred. If a capital asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, either accumulated depreciation is increased by the amount of the impairment loss or the capital asset historical cost and related accumulated depreciation are decreased proportionately such that the net decrease equals the impairment loss.

No asset impairment was recognized during the years ended April 30, 2022 and 2021.

Compensated Absences

The Hospital policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash.

Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date. The estimated compensated absences liability expected to be paid more than one year after the balance sheet date is included in other long-term liabilities.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief and Economic Security ACT* (CARES Act) and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized. The Hospital received legal notice on May 21, 2021, that the PPP loan was forgiven in its entirety. The Hospital recognized the gain from extinguishment as nonoperating revenue in fiscal year 2022.

Net Position

Net position of the Hospital is classified in three components on its balance sheets:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets.
- Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Hospital, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings.
- Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

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

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Provider Relief Funds (CARES Act)

On March 27, 2020, the CARES Act was signed into law as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The CARES Act contained provisions for certain healthcare providers to receive Provider Relief Funds (PRF) from the U.S. Department of Health and Human Services (HHS). The distributions from the Provider Relief Funds are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by HHS. The Hospital is accounting for such payments as voluntary nonexchange transactions. Payments are recognized as revenue once the applicable terms and conditions required to retain the funds have been met and are classified as nonoperating revenue in the accompanying statements of revenues, expenses, and changes in net position. The unrecognized amount of Provider Relief Fund distributions is recorded as unearned revenue in the accompanying balance sheets.

Estimated Self-Insurance Costs

The Hospital accrues estimated liabilities for self-insurance losses associated with employee health insurance claims and includes an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported. Costs resulting from self-insured losses are charged to expense when incurred.

Income Taxes

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

Revisions

Certain immaterial revisions have been made to the 2021 financial statements for purchase of noncurrent cash and investments and proceeds from disposition of noncurrent cash and investments on the cash flow statements. These revisions did not have a significant impact on the financial statement line items impacted.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Note 2: COVID-19 Pandemic & CARES Act Funding

On March 11, 2020, the World Health Organization designated the SARS-CoV-2 virus and the incidence of COVID-19 (COVID-19) as a global pandemic. Patient volumes and the related revenues were significantly affected by COVID-19 as various policies were implemented by federal, state, and local governments in response to the pandemic that led many people to remain at home and forced the closure of or limitations on certain businesses, as well as suspended elective procedures by health care facilities.

While most of these policies have been eased and states have lifted moratoriums on nonemergent procedures, some restrictions remain in place, and some state and local governments re-imposed certain restrictions due to increasing rates of COVID-19 cases prior to the widespread availability of a vaccine.

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

- Implementation of targeted cost reduction initiatives
- Reduction of certain planned projects and capital expenditures
- Execution of a new \$3,700,000 term loan facility to supplement our existing credit facilities

In addition, the Hospital received \$4,491,015 of accelerated Medicare payments and \$7,503,722 in general and targeted Provider Relief Fund distributions, both as provided for under the *Coronavirus Aid, Relief, and Economic Security (CARES) Act*, and a PPP loan of \$3,700,000.

The extent of the COVID-19 pandemic's adverse effect on the Hospital's operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the Hospital's control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, government-imposed, or recommended suspensions of elective procedures, continued declines in patient volumes for an indeterminable length of time, increases in the number of uninsured and underinsured patients as a result of higher sustained rates of unemployment, incremental expenses required for supplies and personal protective equipment, and changes in professional and general liability exposure.

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

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Provider Relief Fund

During the years ended April 30, 2022 and 2021, respectively, the Hospital received approximately \$2,001,593 and \$4,567,500 of distributions from the CARES Act Provider Relief Fund. These distributions from the Provider Relief Fund are not subject to repayment, provided the Hospital is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for qualifying expenses or lost revenue attributable to COVID-19, as defined by the Department of Health and Human Services.

The Hospital is accounting for such payments as conditional contributions. Payments are recognized as contribution revenue once the applicable terms and conditions required to retain the funds have been met. Based on an analysis of the compliance and reporting requirements of the Provider Relief Fund and the effect of the pandemic on the Hospital's operating revenue and expenses through April 30, 2022, the Hospital recognized \$3,318,722 and \$3,065,371 during 2022 and 2021, respectively, related to the Provider Relief Fund, and these payments are recorded as nonoperating revenue – CARES Act funding in the statement of revenues, expenses, and changes in net position. The unrecognized amount of Provider Relief Fund distributions are recorded as part of unearned revenue in the accompanying balance sheets.

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

Additionally, the amounts recorded in the financial statements compared to the Hospital's Provider Relief Fund reporting could differ. Provider Relief Fund payments are subject to government oversight, including potential audits.

Medicare Accelerated and Advanced Payment Program

During the year ended April 30, 2020, the Hospital requested accelerated Medicare payments as provided for in the CARES Act, which allows for eligible health care facilities to request up to six months of advance Medicare payments for acute care hospitals or up to three months of advance Medicare payments for other health care providers. These amounts are expected to be recaptured by CMS according to the payback provisions.

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

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

During the year ended April 30, 2020, the Hospital received approximately \$4,491,000 from these accelerated Medicare payment requests. During the year ended April 30, 2022 and 2021, Medicare has applied approximately \$2,619,759 and \$119,385 from these accelerated Medicare payment requests against filed claims and the remaining amount advanced from Medicare is \$2,032,915 and \$4,371,615 as of April 30, 2022 and 2021, which is included in advances from Medicare – current in amounts of \$2,032,915 and \$2,619,759 and in advances from Medicare in amounts of \$0 and \$1,751,856, as of April 30, 2022 and 2021, respectively.

Paycheck Protection Program (PPP) Loan

The Hospital received a PPP loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has accounted for the funding as debt in accordance with GASB 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Interest is accrued in accordance with the loan agreement. Any forgiveness of the loan is recognized as nonoperating revenue in the financial statements in the period the debt is legally forgiven. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustment could be required to any revenue recognized.

In May 2021, the Hospital received legal notice that the PPP loan was forgiven in its entirety and recognized the gain from extinguishment as a special item on the accompanying statements of revenue, expenses, and changes in net position.

Note 3: Net Patient Service Revenue

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

Medicare. Inpatient acute care and swing-bed skilled nursing services and substantially all outpatient services rendered to Medicare program beneficiaries are paid based on cost reimbursed formulas as a critical access hospital. Home health services and nonprovider based clinical services are paid based on a combination of prospectively determined rates. The Hospital is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are reimbursed based on a prospectively established per diem rate. Medicaid outpatient reimbursement is based on a prospective percentage rate determined fee schedules and on a prospective percentage of charges.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Other. Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Approximately 71 percent and 69 percent of net patient service revenue is from participation in the Medicare and state-sponsored Medicaid programs for the years ended April 30, 2022 and 2021, respectively. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term.

The 2022 and 2021 net patient service revenue increased approximately \$800,000 and \$465,000, respectively, due to final settlements in excess of amounts previously estimated.

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

The Hospital receives additional reimbursements from the Missouri Medicaid program in relation to the costs of the Medicaid and indigent population they serve. Funding received in excess of costs to provide these services may be refunded to the State. As of April 30, 2022 and 2021, the Hospital has not recorded a liability, as the Hospital believes costs are in excess of funding from the State. It is reasonably possible that this estimate could materially change in the near term.

Note 4: Deposits, Investments, and Investment Income

Deposits

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

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

At April 30, 2022 and 2021, respectively, \$181,937 and \$451,620 of the Hospital's bank balance of \$35,392,711 and \$38,087,609, respectively, were exposed to custodial credit risk as uninsured or uncollateralized.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Investments

The Hospital may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. At April 30, 2022 and 2021, the Hospital had the following investments and maturities:

		April 30, 2022			
		Maturities in Years			
Type	Fair Value	Less than 1	1-5	6-10	More than 10
Money market	\$ 762,043	\$ 762,043	\$ -	\$ -	\$ -
Exchange traded funds	328,743	328,743	-	-	-
Mutual funds	781,704	781,704	-	-	-
	<u>\$ 1,872,490</u>	<u>\$ 1,872,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

		April 30, 2021			
		Maturities in Years			
Type	Fair Value	Less than 1	1-5	6-10	More than 10
Money market	\$ 760,400	\$ 760,400	\$ -	\$ -	\$ -
Exchange traded funds	292,913	292,913	-	-	-
Mutual funds	748,286	748,286	-	-	-
	<u>\$ 1,801,599</u>	<u>\$ 1,801,599</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – The Hospital’s investment policy states that in order to minimize interest rate risk they will structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations and investments in operating funds will be primarily shorter-term securities. The money market, exchange traded funds, and mutual funds are presented as an investment with a maturity less than one year because the average maturity of the funds is less than one year.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital’s policy is to minimize credit risk by prequalifying the financial institutions with which the Hospital will do business and by diversifying the investment portfolio so that potential losses on individual securities will be minimized. At April 30, 2022 and 2021, the Hospital’s investments not directly guaranteed by the U.S. government were rated as follows:

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Investment	2022		2021	
	Moody's	S&P	Moody's	S&P
Money market	Not rated	Not rated	Not rated	Not rated

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

The Hospital's investments consist of highly liquid investments consisting of money market funds with interest rates ranging from 0.3 percent to 0.5 percent.

The Hospital does not have a formal investment policy as it relates to investment rate risk, credit risk, or concentration of credit risk.

Summary of Carrying Values

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

	2022	2021
Carrying value		
Deposits	\$ 34,773,133	\$ 37,495,980
Investments	1,872,491	1,801,599
	<u>\$ 36,645,624</u>	<u>\$ 39,297,579</u>
Cash and cash equivalents	\$ 23,515,256	\$ 26,298,689
Noncurrent cash and investments	13,130,368	12,998,890
	<u>\$ 36,645,624</u>	<u>\$ 39,297,579</u>

Investment Income

Investment income for the years ended April 30, 2022 and 2021, consisted of:

	2022	2021
Investment income consisted of		
Interest income	\$ 274,168	\$ 255,822
Net increase (decrease) in fair value of investments	(118,480)	210,594
	<u>\$ 155,688</u>	<u>\$ 466,416</u>

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Note 5: Patient Accounts Receivable

The Hospital grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payor agreements. Patient accounts receivable at April 30, 2022 and 2021, consisted of:

	2022	2021
Medicare	\$ 2,561,490	\$ 2,548,666
Medicaid	722,532	957,634
Other third-party payors	3,441,512	3,112,554
Individual patients	3,835,633	3,732,820
	<u>10,561,167</u>	<u>10,351,674</u>
Less allowance for uncollectible accounts	<u>3,110,000</u>	<u>3,046,000</u>
	<u>\$ 7,451,167</u>	<u>\$ 7,305,674</u>

Note 6: Capital Assets

Capital assets activity for the years ended April 30, 2022 and 2021, was:

	2022				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 567,190	\$ -	\$ -	\$ -	\$ 567,190
Land improvements	1,706,049	3	477,633	-	1,228,419
Buildings and leasehold improvements	33,796,872	74,509	4,693,956	100,294	29,277,719
Equipment	26,567,828	459,585	14,872,617	894,683	13,049,479
Construction in progress	356,322	1,217,977	-	(994,977)	579,322
	<u>62,994,261</u>	<u>1,752,074</u>	<u>20,044,206</u>	<u>-</u>	<u>44,702,129</u>
Less accumulated depreciation					
Land improvements	1,303,414	58,307	477,633	-	884,088
Buildings and leasehold improvements	15,966,663	1,436,638	4,693,956	-	12,709,345
Equipment	20,448,938	1,852,017	14,872,617	-	7,428,338
	<u>37,719,015</u>	<u>3,346,962</u>	<u>20,044,206</u>	<u>-</u>	<u>21,021,771</u>
Capital assets, net	<u>\$ 25,275,246</u>	<u>\$ (1,594,888)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,680,358</u>

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

	2021				
	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	\$ 567,190	\$ -	\$ -	\$ -	567,190
Land improvements	1,703,188	9,422		(6,561)	1,706,049
Buildings and leasehold improvements	33,863,878	-	-	(67,006)	33,796,872
Equipment	23,005,936	1,223,072	-	2,338,820	26,567,828
Construction in progress	87,134	2,534,441	-	(2,265,253)	356,322
	<u>59,227,326</u>	<u>3,766,935</u>	<u>-</u>	<u>-</u>	<u>62,994,261</u>
Less accumulated depreciation					
Land improvements	1,245,001	58,413	-	-	1,303,414
Buildings and leasehold improvements	14,550,934	1,415,729	-	-	15,966,663
Equipment	19,035,394	1,413,544	-	-	20,448,938
	<u>34,831,329</u>	<u>2,887,686</u>	<u>-</u>	<u>-</u>	<u>37,719,015</u>
Capital assets, net	<u>\$ 24,395,997</u>	<u>\$ 879,249</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,275,246</u>

Note 7: Medical Malpractice Claims

The Hospital purchases medical malpractice insurance under a claims-made policy on a retrospective-rated premium basis. Adjustments of estimated to actual expense, if any, after the policy term, are included in the period such adjustments are determined. Accounting principles generally accepted in the United States of America require a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. It is reasonably possible that this estimate could change materially in the near term.

Note 8: Employee Health Claims

Substantially all of the Hospital's employees and their dependents are eligible to participate in the Hospital's employee health insurance plan. The Hospital is self-insured for health claims of participating employees and dependents. The Hospital has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses to \$150,000 on individual claims before an annual \$50,000 deductible. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims, and other economic and social factors. It is reasonably possible that the Hospital's estimate will change by a material amount in the near term.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Activity in the Hospital's accrued employee health claims liability, which is recorded in the payroll taxes payable and other accrued expenses on the balance sheet, during 2022 and 2021, is summarized as follows:

	2022	2021
Balance, beginning of year	\$ 375,000	\$ 375,000
Current year claims and changes in estimates	3,190,527	3,140,501
Claim payments	<u>(3,190,527)</u>	<u>(3,140,501)</u>
Balance, end of year	<u>\$ 375,000</u>	<u>\$ 375,000</u>

Note 9: Long-Term Obligations

The following is a summary of long-term obligation transactions for the Hospital for the years ended April 30, 2022 and 2021:

	2022				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Series 2020 Hospital Revenue Bonds	\$ 21,259,116	\$ -	\$ 1,311,192	\$ 19,947,924	\$ 1,340,331
Note payable (A)	187,836	-	35,799	152,037	36,700
Note payable (B)	34,631	-	16,123	18,508	16,569
Note payable (C)	3,700,000	-	3,700,000	-	-
	<u>25,181,583</u>	<u>-</u>	<u>5,063,114</u>	<u>20,118,469</u>	<u>1,393,600</u>
Bond premium	17,614	-	1,544	16,070	-
Total long-term obligations	<u>\$ 25,199,197</u>	<u>\$ -</u>	<u>\$ 5,064,658</u>	<u>\$ 20,134,539</u>	<u>\$ 1,393,600</u>
	2021				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-Term Debt					
Series 2019 Hospital Revenue Bonds	\$ 10,913,036	\$ -	\$ 10,913,036	\$ -	\$ -
Series 2016 Hospital Revenue Bonds	7,245,000	-	7,245,000	-	-
Series 2011 Hospital Revenue Bonds	3,699,845	-	3,699,845	-	-
Series 2020 Hospital Revenue Bonds	-	21,795,670	536,554	21,259,116	1,311,192
Note payable (A)	222,758	-	34,922	187,836	35,766
Note payable (B)	50,319	-	15,688	34,631	16,123
Note payable (C)	3,700,000	-	-	3,700,000	2,435,918
	<u>25,830,958</u>	<u>21,795,670</u>	<u>22,445,045</u>	<u>25,181,583</u>	<u>3,798,999</u>
Bond premium	19,233	-	1,619	17,614	-
Total long-term obligations	<u>\$ 25,850,191</u>	<u>\$ 21,795,670</u>	<u>\$ 22,446,664</u>	<u>\$ 25,199,197</u>	<u>\$ 3,798,999</u>

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Series 2020 Refunding Bonds Payable

The Series 2020A, 2020B, and 2020C Hospital Revenue Bonds dated October 1, 2020 (the “2020 Bonds”), were issued in the original amount of \$21,795,670. The 2020 Bonds are secured by the net revenues of the Hospital. The proceeds of the bonds were used to refund the Series 2011, 2016, and 2019 bonds in full and pay certain costs related to the issuance of the 2020 bonds. Scheduled monthly interest and principal payments on the 2020A Bonds will commence on December 1, 2020, through maturity at December 1, 2032. Interest on the 2020A Bonds is 2.20 percent. Principal and interest payments are due on the 2020B and 2020C Bonds monthly, starting December 1, 2020, until the maturity date of April 1, 2035. Interest on the 2020B and 2020C Bonds is 2.20 percent.

Series 2019 Revenue Bonds Payable

The Series 2019A and 2019B Hospital Revenue Bonds dated January 1, 2019 (the “2019 Bonds”), were issued in the original amount of \$11,120,029 to provide financing to construct a medical office building and pay off note payable obligations with Bloomsdale Bank, UMB Bank, and Flagstar Bank. The 2019 Bonds are secured by the net revenues of the Hospital. The Hospital is making monthly interest-only payments during the construction period on the 2019A Bonds. Scheduled monthly interest and principal payments will commence on April 1, 2020, through maturity at April 1, 2032. Interest on the 2019A Bonds is 3.56 percent. Principal and interest payments are due on the 2019B Bonds monthly, starting April 1, 2019, until the maturity date of March 1, 2026. Interest on the 2019B Bonds is 3.390 percent. The bonds were refunded by the Series 2020 bonds.

Series 2016 Revenue Bonds Payable

The Series 2016 Hospital Revenue Bonds dated January 29, 2015, were issued in the original amount of \$9,135,000 which bear interest at 2.997 percent initially and adjust on March 1, 2023, based on the Hospital’s choice of either a fixed rate for the final term of the bonds based on the nine-year Treasury note plus 2.00 percent times 65 percent or a floating rate quarterly reset based on the three-month LIBOR plus 2.00 percent times 65 percent. The proceeds of the bonds were used to refund the 2007 bonds in full and pay certain costs related to the issuance of the 2016 bonds. The bonds are secured by the net revenues of the Hospital. Principal and interest are due each March 1 and September 1, through maturity at March 1, 2032, commencing September 1, 2016. The bonds were refunded by the Series 2020 bonds.

Series 2011 Revenue Bonds Payable

The Series 2011A and 2011B Hospital Revenue Bonds dated September 28, 2011 (the “2011 Bonds”), were issued in the original amount of \$6,000,000 to provide financing to construct a medical office building. The 2011 Bonds are secured by the net revenues of the Hospital. Interest on the 2011A Bonds will be 3.80 percent and shall be adjusted on September 1, 2025, to an interest rate equal to the Prime Rate plus 0.25 percent per annum. Interest on the 2011B Bonds will be 3.79 percent and shall be adjusted September 1, 2025, to an interest rate equal to 65 percent of the sum of the seven-year

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Treasury rate and 3.00 percent per annum. The Hospital made monthly interest-only payments during the construction period and scheduled monthly interest and principal payments commenced on April 30, 2013, through maturity at September 2031. The bonds were refunded by the Series 2020 bonds.

The debt service requirements on the 2020 Hospital Revenue Bonds as of April 30, 2022, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2023	\$ 1,765,754	\$ 1,340,331	\$ 425,423
2024	1,765,724	1,370,087	395,637
2025	1,765,724	1,400,535	365,189
2026	1,765,724	1,431,659	334,065
2027	8,873,626	7,649,918	1,223,708
2028 - 2032	<u>7,013,937</u>	<u>6,755,394</u>	<u>258,543</u>
	<u>\$ 22,950,489</u>	<u>\$ 19,947,924</u>	<u>\$ 3,002,565</u>

Notes Payable

- A) Note payable dated January 29, 2016, to Missouri Department of Economic Development Division of Energy, in the amount of \$351,800 at 2.5 percent interest, semiannual payments of \$20,137 payable for a period of five years beginning June 1, 2016, with a final payment December 1, 2025. The proceeds were used for energy conservation at the Hospital's facilities.
- B) Note payable dated August 26, 2016, to Missouri Department of Economic Development Division of Energy, in the amount of \$95,508 at 2.75 percent interest, semiannual payments of \$8,483 payable for a period of six years beginning October 1, 2017, with a final payment on October 1, 2023. The proceeds were used to purchase energy efficient equipment at the Hospital's facilities.
- C) Note payable dated April 17, 2020, to Bloomsdale Bank, in the amount of \$3,700,000 at 1.0 percent interest, monthly payments of \$208,262 payable for a period of eighteen months beginning in May 2021, with final payment due October 2022. These proceeds were issued by the Small Business Administration (SBA) through the *Paycheck Protection Program and Health Care Enhancement Act*, as part of the government's response to the spread of the SARS-CoV-2 virus and the incidence of COVID-19. The Hospital received legal notice on May 21, 2021, that the PPP loan was forgiven in its entirety. The Hospital recognized the gain from extinguishment in nonoperating revenue in fiscal year 2022.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

The debt service requirements on the outstanding notes payable as of April 30, 2022, are as follows:

Year Ending April 30,	Total to be Paid	Principal	Interest
2023	\$ 60,966	\$ 53,269	\$ 7,697
2024	42,239	39,562	2,677
2025	40,273	38,570	1,703
2026	40,272	39,144	1,128
	\$ 183,750	\$ 170,545	\$ 13,205

Note 10: Line of Credit

The Hospital has a \$500,000 revolving line of credit expiring October 4, 2022. At April 30, 2022 and 2021, there was no outstanding balance borrowed against this line. The line is collateralized by substantially all of the Hospital's assets. Interest on advances under this borrowing arrangement is at 70 percent of the prime rate, which was 3.25 percent as of April 30, 2022.

Note 11: Charity Care

The costs of charity care provided under the Hospital's charity care policy were approximately \$158,000 and \$291,000 for 2022 and 2021, respectively. The cost of charity care is estimated by applying the ratio of cost to gross charges to the gross uncompensated charges from actual charity care applications that have been approved and written off.

Note 12: Pension Plan

The Hospital contributes to a defined contribution pension plan covering substantially all employees. Pension expense is recorded for the amount of the Hospital's required contributions, determined in accordance with the terms of the plan. The plan is administered by the Board of Directors. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital's Board of Directors. The Hospital matches 50 percent of the employee's contribution into the plan up to 3 percent of the employee's salary. Contributions made by the Hospital approximated \$484,000 and \$456,000 during 2022 and 2021, respectively.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Note 13: Deferred Compensation Plan

The Hospital offers select employees a deferred compensation plan created in accordance with Code Section 457 and permits eligible employees to defer a portion of their salary until future years. The deferred compensation is not available to employees or their beneficiaries until termination, retirement, death, or approval for hardship cases. The plan is administered and operated by the Hospital through a Retirement Plan Committee. An agreement was established between the Hospital and a third party to invest the plan assets and for assistance in administering the plan.

Note 14: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at April 30, 2022 and 2021:

Fair Value Measurements Using				
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
April 30, 2022				
Money market mutual funds	\$ 762,043	\$ 762,043	\$ -	\$ -
Exchange traded funds	328,743	328,743	-	-
Mutual funds	781,704	781,704	-	-

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Fair Value					
April 30, 2021					
Money market mutual funds	\$ 760,400	\$ 760,400	\$ -	\$ -	
Exchange traded funds	292,913	292,913	-	-	
Mutual funds	748,286	748,286	-	-	

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 15: Related Party Transactions

During the year ended April 30, 2010, the Hospital entered into a promissory note agreement with an officer of the Hospital in the amount of \$157,744. The note bears interest at an annual rate of 2 percent. The loan is subject to forgiveness of \$40,000 on January 1, 2020, followed by a \$20,000 forgiveness per year, including 2020, until the entire loan is forgiven. As of April 30, 2022 and 2021, the balance of the outstanding note agreement was \$37,744 and \$57,744, respectively.

Note 16: Litigation

In the normal course of business, the Hospital is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practice or performance of contracts. The Hospital evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

Note 17: Condensed Combining Information

The following tables include condensed combining balance sheet information for the Hospital and its blended component unit as of April 30, 2022 and 2021:

	2022		
	Hospital	Foundation	Total
Assets			
Current assets	\$ 34,082,749	\$ 379,404	\$ 34,462,153
Noncurrent cash and investments	11,547,228	1,434,777	12,982,005
Capital assets, net	23,671,773	8,585	23,680,358
Other assets	1,883,054	15,988	1,899,042
Total assets	<u>\$ 71,184,804</u>	<u>\$ 1,838,754</u>	<u>\$ 73,023,558</u>
Liabilities			
Current liabilities	\$ 7,832,131	\$ 817,289	\$ 8,649,420
Long-term debt	18,740,939	-	18,740,939
Total liabilities	<u>26,573,070</u>	<u>817,289</u>	<u>27,390,359</u>
Net Position			
Net investment in capital assets	3,863,441	-	3,863,441
Restricted expendable	148,363	566,215	714,578
Unrestricted	40,599,930	455,250	41,055,180
Total net position	<u>44,611,734</u>	<u>1,021,465</u>	<u>45,633,199</u>
Total liabilities and net position	<u>\$ 71,184,804</u>	<u>\$ 1,838,754</u>	<u>\$ 73,023,558</u>
	2021		
	Hospital	Foundation	Total
Assets			
Current assets	\$ 36,996,757	\$ 501,164	\$ 37,497,921
Noncurrent cash and investments	11,509,873	1,338,327	12,848,200
Capital assets, net	25,266,126	9,120	25,275,246
Other assets	1,209,369	37,978	1,247,347
Total assets	<u>\$ 74,982,125</u>	<u>\$ 1,886,589</u>	<u>\$ 76,868,714</u>
Liabilities			
Current liabilities	\$ 12,342,169	\$ 779,462	\$ 13,121,631
Advance from Medicare	1,751,856	-	1,751,856
Long-term debt	21,400,198	-	21,400,198
Total liabilities	<u>35,494,223</u>	<u>779,462</u>	<u>36,273,685</u>
Net Position			
Net investment in capital assets	4,595,978	-	4,595,978
Restricted expendable	150,690	584,115	734,805
Unrestricted	34,741,234	523,012	35,264,246
Total net position	<u>39,487,902</u>	<u>1,107,127</u>	<u>40,595,029</u>
Total liabilities and net position	<u>\$ 74,982,125</u>	<u>\$ 1,886,589</u>	<u>\$ 76,868,714</u>

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

The following tables include condensed combining statements of revenues, expenses, and changes in net position information for the Hospital and its blended component unit for the years ended April 30, 2022 and 2021:

	Hospital	2022 Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 55,754,792	\$ -	\$ 55,754,792
Other	1,871,520	-	1,871,520
Total operating revenues	57,626,312	-	57,626,312
Operating Expenses			
Salaries and wages	26,398,071	-	26,398,071
Employee benefits	5,936,126	-	5,936,126
Physicians' services	4,037,617	-	4,037,617
Other professional services	4,801,007	11,649	4,812,656
Supplies and other	15,942,399	175,278	16,117,677
Depreciation and amortization	3,342,538	534	3,343,072
Total operating expenses	60,457,758	187,461	60,645,219
Operating Income (Loss)	(2,831,446)	(187,461)	(3,018,907)
Nonoperating Revenues (Expenses)			
Noncapital gifts	131,264	176,402	307,666
County tax revenue	1,018,477	-	1,018,477
Interest	(460,574)	-	(460,574)
Investment income	230,291	(74,603)	155,688
CARES Act funding	3,318,722	-	3,318,722
Total nonoperating revenues	4,238,180	101,799	4,339,979
Excess (Deficiency) of Revenues Over Expenses	1,406,734	(85,662)	1,321,072
Capital Grants and Gifts and Special Item	3,717,098	-	3,717,098
Increase (Decrease) in Net Position	5,123,832	(85,662)	5,038,170
Net Position, Beginning of Year	39,487,902	1,107,127	40,595,029
Net Position, End of Year	\$ 44,611,734	\$ 1,021,465	\$ 45,633,199

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

	Hospital	2021 Foundation	Total
Operating Revenues			
Net patient service revenue	\$ 55,254,056	\$ -	\$ 55,254,056
Other	2,526,546	-	2,526,546
Total operating revenues	57,780,602	-	57,780,602
Operating Expenses			
Salaries and wages	23,947,412	-	23,947,412
Employee benefits	5,728,321	-	5,728,321
Physicians' services	3,438,534	-	3,438,534
Other professional services	4,858,400	6,487	4,864,887
Supplies and other	14,796,726	173,863	14,970,589
Depreciation and amortization	2,885,315	572	2,885,887
Total operating expenses	55,654,708	180,922	55,835,630
Operating Income (Loss)	2,125,894	(180,922)	1,944,972
Nonoperating Revenues (Expenses)			
Noncapital gifts	154,380	451,190	605,570
County tax revenue	944,240	-	944,240
Interest	(1,152,636)	-	(1,152,636)
Investment income	227,756	238,660	466,416
CARES Act funding	3,065,371	-	3,065,371
Total nonoperating revenues	3,239,111	689,850	3,928,961
Excess of Revenues Over Expenses	5,365,005	508,928	5,873,933
Capital Grants and Gifts	-	26,316	26,316
Increase in Net Position	5,365,005	535,244	5,900,249
Net Position, Beginning of Year	34,122,897	571,883	34,694,780
Net Position, End of Year	\$ 39,487,902	\$ 1,107,127	\$ 40,595,029

Ste. Genevieve County Memorial Hospital

Notes to Financial Statements

April 30, 2022 and 2021

The following tables include condensed combining statements of cash flows information for the Hospital and its blended component units for the years ended April 30, 2022 and 2021:

	Hospital	2022 Foundation	Total
Net Cash Provided By (Used in)			
Operating activities	\$ (1,963,192)	\$ (115,889)	\$ (2,079,081)
Noncapital financing activities	3,151,334	176,402	3,327,736
Capital and related financing activities	(4,056,298)	-	(4,056,298)
Investing activities	155,021	(171,053)	(16,032)
Cash and cash equivalents, beginning of year	<u>27,320,560</u>	<u>461,194</u>	<u>27,781,754</u>
Cash and cash equivalents, end of year	<u>\$ 24,607,425</u>	<u>\$ 350,654</u>	<u>\$ 24,958,079</u>
	Hospital	2021 Foundation	Total
Net Cash Provided By (Used in)			
Operating activities	\$ 4,902,454	\$ (127,708)	\$ 4,774,746
Noncapital financing activities	4,163,991	451,190	4,615,181
Capital and related financing activities	(5,858,681)	16,894	(5,841,787)
Investing activities	(4,547,971)	(541,678)	(5,089,649)
Cash and cash equivalents, beginning of year	<u>28,660,767</u>	<u>662,496</u>	<u>29,323,263</u>
Cash and cash equivalents, end of year	<u>\$ 27,320,560</u>	<u>\$ 461,194</u>	<u>\$ 27,781,754</u>