



Financial Statements  
June 30, 2020 and 2019

# Hand County Memorial Hospital, Inc.

Hand County Memorial Hospital, Inc.

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June 30, 2020 and 2019

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## Independent Accountant's Review Report

To the Board of Directors  
Hand County Memorial Hospital, Inc.  
Miller, South Dakota

We have reviewed the accompanying balance sheets of Hand County Memorial Hospital, Inc. (the "Organization"), as of June 30, 2020 and 2019, and the related statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility 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; this includes 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.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Sioux Falls, South Dakota  
October 23, 2020

Hand County Memorial Hospital, Inc.

Balance Sheets  
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 274,026	\$ 143,448
Receivables		
Patients and residents, net of allowances	55,018	66,826
Other	10,177	1,795
Supplies	4,772	6,737
Prepaid expenses	10,728	11,297
Total current assets	<u>354,721</u>	<u>230,103</u>
<b>Assets Limited as to Use</b>		
By Board for capital improvements and debt redemption	416,584	419,361
Under state unemployment agreement	5,269	5,217
Total assets limited as to use	<u>421,853</u>	<u>424,578</u>
<b>Property and Equipment, Net</b>	<u>3,049,089</u>	<u>3,139,078</u>
<b>Other Assets</b>		
Interest in net assets of Avera Health Foundation	215,134	216,374
Due from Avera McKennan	796,570	796,570
Total other assets	<u>1,011,704</u>	<u>1,012,944</u>
Total assets	<u>\$ 4,837,367</u>	<u>\$ 4,806,703</u>
<b>Liabilities and Net Assets</b>		
Current maturities of long-term debt	\$ 7,000	\$ 21,000
Accounts payable	47,045	46,664
Paycheck protection program	141,000	-
Accrued expenses		
Salaries and wages	32,181	29,190
Vacation	39,094	35,071
Interest	138	196
Payroll taxes, withholdings, and other	6,455	6,936
Total current liabilities	<u>272,913</u>	<u>139,057</u>
Long-Term Debt, Less Current Maturities	<u>13,703</u>	<u>20,436</u>
Total liabilities	<u>286,616</u>	<u>159,493</u>
<b>Net Assets</b>		
Without donor restrictions	4,392,143	4,479,694
With donor restrictions	158,608	167,516
Total net assets	<u>4,550,751</u>	<u>4,647,210</u>
Total liabilities and net assets	<u>\$ 4,837,367</u>	<u>\$ 4,806,703</u>

Hand County Memorial Hospital, Inc.  
Statements of Operations  
Years Ended June 30, 2020 and 2019

	2020	2019
<b>Revenue, Gains, and Other Support Without Donor Restrictions</b>		
Net patient and resident service revenue		
Assisted living	\$ 668,218	\$ 631,296
Ambulance services	151,889	160,716
Community health	60,755	65,052
Total net patient and resident service revenue	880,862	857,064
Dietary revenue	96,761	119,115
Wellness revenue	35,057	38,925
Lease revenue	359,235	359,433
Other revenue	5,741	4,472
Provider relief fund revenue	7,672	-
Total revenue, gains, and other support	1,385,328	1,379,009
<b>Expenses</b>		
Salaries and wages	590,425	573,433
Employee benefits	146,653	133,701
Supplies and other	287,096	310,307
Depreciation and amortization	175,183	185,628
Lease and rental	281,513	281,513
Interest	1,095	1,891
Provision for bad debts	24,785	15,713
Total expenses	1,506,750	1,502,186
Operating Loss	(121,422)	(123,177)
<b>Other Income (loss)</b>		
Investment (loss) income	(746)	15,906
(Loss) gain on sales and disposals of property and equipment	(1,798)	4,856
Change in interest in net assets of Avera Health Foundation	7,667	8,291
Other income, net	5,123	29,053
Expenses in Excess of Revenues	(116,299)	(94,124)
Contributions and Grants for Capital	28,747	43,332
Change in Net Assets Without Donor Restriction	\$ (87,552)	\$ (50,792)

Hand County Memorial Hospital, Inc.

Statements of Changes in Net Assets  
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Without Donor Restriction		
Expenses in excess of revenues	\$ (116,299)	\$ (94,124)
Contributions and grants for capital	<u>28,748</u>	<u>43,331</u>
Change in net assets Without Donor Restriction	(87,551)	(50,793)
With Donor Restriction		
Change in interest in net assets of Avera Health Foundation	<u>(8,908)</u>	<u>6,292</u>
Change in Net Assets	(96,459)	(44,501)
Net Assets, Beginning of Year	<u>4,647,210</u>	<u>4,691,711</u>
Net Assets, End of Year	<u>\$ 4,550,751</u>	<u>\$ 4,647,210</u>

Hand County Memorial Hospital, Inc.  
 Statements of Cash Flows  
 Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ (96,459)	\$ (44,501)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	175,183	185,628
Loss (gain) on sales and disposals of property and equipment	1,798	(4,856)
Change in unrealized loss (gain) on investments	10,600	(1,604)
Realized gains on investments, net	(8,973)	(13,400)
Undistributed portion of change in interest in net assets of Avera Health Foundation	(7,263)	(16,441)
Contributions restricted by donors	(28,747)	(43,332)
Change in assets and liabilities		
Receivables	3,426	68
Supplies	1,965	(455)
Prepaid expenses	569	(357)
Accounts payable	381	25,663
Accrued expenses and other liabilities	6,475	12,484
<b>Net Cash from Operating Activities</b>	<b>58,955</b>	<b>98,897</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(86,992)	(137,858)
Proceeds on the sale of property and equipment	-	4,856
Net change in assets limited as to use	(53)	(16)
<b>Net Cash used for Investing Activities</b>	<b>(87,045)</b>	<b>(133,018)</b>
<b>Financing Activities</b>		
Principal payments on long-term debt	(20,733)	(32,157)
Distributions from Avera Health Foundation	8,503	1,858
Paycheck protection program	141,000	-
Contributions restricted by donors	28,747	43,332
<b>Net Cash from Financing Activities</b>	<b>157,517</b>	<b>13,033</b>
<b>Net Change in Cash, Cash Equivalents and Designated Cash</b>	<b>129,427</b>	<b>(21,088)</b>
<b>Cash, Cash Equivalents, and Designated Cash Beginning of Year</b>	<b>151,197</b>	<b>172,285</b>
<b>Cash, Cash Equivalents, and Designated Cash End of Year</b>	<b>\$ 280,624</b>	<b>\$ 151,197</b>
Cash and Cash Equivalents	\$ 274,026	\$ 143,448
Cash and Cash Equivalents Included in Assets Limited as to Use	6,598	7,749
<b>Total cash, cash equivalents, and designated cash</b>	<b>\$ 280,624</b>	<b>\$ 151,197</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	\$ 1,153	\$ 1,951

**Note 1 - Organization and Significant Accounting Policies**

**Organization**

Hand County Memorial Hospital, Inc. (the Organization) operates a health care services organization and a 24-bed assisted living center located in Miller, South Dakota. Health care services provided by the Organization include wellness services, community nursing services, nutrition services, and ambulance services. In addition, the Organization owns hospital property and equipment which is leased to a third party for the operation of a critical access acute care hospital and clinic.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the statements of cash flows, cash and cash equivalents include certain investments in highly liquid debt instruments with original maturities of three months or less. Cash and cash equivalents on the balance sheets excludes amounts classified as assets limited as to use.

**Patient, Resident, and Other Receivables**

Patient and resident receivables are uncollateralized patient, resident, and third-party payor obligations. Payments of patient and resident receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim. Interest is not charged on delinquent accounts.

The carrying amount of receivables is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The estimated allowance for contractual adjustments and uncollectible accounts on patient and resident receivables for the years ended June 30, 2020 and 2019, was \$12,400 and \$5,600, respectively. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts.

The estimated uncollectible allowance for student loan receivables was \$3,170 and \$1,375 for the years ended June 30, 2020 and 2019. Management considers historical write off and recovery information in determining the estimated bad debt provision.



#### **Donor-restricted Gifts**

Unconditional promises to give cash and other assets to the Organization are reported at fair 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 either without donor restrictions or 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, donor restricted net assets are reclassified as without donor restriction net assets and reported in the statement of operations as net assets without donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as without donor restrictions in the accompanying financial statements.

#### **Supplies**

Supplies are stated at lower of cost (first-in, first-out) or net realizable value.

#### **Assets Limited as to Use**

Assets limited as to use include assets set aside by the Board of Directors for future capital improvements and debt redemption, over which the Board retains control and may, at its discretion, subsequently use for other purposes, and assets held under a state unemployment agreement. Assets limited as to use that are available for obligations classified as current liabilities are reported in current assets.

#### **Investments and Investment Income**

Investments with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges. Certificates of deposit are recorded at historical cost, plus accrued interest. All investments are classified as trading securities, therefore investment income or loss (including interest income, dividends, net changes in unrealized gains and losses, and net realized gains and losses) is included in the performance indicator unless the income or loss is restricted by donor or law.

The Organization, through its affiliation with Avera Health, participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Many of these alternative investments have fair values that are determined using the net asset value (NAV) provided by the investment manager. NAV is a practical expedient to determine the fair value of investments that do not have readily determinable fair values and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund based upon their pro rata share of the investments.

**Interest in Net Assets of Foundation**

Avera Health Foundation, an affiliate of the Organization, solicits contributions and holds funds on behalf of the Organization. The Organization's interest in these funds is recorded in assets limited as to use in the accompanying financial statements. Changes in the funds held by the Foundation are recorded as change in interest in net assets of Avera Health Foundation in the accompanying financial statements.

**Property and Equipment**

Property and equipment acquisitions in excess of \$1,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful life of each depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations, if any, is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. The estimated useful lives of property and equipment are as follows:

Land improvements	5 - 25 years
Leasehold improvements	5 - 35 years
Equipment	5 - 20 years

Gifts of long-lived assets such as land, buildings, or equipment are reported as additions to net assets without donor restrictions and are excluded from the performance indicator 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 net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when donated or when acquired long-lived assets are placed in service.

**Performance Indicator**

Expenses in excess of revenues is the performance indicator and excludes unrealized gains and losses on investments other than trading securities, transfers of assets to and from related parties for other than goods and services, and contributions of long-lived assets, including assets acquired using contributions which were restricted by donors.

**Net Patient and Resident Service Revenue**

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates per service, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered. Payments from third-party payors, patients and residents received in advance are deferred to the applicable period in which the related services are performed.

### **Income Taxes**

The Organization is a South Dakota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purpose. The Organization files an Exempt Organization Business Income Tax Return (Form 990T) with the IRS to report its unrelated business taxable income.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were incurred.

### **Advertising Costs**

The Organization expenses advertising costs as incurred.

### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in Note 11, which presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Costs not directly attributed to a function, such as employee benefits are allocated to a function based on salaries.

### **New Accounting Pronouncement**

As of July 1, 2019, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This update required that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents, by including amounts generally described as restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The impact of adopting ASU 2016-18 on the 2020 statement of cash flows resulted in an increase in cash, cash equivalents, restricted cash and restricted cash equivalents balance at July 1, 2018 of \$11,816, an increase in cash, cash equivalents, restricted cash and restricted cash equivalents balance at June 30, 2019 of \$7,749, a decrease in cash flow used in investing activities of \$4,067 for the year ended June 30, 2019 and a decrease in the net change in cash, cash equivalents, restricted cash and restricted cash equivalents of \$4,067 for the year ended June 30, 2019.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets or changes in net assets.

**Note 2 - Liquidity and Availability**

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

	2020	2019
Cash and cash equivalents	\$ 274,026	\$ 143,448
Receivables	65,195	68,621
By Board for capital improvements and debt redemption	416,584	419,361
	\$ 755,805	\$ 631,430

The table above includes funds set aside by the Board of Directors for capital improvements and debt redemption, and although the Organization does not intend to spend from these board-designated funds, these amounts could be made available if necessary.

**Note 3 - Property and Equipment**

A summary of property and equipment at June 30, 2020 and 2019, is as follows:

	2020		2019	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	\$ 384,206	\$ -	\$ 384,206	\$ -
Land improvements	71,954	67,529	71,954	66,881
Leasehold improvements	1,457,932	1,032,445	1,457,932	1,002,053
Building equipment	3,755,267	1,638,427	3,824,714	1,634,074
Equipment	512,290	394,159	583,600	480,320
	\$ 6,181,649	\$ 3,132,560	\$ 6,322,406	\$ 3,183,328
Net property and equipment		\$ 3,049,089		\$ 3,139,078

**Note 4 - Net 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 is as follows:

**Medicare:** The Organization is reimbursed for ambulance services provided to Medicare beneficiaries based on an established fee schedule.

**Medicaid:** The Organization is reimbursed for assisted living resident services at established daily rates as prescribed by the South Dakota Department of Human Services.

The Organization has also entered into payment agreements with certain commercial and other insurance carriers. The basis for payment to the Organization under these agreements includes prospectively determined rates, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is an ongoing level of uncertainty relative to the estimated liability for prior period cost reports. There is a reasonable possibility that recorded estimates will change by a material amount in the near term.

**Note 5 - Investments and Investment Income**

**Assets Limited as to Use**

The composition of assets limited as to use at June 30, 2020 and 2019, is shown in the following table.

	2020	2019
By board for capital improvements and debt redemption		
Cash and cash equivalents	\$ 6,598	\$ 7,749
Pooled Investment Fund *	409,986	411,612
	\$ 416,584	\$ 419,361
Under state unemployment agreement		
Certificate of deposit	\$ 5,269	\$ 5,217

**\*Pooled Investment Fund**

The Organization is a participant in the Avera Pooled Investment Fund, a fund administered by Avera Health that is maintained for the benefit of facilities that are sponsored, operated, or managed by Avera Health. Investments are made in conformity with the objectives and guidelines of the Avera Health Pooled Investment Committee. Within the fund, facilities share in a pool of investments that are managed by various fund managers. Asset valuation and income and losses of the fund are allocated to participating members based on the carrying amount of their investment in the fund.

Hand County Memorial Hospital, Inc.  
Notes to Financial Statements  
June 30, 2020 and 2019

As of June 30, 2020 and 2019, the Avera Pooled Investment Fund assets were comprised of the following types of investments:

	2020	2019
Equity mutual funds	28.9%	36.9%
Fixed income mutual funds	17.0%	17.6%
Non-publicly traded alternative investments		
Hedge fund	12.4%	17.4%
Real asset	1.2%	1.6%
Cash and short-term investments	23.9%	7.1%
Publicly traded equity securities	5.8%	6.2%
Foreign equities	4.2%	5.3%
Corporate bonds	3.9%	4.7%
U.S. government issues	1.4%	2.0%
Other fixed income	1.3%	1.2%
	100.0%	100.0%

**Investment Income**

Investment (loss) income and gains and losses on assets limited as to use, cash equivalents, and other investments consisted of the following for the years ended June 30, 2020 and 2019:

	2020	2019
Interest income	\$ 881	\$ 902
Realized gains on investments, net	8,973	13,400
Change in unrealized gains and losses on investments	(10,600)	1,604
	\$ (746)	\$ 15,906

**Note 6 - Leases**

**Lessee Leases**

The Organization leases real and personal property from Hand County. The agreement is for the period April 6, 2010 through April 5, 2030. The assets and liabilities existing at the end of the lease period are to be returned to the county. The lease is accounted for as an operating lease. This property is then subleased to another party.

**Lessor Leases**

As mentioned in Note 1, a portion of the Organization's business consists of the leasing of its hospital and clinic facilities and operations to a third party.

Effective April 6, 2010, the Organization signed a lease agreement with the lessor of the hospital operations. Under the agreement, the Organization's hospital and clinic property and equipment are leased under a long-term lease contract which expires April 5, 2030. Annual lease payments are approximately \$272,000.

**Note 7 - Long-Term Debt**

Long-term debt consists of:

	2020	2019
4.00% Contract for deed, due in annual installments of \$7,460 payable through April 2023	\$ 20,703	\$ 27,076
2.50% American Bank and Trust note, due in monthly installments of \$1,612 through March 2020	-	14,360
	20,703	41,436
Less current maturities	(7,000)	(21,000)
	\$ 13,703	\$ 20,436

Long-term debt maturities are as follows:

	Years Ending June 30,
2021	\$ 7,000
2022	7,000
2023	6,703
	\$ 20,703

**Note 8 - Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019:

	2020	2019
Interest in Foundation, consisting of investments held to support various health care related programs, capital projects, and services	\$ 119,360	\$ 128,268
Interest in Foundation held in perpetuity as endowment, the income from which supports program services	39,248	39,248
	\$ 158,608	\$ 167,516

**Note 9 - Pension Plan**

The Organization sponsors a SIMPLE IRA (Savings Incentive Match Plan for Employees Individual Retirement Account) plan under which employees become participants upon reaching age 21 and completing one year of service. Matching employer contributions of up to 3 percent of annual compensation are deposited with the plan trustee who invests the plan assets. The total pension expense for this plan was \$9,206 and \$8,533, respectively, for the years ended June 30, 2020 and 2019.

**Note 10 - Beneficial Interest in Assets Held by Community Foundation**

During 2009, Hand County Health, Wellness and Community Foundation, Inc. (HCHWC Foundation) was established as a community foundation for the public benefit, charitable, educational, religious, health, wellness, or scientific purposes. HCHWC Foundation's activities include fundraising for the Organization. In accordance with legal practice for community foundations, the HCHWC Foundation has been granted variance power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. HCHWC Foundation has assets totaling \$2,286 and \$16,454 that are restricted for the use of the Organization at June 30, 2020 and 2019.

During the years ended June 30, 2020 and 2019, the Organization received contributions from HCHWC Foundation, totaling \$21,972 and \$34,107, respectively.

**Note 11 - 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 year ended June 30, 2020, are as follows:

	Assisted Living	Dietary Services	Community Health	Wellness Services	Ambulance Services	Hospital Facility	General and Admin	Total
Salaries and wages	\$ 339,039	\$ 115,687	\$ 43,288	\$ -	\$ 54,187	\$ -	\$ 38,224	\$ 590,425
Employee benefits	84,212	28,735	10,752	-	13,459	-	9,495	146,653
Supplies and other	56,300	131,102	11,597	8,845	17,323	-	61,929	287,096
Depreciation and amortization	162,811	1,796	-	4,243	5,737	-	596	175,183
Lease and rental	-	-	-	9,886	-	271,627	-	281,513
Interest	-	-	-	-	-	-	1,095	1,095
Provision for bad debts	-	-	-	-	24,785	-	-	24,785
	<u>\$ 642,362</u>	<u>\$ 277,320</u>	<u>\$ 65,637</u>	<u>\$ 22,974</u>	<u>\$ 115,491</u>	<u>\$ 271,627</u>	<u>\$ 111,339</u>	<u>\$ 1,506,750</u>



Hand County Memorial Hospital, Inc.  
Notes to Financial Statements  
June 30, 2020 and 2019

Expenses related to providing these services by functional class for the year ended June 30, 2019 are as follows:

	Assisted Living	Dietary Services	Community Health	Wellness Services	Ambulance Services	Hospital Facility	General and Admin	Total
Salaries and wages	\$ 315,388	\$ 110,986	\$ 51,360	\$ -	\$ 56,366	\$ -	\$ 39,333	\$ 573,433
Employee benefits	73,536	25,877	11,975	-	13,142	-	9,171	133,701
Supplies and other	63,196	128,501	15,375	7,607	29,756	-	65,872	310,307
Depreciation and amortization	150,666	1,926	818	5,443	26,471	-	304	185,628
Lease and rental	-	-	-	9,886	-	271,627	-	281,513
Interest	-	-	-	-	-	-	1,891	1,891
Provision for bad debts	-	-	-	-	15,713	-	-	15,713
	<u>\$ 602,786</u>	<u>\$ 267,290</u>	<u>\$ 79,528</u>	<u>\$ 22,936</u>	<u>\$ 141,448</u>	<u>\$ 271,627</u>	<u>\$ 116,571</u>	<u>\$ 1,502,186</u>

**Note 12 - Concentrations of Credit Risk**

The Organization grants credit without collateral to its patients and residents, some of whom are insured under third-party payor agreements. The mix of receivables from third-party payors and patients and residents at June 30, 2020 and 2019, was as follows:

	2020	2019
Medicare	39%	9%
Medicaid	13%	11%
Commercial insurance	3%	11%
Other third-party payors and patients	45%	69%
	<u>100%</u>	<u>100%</u>

**Note 13 - Contingencies**

**Malpractice Insurance**

The Organization has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1-million per claim and an annual aggregate limit of \$3-million. The Organization is also insured under an excess umbrella liability policy with a limit of \$10-million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured.

During 2020, the world-wide coronavirus pandemic impacted national and global economies. The Organization is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the current and future full impact to the Organization is not known.

**Note 14 - Provider Relief Funds**

The Organization received \$7,672 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to coronavirus and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to coronavirus. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses of July 31, 2021. Unspent funds will be expected to be repaid.

These funds are recorded as a refundable advance when received and are recognized as revenues in the accompanying statements of operations as all terms and conditions are considered met. The terms and conditions are subject to interpretation and future clarification. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

As of June 30, 2020, the Organization had a total refundable advance balance of \$-0-. During the year ended June 30, 2020, the Organization recognized \$7,672 as revenue, included in total revenue, gains and other support on the statement of operations.

**Note 15 - Paycheck Protection Program**

The Organization was granted a \$141,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

**Note 16 - Subsequent Events**

Subsequent to year-end, the Organization agreed to purchase real estate for future development for a purchase price of \$110,000 plus closing costs.

Subsequent events have been evaluated through October 23, 2020, the date the financial statements were available to be issued.